FORM 10-K405

TENET HEALTHCARE CORP - THC

Filed: August 21, 2001 (period: May 31, 2001)

Annual report filed under Regulation S-K Item 405 (Discontinued)

QuickLinks -- Click here to rapidly navigate through this document

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

/x/ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended May 31, 2001.**

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: I-7293

TENET HEALTHCARE CORPORATION

(Exact name of Registrant as specified in its charter)

Nevada	**95-2557091**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3820 State Street Santa Barbara, California (Address of principal executive offices)	**93105** (Zip Code)

Area Code (805) 563-7000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange Pacific Exchange
7 7/8% Senior Notes due 2003	New York Stock Exchange
8 5/8% Senior Notes due 2003	New York Stock Exchange
6% Exchangeable Subordinated Notes due 2005	New York Stock Exchange
8% Senior Notes due 2005	New York Stock Exchange
8 5/8% Senior Subordinated Notes due 2007	New York Stock Exchange
7 5/8% Series B Senior Notes due 2008	New York Stock Exchange
8 1/8% Series B Senior Subordinated Notes due 2008	New York Stock Exchange
9 1/4% Senior Notes due 2010	New York Stock Exchange

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 and (2) has been subject to such filing requirements for the past 90 days. Yes /x/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. /x/

As of July 31, 2001, there were 327,587,331 shares of Common Stock outstanding. The aggregate market value of the shares of Common Stock held by non-affiliates of the Registrant, based on the closing price of these shares on the New York Stock Exchange, was $18,113,981,623. For the purposes of the foregoing calculation only, all directors and executive officers of the Registrant have been deemed affiliates.

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended May 31, 2001, have been incorporated by reference into Parts I, II and IV of this Report. Portions of the definitive Proxy Statement for the Registrant's 2001 Annual Meeting of Shareholders have been incorporated by reference into Part III of this Report.

TABLE OF CONTENTS

FORM 10-K ANNUAL REPORT—2001

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES

Note: The responses to Items 5 through 8, Items 12 and 13 and portions of Items 1, 3, 10, 11 and 14 are included in the Registrant's Annual Report to Shareholders for the year ended May 31, 2001, or the definitive Proxy Statement for the Registrant's 2001 Annual Meeting of Shareholders. The required information is incorporated into this Report by reference to those documents and is not repeated herein.

PART I

Item 1. Business

GENERAL

Tenet Healthcare Corporation (together with its subsidiaries, "Tenet", the "Registrant" or the "Company") is the second-largest investor-owned health care services company in the United States. At May 31, 2001, Tenet's subsidiaries and affiliates (collectively "subsidiaries") owned or operated 111 general hospitals with 27,277 licensed beds and related health care facilities serving urban and rural communities in 17 states, and held investments in other health care companies. The related health care facilities included a small number of rehabilitation hospitals, specialty hospitals, long-term care facilities, a psychiatric facility and many medical office buildings located on the same campus as, or nearby, its general hospitals, physician practices and various ancillary health care businesses, including outpatient surgery centers, home health care agencies, occupational and rural health care clinics and health maintenance organizations.

Several years ago Tenet adopted a "back to basics" approach to improving its operations and financial performance. Various initiatives developed as part of that back to basics approach helped Tenet to significantly improve its operations and financial performance in fiscal year 2001. Among those initiatives, which are discussed in more detail below, are initiatives to (i) acquire new, or expand and enhance existing, integrated health care delivery systems, (ii) improve patient, physician and employee satisfaction, (iii) reduce bad debts and improve cash flow, (iv) focus on core services such as cardiology, orthopedics and neurology designed to meet the health care needs of the aging baby boomer generation, (v) improve recruitment and retention of nurses and other employees, (vi) improve the quality of care provided at its hospitals by identifying best practices and exporting those best practices to all of its hospitals; and (vii) improve operating efficiencies and reduce costs while maintaining the quality of care provided.

Tenet regularly reviews its portfolio of facilities on a facility-by-facility basis to assess performance and allocate resources. Tenet intends to continue its strategic acquisitions of, and partnerships or affiliations with, additional general hospitals and related health care businesses in order to expand and enhance its integrated health care delivery systems. From time to time, Tenet also may close or sell facilities or convert them to alternate uses.

As discussed in more detail under Health Care on page 2, Tenet's subsidiaries acquired two general hospitals and sold one general hospital during fiscal 2001. On June 30, 2001, following the end of fiscal year 2001, Tenet acquired two more hospitals. On July 2, 2001, a joint venture between a Tenet subsidiary and The Cleveland Clinic Florida opened the Cleveland Clinic Florida Hospital.

On March 1, 2001, the Company entered into a new senior unsecured $500 million 364-day revolving credit agreement and a new senior unsecured $1.5 billion five-year revolving credit agreement. The new credit agreements allow the Company to borrow, repay and reborrow up to $500 million prior to March 1, 2002, and up to an additional $1.5 billion prior to March 1, 2006. The Company had approximately $1.8 billion available under its revolving credit agreements at May 31, 2001.

Under segment reporting criteria, Tenet's business of providing health care is a single reportable operating segment. See the discussion of Tenet's revenues and operations in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Tenet's 2001 Annual Report to Shareholders.

OPERATIONS

A. Health Care

All of Tenet's operations are conducted through its subsidiaries. At May 31, 2001, Tenet's subsidiaries operated 111 general hospitals with 27,277 licensed beds serving urban and rural communities in 17 states. Of those general hospitals, 91 are owned by Tenet's subsidiaries and 20 are owned by third parties and leased by Tenet subsidiaries (including one Tenet-owned facility that is on land leased from a third party). A Tenet subsidiary also owns one general hospital and ancillary health care operations in Barcelona, Spain.

During fiscal 2001, Tenet's subsidiaries acquired two general hospitals, Shelby Regional Medical Center, in Center, Texas, with a total of 54 beds and South Fulton Medical Center in East Point, Georgia with a total of 392 beds. On June 30, 2001, following the end of fiscal year 2001, a Tenet subsidiary acquired St. Mary's Medical Center with a total of 460 beds and Good Samaritan Medical Center with a total of 341 beds, both located in Palm Beach County, Florida. On July 2, 2001, a joint venture between a Tenet subsidiary and The Cleveland Clinic Florida–a branch of The Cleveland Clinic Foundation–opened the newly constructed Cleveland Clinic Florida Hospital in Weston, Florida with a total of 150 beds. Under a partnership arrangement, The Cleveland Clinic Florida will oversee all aspects of clinical care and medical management while a subsidiary of Tenet will provide operational and management expertise for the new facility. During fiscal 2001, Tenet sold one general hospital and three long-term care facilities, closed one long-term care facility and combined the operations of one rehabilitation hospital with a general hospital.

Each of Tenet's general hospitals offers acute care services, operating and recovery rooms, radiology services, respiratory therapy services, pharmacies and clinical laboratories, and most offer intensive-care, critical-care and/or coronary care units, and physical therapy, orthopedic, oncology and outpatient services. A number of the hospitals also offer tertiary care services such as open-heart surgery, neonatal intensive care and neuroscience. Six of the Company's hospitals–Memorial Medical Center, USC University Hospital, Saint Louis University Hospital, Hahnemann University Hospital, Sierra Medical Center and St. Christopher's Hospital for Children–offer quaternary care in such areas as heart, lung, liver and kidney transplants. USC University Hospital, Sierra Medical Center and Good Samaritan Medical Center also offer gamma-knife brain surgery and Saint Louis University Hospital, Hahneman University Hospital and Memorial Medical Center offer bone marrow transplants. Except for one small hospital that has not sought to be accredited, each of the Company's facilities that is eligible for accreditation is fully accredited by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"), the Commission on Accreditation of Rehabilitation Facilities ("CARF") (in the case of rehabilitation hospitals), The American Osteopathic Association ("AOA") (in the case of two hospitals) or another appropriate accreditation agency. With such accreditation, the Company's hospitals are eligible to participate in the Medicare and Medicaid programs. The one hospital that is not accredited participates in the Medicare program through a

special waiver that must be renewed each year.

For many years, significant unused capacity at U.S. hospitals, payor-required preadmission authorization and payor pressure to maximize outpatient and alternative health care delivery services for less acutely ill patients created an environment where hospital admissions and length of stay declined significantly. More recently, admissions have begun to increase as the baby boomer generation enters the stage of life where hospital utilization increases.

Among various initiatives the Company has implemented to address this trend is focusing on core services such as cardiology, orthopedics and neurology to meet the health care needs of the baby boomer generation. The Company's facilities also will continue to emphasize those outpatient services that can be provided on a quality, cost-effective basis and that the Company believes will meet the needs of the communities the facilities serve. The patient volumes and net operating revenues at both the Company's general hospitals and its outpatient surgery centers are subject to seasonal variations caused by a number of factors, including, but not necessarily limited to, seasonal cycles of illness, climate and weather conditions, vacation patterns of both patients and physicians and other factors relating to the timing of elective procedures.

The largest concentrations of the Company's hospital beds are in California (29.1 percent), Florida (13.9 percent) and Texas (13.4 percent). While having concentrations of hospital beds within geographic areas helps the Company to contract more successfully with managed care payors, reduce management and marketing expenses and more efficiently utilize resources, such concentrations increase the risk that any adverse economic, regulatory or other developments that may occur within such areas may adversely affect the Company's business, financial condition or results of operations.

Tenet believes that its hospitals are well-positioned to compete effectively in the rapidly evolving health care environment. Tenet continually analyzes whether each of its hospitals fits within its strategic plans and has and will continue to analyze ways in which such assets may best be used to maximize shareholder value. To that end, the Company occasionally may close, sell or convert to alternate uses certain of the Company's facilities and services in order to eliminate non-strategic assets, duplicate services and excess capacity or because of changing market conditions.

The following table lists, by state, the general hospitals owned or leased by Tenet's subsidiaries and operated domestically as of May 31, 2001:

Geographic Area/State	Facility	Location	Licensed Beds	Status
Alabama	Brookwood Medical Center	Birmingham	586	Owned
Arkansas	Central Arkansas Hospital	Searcy	193	Owned
	National Park Medical Center	Hot Springs	166	Owned
	Regional Medical Center of NEA (1)	Jonesboro	104	Owned
	St. Mary's Regional Medical Center	Russellville	170	Owned
California (Southern)	Alvarado Hospital Medical Center/SDRI	San Diego	311	Owned
	Brotman Medical Center	Culver City	432	Owned
	Centinela Hospital Medical Center	Inglewood	384	Owned
	Century City Hospital	Los Angeles	190	Leased
	Chapman Medical Center	Orange	114	Leased
	Coastal Communities Hospital	Santa Ana	178	Owned
	Community Hospital of Huntington Park	Huntington Park	81	Leased
	Desert Regional Medical Center	Palm Springs	388	Leased
	Encino-Tarzana Regional Medical Center (2)	Encino	151	Leased
	Encino-Tarzana Regional Medical Center (2)	Tarzana	236	Leased
	Fountain Valley Regional Hospital and Medical Ctr	Fountain Valley	365	Owned
	Garden Grove Hospital and Medical Center	Garden Grove	155	Owned
	Garfield Medical Center	Monterey Park	210	Owned
	Greater El Monte Community Hospital	South El Monte	117	Owned
	Irvine Regional Hospital and Medical Center	Irvine	176	Leased

	John F. Kennedy Memorial Hospital	Indio	130	Owned
	Lakewood Regional Medical Center	Lakewood	161	Owned
	Los Alamitos Medical Center	Los Alamitos	167	Owned
	Midway Hospital Medical Center	Los Angeles	225	Owned
	Mission Hospital of Huntington Park	Huntington Park	109	Owned
	Monterey Park Hospital	Monterey Park	101	Owned
	Placentia Linda Hospital	Placentia	114	Owned
	Queen of Angels—Hollywood Presbyterian Med Ctr	Los Angeles	434	Owned
	Saint Luke Medical Center	Pasadena	165	Owned
	San Dimas Community Hospital	San Dimas	93	Owned
	Santa Ana Hospital Medical Center	Santa Ana	69	Leased
	Suburban Medical Center	Paramount	182	Leased
	USC University Hospital (3)	Los Angeles	285	Leased
	Western Medical Center—Santa Ana	Santa Ana	287	Owned
	Western Medical Center Hospital Anaheim	Anaheim	188	Owned
	Whittier Hospital Medical Center	Whittier	181	Owned
California (Northern)	Community Hospital of Los Gatos	Los Gatos	143	Leased
	Doctors Hospital of Manteca	Manteca	73	Owned

	Doctors Medical Center	Modesto	459	Owned
	Doctors Medical Center	San Pablo	233	Leased
	Redding Medical Center	Redding	238	Owned
	San Ramon Regional Medical Center	San Ramon	123	Owned
	Sierra Vista Regional Medical Center	San Luis Obispo	201	Owned
	Twin Cities Community Hospital	Templeton	84	Owned
Florida	Coral Gables Hospital	Coral Gables	273	Owned
	Delray Medical Center	Delray Beach	343	Owned
	Florida Medical Center	Ft. Lauderdale	459	Owned
	Hialeah Hospital	Hialeah	378	Owned
	Hollywood Medical Center	Hollywood	324	Owned
	North Ridge Medical Center	Ft. Lauderdale	391	Owned
	North Shore Medical Center	Miami	357	Owned
	Palm Beach Gardens Community Hospital	Palm Beach Gardens	204	Leased
	Palmetto General Hospital	Hialeah	360	Owned
	Parkway Regional Medical Center	North Miami Beach	382	Owned
	Seven Rivers Community Hospital	Crystal River	128	Owned
	West Boca Medical Center	Boca Raton	185	Owned
Georgia	Atlanta Medical Center	Atlanta	460	Owned
	North Fulton Regional Hospital	Roswell	167	Leased
	South Fulton Medical Center	East Point	392	Owned
	Spalding Regional Hospital	Griffin	160	Owned
	Sylvan Grove Hospital	Jackson	25	Leased
Indiana	Winona Memorial Hospital	Indianapolis	317	Owned
Louisiana	Doctors Hospital of Jefferson	Metairie	138	Owned
	Kenner Regional Medical Center	Kenner	203	Owned
	Meadowcrest Hospital	Gretna	203	Owned
	Memorial Medical Center, Mid-City Campus	New Orleans	230	Owned
	Memorial Medical Center, Uptown Campus	New Orleans	383	Owned
	Northshore Regional Medical Center	Slidell	174	Leased
	St. Charles General Hospital	New Orleans	163	Owned
Massachusetts	MetroWest Medical Center —Leonard Morse(4)	Natick	182	Owned

	MetroWest Medical Center —Union Hospital(4)	Framingham	238	Owned
	Saint Vincent Hospital at Worcester Medical Ctr(5)	Worcester	350	Owned
Mississippi	Gulf Coast Medical Center	Biloxi	189	Owned
Missouri	Des Peres Hospital	St. Louis	167	Owned
	Forest Park Hospital	St. Louis	448	Owned
	SouthPointe Hospital	St. Louis	408	Owned
	Saint Louis University Hospital	St. Louis	356	Owned
	Three Rivers Healthcare—North Campus	Poplar Bluff	201	Leased
	Three Rivers Healthcare—South Campus	Poplar Bluff	222	Owned
	Twin Rivers Regional Medical Center	Kennett	116	Owned
Nebraska	Saint Joseph Hospital (6)	Omaha	388	Owned

Nevada	Lake Mead Hospital Medical Center	North Las Vegas	198	Owned
North Carolina	Central Carolina Hospital	Sanford	137	Owned
	Frye Regional Medical Center	Hickory	355	Leased
Pennsylvania	Elkins Park Hospital	Elkins Park	280	Owned
	Graduate Hospital	Philadelphia	303	Owned
	Hahnemann University Hospital	Philadelphia	618	Owned
	Medical College of Pennsylvania Hospital	Philadelphia	465	Owned
	Parkview Hospital	Philadelphia	200	Owned
	St. Christopher's Hospital for Children	Philadelphia	183	Owned
	Warminster Hospital	Warminster	180	Owned
South Carolina	East Cooper Regional Medical Center	Mount Pleasant	100	Owned
	Hilton Head Medical Center and Clinics	Hilton Head	85	Owned
	Piedmont Medical Center	Rock Hill	268	Owned
Tennessee	John W. Harton Regional Medical Center	Tullahoma	137	Owned
	Saint Francis Hospital	Memphis	651	Owned
	University Medical Center	Lebanon	257	Owned
Texas (Dallas)	Doctors Hospital	Dallas	228	Owned
	Garland Community Hospital	Garland	113	Owned
	Lake Pointe Medical Center	Rowlett	97	Owned
	RHD Memorial Medical Center	Dallas	150	Leased
	Trinity Medical Center	Carrollton	137	Leased
Texas (Houston)	Bayou City Medical Center	Houston	526	Owned
	Cypress Fairbanks Medical Center	Houston	140	Owned
	Houston Northwest Medical Center	Houston	498	Owned
	Park Plaza Hospital	Houston	468	Owned
Texas (Other)	Brownsville Medical Center	Brownsville	243	Owned
	Nacogdoches Medical Center	Nacogdoches	150	Owned
	Providence Memorial Hospital	El Paso	486	Owned
	Shelby Regional Medical Center	Center	54	Owned
	Sierra Medical Center	El Paso	354	Owned

(1) Owned by a limited liability company in which a Tenet subsidiary owns a 95 percent interest and is the managing member.

(2) Leased by a partnership in which Tenet's subsidiaries own a 75 percent interest and of which a Tenet subsidiary is the managing general partner.

(3) Facility owned by Tenet on land leased from a third party.

(4)
Owned by a limited partnership in which a Tenet subsidiary owns a 79.9 percent interest and is the managing general partner.

(5)
Owned by a limited liability company in which a Tenet subsidiary owns a 90 percent interest and is the managing member.

(6)
Owned by a limited liability company in which a Tenet subsidiary owns a 74 percent interest and is the managing member.

The following table shows certain information about the general hospitals owned or leased domestically by Tenet's subsidiaries for the fiscal years ended May 31:

	1999	2000	2001
Total number of facilities	130	110	111
Total number of licensed beds	30,791	26,939	27,277
Average occupancy during the period	45.4%	46.8%	50.0%

Note: The above tables do not include Tenet's general hospital in Barcelona, Spain, or Tenet's rehabilitation hospitals, long-term care facilities, psychiatric facility, outpatient surgery centers or other ancillary facilities.

B. Business Strategy

The Company's objective is to provide quality health care services responsive to the needs of each community or area within the current regulatory and managed care environment. Tenet believes that competition among health care providers occurs primarily at the local level. Accordingly, the Company tailors its local strategies to address the specific competitive characteristics of each area in which it operates, including the number and size of facilities operated by Tenet's subsidiaries and their competitors, the nature and structure of physician practices and physician groups and the demographic characteristics of the area. To achieve its objective, the Company pursues the following strategies:

- Acquiring or entering into strategic partnerships with hospitals, groups of hospitals, other health care businesses and ancillary health care providers where appropriate to expand and enhance quality integrated health care delivery systems responsive to the current managed care environment. Being a comprehensive provider of quality health care services in selected communities enables the Company to attract and serve patients and physicians. The Company carefully evaluates investment opportunities and invests in projects that enhance its objective of providing quality health care services, maximizing its return on investments and enhancing stockholder value.

- Improving patient, physician and employee satisfaction. One important new initiative in this area, the "Target 100" program, targets 100 percent satisfaction rates among patients, physicians and employees at Tenet's facilities. Under the program, employees at every hospital are trained to focus on the following five pillars in every aspect of their jobs: Service, Quality, Cost, People and Growth. Employees at all of Tenet's hospitals have received their initial Target 100 training and Target 100 has been fully implemented at approximately one-half of the Company's hospitals. The program also is being implemented at the Company's corporate offices and Dallas operations center, with the focus on attaining 100 percent satisfaction from the hospitals served by the Company's corporate offices and Dallas operations center.

- Reducing bad debts and improving cash flow. The Company has taken actions such as improving its admissions processes, including providing better training for employees involved in admitting patients, simplifying its contracts with managed care providers to cut down on billing disputes, improving its charting and billing processes to bill more promptly and reduce the number of errors, and re-engineering the collections process to ensure that bills are paid in a timely manner.

- Focusing on core services such as cardiology, orthopedics and neurology designed to meet the health care needs of the aging baby boomer generation. The Company is dedicating its capital to building or enhancing facilities and acquiring equipment to support those core services and is focusing on recruiting physicians who specialize in cardiology, orthopedics and neurology to practice at its hospitals.

- Improving recruitment and retention of nurses and other employees. Among the steps Tenet is taking to attract and retain employees generally, and nurses in particular, is its "employer of choice" program, through which Tenet strives to be the

employer of choice in each region where it is located. The program includes continuing education programs designed to allow employees to earn advanced credentials and degrees, including on-line education programs, which may be completed at a Tenet facility or at home in order to address the varied work schedules of hospital-based employees. The program also includes reducing waiting periods for participation in employee benefit plans, flexible work schedules where appropriate and the Tenet Rewards program, which allows employees to purchase certain goods and services at discounted prices.

- Improving the quality of care provided at its hospitals by identifying best practices, re-engineering hospital processes to help achieve better outcomes for patients, and exporting those best practices to all of its hospitals. One initiative designed to accomplish this is Tenet's "Partnership for Change" program. The program is designed to create a quality monitoring culture among Tenet's employees, physicians and other health care professionals who practice at Tenet's hospitals. The program calls for tracking outcomes, which will enable the Company to maximize the most effective clinical practices and eliminate those clinical practices that have proven not to be effective. The Partnership for Change program initially is being implemented in Southern California, St. Louis, New Orleans and South Florida. Over time, the program will be implemented at all of Tenet's facilities.

- Improving operating efficiencies and reducing costs while maintaining the quality of care provided. For example, by aggregating volume purchases among a large group of purchasers, including Tenet's hospitals and the hospitals and other health care facilities of many other investor-owned and not-for-profit health care providers, and enforcing purchasing guidelines, Broadlane, Inc. has been able to lower Tenet's supply costs. Broadlane also offers procurement strategy, outsourcing and e-commerce services. While Tenet is the majority owner of Broadlane, other health care providers and others, including key employees of Tenet and its subsidiaries, have invested in Broadlane.

- Developing and maintaining strong relationships with physicians and fostering a physician-friendly culture that will enhance patient care and fulfill the health care needs of the communities the Company serves.

- Entering into discounted fee-for-service arrangements and managed care contracts with third-party payors.

Tenet's general hospitals serve as hubs for integrated health care delivery systems. Those systems are designed to provide quality medical care throughout a community or area. For a further discussion of how Tenet's business strategy enhances its competitive position, see Competition on page 11.

To continue to enhance its integrated health care delivery systems, Tenet intends to make strategic acquisitions of hospitals, build new hospitals and expand its existing hospitals. While various factors slowed the Company's pace of acquisitions in recent years, the Company recently has seen an increase in the number of not-for-profit hospitals available for purchase and expects to make more strategic acquisitions as a result of that trend. The fact that the governing boards of not-for-profit hospitals now typically engage investment bankers or other third parties to assist with the process of selling their hospitals results in a more competitive process, which may result in higher prices for those hospitals. Furthermore, legislative requirements concerning the procedures that a for-profit hospital company must follow when acquiring a not-for-profit hospital in many states, as well as other factors, have increased the amount of time it takes the Company to acquire a not-for-profit hospital. In order to meet market-driven demands, such as the demand for hospital services in a wider geographic area or for outpatient services, and to expand its hospitals' market share in certain geographic areas, the Company also is pursuing opportunities to build new hospitals or comprehensive outpatient centers that typically do not provide overnight inpatient care.

Several years ago, the Company employed or entered into at-risk management agreements with physicians in most of its markets. A large percentage of those physician practices were acquired as part of large hospital acquisitions or through the formation of integrated health care delivery systems. Those physician practices, however, generally have not been profitable. Accordingly, the Company evaluated its physician strategy in each of its markets and developed plans to either terminate or allow a significant number of its existing contracts to expire. As of May 31, 2001, the Company terminated its relationship with approximately 77 percent of those practices and expects to terminate its relationship with an additional 5-10 percent of those relationships by December 31, 2001.

PROPERTIES

Tenet's principal executive offices are located at 3820 State Street, Santa Barbara, California 93105. That building is leased by a Tenet subsidiary under a lease that expires in 2006. The telephone number of Tenet's Santa Barbara headquarters is (805) 563-7000. Hospital support services for Tenet's subsidiaries are located in an operations center in Dallas, Texas, in space leased by a Tenet subsidiary under a lease that terminates in 2010 unless the Company exercises one or both of its two five-year renewal options. At May 31, 2001, Tenet and its subsidiaries also were leasing space for regional offices in California, Florida, Georgia, Louisiana, Missouri, Pennsylvania and Texas. In addition, Tenet's subsidiaries operated domestically 163 medical office buildings, most of which are adjacent to Tenet's general hospitals.

The number of licensed beds and locations of the Company's general hospitals are described on pages 4 through 6. As of May 31, 2001, Tenet had approximately $30 million of outstanding loans secured by property and equipment and approximately $41 million of capitalized lease obligations. The Company believes that all of these properties, as well as the administrative and medical office buildings described

above, are suitable for their intended purposes.

MEDICAL STAFF AND EMPLOYEES

Tenet's hospitals are staffed by licensed physicians who have been admitted to the medical staff of individual hospitals. Members of the medical staffs of Tenet's hospitals also often serve on the medical staffs of hospitals not owned by the Company and may terminate their affiliation with the Tenet hospital or shift some or all of their admissions to competing hospitals at any time. Although Tenet owns some physician practices and, where permitted by law, employs some physicians, the majority of the physicians who practice at the Company's hospitals are not employees of the Company. Nurses, therapists, lab technicians, facility maintenance staff and the administrative staff of hospitals, however, normally are employees of the Company, as are the staff of the physician practices.

Tenet's operations are dependent on the efforts, ability and experience of its employees and physicians. Tenet's continued growth depends on (i) its ability to attract and retain skilled employees, (ii) the ability of its key employees to manage growth successfully and (iii) Tenet's ability to attract and retain physicians and other health care professionals at its hospitals. In addition, the success of Tenet is, in part, dependent upon the quality, number and specialties of physicians on its hospitals' medical staffs, most of whom have no long-term contractual relationship with Tenet and may terminate their association with Tenet's hospitals at any time. Although Tenet currently believes it will continue to successfully attract and retain key employees, qualified physicians and other health care professionals, the loss of some or all of its key employees or inability to attract or retain sufficient numbers of qualified physicians and other health care professionals could have a material adverse effect on the Company's business, financial condition or results of operations.

The number of Tenet's employees (of which approximately 30 percent were part-time employees) at May 31, 2001, was approximately as follows:

General hospitals and related health care facilities(1)	105,853
Dallas Operations Center and regional and support offices	910
Corporate headquarters	137
Total	106,900

(1) Includes employees whose employment relates to the operations of the Company's general hospitals, rehabilitation hospitals, psychiatric facility, specialty hospitals, outpatient surgery centers, managed services organizations, physician practices, debt collection subsidiary and other health care operations.

Tenet is subject to the federal minimum wage and hour laws and maintains various employee benefit plans. Labor relations at Tenet's facilities have been satisfactory. Approximately eight percent of Tenet's employees are represented by labor unions, but the hospital industry in general, including the Company's hospitals, are seeing an increase in the amount of union activity.

The hospital industry in general is experiencing a nationwide nursing shortage. This shortage is more serious in certain areas than others, including several areas in which the Company operates hospitals, such as South Florida, Southern California and Texas, and in certain specialties. The shortage has resulted in increased costs to the Company for nursing personnel. The Company cannot predict the degree to which it will be affected by the future availability and cost of nursing personnel but it expects the nursing shortage to continue and may require the Company to enhance wages and benefits to recruit and retain nurses. Among the steps Tenet is taking to attract and retain employees generally, and nurses in particular, is its "employer of choice" program, which is described on page 8 above.

COMPETITION

Tenet's general hospitals and other health care businesses operate in competitive environments. A facility's competitive position within the geographic area in which it operates is affected by a number of competitive factors, including the scope, breadth and quality of services a hospital offers to its patients and physicians; the number, quality and specialties of the physicians who refer patients to the hospital, nurses and other health care professionals employed by the hospital or on its staff; its reputation; its managed care contracting relationships; the extent to which it is part of an integrated health care delivery system; its location; the location and number of competitive facilities and other health care alternatives; the physical condition of its buildings and improvements; the quality, age and state of the art of its medical equipment; its parking or proximity to public transportation; the length of time it has been a part of the community; and its charges for services. Tax-exempt competitors may have certain financial advantages not available to Tenet's facilities, such as endowments, charitable contributions, tax-exempt financing and exemption from sales, property and income taxes. Tenet believes that competition among health care providers occurs primarily at the local level. Accordingly, the Company tailors its local strategies to address the specific competitive characteristics of each region in which it operates.

The importance of Tenet's facilities obtaining managed care contracts has increased over the years as employers, private and government payors and others have tried to control rising health care costs. The revenues and operating results of most of the Company's hospitals are

significantly affected by the hospitals' ability to negotiate favorable contracts with managed care payors.

A health care provider's ability to compete for favorable managed care contracts is affected by many factors, including the competitive factors referred to above. Among the most important of those factors is whether the hospital is part of an integrated health care delivery system and, if so, the scope, breadth and quality of services offered by such system and by competing systems. A hospital that is part of a system with many hospitals throughout a geographic area is more likely to obtain managed care contracts, and to obtain more favorable terms in those contracts, than a hospital that is not.

Tenet evaluates changing circumstances in each geographic area on an ongoing basis and positions itself to compete in the managed care market by forming its own, or joining with others to form, integrated health care delivery systems. Most of Tenet's hospitals are located in geographic areas where they have the number one or number two market share. In those areas, Tenet negotiates with managed care providers with the goal of including all of its hospitals within the region in each managed care contract. In addition to negotiating managed care contracts for its networks of hospitals, Tenet: (i) encourages physicians practicing at its hospitals to form independent physician associations ("IPAs") and (ii) joins with those IPAs as well as other physicians and physician group practices to form physician hospital organizations ("PHOs") to enter into managed care and other contracts both on behalf of those groups and, in certain circumstances, on behalf of the PHOs.

Tenet's networks in Southern California, South Florida, the greater New Orleans area, St. Louis and Philadelphia are models of how Tenet has developed networks of its own hospitals and related health care facilities to meet the health care needs of these communities throughout those geographic areas. In geographic areas where Tenet has fewer hospitals, those hospitals may join with other hospitals and health care providers to create integrated health care delivery systems in order to better compete for managed care contracts.

Another important factor in Tenet's future success is the ability of its hospitals to continue to attract and retain staff physicians. The Company attracts physicians to its hospitals by equipping its hospitals with technologically advanced equipment and physical plant, sponsoring training programs to educate physicians on advanced medical procedures and otherwise creating an environment within which physicians prefer to practice. The Company also attracts physicians to its hospitals by using local governing boards, consisting primarily of physicians and community members, to develop short-and long-term plans for the hospital and review and approve, as appropriate, actions of the medical staff, including staff appointments, credentialing, peer review and quality assurance. While physicians may terminate their association with a hospital at any time, Tenet believes that by striving to maintain and improve the level of care at its hospitals and by maintaining ethical and professional standards, it will attract and retain qualified physicians with a variety of specialties.

Two important initiatives that Tenet has adopted to enhance physician satisfaction and make the Company's hospitals more attractive to physicians are the "Target 100" and the "Partnership for Change" programs. As noted in the Business Strategy discussion on page 7, the "Target 100" program targets 100 percent satisfaction rates among patients, physicians and employees at Tenet's facilities. Under the program, employees at every hospital are trained to focus on the following five pillars in every aspect of their jobs: Service, Quality, Cost, People and Growth. Tenet's Partnership for Change initiative, which also is described in the Business Strategy discussion on page 8, is designed to create a quality monitoring culture among Tenet's employees, physicians and other health care professionals who practice at Tenet's hospitals. The program employs a computerized outcomes management system that contains clinical and demographic information from the Company's hospitals and physicians and allows users to identify "best practices" for treating specific diagnostic-related groups. This will enable the Company to maximize the most effective clinical practices and eliminate those that have proven not to be effective.

The health care industry continues to contend with a nursing shortage and increased competition for nurses and other health care professionals. The steps the Company is taking to address that competition are described in the discussion concerning Medical Staff and Employees on page 10 and are discussed below.

The health care industry has undergone a tremendous amount of change over the past several years. In the late 1990's, national and state efforts to reform the health care system in the United States adversely impacted reimbursement rates under government programs such as Medicare and Medicaid. More recently, however, hospitals have been granted relief in the form of higher reimbursement rates. The earlier cutback in reimbursement rates and the more recent relief in the form of higher reimbursement rates are described in more detail under Medicare, Medicaid and Other Revenues on page 14.

Similarly, for many years general hospitals faced efforts by managed care payors to reduce inpatient admissions and average lengths of stay, and to reduce the amounts hospitals were paid for providing care to their patients. Among the methods used by managed care payors to accomplish those goals have been payor-required pre-admission authorization and utilization review and payor pressure to maximize outpatient and alternative health care delivery services for less acutely ill patients. However, because of the Company's strategies, its hospitals achieved strong admissions growth in fiscal year 2001 and expect their admissions growth to continue. Furthermore, the Company successfully negotiated higher payment rates under many of its managed care contracts in fiscal year 2001 and expects to continue to negotiate higher payment rates from managed care payors.

Changes in medical technology, existing and future legislation, regulations, interpretations of those regulations, competitive contracting for provider services by payors and other competitive factors may require changes in the Company's facilities, equipment, personnel, procedures, rates and/or services in the future. The Company believes it has the capital available to respond to those challenges.

To meet the foregoing challenges, the Company (i) has implemented the business strategies described on pages 7 through 9, (ii) has

expanded or converted many of its general hospitals' facilities to include distinct outpatient centers, (iii) offers discounts to private payor groups, (iv) upgrades facilities and equipment, (v) offers new programs and services and (vi) is entering into additional managed care contracts.

MEDICARE, MEDICAID AND OTHER REVENUES

Tenet receives payments for patient care from private insurance carriers, federal Medicare programs for elderly patients and patients with disabilities, health maintenance organizations, preferred provider organizations, state Medicaid programs for indigent and cash grant patients, the TriCare Program ("TriCare"), employers and patients. The approximate percentages of Tenet's net patient revenue by payment sources for Tenet's domestic general hospitals owned or operated by its subsidiaries are as follows:

	Years Ended May 31,		
	1999	2000	2001
Medicare	34.2%	32.6%	30.8%
Medicaid	9.1%	8.3%	8.2%
Managed Care	37.6%	40.7%	43.3%
Indemnity and Other	19.1%	18.4%	17.7%

Payments from government programs, such as Medicare and Medicaid, account for a significant portion of Tenet's operating revenues. From time to time, legislative changes have resulted in limitations on, and in some cases significant reductions in levels of, payments to health care providers under government programs. One example of that is the Balanced Budget Act of 1997 (the "BBA"), which changed the method of paying health care providers under the Medicare and Medicaid programs, and resulted in significant reductions in payments to health care providers for their inpatient, outpatient, home health, capital and skilled nursing facilities costs. The most significant BBA reductions have been phased in, but additional reductions will continue to be phased in through federal fiscal year 2002.

The savings to the federal government that resulted from the BBA turned out to be much greater than anticipated. In November 1999, the Balanced Budget Refinement Act (the "BBRA") was signed into law to provide hospitals some relief from the impact of the BBA. In December 2000, the Medicare and Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (the "BIPA") became law. This act further amended the BBA and provides additional relief to hospitals from some of the key provisions of the BBA. The effects of the BBA, the BBRA and the BIPA are discussed in more detail below.

Private payors, including managed care payors, are continuing to demand discounted fee structures and to place significant limits on the scope of services covered. Inpatient utilization, average lengths of stay and occupancy rates continue to be negatively affected by payor-required preadmission authorization and utilization review and by payor pressure to maximize outpatient and alternative health care delivery services for less acutely ill patients. Although the Company recently has negotiated increases in payment rates under managed care contracts, the Company expects efforts by government and other payors to impose reduced allowances, greater discounts and more stringent cost controls to continue.

Tenet is unable to predict the effect that the changes and trends discussed above will have on its operations. If the relief under the BBRA and the BIPA continues, rates paid under managed care contracts continue to increase and the scope of services covered by government and private payors is not further curtailed, the Company's business, financial condition or results of operations will continue to improve. If the rates paid by government or private payors are reduced or the scope of services covered by such payors is reduced, such actions could have a material adverse effect on the Company's business, financial condition or results of operations.

Description of Government Programs

Medicare payments for general hospital inpatient services are based on a prospective payment system ("PPS") referred to herein as the "DRG-PPS." Under the DRG-PPS, a general hospital receives for each Medicare inpatient discharged from the hospital a fixed amount based on the Medicare patient's assigned diagnostic related group ("DRG"). DRG payments are adjusted for area-wage differentials but otherwise do not consider a specific hospital's operating costs. As discussed below, DRG payments exclude the reimbursement of capital costs, including depreciation, interest relating to capital expenditures, property taxes and lease expenses. Payments from state Medicaid programs are based on fixed rates or reasonable costs with certain limits. Substantially all Medicare and Medicaid payments are below the retail rates charged by Tenet's facilities. Payments from other sources usually are based on the hospital's established charges, a percentage discount from such charges or all-inclusive per diem rates.

DRG-PPS rates are typically updated each year to give consideration to increased cost of goods and services purchased by hospitals and non-hospitals (the "Market Basket"). The BBA limited the rate of increase in DRG rates to the annual Market Basket for such year minus (a) 1.9 percent from October 1, 1998 through September 30, 1999, (b) 1.8 percent from October 1, 1999 through September 30, 2000, and (c) 1.1 percent from October 1, 2000 through September 30, 2003. The BIPA amended the BBA to provide that the Market Basket would be reduced by only .55 percent for periods beginning October 1, 2001 and ending September 30, 2003. The DRG rate increase for the federal fiscal year beginning October 1, 2001, has been set at 2.55 percent (a 3.1 percent Market Basket increase minus .55 percent). Payments to be

received by general hospitals under the DRG-PPS continue to be below the increases in the cost of goods and services purchased by hospitals.

Medicare pays general hospitals' capital costs separately from DRG payments. Beginning in 1992, a PPS for Medicare reimbursement of general hospitals' inpatient capital costs ("PPS-CC") generally became effective with respect to the Company's general hospitals. Pursuant to the BBA, the PPS-CC rates paid to Tenet's general hospitals for their inpatient capital costs were reduced by approximately 15 percent in federal fiscal year 1998 from their prior-year levels. Additional payment reductions will occur through federal fiscal year 2002. After that time, all of the Company's hospitals will be paid based on a PPS-CC rate that will increase annually by a capital Market Basket update factor. The Company expects that those increases will be below the increases in the cost of capital assets purchased by hospitals.

As part of the DRG-PPS, Congress established additional payments to hospitals that treat patients who are costlier to treat than the average patient. These additional payments are referred to as "Outlier Payments." Congress has mandated The Center for Medicare and Medicaid Services ("CMMS") (formerly known as the Health Care Financing Administration) to limit Outlier Payments to equal between five percent and six percent of total DRG payments. In order to bring expected Outlier Payments within this mandate, CMMS has proposed raising the cost threshold used to determine the cases for which a hospital will receive Outlier Payments, effective October 1, 2001. The proposed change in the cost threshold will reduce total Outlier Payments by reducing (a) the number of cases that qualify for Outlier Payments and (b) the amount of Outlier Payments for cases that continue to qualify.

Medicare historically has limited payment for outpatient services provided at general hospitals, physical rehabilitation hospitals and psychiatric facilities to the lower of customary charges or 94.2 percent of actual cost. The BBA authorized CMMS to establish an outpatient prospective payment system ("OPPS") which was implemented August 1, 2000. The OPPS established groups called Ambulatory Payment Classifications ("APC") for outpatient procedures. Payment is made for each APC depending upon the service rendered. The OPPS established a transitional period that limits each hospital's losses during the first three and one half years of the program. If a hospital's cost is less than the payment, the hospital will be able to keep the difference. If a hospital's cost is higher than the payment, it will be subsidized for part of the loss during the transition period. The OPPS has not had a material impact on the Company's business, financial condition or results of operations.

Hospitals and hospital units currently exempt from the DRG-PPS, such as qualified physical rehabilitation hospitals and psychiatric facilities ("Exempt Hospitals/Units"), traditionally have been paid by Medicare on a cost-based system under which target rates for each facility were used in applying various limitations and calculating incentive payments. The Company's Exempt Hospitals/Units received no increase to their target rates for cost reporting periods beginning October 1, 1997 through September 30, 1998. Increases in target rates for cost reporting periods beginning after September 30, 1998, have varied and will vary between a Market Basket increase and no increase at all, depending upon the extent to which the Exempt Hospitals/Units' actual costs are below their target rates. Under the BBA, the Company's Exempt Hospitals/Units also lost most of the incentive payments they had been receiving for keeping their costs lower than their preestablished target limits. The implementation of a PPS for rehabilitation hospitals has been delayed and is not expected to become final until next year. The Company does not expect the implementation of a PPS for rehabilitation hospitals to significantly impact the Company's business, financial condition or results of operations.

Home health services historically were exempt from the DRG-PPS and were paid by Medicare at cost, subject to certain limits. The BBA required that CMMS develop a PPS for home health services. The new system has been implemented for cost-reporting periods beginning on or after October 1, 2000. Under the BIPA, a 15 percent reduction in payments for home health services required by the BBA has been delayed until the federal fiscal year beginning October 1, 2002. The implementation of a PPS for home health services has not significantly impacted the Company's business, financial condition or results of operations.

Hospitals that treat a disproportionately large number of low-income patients (Medicaid and Medicare patients eligible to receive supplemental Social Security income) currently receive additional payments from the federal government in the form of Disproportionate Share Payments. The BBA required such payments to be reduced by one percent for each federal fiscal year from 1998 through 2002. The BBRA froze the reduction for federal fiscal year 2001 at the federal fiscal year 2000 levels, and the BIPA further limited the reduction to two percent in 2001 and three percent in 2002. The Company's hospitals currently expect to receive full Disproportionate Share Payments, without reduction, in 2003.

Under current law, if a hospital is unable to collect a Medicare beneficiary's deductible or co-payment (a "Bad Debt"), the hospital may be paid by the federal government for a portion of the Bad Debt provided certain conditions are met. The BBA provided that the amount of a Bad Debt for which the Company otherwise would be paid will be reduced by: 25 percent beginning October 1, 1997, 40 percent beginning October 1, 1998, and 45 percent beginning October 1, 1999. The BIPA amended the BBA to provide that the Company's hospitals will receive 70 percent, rather than only 55 percent, of the amount they otherwise would be paid for their Bad Debts for cost reporting periods beginning on or after October 1, 2000.

As discussed above, the BBA significantly changed the manner in which the Company is paid for services provided to Medicare beneficiaries. While both the BBRA and the BIPA have restored a portion of the reductions made by the BBA, all of the changes taken as a whole have significantly reduced the amount of payments received by the Company from the federal government.

The Medicare, Medicaid and TriCare programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, requirements for utilization review and new governmental funding restrictions, all of which may materially increase or

decrease program payments as well as affect the cost of providing services and the timing of payments to facilities. The final determination of amounts earned under the programs often requires many years because of audits by the program representatives, providers' rights of appeal and the application of numerous technical reimbursement provisions. Management believes that adequate provision has been made in the Company's consolidated financial statements for such adjustments. Until final adjustment, however, significant issues remain unresolved and previously determined allowances could be more or less than ultimately required.

HEALTH CARE REFORM, REGULATION AND LICENSING

Certain Background Information

Health care, as one of the largest industries in the United States, continues to attract much legislative interest and public attention. Changes in Medicare, Medicaid and other programs, hospital cost-containment initiatives by public and private payors, proposals to limit payments and health care spending and industry-wide competitive factors are highly significant to the health care industry. In addition, the health care industry is governed by a framework of federal and state laws, rules and regulations that are extremely complex and for which the industry has the benefit of little or no regulatory or judicial interpretation. Although the Company believes it is in compliance in all material respects with such laws, rules and regulations, if a determination is made that the Company was in material violation of such laws, rules or regulations, its business, financial condition or results of operations could be materially adversely affected.

As discussed under Medicare, Medicaid and Other Revenues starting on page 14, the BBA has had the effect of reducing payments to hospitals and other health care providers under Medicare programs. The reductions in payments and other changes mandated by the BBA, have had a significant impact on the Company's revenues under Medicare programs. In addition, there continue to be federal and state proposals that would, and actions that do, impose more limitations on payments to providers such as Tenet and proposals to increase copayments and deductibles from patients.

Tenet's facilities also are affected by controls imposed by government and private payors designed to reduce admissions and lengths of stay. For all providers, such controls, including what is commonly referred to as "utilization review," have resulted in fewer treatments and procedures being performed. Utilization review entails the review of the admission and course of treatment of a patient by a third party. Utilization review by third-party peer review organizations ("PROs") is required in connection with the provision of care paid for by Medicare and Medicaid. Utilization review by third parties also is a requirement of many managed care arrangements.

Many states have enacted or are considering enacting measures that are designed to reduce their Medicaid expenditures and to make certain changes to private health care insurance. Various states have applied, or are considering applying, for a federal waiver from current Medicaid regulations to allow them to serve some of their Medicaid participants through managed care providers. Texas was denied a waiver under Section 1115 of the BBA but is in the process of implementing regional managed care programs under a more limited waiver. Texas also has applied for federal funds for children's health programs under the BBA. Louisiana is considering wider use of managed care for its Medicaid population. California has created a voluntary health insurance purchasing cooperative that seeks to make health care coverage more affordable for businesses with five to 50 employees, and changed the payment system for participants in its Medicaid program in certain counties from fee-for-service arrangements to managed care plans. Florida also has legislation, and other states are considering adopting legislation, imposing a tax on net revenues of hospitals to help finance or expand the provision of health care to uninsured and underinsured persons. A number of other states are considering the enactment of managed care initiatives designed to provide universal low-cost coverage. These proposals also may attempt to include coverage for some people who currently are uninsured.

Certificate of Need Requirements

Some states require state approval for construction and expansion of health care facilities, including findings of need for additional or expanded health care facilities or services. Certificates of Need, which are issued by governmental agencies with jurisdiction over health care facilities, are at times required for capital expenditures exceeding a prescribed amount, changes in bed capacity or services and certain other matters. Following a number of years of decline, the number of states requiring Certificates of Need is once again on the rise as state legislators once again are looking at the Certificate of Need process as a way to contain rising health care costs. At May 31, 2001, Tenet operated hospitals in nine states that require state approval under Certificate of Need programs. Tenet is unable to predict whether it will be able to obtain any Certificates of Need in any jurisdiction where such Certificates of Need are required.

Antikickback and Self-Referral Regulations

The health care industry is subject to extensive federal, state and local regulation relating to licensure, conduct of operations, ownership of facilities, addition of facilities and services and prices for services. In particular, Medicare and Medicaid antikickback and antifraud and abuse amendments codified under Section 1128B(b) of the Social Security Act (the "Antikickback Amendments") prohibit certain business practices and relationships that might affect the provision and cost of health care services payable under the Medicare, Medicaid and other government programs, including the payment or receipt of remuneration for the referral of patients whose care will be paid for by such programs. Sanctions for violating the Antikickback Amendments include criminal penalties and civil sanctions, including fines and possible exclusion from government programs such as Medicare and Medicaid. Many states have statutes similar to the federal Anitikickback Amendments, except that the state statutes usually apply to referrals for services reimbursed by all third-party payors, not just federal programs.

In addition, it is a violation of the Federal Civil Monetary Penalties Law to offer or transfer anything of value to Medicare or Medicaid beneficiaries that is likely to influence their decision to obtain covered goods or services from one provider or service over another.

In addition to addressing other matters, as discussed below, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") amends Title XI (42 U.S.C. 1301 *et seq.*) to broaden the scope of current fraud and abuse laws to include all health plans, whether or not payments under such health plans are made pursuant to a federal program.

Section 1877 of the Social Security Act (commonly referred to as the "Stark" laws) restricts referrals by physicians of Medicare or Medicaid patients to providers of a broad range of designated health services with which they or an immediate family member have ownership or certain other financial arrangements, unless one of several exceptions applies. These exceptions cover a broad range of common financial relationships. These statutory and regulatory exceptions are available to protect certain employment relationships, leases, group practice arrangements, medical directorships, and other common relationships between physicians and providers of designated health services. A violation of the Stark laws may result in a denial of payment, required refunds to patients and to the Medicare program, civil monetary penalties of up to $15,000 for each violation, civil monetary penalties of up to $100,000 for "sham" arrangements, civil monetary penalties of up to $10,000 for each day in which an entity fails to report required information and exclusion from participation in the Medicare, Medicaid and other federal programs. Many states have adopted or are considering similar legislative proposals, some of which extend beyond the Medicaid program to prohibit the payment or receipt of remuneration for the referral of patients and physician self-referrals regardless of the source of the payment for the care. Tenet's participation in and development of joint ventures and other financial relationships with physicians could be adversely affected by these amendments and similar state enactments.

On January 4, 2001, the Department of Health and Human Services ("HHS") issued final regulations, subject to comment, intended to clarify parts of the Stark laws and some of the exceptions to them. These regulations are considered the first phase of a two-phase process, with the remaining regulations to be published at an unknown future date. While HHS may add new exceptions to the final regulations, the current statutory exceptions, discussed above, will continue to be available. The Company cannot predict the final form that these regulations will take or the effect that the final regulations will have on its operations.

The federal government has issued regulations that describe some of the conduct and business relationships that are permissible under the Antikickback Amendments ("Safe Harbors"). The fact that certain conduct or a given business arrangement does not fall within a Safe Harbor does not render the conduct or business arrangement per se illegal under the Antikickback Amendments. Such conduct and business arrangements, however, do risk increased scrutiny by government enforcement authorities. Tenet may be less willing than some of its competitors to enter into conduct or business arrangements that do not clearly satisfy the Safe Harbors. Passing up certain of those opportunities of which its competitors are willing to take advantage may put Tenet at a competitive disadvantage. Tenet has a voluntary regulatory compliance program and systematically reviews all of its operations to ensure that they comply with federal and state laws related to health care, such as the Antikickback Amendments, the Stark laws and similar state statutes.

Both federal and state government agencies are continuing heightened and coordinated civil and criminal enforcement efforts. As part of an announced work plan, which is implemented through the use of national initiatives against providers, the government has begun to scrutinize, among other things, the terms of acquisitions of physician practices by companies that own hospitals and coding practices related to certain clinical laboratory procedures. The Company believes that the health care industry will continue to be subject to increased government scrutiny and investigations such as this.

Another trend impacting the health care industry today is the increased use of the False Claims Act particularly by individuals who bring actions. Such *qui tam* or "whistleblower" actions allow private individuals to bring actions on behalf of the government alleging that the defendant has defrauded the federal government. If the government intervenes in the action and prevails the defendant may be required to pay three times the actual damages sustained by the government, plus mandatory civil penalties of between $5,500 and $11,000 for each false claim submitted to the government. As part of the resolution of a *qui tam* case, the party filing the initial complaint may share in a portion of any settlement or judgment. If the government does not intervene in the action, the *qui tam* plaintiff may pursue the action independently. Although companies in the health care industry in general, and the Company in particular, have been and may continue to be subject to *qui tam* actions, the Company is unable to predict the impact of such actions on its business, financial condition or results of operations.

The Company is unable to predict the future course of federal, state and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Further changes in the regulatory framework could have a material adverse effect on the Company's business, financial condition or results of operations.

HIPAA

HIPAA mandates the adoption of standards for the exchange of electronic health information in an effort to encourage overall administrative simplification and enhance the effectiveness and efficiency of the health care industry. Ensuring privacy and security of patient information–"accountability"–is one of the key factors driving the legislation. The other major factor–"portability"–refers to Congress' intention to ensure that individuals can take their medical and insurance records with them when they change employers.

In August 2000, HHS issued final regulations establishing electronic data transmission standards that health care providers must use when submitting or receiving certain health care data electronically. All affected entities, including Tenet, are required to comply with these

regulations by October 16, 2001.

In December 2000, HHS issued final regulations concerning the privacy of health care information. These regulations regulate the use and disclosure of individuals' health care information, whether communicated electronically, on paper or verbally. All affected entities, including Tenet, are required to comply with these regulations by April 2003. The regulations also provide patients with significant new rights related to understanding and controlling how their health information is used or disclosed.

In addition, by the end of 2001, HHS is expected to issue final regulations concerning the security of health care information maintained or transmitted electronically. Security regulations proposed by HHS in August 1998 would require health care providers to implement organizational and technical practices to protect the security of such information. Once the security regulations are finalized, the Company will have approximately two years to comply with such regulations.

Although the enforcement provisions of HIPAA have not yet been finalized, sanctions are expected to include criminal penalties and civil sanctions. The Company has established a plan and engaged the resources necessary to comply with HIPAA. At this time, the Company anticipates that it will be able to fully comply with those HIPAA regulations that have been issued and with the proposed regulations. Based on the existing and proposed HIPAA regulations, the Company believes that the cost of its compliance with HIPAA will not have a material adverse effect on its business, financial condition or results of operations.

Environmental Regulations

The Company's health care operations generate medical waste that must be disposed of in compliance with federal, state and local environmental laws, rules and regulations. The Company's operations, as well as the Company's purchases and sales of facilities, also are subject to compliance with various other environmental laws, rules and regulations. The Company anticipates that such compliance will not, materially affect the Company's business, financial condition or results of operations.

Health Care Facility Licensing Requirements

Tenet's health care facilities are subject to extensive federal, state and local legislation and regulation. In order to maintain their operating licenses, health care facilities must comply with strict standards concerning medical care, equipment and hygiene. Various licenses and permits also are required in order to dispense narcotics, operate pharmacies, handle radioactive materials and operate certain equipment. Tenet's health care facilities hold all required governmental approvals, licenses and permits. Except for one small hospital that has not sought to be accredited, each of Tenet's facilities that is eligible for accreditation is fully accredited by the JCAHO, CARF (in the case of rehabilitation hospitals), AOA (in the case of two hospitals) or another appropriate accreditation agency. With such accreditation, the Company's hospitals are eligible to participate in government-sponsored provider programs such as the Medicare and Medicaid programs. The one hospital that is not accredited participates in the Medicare program through a special waiver that must be renewed each year.

Utilization Review Compliance and Hospital Governance

Tenet's health care facilities are subject to and comply with various forms of utilization review. In addition, under the Medicare PPS, each state must have a PRO to carry out a federally mandated system of review of Medicare patient admissions, treatments and discharges in general hospitals. Medical and surgical services and practices are extensively supervised by committees of staff doctors at each health care facility, are overseen by each health care facility's local governing board, the members of which primarily are physicians and community members, and are reviewed by Tenet's quality assurance personnel. The local governing boards also help maintain standards for quality care, develop long-range plans, establish, review and enforce practices and procedures and approve the credentials and disciplining of medical staff members.

COMPLIANCE PROGRAM

The Company voluntarily maintains a multifaceted corporate compliance and ethics program that meets or exceeds all applicable federal guidelines and industry standards. The program is designed to monitor and raise awareness of various regulatory issues among employees, to stress the importance of complying with all governmental laws and regulations, and to promote the Company's Standards of Conduct. As part of the program, the Company provides annual ethics and compliance training to every employee and encourages all employees to report any violations to a toll-free telephone hotline. The Company also provides additional compliance training with respect to specific areas to employees responsible for those areas.

MANAGEMENT

The executive officers of the Company who are not also directors as of July 31, 2001 are:

Name	Position	Age
David L. Dennis	Vice Chairman, Chief Corporate Officer and Chief Financial	52

	Officer in the Office of the President	
Thomas B. Mackey	Chief Operating Officer in the Office of the President	53
Raymond L. Mathiasen	Executive Vice President and Chief Accounting Officer	58
Christi R. Sulzbach	Executive Vice President and General Counsel	46

Mr. Dennis was elected to the position of Vice Chairman, Chief Corporate Officer and Chief Financial Officer in the Office of the President, effective March 1, 2000. Mr. Dennis held various positions with Donaldson, Lufkin and Jenrette ("DLJ") from 1989 to 2000, including serving as the co-head of the Los Angeles office from 1996 through February 2000. Before joining DLJ in 1989, Mr. Dennis spent nine years in a number of positions with the investment banking division of Merrill Lynch Capital Markets. Mr. Dennis serves as a director of Westwood One. He holds a bachelor's degree in economics and finance from San Diego State University and a M.B.A. in finance and corporate strategy from UCLA.

Mr. Mackey was elected Chief Operating Officer in the Office of the President on January 13, 1999. Mr. Mackey has 25 years experience in the health care industry. He has held a variety of senior regional and divisional management positions with Tenet since 1985, most recently serving as Executive Vice President, Western Division from March 1995 to January 1999. Before joining Tenet, Mr. Mackey was vice president, operations, for Greatwest Hospitals in California. He began his health care career at the University of California, San Diego University Hospital. Mr. Mackey is a member of the board of directors of the Federation of American Hospitals. Mr. Mackey holds a bachelor's degree in industrial engineering from Northeastern University and a M.B.A. from Cornell University.

Mr. Mathiasen was elected Executive Vice President on March 22, 1999. Since March 1996, Mr. Mathiasen has been Chief Accounting Officer of the Company. From February 1994 to March 1996, Mr. Mathiasen served as Senior Vice President and Chief Financial Officer of the Company and from September 1993 to February 1994, Mr. Mathiasen served as Senior Vice President and acting Chief Financial Officer. Mr. Mathiasen was elected to the position of Senior Vice President in 1990 and Chief Operating Financial Officer in 1991. Prior to joining Tenet as a Vice President in 1985, he was a partner with Ernst & Young. Mr. Mathiasen holds a bachelor's degree in accounting from California State University, Long Beach.

Ms. Sulzbach was elected Executive Vice President and General Counsel on February 22, 1999. Prior to that appointment, Ms. Sulzbach served as Associate General Counsel in charge of compliance and litigation and as Senior Vice President, Public Affairs. She joined Tenet in 1983 and has held a variety of positions in the law department since that time. She serves on the boards of directors of the Federation of American Hospitals, the Los Angeles Chapter of the Federal Bar Association and Laguna Blanca School. Ms. Sulzbach holds bachelor degrees in political science and psychology from the University of Southern California and a J.D. from Loyola University in Los Angeles.

PROFESSIONAL AND GENERAL LIABILITY INSURANCE

The Company insures substantially all of its professional and comprehensive general liability risks in excess of self-insured retentions through a majority-owned insurance subsidiary. These self-insured retentions currently are $1 million per occurrence and in prior years varied by hospital and by policy period from $500,000 to $3 million per occurrence. A significant portion of these risks is, in turn, reinsured with major independent insurance companies for the excess over the self-insured retentions. In addition to the reserves recorded by the above insurance subsidiary, the Company maintains an unfunded reserve based on actuarial estimates for the self-insured portion of its professional liability risks. Reserves for losses and related expenses are estimated using expected loss-reporting patterns. If actual payments of claims materially exceed projected payments of claims, Tenet's financial condition could be materially adversely affected.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K, and the documents incorporated herein by reference, including, without limitation, statements containing the words "believes", "anticipates", "expects", "will", "may", "might", "should", "surmises", "estimates", "intends", "appears" and words of similar import, and statements regarding the Company's business strategy and plans, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's current expectations and involve known and unknown risks, uncertainties and other factors, many of which the Company is unable to predict or control, that may cause the Company's or the health care industry's actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and regionally; industry capacity; demographic changes; changes in, or the failure to comply with, laws and governmental regulations; the ability to enter into managed care provider arrangements on acceptable terms; changes in Medicare and Medicaid payments or reimbursement, including those resulting from a shift from traditional reimbursement to managed care plans; liability and other claims asserted against the Company; competition, including the Company's failure to attract patients to its hospitals; the loss of any significant customers; technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for, health care; a shortage of raw materials; a breakdown in the distribution process or other factors that may increase the Company's cost of supplies; changes in business strategy or development plans; the ability to attract and retain qualified personnel, including physicians, nurses and other health care professionals, including the impact on the Company's labor expenses resulting from a shortage of nurses or other health care professionals; the significant indebtedness of the Company; the availability of suitable acquisition opportunities and the length of time it takes to accomplish acquisitions; the Company's ability to integrate new businesses with its existing operations; the availability and terms of capital to fund the expansion of the Company's business, including the acquisition of additional facilities and certain additional factors, risks and uncertainties discussed in this Annual Report on Form 10-K and the documents incorporated herein by reference. Given these uncertainties, investors and prospective investors are cautioned not to rely on such

forward-looking statements. The Company disclaims any obligation and makes no promise to update any such factors or forward-looking statements or to publicly announce the results of any revisions to any such factors or forward-looking statements, whether as a result of changes in underlying factors, to reflect new information as a result of the occurrence of events or developments or otherwise.

Item 2. Properties.

The response to this item is included in Item 1.

Item 3. Legal Proceedings.

The Company is subject to claims and lawsuits in its normal course of business. The Company believes that its liability for damages resulting from such claims and lawsuits is adequately covered by insurance or is adequately provided for in its consolidated financial statements. Although the results of these claims and lawsuits cannot be predicted with certainty, the Company believes that the ultimate resolution of these claims and lawsuits will not have a material adverse effect on the Company's business, financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The response to this item is included on page 45 of the Registrant's Annual Report to Shareholders for the year ended May 31, 2001. The required information hereby is incorporated by reference.

Item 6. Selected Financial Data.

The response to this item is included on page 7 of the Registrant's Annual Report to Shareholders for the year ended May 31, 2001. The required information hereby is incorporated by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The response to this item is included on pages 8 through 18 of the Registrant's Annual Report to Shareholders for the year ended May 31, 2001. The required information hereby is incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The response to this item is included on pages 16 and 17 of the Registrant's Annual Report to Shareholders for the year ended May 31, 2001. The required information hereby is incorporated by reference.

Item 8. Financial Statements and Supplementary Data.

The response to this item is included on pages 20 through 45 of the Registrant's Annual Report to Shareholders for the year ended May 31, 2001. The required information hereby is incorporated by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Items 10 and 11. Directors and Executive Officers of the Registrant; Executive Compensation.

Information concerning the directors of the Registrant, including executive officers of the Registrant who also are directors and compensation and other information required by Item 10, is included on pages 2 through 16 and 50 of the definitive Proxy Statement for the Registrant's 2001 Annual Meeting of Shareholders and hereby is incorporated by reference. Similar information required by Item 10 regarding executive officers of the Registrant who are not directors is set forth on page 23 above. Information regarding compensation of executive officers of the Registrant, and other information required by Item 11, is included on pages 17 through 24 and pages 30 through 33 of the definitive Proxy Statement for the Registrant's 2001 Annual Meeting of Shareholders and hereby is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The response to this item is included on pages 7 through 8 and page 35 of the definitive Proxy Statement for the Registrant's 2001 Annual Meeting of Shareholders. The required information hereby is incorporated by reference.

Item 13. Certain Relationships and Related Transactions.

The response to this item is included on pages 33 and 34 of the definitive Proxy Statement for the Registrant's 2001 Annual Meeting of Shareholders. The required information hereby is incorporated by reference.

PART IV

Item 14. Exhibits, Financial Statements, Schedules and Reports on Form 8-K.

(a) 1. Financial Statements.

The consolidated financial statements to be included in Part II, Item 8, are incorporated by reference to the Registrant's 2001 Annual Report to Shareholders. (See Exhibit (13))

2. Financial Statement Schedules.

Schedule II–Valuation and Qualifying Accounts (included on page 31).

All other schedules and Condensed Financial Statements of Registrant are omitted because they are not applicable or not required or because the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits.

(3)
Articles of Incorporation and Bylaws

(a)
Restated Articles of Incorporation of Registrant, as amended October 13, 1987 and June 22, 1995 (Incorporated by reference to Exhibit 3(a) to Registrant's Annual Report on Form 10-K, dated August 15, 2000, for the fiscal year ended May 31, 2000)

(b)
Restated Bylaws of Registrant, as amended July 25, 2001

(4)
Instruments Defining the Rights of Security Holders, Including Indentures

(a)
Indenture, dated as of October 16, 1995, between Tenet and The Bank of New York, as Trustee, relating to $8^{5}/_{8}$% Senior Notes due 2003

(b)
First Supplemental Indenture, dated as of October 30, 1995, between Tenet and The Bank of New York, as Trustee, relating to $8^{5}/_{8}$% Senior Notes due 2003 (Incorporated by reference to Exhibit 4(i) to Registrant's Annual Report on Form 10-K, dated August 27, 1997, for the fiscal year ended May 31, 1997)

(c)
Second Supplemental Indenture, dated as of August 21, 1997, between Tenet and The Bank of New York, as Trustee,

relating to 8 5/8% Senior Notes due 2003 (Incorporated by reference to Exhibit 4(j) to Registrant's Annual Report on Form 10-K, dated August 27, 1997, for the fiscal year ended May 31, 1997)

(d)

Indenture, dated as of January 10, 1996, between Tenet and The Bank of New York, as Trustee, relating to 6% Exchangeable Subordinated Notes due 2005

(e)

Escrow Agreement, dated as of January 10, 1996, among Tenet, NME Properties, Inc., NME Property Holding Co., Inc. and The Bank of New York, as Escrow Agent

(f)

Indenture, dated January 15, 1997, between Tenet and The Bank of New York, as Trustee, relating to 7 7/8% Senior Notes due 2003 (Incorporated by reference to Exhibit 4(m) to Registrant's Annual Report on Form 10-K, dated August 27, 1997, for the fiscal year ended May 31, 1997)

(g)

Indenture, dated January 15, 1997, between Tenet and The Bank of New York, as Trustee, relating to 8% Senior Notes due 2005 (Incorporated by reference to Exhibit 4(n) to Registrant's Annual Report on Form 10-K, dated August 27, 1997, for the fiscal year ended May 31, 1997)

(h)

Indenture, dated January 15, 1997, between Tenet and The Bank of New York, as Trustee, relating to 8 5/8% Senior Subordinated Notes due 2007 (Incorporated by reference to Exhibit 4(o) to Registrant's Annual Report on Form 10-K, dated August 27, 1997, for the fiscal year ended May 31, 1997)

(i)

Indenture, dated May 21, 1998, between Tenet and The Bank of New York, as Trustee, relating to 7 5/8% Senior Notes due 2008 (Incorporated by reference to Exhibit 4(o) to Registrant's Annual Report on Form 10-K, dated August 28, 1998, for the fiscal year ended May 31, 1998)

(j)

Indenture, dated May 21, 1998, between Tenet and The Bank of New York, as Trustee, relating to 8 1/8% Senior Subordinated Notes due 2008 (Incorporated by reference to Exhibit 4(p) to Registrant's Annual Report on Form 10-K, dated August 28, 1998, for the fiscal year ended May 31, 1998)

(k)

Indenture, dated June 16, 2000, between Tenet and The Bank of New York, as Trustee, relating to 9 1/4% Senior Notes due 2010 (Incorporated by reference to Exhibit 4(q) to Registrant's Annual Report on Form 10-K, dated August 15, 2001, for the fiscal year ended May 31, 2000)

(10)

Material Contracts

(a)

$1,500,000,000 Five-Year Credit Agreement, dated as of March 1, 2001, among the Company, as Borrower, the Lenders, Managing Agents and Co-Agents party thereto, the Swingline Bank party thereto, The Bank of New York, The Bank of Nova Scotia and Salomon Smith Barney, Inc. as Documentation Agents, Bank of America, N.A. as Syndication Agent and Morgan Guaranty Trust Company of New York as Administrative Agent (Incorporated by reference to Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q, dated April 12, 2001, for the fiscal quarter ended February 28, 2001)

(b)

$500,000,000 364-Day Credit Agreement, dated as of March 1, 2001, among the Company, as Borrower, the Lenders, Managing Agents and Co-Agents party thereto, The Bank of New York, The Bank of Nova Scotia and Salomon Smith Barney, Inc. as Documentation Agents, Bank of America, N.A. as Syndication Agent and Morgan Guaranty Trust Company of New York as Administrative Agent Incorporated by reference to Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q, dated April 12, 2001, for the fiscal quarter ended February 28, 2001)

(c)

Letter from the Registrant to Jeffrey C. Barbakow, dated May 26, 1993 (Incorporated by reference to Exhibit 10(h) to

Registrant's Annual Report on Form 10-K, dated August 26, 1999, for the fiscal year ended May 31, 1999)

(d)

Letter from the Registrant to Jeffrey C. Barbakow, dated June 1, 1993 (Incorporated by reference to Exhibit 10(i) to Registrant's Annual Report on Form 10-K, dated August 26, 1999, for the fiscal year ended May 31, 1999)

(e)

Memorandum from the Registrant to Jeffrey C. Barbakow, dated June 14, 1993 (Incorporated by reference to Exhibit 10(j) to Registrant's Annual Report on Form 10-K, dated August 26, 1999, for the fiscal year ended May 31, 1999)

(f)

Memorandum of Understanding, dated May 21, 1996, from Jeffrey C. Barbakow to the Company

(g)

Deferred Compensation Agreement, dated May 31, 1997, between Jeffrey C. Barbakow and the Company (Incorporated by reference to Exhibit 10(l) to Registrant's Annual Report on Form 10-K, dated August 28, 1998, for the fiscal year ended May 31, 1998)

(h)

Memorandum of Understanding, dated June 1, 2001, from Jeffrey C. Barbakow to the Company

(i)

Letter from the Company to David L. Dennis, dated February 18, 2000 (Incorporated by reference to Exhibit 10(j) to Registrant's Annual Report on Form 10-K, dated August 15, 2000, for the fiscal year ended May 31, 2000)

(j)

Consulting and Non-Compete Agreement between Michael H. Focht, Sr. and the Company, dated as of January 12, 1999 (Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K, dated August 26, 1999, for the fiscal year ended May 31, 1999)

(k)

Letter from the Company to Thomas B. Mackey, dated January 13, 1999 (Incorporated by reference to Exhibit 10(p) to Registrant's Annual Report on Form 10-K, dated August 26, 1999, for the fiscal year ended May 31, 1999)

(l)

Executive Officers Relocation Protection Agreement

(m)

Severance Protection Plan for Executive Officers

(n)

Board of Directors Retirement Plan, effective January 1, 1985, as amended August 18, 1993, April 25, 1994 and July 30, 1997 (Incorporated by reference to Exhibit 10(p) to Registrant's Annual Report on Form 10-K, dated August 28, 1998, for the fiscal year ended May 31, 1998)

(o)

Supplemental Executive Retirement Plan, dated as of November 1, 1984, as amended May 21, 1986, April 25, 1994, July 25, 1994 and January 28, 1997 (Incorporated by reference to Exhibit 10(q) to Registrant's Annual Report on Form 10-K, dated August 28, 1998, for the fiscal year ended May 31, 1998)

(p)

1997 Annual Incentive Plan (Incorporated by reference to Exhibit B to the Definitive Proxy Statement, dated August 26, 1997, for the Registrant's 1997 Annual Meeting of Shareholders)

(q)

Second Amended and Restated Tenet 2001 Deferred Compensation Plan

(r)

Second Amended and Restated Tenet Executive Deferred Compensation Plans Trust

(s)

Tenet Healthcare Corporation Second Amended and Restated 1994 Directors Stock Option Plan

(t)

1991 Stock Incentive Plan

(u)

Amended and Restated 1995 Stock Incentive Plan (Incorporated by reference to Annex D to the Proxy Statement/Prospectus, dated December 18, 1997, for the Registrant's Special Meeting of Shareholders held on January 28, 1997)

(13)

2001 Annual Report to Shareholders of Registrant

(21)

Subsidiaries of the Registrant

(23)

Consent of Experts

(a)

Accountants' Consent and Report on Consolidated Schedule (KPMG LLP)

(b) Reports on Form 8-K

The Company filed a report on Form 8-K during the last quarter of fiscal year 2001 dated May 4, 2001, reporting the Company's repurchase of certain of its public debt.

SIGNATURES

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, on August 20, 2001.

TENET HEALTHCARE CORPORATION

By:	/s/ DAVID L. DENNIS	By:	/s/ RAYMOND L. MATHIASEN
	David L. Dennis *Vice Chairman, Chief Corporate Officer and Chief Financial Officer* *(Principal Financial Officer)*		Raymond L. Mathiasen *Executive Vice President and Chief Accounting Officer* *(Principal Accounting Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on August 20, 2001, by the following persons on behalf of the registrant and in the capacities indicated:

Signature	Title
/s/ JEFFREY C. BARBAKOW Jeffrey C. Barbakow	Chairman, Chief Executive Officer and Director (Principal Executive Officer)
/s/ LAWRENCE BIONDI, S.J. Lawrence Biondi, S.J	Director
/s/ BERNICE B. BRATTER Bernice B. Bratter	Director
/s/ SANFORD CLOUD, JR. Sanford Cloud, Jr.	Director
/s/ MAURICE J. DEWALD	

Maurice J. DeWald	Director
/s/ MICHAEL H. FOCHT, SR.	
Michael H. Focht, Sr.	Director
/s/ VAN B. HONEYCUTT	
Van B. Honeycutt	Director
/s/ J. ROBERT KERREY	
J. Robert Kerrey	Director
/s/ LESTER B. KORN	
Lester B. Korn	Director
/s/ FLOYD D. LOOP, M.D.	
Floyd D. Loop, M.D.	Director

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Years Ended May 31, 1999, 2000 and 2001
(in millions)

Allowance for Doubtful Accounts

	Balance at Beginning of Period	Additions Charged to: Costs and Expenses(1)	Additions Charged to: Other Accounts	Deductions(2)	Other Items(3)	Balance at End of Period
1999	191	770	—	(683)	9	287
2000	287	915	—	(848)	4	358
2001	358	904	—	(930)	1	333

(1) Before considering recoveries on accounts or notes previously written off.

(2) Accounts written off.

(3) Primarily beginning balances for purchased businesses, net of balances for businesses sold.

QuickLinks

FORM 10-K
TABLE OF CONTENTS FORM 10-K ANNUAL REPORT—2001 TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
PART I
Item 1. Business
GENERAL
OPERATIONS

RESTATED BYLAWS OF

TENET HEALTHCARE CORPORATION
a Nevada corporation

As Amended and Restated July 25, 2001

ARTICLE I
OFFICES

Section 1.1 Registered Office.

The registered office of the Corporation shall be established and maintained at the office of The Corporation Trust Company of Nevada, in the City of Reno, in the State of Nevada, and, unless otherwise specified by the Board of Directors of the Corporation (the "Board"), said corporation shall be the resident agent of this Corporation in charge thereof.

Section 1.2 Other Offices.

The Corporation may have other offices, either within or outside of the State of Nevada, at such place or places as the Board or any elected officer of the Corporation may determine or the business of the Corporation may require from time to time.

ARTICLE II
STOCKHOLDERS' MEETINGS

Section 2.1 Place of Meetings.

All meetings of the stockholders shall be held at the Corporation's corporate headquarters, or at any other place, within or without the State of Nevada, or by means of any electronic or other medium of communication, as the Board may designate for that purpose from time to time.

Section 2.2 Annual Meetings.

An annual meeting of the stockholders shall be held not later than 210 days after the close of each fiscal year, on the date and at the time set by the Board, at which time the stockholders shall elect, by the greatest number of affirmative votes cast, the directors to be elected at the meeting, consider reports of the affairs of the Corporation and transact such other business as properly may be brought before the meeting.

Section 2.3 Special Meetings.

Special meetings of the stockholders, for any purpose or purposes whatsoever, may be called at any time by the Chairman, the Chief Executive Officer or the Board.

Section 2.4 Notice of Meetings.

2.4.1. Notice of each meeting of stockholders, whether annual or special, shall be given at least 10 and not more than 60 days prior to the date thereof by the Secretary or any Assistant Secretary causing to be delivered to each stockholder of record entitled to vote at such meeting a written notice stating the time and place of the meeting and the purpose or purposes for which the meeting is called. Such notice shall be signed by the Chief Executive Officer, the President, the Secretary or any Assistant Secretary and shall be (a) mailed postage prepaid to a stockholder at the stockholder's address as it appears on the stock books of the Corporation, or (b) delivered to a stockholder by any other method of delivery permitted at such time by Nevada and federal law and by any exchange on which the Corporation's shares shall be listed at such time. If any stockholder has failed to supply an address or

otherwise specify an alternative method of delivery that is permitted by (b) above, notice shall be deemed to have been given if mailed to the address of the Corporation's corporate headquarters or published at least once in a newspaper having general circulation in the county in which the Corporation's corporate headquarters is located.

2.4.2. It shall not be necessary to give any notice of the adjournment of any meeting, or the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken; *provided, however*, that when a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of the original meeting.

Section 2.5 Consent by Stockholders.

Any action that may be taken at any meeting of the stockholders, except election or removal of directors, may be taken without a meeting if authorized by a writing signed by all of the shares entitled to vote on the action.

Section 2.6 Quorum.

2.6.1. The presence in person or by proxy of the persons entitled to vote a majority of the Corporation's voting shares at any meeting constitutes a quorum for the transaction of business. Shares shall not be counted in determining the number of shares represented or required for a quorum or in any vote at a meeting if the voting of them at the meeting has been enjoined or for any reason they cannot be lawfully voted at the meeting.

2.6.2. The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of stockholders leaving less than a quorum.

2.6.3. In the absence of a quorum, a majority of the shares present in person or by proxy and entitled to vote may adjourn any meeting from time to time until a quorum shall be present in person or by proxy.

Section 2.7 Voting Rights.

2.7.1. At each meeting of the stockholders, each stockholder of record of the Corporation shall be entitled to one vote for each share of stock standing in the stockholder's name on the books of the Corporation. Except as otherwise provided by law, the Articles of Incorporation (as the same has been or may be amended from time to time, the "Articles") or these Bylaws, if a quorum is present the majority of votes cast in person or by proxy shall be binding upon all stockholders of the Corporation.

2.7.2. The Board shall designate a day not more than 60 days prior to any meeting of the stockholders as the record date for determining which stockholders are entitled to notice of, and to vote at, such meetings.

Section 2.8 Proxies.

Every stockholder entitled to vote may do so either in person or by written, electronic, telephonic or other proxy executed in accordance with the provisions of Section 78.355 of the Nevada Revised Statutes. Any written consent must be signed by the stockholder.

Section 2.9 Manner of Conducting Meetings.

To the extent not in conflict with Nevada law, the Articles or these Bylaws, meetings of stockholders shall be conducted pursuant to such rules as may be adopted by the Chairman or Chief Executive Officer presiding at the meeting.

Section 2.10. Nature of Business at Meetings of Stockholders.

2.10.1 No business may be transacted at any annual meeting of stockholders, or at any special meeting of stockholders, other than business that is (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof) or the Chief Executive Officer, (b) otherwise properly brought before the meeting by or at the direction of the Board (or any duly authorized committee thereof), the Chairman or the Chief Executive Officer or (c) otherwise properly brought before the meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.10 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 2.10.

2.10.2 In addition to any other applicable requirements, for business to be properly brought by a stockholder before an annual meeting, or at any special meeting, of stockholders, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

2.10.3 To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the Corporation's corporate headquarters (a) in the case of an annual meeting, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; *provided, however*, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders, not later than the close of business on the tenth day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

2.10.4 To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting, or at any special meeting, of stockholders (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and record address of such stockholder, (c) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (d) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (e) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting.

2.10.5 No business shall be conducted at the annual meeting, or at any special meeting, of stockholders except business brought before the meeting in accordance with the procedures set forth in this Section 2.10. If the chairman of any meeting determines that business was not properly brought before the meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the

business was not properly brought before the meeting and such business shall not be transacted.

ARTICLE III
DIRECTORS—MANAGEMENT

Section 3.1 Powers.

Subject to the limitations of Nevada law, the Articles and these Bylaws as to action to be authorized or approved by the stockholders, all corporate powers shall be exercised by or under authority of, and the business and affairs of this Corporation shall be controlled by, the Board.

Section 3.2 Number and Qualification; Change in Number

3.2.1. Subject to Section 3.2.2, the authorized number of directors of this Corporation shall be not less than eight nor more than 15, with the exact number to be established from time to time by resolution of the Board. All directors of this Corporation shall be at least 21 years of age and at least a majority of the directors shall be citizens of the United States.

3.2.2. The Board or the stockholders may increase the number of directors at any time and from time to time; *provided, however*, that neither the Board nor the stockholders may ever increase the number of directors by more than one during any 12-month period, except upon the affirmative vote of two-thirds of the directors of each class, or the affirmative vote of the holders of two-thirds of all outstanding shares voting together and not by class. This provision may not be amended except by a like vote.

Section 3.3 Classification and Election.

The Board shall be classified into three classes of substantially equal size. Each class of directors shall be elected for a term of three years. Each director's term of office shall begin immediately after election and shall continue until the annual stockholders meeting that occurs approximately three years after such director was most recently elected. The directors in office as of the date of adoption of these Bylaws shall continue to serve the terms for which they have been previously elected. Directors elected by the Board or stockholders to fill a vacancy on the Board shall be elected to a specified class and shall hold office for the balance of the term of the class to which such director is elected.

Section 3.4. Nomination of Directors.

3.4.1. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Articles or any amendment thereto with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board may be made at any annual meeting of stockholders, or at any special meeting of stockholders, (a) by or at the direction of the Board (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation who (i) is a stockholder of record on the date of the giving of the notice provided for in this Section 3.4 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) complies with the notice procedures set forth in this Section 3.4.

3.4.2. In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

3.4.3. To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the Corporation's corporate headquarters of the Corporation (a) in the case of an annual meeting, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; *provided, however*, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

3.4.4. To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant

to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

3.4.5. No person shall be eligible for election as a director of the Corporation by the stockholders unless nominated in accordance with the procedures set forth in this Section 3.4. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 3.5 Vacancies.

3.5.1. Any vacancies in the Board, except vacancies first filled by the stockholders, may be filled by a majority vote of the remaining directors, though less than a quorum, or by a sole remaining director. Each director so elected shall be elected to a specified class and shall hold office for the balance of the term of the class to which such director is elected. The power to fill vacancies may not be delegated to any committee appointed in accordance with these Bylaws.

3.5.2. The stockholders may at any time elect a director to fill any vacancy not filled by the directors and may elect the additional director(s) at the meeting at which an amendment of the Bylaws is voted authorizing an increase in the number of directors.

3.5.3. A vacancy or vacancies shall be deemed to exist in case of the death, permanent and total disability, resignation, retirement or removal of any director, if the directors or stockholders increase the authorized number of directors but fail to elect the additional director or directors at a meeting at which such increase is authorized or at an adjournment thereof, or if the stockholders fail at any time to elect the full number of authorized directors.

3.5.4. If the Board accepts the resignation of a director tendered to take effect at a future time, the Board or the stockholders shall have power to immediately elect a successor who shall take office when the resignation shall become effective.

3.5.5. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

Section 3.6 Removal of Directors.

Except as provided in any resolution for any class or series of Preferred Stock, any one or more director(s) may be removed from office, with or without cause, by the affirmative vote of two-thirds of all the outstanding shares voting together and not by class.

Section 3.7 Resignations.

Any director of the Corporation may resign at any time either by oral tender of resignation at any meeting of the Board or by giving written notice thereof to the Secretary, the Chief Executive Officer or the President. Such resignation shall take effect at the time it specifies, and the acceptance of such resignation shall not be necessary to make it effective.

Section 3.8 Place of Meetings.

3.8.1. Regular and special meetings of the Board shall be held at the corporate headquarters of the Corporation in the State of California or at such other place within or without the State of Nevada as may be designated for that purpose by the Board.

3.8.2. Meetings of the Board may be held in person or by means of any electronic or other medium of communication approved by the Board from time to time.

Section 3.9 Meeting After Annual Stockholders Meeting.

The first meeting of the Board held after an annual stockholders meeting shall be held at such time and place within or without the State of Nevada (a) as the Chief Executive Officer or the President may announce at the annual stockholders meeting, or (b) at such time and place as shall be fixed pursuant to notice given under other provisions of these Bylaws. No other notice of such meeting shall be necessary.

Section 3.10 Other Regular Meetings.

3.10.1. Regular meetings of the Board shall be held at such time and place within or without the State of Nevada as may be agreed upon from time to time by a majority of the Board.

3.10.2. Notwithstanding the provisions of Section 3.12, no notice need be provided of regular meetings, except that a written notice shall be given to each director of the resolution establishing a regular meeting date or dates, which notice shall set forth the date, time and place of the meeting(s). Except as otherwise provided in these Bylaws or the notice of the meeting, any and all business may be transacted at any regular meeting of the Board.

Section 3.11 Special Meetings.

Special meetings of the Board shall be held whenever called by the Chairman of the Board, the Chief Executive Officer, the President or two-thirds of the directors of each class. Except as otherwise provided in these Bylaws or the notice of the meeting, any and all business may

be transacted at any special meeting of the Board.

Section 3.12 Notice; Waiver of Notice.

Notice of each regular Board meeting not previously approved by the Board and each special Board meeting shall be (a) mailed by U.S. mail to each director not later than three days before the day on which the meeting is to be held, (b) sent to each director by overnight delivery service, telex, facsimile transmission, telegram, cablegram, radiogram, e-mail, any other electronic transmission permitted by Nevada law or delivered personally not later than 5:00 p.m. (California time) on the day

before the date of the meeting, or (c) provided to each director by telephone not later than 5:00 p.m. (California time) on the day before the date of the meeting. Any director who attends a regular or special Board meeting and (x) waives notice by a writing filed with the Secretary, (y) is present thereat and asks that his/her oral consent to the notice be entered into the minutes or (z) takes part in the deliberations thereat without expressly objecting to the notice thereof in writing or by asking that his/her objection be entered into the minutes shall be deemed to have waived notice of the meeting and neither that director nor any other person shall be entitled to challenge the validity of such meeting.

Section 3.13 Notice of Adjournment.

Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place is fixed at the meeting adjourned.

Section 3.14 Quorum.

A majority of the number of directors as fixed by the Articles or these Bylaws, or by the Board pursuant to the Articles or these Bylaws, shall be necessary to constitute a quorum for the transaction of business, and the action of a majority of the directors present at any meeting at which there is a quorum, when duly assembled, is valid as a corporate act; *provided, however*, that a minority of the directors, in the absence of a quorum, may adjourn from time to time or fill vacant directorships in accordance with Section 3.5 but may not transact any other business. The directors present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of directors, leaving less than a quorum.

Section 3.15 Action by Unanimous Written Consent.

Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all members of the Board shall individually or collectively consent in writing thereto. Such written consent shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of such directors.

Section 3.16 Compensation.

The Board may pay to directors a fixed sum for attendance at each meeting of the Board or of a standing or special committee, a stated retainer for services as a director, a stated fee for serving as a chair of a standing or special committee and such other compensation, including benefits, as the Board or any standing committee thereof shall determine from time to time. Additionally, the directors may be paid their expenses of attendance at each meeting of the Board or of a standing or special committee.

Section 3.17 Transactions Involving Interests of Directors.

In the absence of fraud, no contract or other transaction of the Corporation shall be affected or invalidated by the fact that any of the directors of the Corporation is interested in any way in, or connected with any other party to, such contract or transaction or is a party to such contract or transaction; *provided, however*, that such contract or transaction satisfies Section 78.140 of the Nevada Revised Statutes. Each and every person who is or may become a director of the Corporation hereby is relieved, to the extent permitted by law, from any liability that might otherwise exist from contracting in good faith with the Corporation for the benefit of such person or any person in which such person may be interested in any way or with which such person may be connected in any way. Any director of the Corporation may vote and act upon any matter, contract or transaction between the Corporation and any other person without regard to the fact that such director also is a stockholder, director or

officer of, or has any interest in, such other person; *provided, however*, that such director shall disclose any such relationship and/or interest to the Board prior to a vote and/or action.

Section 3.18 Emeritus Positions.

From time to time, the Board may designate an individual to serve in an emeritus position with respect to the Board, including by way of example but not by way of limitation, as an Emeritus Director, as a Chairman Emeritus of the Board or as a Vice Chairman Emeritus of the Board. These positions shall be honorary positions and parties elected to such positions may be asked to attend meetings of the Board and/or stockholders from time to time. An individual holding an emeritus position may receive compensation for serving in such capacity, may or may not be an officer of the Corporation, shall have no vote at a director's meeting and may be refused access to material non-public information pertaining to the Corporation. An individual designated to hold an emeritus position may be so designated for any reason deemed appropriate by the Board, including such individual's experience with and/or contributions to the Corporation. Any Emeritus Director may be

removed by the Board, either with or without cause, at any time.

Section 3.19 Advisory Directors

The Board may elect one or more advisory directors, each of whom shall have such powers and perform such duties as the Board shall assign to them. Any advisory director may be removed, either with or without cause, at any time. Nothing herein contained shall be construed to preclude any advisory director from serving the Corporation in any other capacity as an officer, agent or otherwise, or receiving compensation therefor.

ARTICLE IV
OFFICERS

Section 4.1 Executive Officers.

The executive officers of the Corporation shall be a Chief Executive Officer and a Chief Financial Officer and may include, without limitation, one or more of each of the following: President, Chairman, Vice Chairman, Chief Corporate Officer, Chief Operating Officer, Senior Executive Vice President, Executive Vice President, Senior Vice President, Vice President, Group and/or Division President and/or Chief Executive Officer, Secretary and Treasurer. Any person may hold two or more offices. Each executive officer of the Corporation shall be elected annually by the Board, may be reclassified by the Board as a non-executive officer (or as a non-officer) at any time, shall serve at the pleasure of the Board and shall hold office for one year unless he/she resigns or is terminated by the Board or the Chief Executive Officer.

Section 4.2 Appointed Officers: Titles.

4.2.1. The Chief Executive Officer shall appoint a Secretary and a Treasurer of the Corporation if those officers have not been elected by the Board. The Chief Executive Officer (or the Secretary in the case of Assistant Secretaries or the Treasurer in the case of Assistant Treasurers) also may appoint additional officers of the Corporation if not previously elected by the Board, including one or more of each of the following: President, Chairman, Vice Chairman, Chief Corporate Officer, Chief Operating Officer, Chief Accounting Officer, Controller, Senior Executive Vice President, Executive Vice President, Senior Vice President, Vice President, Assistant Secretary, Assistant Treasurer and/or such other officers as the Chief Executive Officer may deem to be necessary, desirable or appropriate. Each such appointed officer shall hold such title at the pleasure of the appointing officer and have such authority and perform such duties as are provided in these Bylaws, or as the Chief Executive Officer or the appointing officer may determine from time to time. Any person appointed under this Section 4.2.1

to serve in any of the foregoing positions shall be deemed by reason of such appointment or service in such capacity to be an "officer" of the Corporation.

4.2.2. The Chief Executive Officer or a person designated by the Chief Executive Officer also may appoint one or more of each of the following for any operating region, division, group or corporate staff function of the Corporation: Chief Executive Officer, President, Chairman, Vice Chairman, Chief Corporate Officer, Chief Operating Officer, Chief Accounting Officer, Controller, Senior Executive Vice President, Executive Vice President, Senior Vice President, Vice President, Assistant Controller and such other officers as the Chief Executive Officer may deem to be necessary, desirable or appropriate. Each such appointed officer shall hold such title at the pleasure of the Chief Executive Officer and have authority to act for and perform duties only with respect to the region, division, group or corporate staff function for which the person is appointed. Any person appointed under this Section 4.2.2 to serve in any of the foregoing positions shall be deemed by reason of such appointment or service in such capacity to be an "officer" of the Corporation.

Section 4.3 Removal and Resignation; No Right to Continued Employment

4.3.1. Any elected executive officer may be removed at any time by the Board, either with or without cause. Any appointed officer may be removed from such position at any time by the Board, the Chief Executive Officer, the person making such appointment or his/her successor, either with or without cause.

4.3.2. Any officer may resign at any time by giving written notice to the Board, the Chief Executive Officer, the President or the Secretary of the Corporation. Any such resignation shall take effect as of the date of the receipt of such notice, or at any later time specified therein; provided, however, that such officer may be removed at any time notwithstanding such resignation. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.3.3. The fact that an employee has been elected by the Board to serve as an executive officer or appointed to serve as an officer shall not entitle such employee to remain an officer or employee of the Corporation.

Section 4.4 Vacancies.

A vacancy in any office due to death, permanent and total disability, retirement, resignation, removal, disqualification or any other cause may be filled in any manner prescribed in these Bylaws for regular elections or appointments to such office or may not be filled.

Section 4.5 Chairman and Vice Chairman.

The Chairman shall preside at all meetings of the Board and, in the absence of the Chief Executive Officer, at all meetings of the stockholders and shall exercise and perform such other powers and duties as from time to time may be assigned by the Board. In the absence of the Chairman and the Chief Executive Officer, a Vice Chairman shall preside at all meetings of the Board and stockholders and exercise and perform such other powers and duties as from time to time may be assigned by the Board. A Vice Chairman need not be a member of the Board.

Section 4.6 Chief Executive Officer.

Subject to the oversight of the Board, the Chief Executive Officer shall have general supervision, direction and control of the business and affairs of the Corporation. The Chief Executive Officer shall preside at all meetings of the stockholders and, in the absence of the Chairman of the Board, at all meetings of the Board. If not a member of the Board, the Chief Executive Officer shall be an ex officio member of the Executive Committee of the Board and shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and such other powers and duties as may be assigned by the Board.

Section 4.7 Chief Financial Officer

The Chief Financial Officer shall exercise direction and control of the financial affairs of the Corporation, including the preparation of the Corporation's financial statements. The Chief Financial Officer shall have the general powers and duties usually vested in the office of the chief financial officer of a corporation and such other powers and duties as may be assigned by the Chief Executive Officer or the Board.

Section 4.8 President.

In the case of the death or total and permanent disability of the Chief Executive Officer, a President shall perform all of the duties of the Chief Executive Officer and when so acting shall have all the powers and be subject to all the restrictions upon the Chief Executive Officer, including the power to sign all instruments and to take all actions that the Chief Executive Officer is authorized to perform by the Board or these Bylaws. A President shall have the general powers and duties usually vested in the office of president of a corporation and such other powers and duties as may be assigned by the Chief Executive Officer or the Board.

Section 4.9 Chief Operating Officer.

Subject to the oversight of the Chief Executive Officer and/or the President, the Chief Operating Officer shall exercise direction and control over the day-to-day operations of the Corporation. In the case of the death or total and permanent disability of the Chief Executive Officer and President(s), the Chief Operating Officer or Chief Corporate Officer, in order of rank or seniority, shall perform all of the duties of such officer, and when so acting shall have all the powers of and be subject to all the restrictions upon such officer, including the power to sign all instruments and to take all actions that such officer is authorized to perform by the Board or these Bylaws. The Chief Operating Officer shall have the general powers and duties of management usually vested in the office of the chief operating officer of a corporation and such other powers and duties as from time to time may be assigned to the Chief Operating Officer by the Chief Executive Officer or the Board.

Section 4.10 Chief Corporate Officer.

Subject to the oversight of the Chief Executive Officer and/or a President, the Chief Corporate Officer shall exercise direction and control over the day-to-day corporate functions of the Corporation. In the case of the death or total and permanent disability of the Chief Executive Officer and President(s), the Chief Operating Officer or Chief Corporate Officer, in order of rank or seniority, shall perform all of the duties of such officer, and when so acting shall have all the powers of and be subject to all the restrictions upon such officer, including the power to sign all instruments and to take all actions that such officer is authorized to perform by the Board or these Bylaws. The Chief Corporate Officer shall have the general powers and duties of management usually vested in the office of chief corporate officer of a corporation and such other powers and duties as from time to time may be assigned to the Chief Corporate Officer by the Chief Executive Officer or the Board.

Section 4.11 Senior Executive Vice President, Executive Vice President, Senior Vice President and Vice President.

In the case of the death or total and permanent disability of the Chief Executive Officer, the President(s), the Chief Operating Officer and the Chief Corporate Officer, a corporate Senior Executive Vice President, an Executive Vice President, a Group Chief Executive Officer or a Group President, in the order of rank and seniority, shall perform all of the duties of such officer, and when so acting shall have all the powers of and be subject to all the restrictions upon such officer, including the power to sign all instruments and to take all actions that such officer is authorized to perform by the Board or these Bylaws. Each such officer shall have the general powers and duties usually vested in such office. Each operating region, division, group or corporate staff function officer shall have the general powers and duties usually vested in such office. Each such officer shall have such other powers and perform such other duties as from time to time may be assigned to them respectively by the Chief Executive Officer or the Board.

Section 4.12 Secretary and Assistant Secretaries.

4.12.1. The Secretary shall (a) attend all sessions of the Board and all meetings of the stockholders; (b) record and keep, or cause to be kept, all votes and the minutes of all proceedings in a book or books to be kept for that purpose at the corporate headquarters of the

Corporation, or at such other place as the Board may from time to time determine; and (c) perform like duties for the Executive and other committees of the Board, when required. In addition, the Secretary shall keep or cause to be kept, at the registered office of the Corporation in the State of Nevada, those documents required to be kept thereat by Section 6.2 of the Bylaws and Section 78.105 of the Nevada Revised Statutes.

4.12.2. The Secretary shall give, or cause to be given, notice of meetings of the stockholders and special meetings of the Board, and shall perform such other duties as may be assigned by the Board or the Chief Executive Officer, under whose supervision the Secretary shall be. The Secretary shall keep in safe custody the seal of the Corporation and affix the same to any instrument requiring it. When required, the seal shall be attested by the Secretary's; the Treasurer's or an Assistant Secretary's signature. The Secretary or an Assistant Secretary hereby is authorized to issue certificates, to which the corporate seal may be affixed, attesting to the incumbency of officers of this Corporation or to actions duly taken by the Board, the Executive Committee, any other committee of the Board or the stockholders.

4.12.3. The Assistant Secretary or Secretaries, in the order of their seniority, shall perform the duties and exercise the powers of the Secretary and perform such duties as the Chief Executive Officer shall prescribe in the case of death or total and permanent disability of the Secretary.

Section 4.13 Treasurer and Assistant Treasurers.

4.13.1. The Treasurer shall deposit all moneys and other valuables in the name, and to the credit, of the Corporation, with such depositories as may be determined by the Treasurer. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board or permitted by the Chief Executive Officer or Chief Financial Officer, shall render to the Chief Executive Officer, Chief Financial Officer and directors, whenever they request it, an account of all transactions and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws or permitted by the Chief Executive Officer or Chief Financial Officer.

4.13.2. The Assistant Treasurer or Treasurers, in the order of their seniority, shall perform the duties and exercise the powers of the Treasurer and perform such duties as the Chief Executive Officer or the Chief Financial Officer shall prescribe in the case of death or total and permanent disability of the Treasurer.

Section 4.14 Additional Powers, Seniority and Substitution of Officers.

In addition to the foregoing powers and duties specifically prescribed for the respective officers, the Board may by resolution from time to time (a) impose or confer upon any of the officers such additional duties and powers as the Board may see fit, (b) determine the order of seniority among the officers, and/or (c) except as otherwise provided above, provide that in the case of death or total and permanent disability of any officer or officers, any other officer or officers shall temporarily or indefinitely assume the duties, powers and authority of the officer or officers who died or became totally and permanently disabled. Any such resolution may be final, subject only to further action by the Board, granting to any of the Chief Executive Officer, President(s), Chairman or Vice Chairman (or Chairmen) such discretion as the Board deems appropriate to impose or confer additional duties and powers, to determine the order of seniority among officers and/or to provide for substitution of officers as above described.

Section 4.15 Compensation.

The elected officers of the Corporation shall receive such compensation as shall be fixed from time to time by the Board or a committee thereof. The appointed officers of the Corporation shall receive such compensation as shall be fixed from time to time by the Board or a committee thereof, by the Chief Executive Officer or by any officer designated by the Board or the Chief Executive Officer. Unless otherwise determined by the Board, no officer shall be prohibited from receiving any compensation by reason of the fact that such officer also is a director of the Corporation.

Section 4.16 Transaction Involving Interest of an Officer.

In the absence of fraud, no contract or other transaction of the Corporation shall be affected or invalidated by the fact that any of the officers of the Corporation is interested in any way in, or connected with any other party to, such contract or transaction, or are themselves parties to such contract or transaction; *provided, however*, that such contract or transaction complies with Section 78.140 of the Nevada Revised Statutes. Each and every person who is or may become an officer of the Corporation hereby is relieved, to the extent permitted by law, when acting in good faith, from any liability that might otherwise exist from contracting with the Corporation for the benefit of such person or any person in which such person may be interested in any way or with which such person may be connected in any way.

ARTICLE V
EXECUTIVE AND OTHER COMMITTEES

Section 5.1 Standing Committees.

5.1.1. The Board shall appoint an Executive Committee, an Audit Committee and a Compensation Committee, consisting of such number of members as the Board may designate, consistent with the Articles, these Bylaws and the laws of the State of Nevada.

5.1.2. The Executive Committee shall have and may exercise, when the Board is not in session, all of the powers of the Board in the management of the business and affairs of the Corporation, but the Executive Committee shall not have the power to fill vacancies on the

Board, to change the membership of or to fill vacancies in the Executive Committee or any other Committee of the Board, to adopt, amend or repeal these Bylaws or to declare dividends or other distributions.

5.1.3. The Audit Committee shall select and engage, on behalf of the Corporation and subject to the consent of the stockholders, and fix the compensation of, a firm of certified public accountants. It shall be the duty of the firm of certified public accountants, which firm shall report to the Audit Committee, to audit the books and accounts of the Corporation and its consolidated subsidiaries. The

Audit Committee shall confer with the auditors to determine, and from time to time shall report to the Board upon, the scope of the auditing of the books and accounts of the Corporation and its consolidated subsidiaries. None of the members of the Audit Committee shall be officers or employees of the Corporation. If required by Nevada or federal laws, rules or regulations, or by the rules or regulations of any exchange on which the Corporation's shares shall be listed, the Board shall approve a charter for the Audit Committee and the Audit Committee shall comply with such charter in the performance of its duties.

5.1.4. The Compensation Committee shall establish a general compensation policy for the Corporation's directors and elected officers and shall have responsibility for approving the compensation of the Corporation's directors, elected officers and any other senior officers determined by the Compensation Committee. The Compensation Committee shall have all of the powers of administration granted to the Compensation Committee under the Corporation's non-qualified employee benefit plans, including any stock incentive plans, long-term incentive plans, bonus plans, retirement plans, deferred compensation plans, stock purchase plans and medical, dental and insurance plans. In connection therewith, the Compensation Committee shall determine, subject to the provisions of such plans, the directors, officers and employees of the Corporation eligible to participate in any of the plans, the extent of such participation and the terms and conditions under which benefits may be vested, received or exercised. None of the members of the Compensation Committee shall be officers or employees of the Corporation. The Compensation and Stock Option Committee may delegate any or all of its powers of administration under any or all of the Corporation's non-qualified employee benefit plans to any committee or entity appointed by the Compensation Committee. If required by any Nevada or federal laws, rules or regulations, or by the rules or regulations of any exchange on which the Corporation's shares shall be listed, the Board shall approve a charter for the Compensation Committee and the Compensation Committee shall comply with such charter in the performance of its duties.

Section 5.2 Other Committees.

Subject to the limitations of the Articles, these Bylaws and the laws of the State of Nevada as to action to be authorized or approved by the stockholders, or duties not delegable by the Board, any or all of the responsibilities and powers of the Board may be exercised, and the business and affairs of this Corporation may be exercised or controlled by or under the authority of such other committee or committees as may be appointed by the Board, including, without limitation, a Nominating Committee, an Ethics, Quality and Compliance Committee and a Corporate Governance Committee. The responsibilities and/or powers to be exercised by any such committee shall be designated by the Board.

Section 5.3 Procedures.

Subject to the limitations of the Articles, these Bylaws and the laws of the State of Nevada regarding the conduct of business by the Board and its appointed committees, the Board and any committee created under this Article V may use any procedures for conducting its business and exercising its powers, including, without limitation, acting by the unanimous written consent of its members in the manner set forth in Section 3.16. A majority of any committee shall constitute a quorum. Notices of meetings shall be provided, may be waived, in the manner set forth in Section 3.13.

ARTICLE VI
CORPORATE RECORDS AND REPORTS—INSPECTION

Section 6.1 Records.

The Corporation shall maintain adequate and correct accounts, books and records of its business and properties. All of such books, records and accounts shall be kept at its corporate headquarters and/or at other locations within or without the State of Nevada as may be designated by the Board.

Section 6.2 Articles, Bylaws and Stock Ledger.

The Corporation shall maintain and keep the following documents at its registered office in the State of Nevada: (a) a certified copy of the Articles and all amendments thereto; (b) a certified copy of these Bylaws and all amendments thereto; and (c) a statement setting forth the following: "The Bank of New York, whose address is 101 Barclay Street, New York, New York, 10286, is the custodian of the stock ledger of the Corporation."

Section 6.3 Inspection.

Stockholders of the Corporation may inspect books and records of the Corporation in accordance with Sections 78.105 and 78.257 of the

Nevada Revised Statutes.

Section 6.4 Checks, Drafts, Etc.

All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of, or payable to, the Corporation, shall be signed or endorsed only by such person or persons, and only in such manner, as shall be authorized from time to time by the Board, the Chief Executive Officer, the Chief Financial Officer or the Treasurer.

ARTICLE VII
OTHER AUTHORIZATIONS

Section 7.1 Execution of Contracts.

Except as otherwise provided in these Bylaws, the Board may authorize any officer or agent of the corporation to enter into and execute any contract, document, agreement or instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent or employee shall have any power or authority, except in the ordinary course of business, to bind the Corporation by any contract or engagement, to pledge its credit or to render it liable for any purpose or in any amount.

Section 7.2 Dividends or Other Distributions

From time to time, the Board may declare, and the Corporation may pay, dividends or other distributions on its outstanding shares in the manner and on the terms and conditions provided by the laws of the State of Nevada and the Articles, subject to any contractual restrictions to which the Corporation is then subject.

ARTICLE VIII
SHARES AND TRANSFER OF SHARES

Section 8.1 Shares.

8.1.1. The shares of the capital stock of the Corporation may be represented by certificates or uncertificated. Each registered holder of shares of capital stock, upon written request to the Secretary

of the Corporation, shall be provided with a stock certificate representing the number of shares owned by such holder.

8.1.2. Certificates for shares shall be in such form as the Board may designate and shall be numbered and registered as they are issued. Each shall state the name of the record holder of the shares represented thereby; its number and date of issuance; the number of shares for which it is issued; the par value; a statement of the rights, privileges, preferences and restrictions, if any; a statement as to rights of redemption or conversion, if any; and a statement of liens or restrictions upon transfer or voting, if any, or, alternatively, a statement that certificates specifying such matters may be obtained from the Secretary of the Corporation.

8.1.3. Every certificate for shares must be signed by the Chief Executive Officer or the President and the Secretary or an Assistant Secretary, or must be authenticated by facsimiles of the signatures of the Chief Executive Officer or the President and the Secretary or an Assistant Secretary. Before it becomes effective, every certificate for shares authenticated by a facsimile or a signature must be countersigned by a transfer agent or transfer clerk, and must be registered by an incorporated bank or trust company, either domestic or foreign, as registrar of transfers.

8.1.4. Even though an officer who signed, or whose facsimile signature has been written, printed, or stamped on a certificate for shares ceases, by death, resignation, retirement or otherwise, to be an officer of the Corporation before the certificate is delivered by the Corporation, the certificate shall be as valid as though signed by a duly elected, qualified and authorized officer if it is countersigned by the signature or facsimile signature of a transfer clerk or transfer agent and registered by an incorporated bank or trust company, as registrar of transfers.

8.1.5. Even though a person whose facsimile signature as, or on behalf of, the transfer agent or transfer clerk has been written, printed or stamped on a certificate for shares ceases, by death, resignation, or otherwise, to be a person authorized to so sign such certificate before the certificate is delivered by the Corporation, the certificate shall be deemed countersigned by the facsimile signature of a transfer agent or transfer clerk for purposes of meeting the requirements of this section.

Section 8.2 Transfer on the Books.

Upon surrender to the Secretary or transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation or its transfer agent to issue a new certificate, if requested by the transferee, to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 8.3 Lost or Destroyed Certificates.

The Board may direct, or may authorize the Secretary to direct, a new certificate or certificates to be issued in place of any certificate or

certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the Secretary's receipt of an affidavit of that fact by the person requesting the replacement certificate for shares so lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board or Secretary may, in its or the Secretary's discretion, and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or such owner's legal representative, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

Section 8.4 Transfer Agents and Registrars.

The Board, the Chief Executive Officer, the Chief Financial Officer or the Secretary may appoint one or more transfer agents or transfer clerks, and one or more registrars, who may be the same person, and may be the Secretary of the Corporation, an incorporated bank or trust company or any other person or entity, either domestic or foreign.

Section 8.5 Fixing Record Date for Dividends, Etc.

The Board may fix a time, not exceeding 50 days preceding the date fixed for the payment of any dividend or distribution, or for the allotment of rights, or when any change or conversion or exchange of shares shall go into effect, as a record date for the determination of the stockholders entitled to receive any such dividend or distribution, or any such allotment of rights, or to exercise the rights in respect to any such change, conversion, or exchange of shares, and, in such case, only stockholders of record on the date so fixed shall be entitled to receive such dividend, distribution, or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after any record date fixed as aforesaid.

Section 8.6 Record Ownership.

The Corporation shall be entitled to recognize the exclusive right of a person registered as such on the books of the Corporation as the owner of shares of the Corporation's stock to receive dividends or other distributions and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not the Corporation shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE IX
AMENDMENTS TO BYLAWS

Section 9.1 By Stockholders.

New or restated bylaws may be adopted, or these Bylaws may be repealed, amended and/or restated, at any meeting of the stockholders at which notice was provided in accordance with Section 2.10, by the affirmative vote of the holders of a majority of all outstanding shares voting together and not by class, except as otherwise provided in Section 3.5.

Section 9.2 By Directors.

Subject to the right of the stockholders to adopt, amend and/or restate or repeal these Bylaws, as provided in Section 9.1, the Board may adopt, amend, or repeal any of these Bylaws, except as otherwise provided in Section 3.5 and Article XIII, by the affirmative vote of two-thirds of the directors of each Class. This power may not be delegated to any committee appointed in accordance with these Bylaws.

Section 9.3 Record of Amendments.

Whenever an amendment or a new Bylaw is adopted, it shall be copied in the book of minutes with the original Bylaws, in the appropriate place. If any Bylaw is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted, or written assent was filed, shall be stated in said book.

ARTICLE X
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 10.1 Power to Indemnify in Actions, Suits or Proceedings other than those by or in the Right of the Corporation.

Subject to Section 10.4 of this Article X, 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 (except an action by or in the right of the Corporation) (a "Proceeding"), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified and held harmless by the Corporation to the fullest extent permitted by Nevada law against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding (collectively, "Costs") 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 Corporation, and, with respect to any criminal action or proceeding, had no reasonable

cause to believe such person's conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does 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 Corporation, and that, with respect to any criminal action or proceeding, such person had reasonable cause to believe that such person's conduct was unlawful.

Section 10.2 Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation.

Subject to Section 10.4 of this Article X, the Corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed Proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against Costs incurred by such person in connection with the defense or settlement of such action or suit 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 Corporation. Indemnification may not be made for any claim, issue or matter as to which such person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Corporation or for amounts paid in settlement to the Corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Section 10.3 Required Indemnification.

To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any Proceeding referred to in Sections 10.1 and 10.2, or in defense of any claim, issue or matter therein, the Corporation shall indemnify such person against Costs.

Section 10.4 Authorization of Indemnification.

Any discretionary indemnification under this Article X (unless ordered by a court or advanced pursuant to Section 10.7 hereof) may be made by the Corporation only as authorized in the specific

case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made: (a) by the Board by a majority vote of a quorum consisting of directors who were not parties to the Proceeding, (b) if a majority vote of a quorum consisting of directors who were not parties to the Proceeding so orders, by independent legal counsel in a written opinion, (c) if a quorum consisting of directors who were not parties to the Proceeding cannot be obtained, by independent legal counsel in a written opinion, or (d) by the stockholders.

Section 10.5 Good Faith Defined.

For purposes of any determination under Section 10.4 of this Article X, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 10.5 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 10.5 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 10.1 or 10.2 of this Article X, as the case may be.

Section 10.6 Indemnification by a Court.

If a claim under Sections 10.1 or 10.2 is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for Costs incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has failed to meet a standard of conduct which makes it permissible under Nevada law for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including the Board, independent legal counsel, or the stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because such claimant has met such standard of conduct, nor an actual determination by the Corporation (including the Board, independent legal counsel, or the stockholders) that the claimant has not met such standard of conduct, shall be a defense to the action or create a presumption that the claimant has failed to meet such standard of conduct.

Section 10.7 Expenses Payable in Advance.

The right to indemnification conferred in this Article X shall include the right to be paid by the Corporation the Costs incurred in defending a Proceeding as they are incurred and in advance of the final disposition of a Proceeding; *provided, however*, that the Corporation shall pay

the Costs of officers and directors only upon receipt of an undertaking by or on behalf of the officer or director to repay the amount if it is ultimately determined by a court of competent jurisdiction that such person is not entitled to be indemnified by the Corporation. The provisions of this Section 10.7 do not affect any

rights to advancement of expenses to which employees of the Corporation other than officers or directors may be entitled under any contract or otherwise by law.

Section 10.8 Nonexclusivity of Indemnification and Advancement of Expenses.

The right to indemnification and advancement of Costs authorized in this Article X or ordered by a court: (a) does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the Articles of the Corporation or any agreement, vote of stockholders or disinterested directors or otherwise, for either an action in such person's official capacity or an action in another capacity while holding such person's office, except that indemnification, unless ordered by a court pursuant to Nevada law or the advancement of expenses made pursuant to Section 10.7, may not be made to or on behalf of any director or officer if a final adjudication establishes that such person's acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action; (b) continues for a person who has ceased to be a director, officer, employee, or agent and inures to the benefit of the heirs, executors and administrators of such a person.

Section 10.10 Insurance.

The Corporation may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise in accordance with Section 78.752 of the Nevada Revised Statutes.

Section 10.11 Certain Definitions.

10.11.1 For purposes of this Article X, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article X with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

10.11.2. For purposes of this Article X, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan.

10.11.3. For purposes of this Article X, references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries;

10.11.4 For purposes of this Article X, a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article X.

10.11.5 For purposes of this Article X, the term "Board" shall mean the Board of the Corporation or, to the extent permitted by the laws of Nevada, as the same exist or may hereafter be

amended, its Executive Committee. On vote of the Board, the Corporation may assent to the adoption of this Article X by any subsidiary, whether or not wholly owned.

Section 10.12 Limitation on Indemnification.

Notwithstanding anything contained in this Article X to the contrary, except as provided in Section 10.4, the Corporation shall indemnify any such person seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized or consented to by the Board.

Section 10.13 Indemnification of Witnesses.

To the extent that any director, officer, employee, or agent of the Corporation is by reason of such position, or a position held with another entity at the request of the Corporation, a witness in any action, suit or proceeding, such person shall be indemnified against all Costs actually and reasonably incurred by such person or on such person's behalf in connection therewith.

Section 10.14 Indemnification Agreements.

The Corporation may enter into agreements with any director, officer, employee, or agent of the Corporation providing for indemnification to the full extent permitted by Nevada law.

Section 10.15 Actions Prior to Adoption of Article X.

The rights provided by this Article X shall be available whether or not the claim asserted against the director, officer, employee, or agent is based on matters which antedate the adoption of this Article X.

Section 10.16 Severability.

If any provision of this Article X shall for any reason be determined to be invalid, the remaining provisions hereof shall not be affected thereby but shall remain in full force and effect.

Section 10.17 Applicability to Federal Election Campaign Act of 1971, as amended.

The rights provided by this Article X shall be applicable to the officers (including without limitation the Chairman, Vice Chairman, treasurer and assistant treasurer) appointed from time to time by the Chief Executive Officer of the Corporation or his designee to serve in the administration and management of any separate, segregated fund established for purposes of collecting and distributing voluntary employee political contributions to federal election campaigns pursuant to the Federal Election Campaign Act of 1971, as amended.

ARTICLE XI
CORPORATE SEAL

The corporate seal shall be circular in form and shall have inscribed thereon the name of the Corporation, the date of its incorporation and the word "Nevada".

ARTICLE XII
INTERPRETATION

Reference in these Bylaws to any provision of Nevada law or the Nevada Revised Statutes shall be deemed to include all amendments thereto and the effect of the construction and determination of validity thereof by the Nevada Supreme Court.

QuickLinks

TENET HEALTHCARE CORPORATION

$500,000,000
8 5/8% SENIOR NOTES due 2003

INDENTURE
Dated as of October 16, 1995

THE BANK OF NEW YORK

as Trustee

TABLE OF CONTENTS

ARTICLE 9
MISCELLANEOUS

EXHIBITS

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Section
310 (a)(1)	6.10
(a)(2)	6.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	6.10
(b)	6.08; 6.10
(c)	N.A.
311 (a)	6.11
(b)	6.11
(c)	N.A.
312 (a)	2.05
(b)	9.03
(c)	9.03
313 (a)	6.06
(b)(1)	N.A.
(b)(2)	6.06
(c)	6.06; 9.02
(d)	6.06
314 (a)	3.03; 9.02
(b)	N.A.
(c)(1)	9.04
(c)(2)	9.04
(c)(3)	N.A.
(d)	N.A.
(e)	9.05
(f)	N.A.
315 (a)	6.01(iii)(b)
(b)	6.05; 9.02
(c)	6.01(i)
(d)	6.01(iii)
(e)	5.11
316 (a)(last sentence)	2.09

(a)(1)(A)	5.05
(a)(1)(B)	5.04
(a)(2)	N.A.
(b)	5.07
(c)	2.13; 8.04
317 (a)(1)	5.08
(a)(2)	5.09
(b)	2.04
318 (a)	9.01
(b)	N.A.
(c)	9.01

N.A. means not applicable.

---

*

This Cross-Reference Table is not part of the Indenture.

INDENTURE dated as of October 16, 1995 between Tenet Healthcare Corporation, a Nevada corporation (the "*Company*"), and The Bank of New York, as trustee (the "*Trustee*").

The Company and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 8 5/8% Senior Notes due 2003 (the "*Securities*"):

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. DEFINITIONS.

"*Acquired Debt*" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, including, without limitation, Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person, and (ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"*Agent*" means any Registrar, Paying Agent or co-registrar.

"*Asset Sale*" means (i) the sale, lease, conveyance or other disposition of any assets (including, without limitation, by way of a sale and leaseback) other than in the ordinary course of business consistent with past practices (*provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole shall be governed by Section 3.13 and/or Article 4 hereof and not by Section 3.10 hereof), and (ii) the issuance or sale by the Company or any of its Subsidiaries of Equity Interests of any of the Company's Subsidiaries, in the case of either clause (i) or (ii), whether in a single transaction or a series of related transactions (a) that have a fair market value in excess of $25.0 million or (b) for net proceeds in excess of $25.0 million. Notwithstanding the foregoing: (a) a transfer of assets by the Company to a Subsidiary or by a Subsidiary to the Company or to another Subsidiary, (b) an issuance of Equity Interests by a Subsidiary to the Company or to another Subsidiary, (c) a Restricted Payment that is permitted by Section 3.07 hereof and (d) a Hospital Swap shall not be deemed to be an Asset Sale.

"*Board of Directors*" means the Board of Directors of the Company or any authorized committee thereof.

"*Business Day*" means any day other than a Legal Holiday.

"*Capital Lease*" means, at the time any determination thereof is to be made, any lease of property, real or personal, in respect of which the present value of the minimum rental commitment would be capitalized on a balance sheet of the lessee in accordance with GAAP.

"*Capital Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a Capital Lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"*Capital Stock*" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership, partnership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Change of Control*" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any Person or group (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), other than to a Person or group who, prior to such transaction, held a majority of the voting power of the voting stock of the Company, (ii) the acquisition by any Person or group, as defined above, of a direct or indirect interest in more than 50% of the voting power of the voting stock of the Company, by way of merger, consolidation or otherwise, or (iii) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and a Rating Decline.

"*Commission*" means the Securities and Exchange Commission.

"*Company*" means Tenet Healthcare Corporation, as obligor under the Securities, unless and until a successor replaces Tenet Healthcare Corporation, in accordance with Article 4 hereof and thereafter includes such successor.

"*Consolidated Cash Flow*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period *plus* (i) an amount equal to any extraordinary loss of such Person *plus* any net loss realized in connection with an Asset Sale (to the extent such losses were deducted in computing such Consolidated Net Income), *plus* (ii) provision for taxes based on income or profits of such Person and its Subsidiaries for such period, to the extent such provision for taxes was included in computing such Consolidated Net Income, *plus* (iii) the Fixed Charges of such Person and its Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income, *plus* (iv) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of such Person and its Subsidiaries for such period to the extent that such depreciation and amortization were deducted in computing such Consolidated Net Income, in each case, on a consolidated basis and determined in accordance with GAAP. Notwithstanding the foregoing, the provision for taxes on the income or profits of, and the depreciation and amortization of, a Subsidiary of the referent Person shall be added to Consolidated Net Income to compute Consolidated Cash Flow only to the extent (and in same proportion) that the Net Income of such Subsidiary was included in calculating the Consolidated Net Income of such Person and only if a corresponding amount would be permitted at the date of determination to be dividended to the Company by such Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Subsidiary or its stockholders.

"*Consolidated Net Income*" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP but excluding any one-time charge or expense incurred in order to consummate the Refinancing; *provided* that (i) the Net Income of any Person that is not a Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Wholly Owned Subsidiary thereof, (ii) the Net Income of any Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Subsidiary of that Net Income is not at the date of

determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary or its stockholders, (iii) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded and (iv) the cumulative effect of a change in accounting principles shall be excluded.

"*Consolidated Net Worth*" means, with respect to any Person as of any date, the sum of (i) the consolidated equity of the common stockholders of such Person and its consolidated Subsidiaries as of such date *plus* (ii) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Stock), *less* all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made in accordance with GAAP as a result of the acquisition of such business) subsequent to the date hereof in the book value of any asset owned by such Person or a consolidated Subsidiary of such Person, and excluding the cumulative effect of a change in accounting principles, all as determined in accordance with GAAP.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Company who (i) was a member of such Board of Directors on the date hereof or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"*Corporate Trust Office of the Trustee*" shall be at the address of the Trustee specified in Section 9.02 hereof or such other address as to which the Trustee may give notice to the Company.

"*Credit Agreement*" means that certain Credit Agreement, dated as of February 28, 1995, by and among the Company and Morgan Guaranty Trust Company of New York and the other banks that are party thereto, providing for $1.8 billion in aggregate principal amount of

Senior Term Debt and up to $500.0 million in aggregate principal amount of Senior Revolving Debt, including any related notes, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended as of August 31, 1995, and as amended, modified, extended, renewed, refunded, replaced or refinanced, in whole or in part, from time to time.

"*Default*" means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the Holder thereof, in whole or in part, on or prior to December 1, 2003.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Existing Indebtedness*" means Indebtedness of the Company and its Subsidiaries (other than Indebtedness under the Credit Agreement in existence on the date hereof, until such amounts are repaid, including all reimbursement obligations with respect to letters of credit outstanding as of the date hereof (other than letters of credit issued pursuant to the Credit Agreement)).

"*Fixed Charge Coverage Ratio*" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period; *provided, however*, that in the event that the Company or any of its Subsidiaries incurs, assumes, Guarantees or redeems any Indebtedness (other than revolving credit borrowings) or issues preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is

being calculated but prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, Guarantee or redemption of Indebtedness, or such issuance or redemption of preferred stock, as if the same had occurred at the beginning of the applicable four-quarter reference period; and *provided further* that for purposes of making the computation referred to above, (i) acquisitions that have been made by the Company or any of its Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be deemed to have occurred on the first day of the four- quarter reference period, and (ii) the Consolidated Cash Flow and Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded.

"*Fixed Charges*" means, with respect to any Person for any period, the sum of (i) the consolidated interest expense of such Person and its Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letters of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations) and (ii) the consolidated interest expense of such Person and its Subsidiaries that was capitalized during such period, and (iii) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries (whether or not such Guarantee or Lien is called upon) and (iv) the product of (a) all cash dividend payments (and non-cash dividend payments in the case of a Person that is a Subsidiary) on any series of preferred stock of such Person, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, as in effect from time to time.

"*Government Securities*" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

"*Guarantee*" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, (ii) foreign exchange contracts or currency swap agreements and (iii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates or currency values.

"*Holder*" means a Person in whose name a Security is registered.

"*Hospital*" means a hospital, outpatient clinic, long-term care facility or other facility that is used or useful in the provision of healthcare services.

"*Hospital Swap*" means an exchange of assets by the Company or a Subsidiary of the Company for one or more Hospitals and/or one or more Related Businesses or for the Capital Stock of any Person owning one or more Hospitals and/or one or more Related Businesses.

"*Indebtedness*" means with respect to any Person, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing Capital Lease Obligations or the balance deferred and unpaid of the purchase price of any property or representing any Hedging Obligations, except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, as well as all indebtedness of others secured by a Lien on any asset of such Person (whether or not such indebtedness is assumed by such Person) and, to the extent not otherwise included, the Guarantee by such Person of any indebtedness of any other Person.

"*Indenture*" means this Indenture, as amended or supplemented from time to time.

"*International Subsidiaries*" means International-NME, Inc., NME (Australia) Pty. Limited, and each of such Person's respective Subsidiaries.

"*Investment Grade*" means a rating of BBB- or higher by S&P or Baa3 or higher by Moody's or the equivalent of such ratings by S&P or Moody's. In the event that the Company shall select any other Rating Agency, the equivalent of such ratings by such Rating Agency shall be used.

"*Investments*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of direct or indirect loans (including Guarantees of Indebtedness or other obligations), advances or capital contributions, purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; *provided* that an acquisition of assets, Equity Interests or other securities by the Company for consideration consisting of common equity securities of the Company shall not be deemed to be an Investment.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

"*Metrocrest Letter of Credit Facility*" means that certain letter of credit facility, dated as of February 28, 1995, by and among the Company and Morgan Guaranty Trust Company of New York and the other banks that are party thereto, in an aggregate principal amount of $91.35 million.

"*Moody's*" means Moody's Investors Services, Inc. and its successors.

"*Net Income*" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (i) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (a) any Asset Sale (including, without limitation, dispositions pursuant to sale and leaseback transactions) or (b) the disposition of any securities by such Person or any of its Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries and (ii) any extraordinary or nonrecurring gain (but not loss), together with any related provision for taxes on such extraordinary or nonrecurring gain (but not loss).

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any permitted Non-Cash Consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions) and any other expenses incurred or to be incurred by the Company or a Subsidiary as a direct result of the sale of such assets (including, without limitation, severance, relocation, lease termination and other similar expenses), taxes actually paid or payable as a result thereof, amounts required to be applied to the repayment of Indebtedness (other than Senior Term Debt or Senior Revolving Debt) secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"*Non-Cash Consideration*" means any non-cash consideration received by the Company or a Subsidiary of the Company in connection with an Asset Sale and any non-cash consideration received by the Company or any of its Subsidiaries upon disposition thereof.

"*Non-Recourse Debt*" means Indebtedness of an International Subsidiary (i) as to which neither the Company nor any of its Subsidiaries (other than the International Subsidiaries) (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness of the Company or any of its Subsidiaries), or (b) is directly or indirectly liable (as a guarantor or otherwise) and (ii) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an International Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any of its

Subsidiaries (other than the International Subsidiaries) to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity (except any such provisions set forth in Existing Indebtedness until the same is repaid or refinanced).

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officers*" means the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary and any Vice President of the Company or any Subsidiary, as the case may be.

"*Officers' Certificate*" means a certificate signed by two Officers, one of whom must be the principal executive officer, principal financial officer or principal accounting officer of the Company.

"*Opinion of Counsel*" means an opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company, any Subsidiary or the Trustee.

"*Payment Default*" means any failure to pay any scheduled installment of interest or principal on any Indebtedness within the grace period provided for such payment in the documentation governing such Indebtedness.

"*Performance Investment Plan*" means the 1989 Performance Investment Plan adopted by the Company's Board of Directors on March 10, 1989.

"*Permitted Collateral*" means, collectively, (i) all Capital Stock and other Equity Interests of the Company's present and future direct Subsidiaries, (ii) all intercompany Indebtedness owed to the Company and (iii) all Capital Stock and other Equity Interests in Westminster Health Care Holdings PLC owned by the Company or its Subsidiaries.

"Permitted Liens" means (i) Liens on Permitted Collateral securing Senior Term Debt of the Company under the Credit Agreement in an aggregate principal amount at any time outstanding not to exceed an amount equal to $1.8 billion less the aggregate amount of all repayments, optional or mandatory, of the principal of any Senior Term Debt (other than repayments that are immediately

reborrowed) that have been made since March 1, 1995; (ii) Liens on Permitted Collateral securing Senior Revolving Debt and letters of credit of the Company incurred pursuant to the Credit Agreement in an aggregate principal amount at any time outstanding (with letters of credit being deemed to have a principal amount equal to the maximum potential reimbursement obligation of the Company with respect thereto) not to exceed an amount equal to $500.0 million less the aggregate amount of all Net Proceeds of Asset Sales applied to permanently reduce commitments with respect to such Indebtedness pursuant to Section 3.10 hereof since March 1, 1995; (iii) Liens in favor of the Company; (iv) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Company or any Subsidiary of the Company or becomes a Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such merger, consolidation or acquisition and do not extend to any assets other than those of the Person merged into or consolidated with the Company or that becomes a Subsidiary of the Company; (v) Liens on property existing at the time of acquisition thereof by the Company or any Subsidiary of the Company, *provided* that such Liens were in existence prior to the contemplation of such acquisition; (vi) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business; (vii) Liens existing on the date hereof, including, without limitation, Liens on Permitted Collateral securing reimbursement obligations under the Metrocrest Letter of Credit Facility; (viii) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor; (ix) other Liens on assets of the Company or any Subsidiary of the Company securing Indebtedness that is permitted by the terms hereof to be outstanding having an aggregate principal amount at any one time outstanding not to exceed 10% of the Stockholders' Equity of the Company; and (x) Liens to secure Permitted Refinancing Indebtedness incurred to refinance Indebtedness that was secured by a Lien permitted hereunder and that was incurred in accordance with the provisions hereof; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Subsidiary other than assets or property securing the Indebtedness so refinanced.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Subsidiaries issued in exchange for, or the net proceeds of which are used solely to extend, refinance, renew, replace, defease or refund, other Indebtedness of the Company or any of its Subsidiaries; *provided* that, except in the case of Indebtedness of the Company issued in exchange for, or the net proceeds of which are used solely to extend, refinance, renew, replace, defease or refund, Indebtedness of a Subsidiary of the Company: (i) the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of any premiums paid and reasonable expenses incurred in connection therewith); (ii) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; (iii) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Securities, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Securities on terms at least as favorable to the Holders of Securities as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and (iv) such Indebtedness is incurred either by the Company or by the Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust or unincorporated organization (including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business).

"*Physician Joint Venture Distributions*" means distributions made by the Company or any of its Subsidiaries to any physician, pharmacist or other allied healthcare professional in connection with the unwinding, liquidation or other termination of any joint venture or similar arrangement between any such Person and the Company or any of its Subsidiaries.

"*Physician Support Obligations*" means any obligation or Guarantee incurred in the ordinary course of business by the Company or a Subsidiary of the Company in connection with any advance, loan or payment to, or on behalf of or for the benefit of any physician, pharmacist or other allied healthcare professional for the purpose of recruiting, redirecting or retaining the physician, pharmacist or other allied healthcare professional to provide service to patients in the service area of any Hospital or Related Business owned or operated by the Company or any of its Subsidiaries; EXCLUDING, HOWEVER, compensation for services provided by physicians, pharmacists or other allied healthcare professionals to any Hospital or Related Business owned or operated by the Company or any of its Subsidiaries.

"*Qualified Equity Interests*" shall mean all Equity Interests of the Company other than Disqualified Stock of the Company.

"*Rating Agencies*" means (i) S&P and (ii) Moody's or (iii) if S&P or Moody's or both shall not make a rating of the Securities publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, shall be substituted for S&P or Moody's or both, as the case may be.

"*Rating Category*" means (i) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories); and (iii) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Securities has decreased by one or more gradations, gradations within Rating Categories (+ and - for S&P, 1, 2 and 3 for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (E.G., with respect to S&P, a decline in a rating from BB+ to BB, as well as from BB- to B+, shall constitute a decrease of one gradation).

"*Rating Date*" means the date which is 90 days prior to the earlier of (i) a Change of Control and (ii) the first public notice of the occurrence of a Change of Control or of the intention by the Company to effect a Change of Control.

"*Rating Decline*" means the occurrence on or within 90 days after the date of the first public notice of the occurrence of a Change of Control or of the intention by the Company to effect a Change of Control (which period shall be extended so long as the rating of the Securities is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of: (a) in the event the Securities are rated by either Moody's or S&P on the Rating Date as Investment Grade, a decrease in the rating of the Securities by both Rating Agencies to a rating that is below Investment Grade, or (b) in the event the Securities are rated below Investment Grade by both Rating Agencies on the Rating Date, a decrease in the rating of the Securities by either Rating Agency by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"*Refinancing*" has the meaning ascribed to it in the prospectus dated February 21, 1995 relating to the Company's $9^{5}/_{8}$% Senior Notes due 2002 and the Senior Subordinated Notes.

"*Related Business*" means a healthcare business affiliated or associated with a Hospital or any business related or ancillary to the provision of healthcare services or the operation of a Hospital.

"*Responsible Officer*" when used with respect to the Trustee, means any officer within the corporate trust department of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated

officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"*Restricted Investment*" means an Investment in any of the International Subsidiaries.

"*Securities*" means the securities described above, issued under this Indenture.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Senior Notes Indenture*" means the Indenture dated as of March 1, 1995 between the Company and The Bank of New York, as trustee, as amended or supplemented from time to time, under which the Company's $9\ ^{5}/_{8}$% Senior Notes due 2002 were issued

"*Senior Revolving Debt*" means revolving credit loans outstanding from time to time under the Credit Agreement.

"*Senior Subordinated Notes*" means the $10^{1}/_{8}$% Senior Subordinated Notes due 2005 of the Company in an aggregate principal amount

of $900.0 million, issued pursuant to the Senior Subordinated Note Indenture.

"*Senior Subordinated Notes Indenture*" means the Indenture dated as of March 1, 1995 between the Company and The Bank of New York, as trustee, as amended or supplemented from time to time, under which the Senior Subordinated Notes were issued.

"*Senior Term Debt*" means term loans outstanding from time to time under the Credit Agreement.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"*S&P*" means Standard & Poor's Corporation and its successors.

"*Specified Assets*" means the Company's and its Subsidiaries' interest in The Hillhaven Corporation and Westminster Healthcare Holdings PLC owned as of the date hereof and the Capital Stock and assets of the International Subsidiaries.

"*Stockholders' Equity*" means, with respect to any Person as of any date, the stockholders' equity of such Person determined in accordance with GAAP as of the date of the most recent available internal financial statements of such Person, and calculated on a pro forma basis to give effect to any acquisition or disposition by such Person consummated or to be consummated since the date of such financial statements and on or prior to the date of such calculation.

"*Subsidiary*" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof); *provided* that no International Subsidiary shall be deemed to be a "Subsidiary" for any purpose hereunder for so long as such International Subsidiary: (a) has no Indebtedness other than Existing Indebtedness and Non-Recourse Debt; (b) is not a party to any agreement, contract, arrangement or understanding with the Company or any of its other Subsidiaries (other than International Subsidiaries) except any such agreement, contract, arrangement or understanding that (i) was in effect on the date hereof, or (ii) meets the requirements of Section 3.11 hereof; (c) is a Person with respect to which neither the Company nor any of its Subsidiaries (other than International Subsidiaries) has any direct or indirect obligation (x) to subscribe for additional Equity Interests or (y) to maintain or preserve such Person's financial condition or to cause such

Person to achieve any specified level of operating results except, in each case, any such obligation in existence on the date hereof or created pursuant to the terms of any Investment permitted by Section 3.07 hereof; and (d) has not Guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Subsidiaries (other than International Subsidiaries). If, at any time, any International Subsidiary would fail to meet the foregoing requirements, it shall thereafter be deemed to be a Subsidiary for all purposes of this Indenture and any Indebtedness of such International Subsidiary shall be deemed to be incurred by a Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under Section 3.09 hereof, the Company shall be in default of such covenant).

"*TIA*" means the Trust Indenture Act of 1939, as amended (15 U.S.C. § 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA, except as provided in Section 8.03 hereof.

"*Transfer Restriction*" means, with respect to the Company's Subsidiaries, any encumbrance or restriction on the ability of any Subsidiary to (i)(a) pay dividends or make any other distributions to the Company or any of its Subsidiaries (1) on its Capital Stock or (2) with respect to any other interest or participation in, or measured by, its profits, or (b) pay any Indebtedness owed to the Company or any of its Subsidiaries, (ii) make loans or advances to the Company or any of its Subsidiaries, or (iii) transfer any of its properties or assets to the Company or any of its Subsidiaries.

"*Trustee*" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Subsidiary*" of any Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

SECTION 1.02. OTHER DEFINITIONS.

Term	Defined in Section
"Affiliate Transaction"	3.11
"Bankruptcy Law"	5.01
"Change of Control Offer"	3.13
"Change of Control Payment"	3.13
"Change of Control Payment Date"	3.13
"Commencement Date"	2.15
"Covenant Defeasance"	7.03
"Custodian"	5.01
"Event of Default"	5.01
"Excess Proceeds"	3.10
"incur"	3.09
"Legal Defeasance"	7.02
"Legal Holiday"	9.07
"Notice of Default"	5.01
"Offer Amount"	2.15
"Offer Period"	2.15
"Paying Agent"	2.03
"Purchase Date"	2.15
"Purchase Price"	3.10
"Registrar"	2.03
"Restricted Payments"	3.07
"Senior Asset Sale Offer"	3.10

SECTION 1.03. INCORPORATION BY REFERENCE OF TIA.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"*indenture securities*" means the Securities;

"*indenture security holder*" means a Holder;

"*indenture to be qualified*" means this Indenture;

"*indenture trustee*" or "*institutional trustee*" means the Trustee;

"*obligor*" on the Securities means the Company and any successor obligor upon the Securities.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by the Commission rule under the TIA have the meanings so assigned to them.

SECTION 1.04. RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular; and

(5) provisions apply to successive events and transactions.

ARTICLE 2
THE SECURITIES; OFFER TO PURCHASE PROCEDURES

SECTION 2.01. FORM AND DATING.

The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto, the terms of which are incorporated in and made a part of this Indenture. The Securities may have notations, legends or endorsements approved as to form by the Company and required by law, stock exchange rule, agreements to which the Company is subject or usage. Each Security shall be dated the

date of its authentication. The Securities shall be issuable only in registered form, without coupons, in denominations of $1,000 and integral multiples thereof.

SECTION 2.02. EXECUTION AND AUTHENTICATION.

An Officer of the Company shall sign the Securities for the Company by manual or facsimile signature.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual signature of the Trustee. The signature of the Trustee shall be conclusive evidence that the Security has been authenticated under this Indenture. The form of Trustee's certificate of authentication to be borne by the Securities shall be substantially as set forth in Exhibit A hereto.

The Trustee shall, upon a written order of the Company signed by two Officers of the Company, authenticate Securities for original issue up to the aggregate principal amount stated in paragraph 4 of the Securities. The aggregate principal amount of Securities outstanding at any time shall not exceed the amount set forth herein except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

SECTION 2.03. REGISTRAR AND PAYING AGENT.

The Company shall maintain (i) an office or agency where Securities may be presented for registration of transfer or for exchange (including any co- registrar, the "*Registrar*") and (ii) an office or agency where Securities may be presented for payment (the "*Paying Agent*"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent, Registrar or co-registrar without prior notice to any Holder. The Company shall notify the Trustee and the Trustee shall notify the Holders of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent, Registrar or co- registrar. The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture, which shall incorporate the provisions of the TIA. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of

any such Agent. If the Company fails to maintain a Registrar or Paying Agent, or fails to give the foregoing notice, the Trustee shall act as such, and shall be entitled to appropriate compensation in accordance with Section 6.07 hereof.

The Company initially appoints the Trustee as Registrar, Paying Agent and agent for service of notices and demands in connection with the Securities.

SECTION 2.04. PAYING AGENT TO HOLD MONEY IN TRUST.

On or prior to the due date of principal of, premium, if any, and interest on any Securities, the Company shall deposit with the Trustee or the Paying Agent money sufficient to pay such principal, premium, if any, and interest becoming due. The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, and interest on the Securities, and shall notify the Trustee of any Default by the Company in making any such payment. While any such Default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company) shall have no further liability for the money delivered to the Trustee. If the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent.

SECTION 2.05. HOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA § 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders, including the aggregate principal amount of the Securities held by each thereof, and the Company shall otherwise comply with TIA § 312(a).

SECTION 2.06. TRANSFER AND EXCHANGE.

When Securities are presented to the Registrar with a request to register the transfer or to exchange them for an equal principal amount of Securities of other denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met; *provided, however*, that any Security presented or surrendered for registration of transfer or exchange shall be duly endorsed or

accompanied by a written instruction of transfer in form satisfactory to the Registrar and the Trustee duly executed by the Holder thereof or by his attorney duly authorized in writing. To permit registrations of transfer and exchanges, the Company shall issue and the Trustee shall authenticate Securities at the Registrar's request, subject to such rules as the Trustee may reasonably require.

Neither the Company nor the Registrar shall be required to register the transfer or exchange of a Security between the record date and the next succeeding interest payment date.

No service charge shall be made to any Holder for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than such transfer tax or similar governmental charge payable upon exchanges pursuant to Sections 2.10 or 8.05 hereof, which shall be paid by the Company).

Prior to due presentment for registration of transfer of any Security, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of, premium, if any, and interest on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and neither the Trustee, any Agent nor the Company shall be affected by notice to the contrary.

SECTION 2.07. REPLACEMENT SECURITIES.

If any mutilated Security is surrendered to the Trustee or the Company, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Security, the Company shall issue and the Trustee, upon the written order of the Company signed by two Officers of the Company, shall authenticate a replacement Security if the Trustee's requirements for replacements of Securities are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss which any of them may suffer if a Security is replaced. Each of the Company and the Trustee may charge for its expenses in replacing a Security.

Every replacement Security is an additional obligation of the Company.

SECTION 2.08. OUTSTANDING SECURITIES.

The Securities outstanding at any time are all the Securities authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation and those described in this Section as not outstanding.

If a Security is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the principal amount of any Security is considered paid under Section 3.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

Subject to Section 2.09 hereof, a Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

SECTION 2.09. TREASURY SECURITIES.

In determining whether the Holders of the required principal amount of Securities then outstanding have concurred in any demand, direction, waiver or consent, Securities owned by the Company or any Affiliate of the Company shall be considered as though not outstanding, except that for purposes of determining whether the Trustee shall be protected in relying on any such demand, direction, waiver or consent, only Securities that a Responsible Officer actually knows to be so owned shall be so considered. Notwithstanding the foregoing, Securities that are to be acquired by the Company or an Affiliate of the Company pursuant to an exchange offer, tender offer or other agreement shall not be deemed to be owned by the Company or an Affiliate of the Company until legal title to such Securities passes to the Company or such Affiliate, as the case may be.

SECTION 2.10. TEMPORARY SECURITIES.

Until definitive Securities are ready for delivery, the Company may prepare and the Trustee, upon receipt of the written order of the Company signed by two Officers of the Company, shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company and the Trustee consider appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee, upon receipt of the written order of the Company signed by two Officers of the Company, shall authenticate definitive Securities in

exchange for temporary Securities. Until such exchange, temporary Securities shall be entitled to the same rights, benefits and privileges as definitive Securities.

SECTION 2.11. CANCELLATION.

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall return such cancelled Securities to the Company. The Company may not issue new Securities to replace Securities that it has paid or that have been delivered to the Trustee for cancellation.

SECTION 2.12. DEFAULTED INTEREST.

If the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, which date shall be at the earliest practicable date but in all events at least five Business Days prior to the related payment date, in each case at the rate provided in the Securities and in Section 3.01 hereof. The Company shall, with the consent of the Trustee, fix or cause to be fixed each such special record date and payment date. At least 15 days before the special record date, the Company (or the Trustee, in the name of and at the expense of the Company) shall mail to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

SECTION 2.13. RECORD DATE.

The record date for purposes of determining the identity of Holders entitled to vote or consent to any action by vote or consent authorized or permitted under this Indenture shall be determined as provided for in TIA § 316(c).

SECTION 2.14. CUSIP NUMBER.

The Company in issuing the Securities may use a "CUSIP" number, and if it does so, the Trustee shall use the CUSIP number in notices to Holders; *provided* that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP number printed in the notice or on the Securities and that reliance may be placed only on the other identification numbers printed on the Securities. The Company shall promptly notify the Trustee of any change in the CUSIP number.

SECTION 2.15. OFFER TO PURCHASE BY APPLICATION OF EXCESS PROCEEDS.

In the event that the Company shall commence a Senior Asset Sale Offer pursuant to Section 3.10 hereof, it shall follow the procedures specified below.

No later than the date on which the aggregate amount of Excess Proceeds exceeds $25.0 million, the Company shall notify the Trustee of such Senior Asset Sale Offer and provide the Trustee with an Officers' Certificate setting forth, in addition to the information to be included therein pursuant to Section 3.10 hereof, the calculations used in determining the amount of Net Proceeds to be applied to the purchase of Securities. The Company shall commence or cause to be commenced the Senior Asset Sale Offer on a date no later than 10 Business Days after such notice (the "*Commencement Date*").

The Senior Asset Sale Offer shall remain open for at least 20 Business Days after the Commencement Date relating to such Senior Asset Sale Offer and shall remain open for no more than such 20 Business Days, except to the extent required by applicable law (as so extended, the "*Offer Period*"). No later than one Business Day after the termination of the Offer Period (the "*Purchase*

Date"), the Company shall purchase the principal amount (the "*Offer Amount*") of Securities required to be purchased in such Senior Asset Sale Offer pursuant to Section 3.10 hereof or, if less than the Offer Amount has been tendered, all Securities tendered in response to the Senior Asset Sale Offer, in each case for an amount in cash equal to the Purchase Price.

If the Purchase Date is on or after an interest payment record date and on or before the related interest payment date, any accrued interest shall be paid to the Person in whose name a Security is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Securities pursuant to the Senior Asset Sale Offer.

On the Commencement Date of any Senior Asset Sale Offer, the Company shall send, or at the Company's request the Trustee shall send, by first class mail, a notice to each of the Holders at their last registered address, with a copy to the Trustee and the Paying Agent, offering to repurchase the Securities held by such Holder pursuant to the procedure specified in such notice. Such notice, which shall govern the terms of the Senior Asset Sale Offer, shall contain all instructions and materials necessary to enable the Holders to tender Securities pursuant to the Senior Asset Sale Offer and shall state:

(1) that the Senior Asset Sale Offer is being made pursuant to this Section 2.15 and Section 3.10 hereof and the length of time the Senior Asset Sale Offer shall remain open;

(2) the Offer Amount, the Purchase Price and the Purchase Date;

(3) that any Security not tendered or accepted for payment shall continue to accrue interest;

(4) that, unless the Company defaults in the payment of the Purchase Price, any Security accepted for payment pursuant to the Senior Asset Sale Offer shall cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Security purchased pursuant to any Senior Asset Sale Offer shall be required to surrender the Security, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Security completed, to the Company, a depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice prior to the close of business on the Business Day next preceding the Purchase Date;

(6) that Holders shall be entitled to withdraw their election if the Company, depositary or Paying Agent, as the case may be, receives, not later than the close of business on the Business Day next preceding the termination of the Offer Period, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Security the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Security purchased;

(7) that, if the aggregate principal amount of Securities surrendered by Holders exceeds the Offer Amount, the Trustee shall select the Securities to be purchased on a *pro rata* basis (with such adjustments as may be deemed appropriate by the Trustee so that only Securities in denominations of $1,000, or integral multiples thereof, shall be purchased);

(8) that Holders whose Securities were purchased only in part shall be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered; and

(9) the circumstances and relevant facts regarding such Asset Sale and any other information that would be material to a decision as to whether to tender a Security pursuant to the Senior Asset Sale Offer.

On the Purchase Date, the Company shall, to the extent lawful, (i) accept for payment, on a *pro rata* basis to the extent necessary, an aggregate principal amount equal to the Offer Amount of Securities tendered pursuant to the Senior Asset Sale Offer, or if less than the Offer Amount has been

tendered, all Securities or portion thereof so tendered, (ii) deposit with the Paying Agent an amount equal to the Purchase Price in respect of all Securities or portions thereof so tendered and (iii) deliver or cause to be delivered to the Trustee the Securities so accepted together with an Officers' Certificate stating the aggregate principal amount of Securities or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to each Holder of Securities so tendered payment in an amount equal to the Purchase Price for such Securities and the Trustee shall promptly authenticate and mail (or cause to be transferred by book entry) a new Security to such Holder equal in principal amount to any unpurchased portion of the Securities surrendered, if any; *provided* that each such new Security shall be in a principal amount of $1,000 or an integral multiple thereof. The Company shall publicly announce the results of the Senior Asset Sale Offer on or as soon as practicable after the Purchase Date.

The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the purchase of Securities as a result of the Senior Asset Sale Offer.

ARTICLE 3
COVENANTS

SECTION 3.01. PAYMENT OF SECURITIES.

The Company shall pay or cause to be paid the principal of, premium, if any, and interest on the Securities on the dates and in the manner provided in this Indenture and the Securities. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary of the Company, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. Such Paying Agent shall return to the Company, no later than five days following the date of payment, any money (including accrued interest) that exceeds such amount of principal, premium, if any, and interest to be paid on the Securities.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the interest rate then applicable to the Securities to the extent lawful. In addition, it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 3.02. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates The Bank of New York, 101 Barclay Street, 21 West, New York, New York 10286 as one such office or agency of the Company in accordance with Section 2.03 hereof.

SECTION 3.03. COMMISSION REPORTS.

(i) So long as any of the Securities remain outstanding, the Company shall provide to the Trustee within 15 days after the filing thereof with the Commission copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act. All obligors on the Securities shall comply with the provisions of TIA § 314(a). Notwithstanding that the Company may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or otherwise report on an annual and quarterly basis on forms provided for such annual and quarterly reporting pursuant to rules and regulations promulgated by the Commission, the Company shall file with the Commission and provide to the Trustee (a) within 90 days after the end of each fiscal year, annual reports on Form 10-K (or any successor or comparable form) containing the information required to be contained therein (or required in such successor or comparable form), including a "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and a report thereon by the Company's certified public accountants; (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, reports on Form 10-Q (or any successor or comparable form) containing the information required to be contained therein (or required in any successor or comparable form), including a "*Management's Discussion and Analysis of Financial Condition and Results of Operations*"; and (c) promptly from time to time after the occurrence of an event required to be therein reported, such other reports on Form 8-K (or any successor or comparable form) containing the information required to be contained therein (or required in any successor or comparable form); *provided, however*, that the Company shall not be in default of the provisions of this Section 3.03(i) for any failure to file reports with the Commission solely by the refusal of the Commission to accept the same for filing. Each of the financial statements contained in such reports shall be prepared in accordance with GAAP.

(ii) The Trustee, at the Company's expense, shall promptly mail copies of all such annual reports, information, documents and other reports provided to the Trustee pursuant to Section 3.03(i) hereof to the Holders at their addresses appearing in the register of Securities maintained by the Registrar.

(iii) Whether or not required by the rules and regulations of the Commission, the Company shall file a copy of all such information and reports with the Commission for public availability and make such information available to securities analysts and prospective investors upon request.

(iv) The Company shall provide the Trustee with a sufficient number of copies of all reports and other documents and information that the Trustee may be required to deliver to the Holders under this Section 3.03.

(v) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 3.04. COMPLIANCE CERTIFICATE.

(i) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether each has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or

her knowledge each entity has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action each is taking or proposes to take with respect thereto), all without regard to periods of grace or notice requirements, and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Securities is prohibited or if such event has occurred, a description of the event and what action each is taking or proposes to take with

respect thereto.

(ii) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 3.03 above shall be accompanied by a written statement of the Company's certified independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements nothing has come to their attention which would lead them to believe that the Company or any Subsidiary of the Company has violated any provisions of Article 3 or of Article 4 of this Indenture or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(iii) The Company shall, so long as any of the Securities are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of (a) any Default or Event of Default or (b) any event of default under any other mortgage, indenture or instrument referred to in Section 5.01(v) hereof, an Officers' Certificate specifying such Default, Event of Default or event of default and what action the Company is taking or proposes to take with respect thereto.

SECTION 3.05. TAXES.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except (i) as contested in good faith by appropriate proceedings and with respect to which appropriate reserves have been taken in accordance with GAAP or (ii) where the failure to effect such payment is not adverse in any material respect to the Holders.

SECTION 3.06. STAY, EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 3.07. LIMITATIONS ON RESTRICTED PAYMENTS.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly: (i) declare or pay any dividend or make any distribution on account of the Company's or any of its Subsidiaries' Equity Interests (other than (w) Physician Joint Venture Distributions, (x) dividends or distributions payable in Qualified Equity Interests of the Company, (y) dividends or distributions payable to the Company or any Subsidiary of the Company and (z) dividends or distributions by any Subsidiary of the Company payable to all holders of a class of Equity Interests of such Subsidiary on a *pro rata* basis); (ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company; (iii) make any principal payment on, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated to the Securities, except at the original final maturity date thereof or pursuant to the Refinancing; or (iv) make any Restricted Investment (all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "*Restricted Payments*"), unless, at the time of and after giving effect to such Restricted Payment (the amount of any such Restricted Payment, if other than cash, shall be the fair market value (as conclusively evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee within 60 days prior to the date of such Restricted Payment) of the asset(s) proposed to be transferred by the Company or such Subsidiary, as the case may be, pursuant to such Restricted Payment):

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the most recently ended four full fiscal quarter period for which internal financial statements are available immediately preceding the date of such Restricted Payment, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 3.09 hereof; and

(c) such Restricted Payment, together with the aggregate of all other Restricted Payments (excluding Restricted Payments permitted by clauses (ii), (iii), (iv) and (v) of the next succeeding paragraph) made by the Company and its Subsidiaries after March 1, 1995, is less than the sum of (1) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after March 1, 1995 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), *plus* (2) 100% of the aggregate net cash proceeds received by the Company from the issue or sale (other than to a Subsidiary of the Company) since March 1, 1995 of Qualified Equity Interests of the Company or of debt securities of the Company or any of its Subsidiaries that have been converted into or exchanged for such Qualified Equity Interests of the Company, PLUS (3) $20.0 million.

If no Default or Event of Default has occurred and is continuing or would occur as a consequence thereof, the foregoing provisions shall not

prohibit:

(i) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions hereof;

(ii) the payment of cash dividends on any series of Disqualified Stock issued after the date hereof in an aggregate amount not to exceed the cash received by the Company since the date hereof upon issuance of such Disqualified Stock;

(iii) the repurchase of the Performance Investment Plan investment options from the holders thereof;

(iv) the redemption, repurchase, retirement or other acquisition of any Equity Interests of the Company or any Subsidiary in exchange for, or out of the net cash proceeds of, the substantially concurrent sale (other than to a Subsidiary of the Company) of Qualified Equity Interests of the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement or other acquisition shall be excluded from clause (c)(2) of the preceding paragraph;

(v) the defeasance, redemption or repurchase of subordinated Indebtedness with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness or in exchange for or out of the net cash proceeds from the substantially concurrent sale (other than to a Subsidiary of the Company) of Qualified Equity Interests of the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement or other acquisition shall be excluded from clause (c)(2) of the preceding paragraph;

(vi) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Subsidiary of the Company held by any member of the Company's (or any of its Subsidiaries') management pursuant to any management equity subscription agreement or stock option agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $5.0 million in any twelve-month period; and

(vii) the making and consummation of (A) an offer to purchase or redeem the Senior Subordinated Notes in accordance with the provisions of the Senior Subordinated Notes Indenture with any Excess Proceeds that remain after consummation of a Senior Asset Sale Offer, within 120 days of the consummation of such Senior Asset Sale Offer, or (B) a Change of Control Offer with respect to the Senior Subordinated Notes in accordance with the provisions of the Senior Subordinated Notes Indenture.

Not later than the date of making any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant were computed.

SECTION 3.08. LIMITATIONS ON DIVIDEND AND OTHER PAYMENT RESTRICTIONS AFFECTING SUBSIDIARIES.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual Transfer Restriction, except for such Transfer Restrictions existing under or by reason of:

(a) Existing Indebtedness as in effect on the date hereof,

(b) this Indenture,

(c) applicable law,

(d) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition or in violation of Section 3.09 hereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, *provided* that the Consolidated Cash Flow of such Person shall not be taken into account in determining whether such acquisition was permitted by the

terms hereof except to the extent that such Consolidated Cash Flow would be permitted to be dividends to the Company without the prior consent or approval of any third party,

(e) customary non-assignment provisions in leases entered into in the ordinary course of business,

(f) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on the ability of any of the Company's Subsidiaries to transfer the property so acquired to the Company or any of its Subsidiaries,

(g) Permitted Refinancing Indebtedness, *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive than those contained in the agreements governing the Indebtedness being refinanced, or

(h) the Credit Agreement and related documentation as the same is in effect on the date hereof and as amended or replaced from time to time, *provided* that no such amendment or replacement is more restrictive as to Transfer Restrictions than the Credit Agreement and related documentation as in effect on the date hereof.

SECTION 3.09. LIMITATIONS ON INCURRENCE OF INDEBTEDNESS AND ISSUANCE OF PREFERRED STOCK.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, issue, assume, Guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") after the date hereof any Indebtedness (including Acquired Debt), and the Company shall not issue any Disqualified Stock and shall not permit any of its Subsidiaries to issue any shares of preferred stock; *provided, however*, that the Company may incur Indebtedness (including Acquired Debt) and the Company may issue shares of Disqualified Stock if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least (x) 2.25 to 1 if such incurrence or issuance occurs on or before March 31, 1996, or (y) 2.5 to 1 if such incurrence or issuance occurs at any time thereafter, in each case determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period. Indebtedness consisting of reimbursement obligations in respect of a letter of credit shall be deemed to be incurred when the letter of credit is first issued. The Company shall not permit any of the International Subsidiaries to incur any Indebtedness other than Non-Recourse Debt.

The foregoing provisions shall not apply to:

(a) the incurrence by the Company of Senior Term Debt pursuant to the Credit Agreement in an aggregate principal amount at any time outstanding not to exceed an amount equal to $1.8 billion less the aggregate amount of all repayments, optional or mandatory, of the principal of any Senior Term Debt (other than repayments that are immediately reborrowed) that have been made since March 1, 1995;

(b) the incurrence by the Company of Senior Revolving Debt and letters of credit pursuant to the Credit Agreement in an aggregate principal amount at any time outstanding (with letters of credit being deemed to have a principal amount equal to the maximum potential reimbursement obligation of the Company with respect thereto) not to exceed an amount equal to $500.0 million less the aggregate amount of all Net Proceeds of Asset Sales applied to permanently reduce the commitments with respect to such Indebtedness pursuant to Section 3.10 hereof or of the Senior Notes Indenture after March 1, 1995;

(c) the incurrence by the Company of Indebtedness represented by the Securities;

(d) the incurrence by the Company and its Subsidiaries of the Existing Indebtedness;

(e) the incurrence by the Company or any of its Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease, or refund, Indebtedness that was permitted by this Indenture to be incurred (including, without limitation, Existing Indebtedness);

(f) the incurrence by the Company of Hedging Obligations that are incurred for the purpose of fixing or hedging interest rate or currency risk with respect to any fixed or floating rate Indebtedness that is permitted by the terms hereof to be outstanding or any receivable or liability the payment of which is determined by reference to a foreign currency; *provided* that the notional principal amount of any such Hedging Obligation does not exceed the principal amount of the Indebtedness to which such

Hedging Obligation relates;

(g) the incurrence by the Company or any of its Subsidiaries of Physician Support Obligations;

(h) the incurrence by the Company or any of its Subsidiaries of intercompany Indebtedness between or among the Company and any of its Subsidiaries;

(i) the incurrence by the Company or any of its Subsidiaries of Indebtedness represented by performance bonds, standby letters of credit or appeal bonds, in each case to the extent incurred in the ordinary course of business of the Company or such Subsidiary;

(j) the incurrence by any Subsidiary of the Company of Indebtedness, the aggregate principal amount of which, together with all other Indebtedness of the Company's Subsidiaries at the time outstanding (excluding the Existing Indebtedness until repaid or refinanced and excluding Physician Support Obligations), does not exceed the greater of (1) 10% of the Company's Stockholders' Equity as of the date of incurrence or (2) $10.0 million; *provided* that, in the case of clause (1) only, the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is incurred would have been at least (x) 2.25 to 1 if such incurrence occurs on or before March 31, 1996, or (y) 2.5 to 1 if such incurrence occurs at any time thereafter, in each case determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if such Indebtedness had been incurred at the beginning of such four-quarter period; and

(k) the incurrence by the Company of Indebtedness (in addition to Indebtedness permitted by any other clause of this paragraph) in an aggregate principal amount at any time outstanding not to exceed $250.0 million.

SECTION 3.10. ASSET SALES.

The Company shall not, and shall not permit any of its Subsidiaries to consummate an Asset Sale, unless (i) the Company (or the Subsidiary as the case may be) receives consideration at the time of such Asset Sale at least equal to the fair market value (as conclusively determined by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of and (ii) except in the case of a sale of Specified Assets, at least 80% of the consideration therefor received by the Company or such Subsidiary is in the form of cash; *provided, however*, that for purposes of this provision, (x) the amount of (A) any liabilities (as shown on the Company's or such Subsidiary's most recent balance sheet or in the notes thereto), of the Company or any Subsidiary (other than, in the case of an Asset Sale by the Company, liabilities that are by their terms subordinated to the Securities) that are assumed by the transferee of any such assets and (B) any securities or other obligations received by the Company or any such Subsidiary from such transferee that are immediately converted by the Company or such Subsidiary into cash (or as to which the Company or such Subsidiary has received at or prior to the

consummation of the Asset Sale a commitment (which may be subject to customary conditions) from a nationally recognized investment, merchant or commercial bank to convert into cash within 90 days of the consummation of such Asset Sale and which are thereafter actually converted into cash within such 90-day period) shall be deemed to be cash (but shall not be deemed to be Net Proceeds for purposes of the following provisions until reduced to cash); and (y) the fair market value of any Non-Cash Consideration received by the Company or a Subsidiary in any Asset Sale shall be deemed to be cash (but shall not be deemed to be Net Proceeds for purposes of the following provisions until reduced to cash) to the extent that the aggregate fair market value (as conclusively determined by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee) of all Non-Cash Consideration (measured at the time received and without giving effect to any subsequent changes in value) held by the Company immediately after consummation of such Asset Sale does not exceed 10% of the Company's Stockholders' Equity as of the date of such consummation.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company may apply such Net Proceeds (i) to purchase one or more Hospitals or Related Businesses and/or a controlling interest in the Capital Stock of a Person owning one or more Hospitals and/or one or more Related Businesses, (ii) to make a capital expenditure or to acquire other tangible assets, in each case, that are used or useful in any business in which the Company is permitted to be engaged pursuant to Section 3.15 hereof, (iii) to permanently reduce Senior Term Debt or Existing Indebtedness of a Subsidiary or (iv) to permanently reduce Senior Revolving Debt (and to correspondingly reduce commitments with respect thereto), except that up to an aggregate of $200.0 million of Net Proceeds from Asset Sales may be applied after the date hereof to reduce Senior Revolving Debt without a corresponding reduction in commitments with respect thereto. Pending the final application of any such Net Proceeds, the Company may temporarily reduce Senior Revolving Debt or otherwise invest such Net Proceeds in any manner that is not prohibited by the terms hereof. Any Net Proceeds from Asset Sales that are not so invested or applied shall be deemed to constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $25.0 million, the Company shall make an offer to all Holders of Securities and holders of any other Indebtedness of the Company ranking on a parity with the Securities from time to time outstanding with similar provisions requiring the Company to make an offer to purchase or to redeem such Indebtedness with the proceeds from any asset sales, *pro rata* in proportion to the respective principal amounts of the Securities and such other Indebtedness then outstanding (a "*senior asset sale offer*") to purchase the maximum principal amount of Securities and such other Indebtedness that may be

purchased out of the Excess Proceeds, at an offer price in cash equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to the date of purchase (the "*Purchase Price*"), in accordance with the procedures set forth in Section 2.15 hereof. To the extent that the aggregate amount of Securities and such other Indebtedness tendered pursuant to a Senior Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes, including an offer to purchase Senior Subordinated Notes pursuant to Section 4.10 of the Senior Subordinated Notes Indenture. If the aggregate principal amount of Securities and such other Indebtedness surrendered by holders pursuant to a Senior Asset Sale Offer exceeds the amount of Excess Proceeds, the Securities and such other Indebtedness shall be purchased on a *pro rata* basis. Upon completion of a Senior Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

SECTION 3.11. LIMITATIONS ON TRANSACTIONS WITH AFFILIATES.

The Company shall not, and shall not permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make any contract, agreement, understanding, loan, advance or Guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "*Affiliate Transaction*") unless (i) such Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Subsidiary than those that could have been obtained in a comparable transaction by the Company or such Subsidiary with an

unrelated Person and (ii) the Company delivers to the Trustee (a) with respect to any Affiliate Transaction involving aggregate consideration in excess of $5.0 million, a resolution of the Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction was approved by a majority of the disinterested members of the Board of Directors and (b) with respect to any Affiliate Transaction involving aggregate consideration in excess of $15.0 million, an opinion as to the fairness of such Affiliate Transaction to the Company or such Subsidiary from a financial point of view issued by an investment banking firm of national standing; *provided* that (x) transactions or payments pursuant to any employment arrangements or employee or director benefit plans entered into by the Company or any of its Subsidiaries in the ordinary course of business and consistent with the past practice of the Company or such Subsidiary, (y) transactions between or among the Company and/or its Subsidiaries and (z) transactions permitted under Section 3.07 hereof, in each case, shall not be deemed to be Affiliate Transactions.

SECTION 3.12. LIMITATIONS ON LIENS.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or suffer to exist any Lien (except Permitted Liens) on any asset now owned or hereafter acquired, or any income or profits therefrom or assign or convey any right to receive income therefrom unless all payments due hereunder and under the Securities are secured on an equal and ratable basis with the Obligations so secured until such time as such Obligations are no longer secured by a Lien.

SECTION 3.13. CHANGE OF CONTROL.

Upon the occurrence of a Change of Control Triggering Event, each Holder of Securities shall have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Securities pursuant to the offer described below (the "*Change of Control Offer*") at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, thereon to the date of purchase (the "*Change of Control Payment*") on a date that is not more than 90 days after the occurrence of such Change of Control Triggering Event (the "*Change of Control Payment Date*").

Within 30 days following any Change of Control Triggering Event, the Company shall mail, or at the Company's request the Trustee shall mail, a notice of a Change of Control to each Holder (at its last registered address with a copy to the Trustee and the Paying Agent) offering to repurchase the Securities held by such Holder pursuant to the procedure specified in such notice. The Change of Control Offer shall remain open from the time of mailing until the close of business on the Business Day next preceding the Change of Control Payment Date. The notice, which shall govern the terms of the Change of Control Offer, shall contain all instructions and materials necessary to enable the Holders to tender Securities pursuant to the Change of Control Offer and shall state:

(1) that the Change of Control Offer is being made pursuant to this Section 3.13 and that all Securities tendered will be accepted for payment;

(2) the Change of Control Payment and the Change of Control Payment Date, which date shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed;

(3) that any Security not tendered will continue to accrue interest in accordance with the terms of this Indenture;

(4) that, unless the Company defaults in the payment of the Change of Control Payment, all Securities accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date;

(5)

that Holders electing to have a Security purchased pursuant to any Change of Control Offer will be required to surrender the Security, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Security completed, to the Company, a depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice prior to the close of business on the Business Day next preceding the Change of Control Payment Date;

(6)

that Holders will be entitled to withdraw their election if the Company, depositary or Paying Agent, as the case may be, receives, not later than the close of business on the Business Day next preceding the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Security the Holder delivered for purchase, and a statement that such Holder is withdrawing his election to have such Security purchased;

(7)

that Holders whose Securities are being purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof; and

(8)

the circumstances and relevant facts regarding such Change of Control (including, but not limited to, information with respect to *pro forma* historical financial information after giving effect to such Change of Control, information regarding the Person or Persons acquiring control and such Person's or Persons' business plans going forward) and any other information that would be material to a decision as to whether to tender a Security pursuant to the Change of Control Offer.

On the Change of Control Payment Date, the Company shall, to the extent lawful, (i) accept for payment all Securities or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Securities or portions thereof so tendered and (iii) deliver or cause to be delivered to the Trustee the Securities so accepted together with an Officers' Certificate stating the aggregate principal amount of Securities or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to each Holder of Securities so tendered the Change of Control Payment for such Securities, and the Trustee shall promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Security equal in principal amount to any unpurchased portion of the Securities surrendered, if any; *provided* that each such new Security shall be in a principal amount of $1,000 or an integral multiple thereof. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Securities as a result of a Change of Control.

SECTION 3.14. CORPORATE EXISTENCE.

Subject to Section 3.13 and Article 4 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of each Subsidiary and (ii) the rights (charter and statutory), licenses and franchises of the Company and its Subsidiaries; *provided, however*, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the

business of the Company and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders.

SECTION 3.15. LINE OF BUSINESS

The Company shall not, and shall not permit any of its Subsidiaries to, engage to any material extent in any business other than the ownership, operation and management of Hospitals and Related Businesses.

SECTION 3.16. LIMITATIONS ON ISSUANCES OF GUARANTEES OF INDEBTEDNESS BY SUBSIDIARIES

The Company shall not permit any Subsidiary, directly or indirectly, to Guarantee or secure the payment of any other Indebtedness of the Company or any of its Subsidiaries (except Indebtedness of a Subsidiary of such Subsidiary or Physician Support Obligations) unless such Subsidiary simultaneously executes and delivers a supplemental indenture to this Indenture, in substantially the form attached hereto as Exhibit B, providing for the Guarantee of the payment of the Securities by such Subsidiary, which Guarantee shall be senior to or *pari passu* with such Subsidiary's Guarantee of or pledge to secure such other Indebtedness. Any such Guarantee by a Subsidiary of the Securities shall provide by its terms that it shall be automatically and unconditionally released and discharged upon the sale or other disposition, by way of merger or otherwise, to any Person not an Affiliate of the Company, of all of the Company's stock in, or all or substantially all the assets of, such Subsidiary, which sale or other disposition is made in compliance with, and the Net Proceeds therefrom are applied in accordance with, the applicable provisions hereof. The foregoing provisions shall not be applicable to any one or more Guarantees of up to $10.0 million in aggregate principal amount of Indebtedness of the Company at any time outstanding.

SECTION 3.17. NO AMENDMENT TO SUBORDINATION PROVISIONS OF SENIOR SUBORDINATED NOTES INDENTURE.

The Company shall not amend, modify or alter the Senior Subordinated Notes Indenture in any way that would (i) increase the principal amount of, advance the final maturity date of or shorten the Weighted Average Life to Maturity of any Senior Subordinated Notes such that the final maturity date of the Senior Subordinated Notes is earlier than the 91st day following the final maturity date of the Securities or (ii) amend the provisions of Article 10 of the Senior Subordinated Notes Indenture (which relates to subordination) or any of the defined terms used therein in a manner that would be adverse to the Holders of the Securities.

ARTICLE 4
SUCCESSORS

SECTION 4.01. LIMITATIONS ON MERGERS, CONSOLIDATIONS OR SALES OF ASSETS.

The Company may not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another corporation, Person or entity unless:

(i) the Company is the surviving corporation or the entity or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia;

(ii) the entity or Person formed by or surviving any such consolidation or merger (if other than the Company) or the entity or Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the Obligations of the Company under this Indenture and the Securities pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee;

(iii) immediately after such transaction no Default or Event of Default exists; and

(iv) the Company or the entity or Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made (A) shall have Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction and (B) shall, at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 3.09 hereof.

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel, covering clauses (i) through (iv) above, stating that the proposed transaction and such supplemental indenture comply with this Indenture. The Trustee shall be entitled to conclusively rely upon such Officers' Certificate and Opinion of Counsel.

SECTION 4.02. SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 4.01 hereof, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation), and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person has been named as the Company, herein.

ARTICLE 5
DEFAULTS AND REMEDIES

SECTION 5.01. EVENTS OF DEFAULT.

Each of the following constitutes an "*Event of Default*":

(i) default for 30 days in the payment when due of interest on the Securities;

(ii)
default in payment when due of the principal of or premium, if any, on the Securities at maturity or otherwise;

(iii)
failure by the Company to comply with the provisions of Sections 3.07, 3.09, 3.10, or 3.13 hereof;

(iv)
failure by the Company to comply with any other covenant or agreement in the Indenture or the Securities for the period and after the notice specified below;

(v)
any default that occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money

borrowed by the Company or any of its Significant Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Significant Subsidiaries), whether such Indebtedness or Guarantee exists on the date hereof or is created after the date hereof, which default (a) constitutes a Payment Default or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or that has been so accelerated, aggregates $25.0 million or more;

(vi)
failure by the Company or any of its Significant Subsidiaries to pay a final judgment or final judgments aggregating in excess of $25.0 million entered by a court or courts of competent jurisdiction against the Company or any of its Significant Subsidiaries if such final judgment or judgments remain unpaid or undischarged for a period (during which execution shall not be effectively stayed) of 60 days after their entry;

(vii)
the Company or any Significant Subsidiary thereof pursuant to or within the meaning of any Bankruptcy Law:

(a)
commences a voluntary case,

(b)
consents to the entry of an order for relief against it in an involuntary case in which it is the debtor,

(c)
consents to the appointment of a Custodian of it or for all or substantially all of its property,

(d)
makes a general assignment for the benefit of its creditors, or

(e)
admits in writing its inability generally to pay its debts as the same become due; and

(viii)
a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(a)
is for relief against the Company or any Significant Subsidiary thereof in an involuntary case in which it is the debtor,

(b)
appoints a Custodian of the Company or any Significant Subsidiary thereof or for all or substantially all of the property of the Company or any Significant Subsidiary thereof, or

(c)
orders the liquidation of the Company or any Significant Subsidiary thereof,

and the order or decree remains unstayed and in effect for 60 days.

The term "*Bankruptcy Law*" means title 11, U.S. Code or any similar federal or state law for the relief of debtors. The term "*Custodian*" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

A Default under clause (iv) is not an Event of Default until the Trustee notifies the Company in writing, or the Holders of at least 25% in principal amount of the then outstanding Securities notify the Company and the Trustee in writing, of the Default and the Company does not cure the Default within 60 days after receipt of such notice. The written notice must specify the Default, demand that it be remedied and state that the notice is a "*Notice of Default*."

SECTION 5.02. ACCELERATION.

If any Event of Default (other than an Event of Default specified in clause (vii) or (viii) of Section 5.01 hereof) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in aggregate principal amount of the then outstanding Securities by written notice to the Company and the Trustee, may declare the unpaid principal of, premium, if any, and any accrued and unpaid interest on all the Securities to be due and payable immediately. Upon such declaration the

principal, premium, if any, and interest shall be due and payable immediately. If an Event of Default specified in clause (vii) or (viii) of Section 5.01 hereof occurs with respect to the Company or any Significant Subsidiary thereof such an amount shall IPSO FACTO become and be immediately due and payable without further action or notice on the part of the Trustee or any Holder.

If an Event of Default occurs under this Indenture prior to the maturity of the Securities by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of such Securities prior to the date of maturity, then a premium with respect thereto (expressed as a percentage of the amount that would otherwise be due but for the provisions of this sentence) shall become and be immediately due and payable to the extent permitted by law upon the acceleration of such Securities if such Event of Default occurs during the twelve-month period beginning on December 1 of the years set forth below:

Year	Percentage
1995	108.625%
1996	107.547%
1997	106.469%
1998	105.391%
1999	104.313%
2000	103.234%
2001	102.156%
2002	101.078%

If an Event of Default occurs during the period beginning on October 16, 1995 and ending on November 30, 1995, then the applicable premium shall be 108.625%.

Any determination regarding the primary purpose of any such action or inaction, as the case may be, shall be made by and set forth in a resolution of the Board of Directors (including the concurrence of a majority of the independent directors of the Company then serving) delivered to the Trustee after consideration of the business reasons for such action or inaction, other than the avoidance of payment of such premium or prohibition on redemption. In the absence of fraud, each such determination shall be final and binding upon the Holders of Securities. Subject to Section 6.01 hereof, the Trustee shall be entitled to rely on the determination set forth in any such resolutions delivered to the Trustee.

SECTION 5.03. OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 5.04. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in aggregate principal amount of the Securities then outstanding by written notice to the Trustee may on behalf of the Holders of all of the Securities waive any existing Default or Event of Default and its consequences under this Indenture except a continuing Default or Event of Default in the payment of the principal of, premium, if any, or interest on any Security. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising

therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 5.05. CONTROL BY MAJORITY.

Holders of a majority in principal amount of the then outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders or that may involve the Trustee in personal liability. The Trustee may take any other action which it deems proper which is not inconsistent with any such direction.

SECTION 5.06. LIMITATION ON SUITS.

A Holder may pursue a remedy with respect to this Indenture or the Securities only if:

(i) the Holder gives to the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in principal amount of the then outstanding Securities make a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(v) during such 60-day period the Holders of a majority in principal amount of the then outstanding Securities do not give the Trustee a direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 5.07. RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal, premium, if any, and interest on the Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

SECTION 5.08. COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 5.01(i) or (ii) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company or any other obligor for the whole amount of principal, premium, if any, and interest remaining unpaid on the Securities and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover amounts due the Trustee under Section 6.07 hereof, including the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 5.09. TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Securities), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties which the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 5.10. PRIORITIES.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 6.07, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders for amounts due and unpaid on the Securities for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal, premium, if any and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 5.10 upon five Business Days prior notice to the Company.

SECTION 5.11. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 5.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Securities.

ARTICLE 6
TRUSTEE

SECTION 6.01. DUTIES OF TRUSTEE.

(i) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(ii) Except during the continuance of an Event of Default known to the Trustee:

(a) the duties of the Trustee shall be determined solely by the express provisions of this Indenture or the TIA and the Trustee need perform only those duties that are specifically set forth in this Indenture or the TIA and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee, and

(b) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provisions hereof are required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(iii) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) this paragraph does not limit the effect of paragraph (ii) of this Section;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.05 hereof.

(iv) Whether or not therein expressly so provided every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (i), (ii), and (iii) of this Section.

(v) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee may refuse to perform any duty or exercise any right or power unless it receives security and indemnity satisfactory to it against any loss, liability or expense.

(vi) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Absent written instruction from the Company, the Trustee shall not be required to invest any such money. Money held in

trust by the Trustee need not be segregated from other funds except to the extent required by law.

(vii) The Trustee shall not be deemed to have knowledge of any matter unless such matter is actually known to a Responsible Officer.

SECTION 6.02. RIGHTS OF TRUSTEE.

(i) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(ii) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(iii) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(iv) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this Indenture. A permissive right granted to the Trustee hereunder shall not be deemed an obligation to act.

(v) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

SECTION 6.03. INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Sections 6.10 and 6.11 hereof.

SECTION 6.04. TRUSTEE'S DISCLAIMER.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Securities, nor shall it be accountable for the Company's use of the proceeds from the Securities or any money paid to the Company or upon the Company's direction under any provision of this Indenture, nor shall it be responsible for the use or application of any money received by any Paying Agent other than the Trustee, nor shall it be responsible for any statement or recital herein or any statement in the Securities or any other document in connection with the sale of the Securities or pursuant to this Indenture other than its certificate of authentication.

SECTION 6.05. NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment on any Security, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders.

SECTION 6.06. REPORTS BY TRUSTEE TO HOLDERS.

Within 60 days after each December 31 beginning with the December 31 following the date hereof, the Trustee shall mail to the Holders a brief report dated as of such reporting date that complies with TIA § 313(a) (but if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA § 313(b). The Trustee shall also transmit by mail all reports as required by TIA § 313(c).

A copy of each report at the time of its mailing to the Holders shall be mailed to the Company and filed with the Commission and each stock exchange on which the Securities are listed. The Company shall promptly notify the Trustee when the Securities are listed on any stock exchange.

SECTION 6.07. COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time such compensation for its acceptance of this Indenture and services hereunder as the Company and Trustee shall agree in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee against any and all losses, liabilities, damages, claims or expenses incurred by it arising out of or in connection with the acceptance of its duties and the administration of the trusts under this Indenture, except as set forth below. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Company under this Section 6.07 shall survive the satisfaction and discharge of this Indenture.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through its own negligence or bad faith.

To secure the Company's payment obligations in this Section, the Trustee shall have a Lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Securities. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.01(vii) or (viii) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 6.08. REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Securities may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 6.10 hereof;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a Custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee

takes office, the Holders of a majority in principal amount of the then outstanding Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of at least 10% in principal amount of the then outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee after written request by any Holder who has been a Holder for at least six months fails to comply with Section 6.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 6.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 6.08, the Company's obligations under Section 6.07 hereof shall continue for the benefit of the retiring Trustee.

SECTION 6.09. SUCCESSOR TRUSTEE OR AGENT BY MERGER, ETC.

If the Trustee or any Agent consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee or Agent.

SECTION 6.10. ELIGIBILITY; DISQUALIFICATION.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any state thereof authorized under such laws to exercise corporate trustee power, shall be subject to supervision or

examination by federal or state authority and shall have a combined capital and surplus of at least $100.0 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA § 310(a)(1), (2) and (5). The Trustee is subject to TIA § 310(b).

SECTION 6.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

ARTICLE 7
DISCHARGE OF INDENTURE

SECTION 7.01. DEFEASANCE AND DISCHARGE OF THIS INDENTURE AND THE SECURITIES.

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, at any time, with respect to the Securities, elect to have either Section 7.02 or 7.03 hereof be applied to all outstanding Securities upon compliance with the conditions set forth below in this Article 7.

SECTION 7.02. LEGAL DEFEASANCE AND DISCHARGE.

Upon the Company's exercise under Section 7.01 hereof of the option applicable to this Section 7.02, the Company shall be deemed to have been discharged from its obligations with respect to all outstanding Securities on the date the conditions set forth below are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, such Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Securities, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 7.05 hereof and the other Sections of this Indenture referred to in clauses (i) and (ii) of this Section 7.02, and to have satisfied all its other obligations under such Securities and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of outstanding Securities to receive solely from the trust fund described in Section 7.04 hereof, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest on such Securities when such payments are due, (ii) the Company's obligations with respect to such Securities under Sections 2.04, 2.06, 2.07, 2.10 and 3.02 hereof, (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder, including, without limitation, the Trustee's rights under Section 6.07 hereof, and the Company's obligations in connection therewith and (iv) this Article 7. Subject to compliance with this Article 7, the Company may exercise its option under this Section 7.02 notwithstanding the prior exercise of its option under Section 7.03 hereof with respect to the Securities.

SECTION 7.03. COVENANT DEFEASANCE.

Upon the Company's exercise under Section 7.01 hereof of the option applicable to this Section 7.03, the Company shall be released from its obligations under the covenants contained in Sections 2.15, 3.07, 3.08, 3.09, 3.10, 3.11, 3.12, 3.13, 3.15, 3.16 and 3.17 and Article 4 hereof with respect to the outstanding Securities on and after the date the conditions set forth below are satisfied (hereinafter, "*Covenant Defeasance*"), and the Securities shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Securities shall not be deemed outstanding for accounting purposes). For this purpose, such Covenant Defeasance means that, with respect to the outstanding Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.01(iii) hereof, but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby. In addition, upon the Company's exercise under Section 7.01 hereof of the option applicable to this Section 7.03, Sections 5.01(iv) through 5.01(vi) hereof shall not constitute Events of Default.

SECTION 7.04. CONDITIONS TO LEGAL OR COVENANT DEFEASANCE.

The following shall be the conditions to application of either Section 7.02 or Section 7.03 hereof to the outstanding Securities:

(i) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 6.10 who shall agree to comply with the provisions of this Article 7 applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, (a) cash in U.S. Dollars in an amount, or (b) non-callable Government Securities that through the scheduled payment of principal and interest in respect thereof in

accordance with their terms will provide, not later than one day before the due date of any payment, cash in U.S. Dollars in an amount, or (c) a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge the principal of, premium, if any, and interest on such outstanding Securities on the stated maturity date of such principal or installment of principal, premium, if any, or interest.

(ii) In the case of an election under Section 7.02 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date hereof, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred.

(iii) In the case of an election under Section 7.03 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States confirming that the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred.

(iv) No Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or, insofar as Section 5.01(vii) or 5.01(viii) hereof is concerned, at any time in the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(v) Such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than this Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound (other than a breach, violation or default resulting from the borrowing of funds to be applied to such deposit).

(vi) The Company shall have delivered to the Trustee an Opinion of Counsel to the effect that after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

(vii) The Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit made by the Company pursuant to its election under Section 7.02 or 7.03 hereof was not made by the Company with the intent of preferring the Holders of the Securities over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others.

(viii) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel in the United States, each stating that all conditions precedent provided for relating to either the Legal Defeasance under Section 7.02 hereof or the Covenant Defeasance under Section 7.03 hereof (as the case may be) have been complied with as contemplated by this Section 7.04.

SECTION 7.05. DEPOSITED MONEY AND GOVERNMENT SECURITIES TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.

Subject to Section 7.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 7.05, the "Trustee") pursuant to Section 7.04 hereof in respect of the outstanding Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 7.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Securities.

Anything in this Article 7 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the Company's request any money or non-callable Government Securities held by it as provided in Section 7.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 7.04(i) hereof), are in excess of the amount thereof which would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 7.06. REPAYMENT TO COMPANY.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on any Security and remaining unclaimed for two years after such principal, and premium, if any, or interest has become due and payable shall be paid to the Company on its written request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and

all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the *New York Times* and *The Wall Street Journal* (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 7.07. REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any U.S. Dollars or non-callable Government Securities in accordance with Section 7.02 or 7.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 7.02 or 7.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 7.02 or 7.03 hereof, as the case may be; *provided, however*, that, if the Company makes any payment of principal of, premium, if any, or interest on any Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Security to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 8
AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 8.01. WITHOUT CONSENT OF HOLDERS.

The Company and the Trustee may amend or supplement this Indenture or the Securities without the consent of any Holder:

(i) to cure any ambiguity, defect or inconsistency;

(ii) to provide for uncertificated Securities in addition to or in place of certificated Securities;

(iii) to provide for any supplemental indenture required pursuant to Section 3.16 hereof;

(iv) to provide for the assumption of the Company's obligations to the Holders of the Securities in the case of a merger, consolidation or sale of assets pursuant to Article 4 hereof;

(v) to make any change that would provide any additional rights or benefits to the Holders of the Securities or that does not adversely affect the legal rights hereunder of any such Holder; or

(vi) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such supplemental indenture, and upon receipt by the Trustee of the documents described in Section 8.06 hereof, the Trustee shall join with the Company in the execution of any supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into such supplemental indenture which affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 8.02. WITH CONSENT OF HOLDERS.

Except as provided in the next succeeding paragraphs, this Indenture or the Securities may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Securities then outstanding (including consents obtained in connection with a tender offer or exchange offer for such Securities), and any existing default or compliance with any provision of this Indenture or the Securities may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Securities (including consents obtained in connection with a tender offer or exchange offer for such Securities).

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 8.06 hereof, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section 8.02 to approve the particular form of any proposed amendment

or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver. Subject to Sections 5.04 and 5.07 hereof, the Holders of a majority in aggregate principal amount of the Securities then

outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Securities. Without the consent of each Holder affected, however, an amendment or waiver may not (with respect to any Security held by a non-consenting Holder):

(i) reduce the principal amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the principal of or change the fixed maturity of any Security;

(iii) reduce the rate of or change the time for payment of interest on any Security;

(iv) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Securities (except a rescission of acceleration of the Securities by the Holders of at least a majority in aggregate principal amount thereof and a waiver of the payment default that resulted from such acceleration);

(v) make any Security payable in money other than that stated in the Securities;

(vi) make any change in Section 5.04 or 5.07 hereof; or

(vii) make any change in this sentence of this Section 8.02.

SECTION 8.03. COMPLIANCE WITH TIA.

Every amendment to this Indenture or the Securities shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

SECTION 8.04. REVOCATION AND EFFECT OF CONSENTS.

Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to its Security if the Trustee receives written notice of revocation before the date the waiver or amendment becomes effective. An amendment or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

The Company may, but shall not be obligated to, fix a record date for determining which Holders must consent to such amendment or waiver. If the Company fixes a record date, the record date shall be fixed at (i) the later of 30 days prior to the first solicitation of such consent or the date of the most recent list of Holders furnished to the Trustee prior to such solicitation pursuant to Section 2.05 hereof or (ii) such other date as the Company shall designate.

SECTION 8.05. NOTATION ON OR EXCHANGE OF SECURITIES.

The Trustee may place an appropriate notation about an amendment or waiver on any Security thereafter authenticated. The Company in exchange for all Securities may issue and the Trustee shall authenticate new Securities that reflect the amendment or waiver.

Failure to make the appropriate notation or issue a new Security shall not affect the validity and effect of such amendment or waiver.

SECTION 8.06. TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amendment or supplemental indenture authorized pursuant to this Article 8 if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment or supplemental indenture, the Trustee shall be entitled to receive and, subject to

Section 6.01, shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel as conclusive evidence that such amendment or Supplemental Indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it shall be valid and binding upon the Company in accordance with its terms. The Company may not sign an amendment or supplemental indenture until the Board of Directors approves it.

ARTICLE 9
MISCELLANEOUS

SECTION 9.01. TIA CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA Section 318(c), the imposed duties shall control.

SECTION 9.02. NOTICES.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guaranteeing next day delivery, to the other's address:

If to the Company:

Tenet Healthcare Corporation
2700 Colorado Avenue
Santa Monica, California 90404
Telecopier No.: (310) 998-6700
Attention: Treasurer

With a copy to:

Skadden, Arps, Slate, Meagher & Flom
300 South Grand Avenue, Suite 3400
Los Angeles, California 90071
Telecopier No.: (213) 687-5600
Attention: Brian J. McCarthy

If to the Trustee:

The Bank of New York
101 Barclay Street, 21 West
New York, New York 10286
Telecopier No.: (212) 815-5915
Attention: Corporate Trust Trustee Administration

The Company or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Unless otherwise set forth above, any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA Section 313(c), to the extent

required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 9.03. COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the

Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 9.04. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate (which shall include the statements set forth in Section 9.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel (which shall include the statements set forth in Section 9.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

SECTION 9.05. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall include:

(1) a statement that the person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been satisfied; *provided, however*, that with respect to matters of fact, an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

SECTION 9.06. RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 9.07. LEGAL HOLIDAYS.

A "*Legal Holiday*" is a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized or obligated by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at

that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 9.08. NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND SHAREHOLDERS.

No director, officer, employee, incorporator or shareholder of the Company, as such, shall have any liability for any obligations of the Company under the Securities, the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Securities by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Securities. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

SECTION 9.09. DUPLICATE ORIGINALS.

The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture.

SECTION 9.10. GOVERNING LAW.

The internal law of the State of New York, shall govern and be used to construe this Indenture and the Securities, without regard to the conflict of laws provisions thereof.

SECTION 9.11. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or its Subsidiaries. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 9.12. SUCCESSORS.

All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this

Indenture shall bind its successor.

SECTION 9.13. SEVERABILITY.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

SECTION 9.14. COUNTERPART ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 9.15. TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SIGNATURES

Dated as of October 16, 1995

TENET HEALTHCARE CORPORATION

By: /s/ MARIS ANDERSONS

Name: Maris Andersons
Title: Senior Vice President

Attest:

/s/ Alan Lundgren

(SEAL)

Alan Lundgren
Assistant Secretary

Dated as of October 16, 1995

THE BANK OF NEW YORK, as Trustee

By: /s/ VIVIAN GEORGES

Name: Vivian Georges
Title: Assistant Vice President

Attest:

/s/ ILLEGIBLE

(SEAL)

EXHIBIT A

(Face of Security)

$8^{5}/_{8}$ Senior Note
due December 1, 2003

CUSIP:
No. $

TENET HEALTHCARE CORPORATION

promises to pay to

or its registered assigns, the principal sum of

_____

Dollars on December 1, 2003.

Interest Payment Dates: June 1 and December 1, commencing December 1, 1995

Record Dates: May 15 and November 15 (whether or not a Business Day).

TENET HEALTHCARE CORPORATION

By: _____

Dated: _____ , ____

(SEAL)

Trustee's Certificate of Authentication:

This is one of the Securities referred to in the within-mentioned Indenture:

The Bank of New York, as Trustee

By: _____

Authorized Signatory

EXHIBIT B

FORM OF SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of , between (the "Guarantor"), a subsidiary of Tenet Healthcare Corporation (or its successor), a Nevada corporation (the "Company"), and The Bank of New York, as trustee under the indenture referred to below (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of October 16, 1995, providing for the issuance of an aggregate principal amount of $500,000,000 of 8 5/8% Senior Notes due 2003 (the "Securities");

WHEREAS, Section 3.16 of the Indenture provides that under certain circumstances the Company is required to cause the Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the Guarantor shall guarantee the payment of the Securities pursuant to a Guarantee on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 8.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guarantor hereby unconditionally guarantees to each Holder of a Security authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Securities or the Obligations of the Company hereunder and thereunder, that: (a) the principal of, premium, if any, and interest on the Securities will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal, premium, if any, and (to the extent permitted by law) interest on any interest on the Securities and all other payment Obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full, all in accordance with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Securities or any of such other payment Obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration, redemption or otherwise. Failing payment when due of any amount so guaranteed for whatever reason the Guarantor shall be obligated to pay the same immediately. An Event of Default under the Indenture or the Securities shall constitute an event of default under

this Guarantee, and shall entitle the Holders of Securities to accelerate the Obligations of the Guarantor hereunder in the same manner and to the same extent as the Obligations of the Company. The Guarantor hereby agrees that its Obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Securities or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Securities with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of the Guarantor. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenant that this Guarantee will not be discharged except by complete performance of the

Obligations contained in the Securities and the Indenture. If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantor, or any Custodian, Trustee, liquidator or other similar official acting in relation to either the Company or the Guarantor, any amount paid by either to the Trustee or such Holder, this Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. The Guarantor agrees that it shall not be entitled to, and hereby waives, any right of subrogation in relation to the Holders in respect of any Obligations guaranteed hereby. The Guarantor further agrees that, as between the Guarantor, on one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the Obligations guaranteed hereby may be accelerated as provided in Article 5 of the Indenture for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such Obligations as provided in Article 5 of the Indenture, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantor for the purpose of this Guarantee.

3. EXECUTION AND DELIVERY OF GUARANTEE. To evidence its Guarantee set forth in Section 2, the Guarantor hereby agrees that a notation of such Guarantee substantially in the form of *Exhibit A* shall be endorsed by an officer of such Guarantor on each Security authenticated and delivered by the Trustee and that this Supplemental Indenture shall be executed on behalf of such Guarantor, by manual or facsimile signature, by its President or one of its Vice Presidents.

The Guarantor hereby agrees that its Guarantee set forth in Section 2 shall remain in full force and effect notwithstanding any failure to endorse on each Security a notation of such Guarantee.

If an Officer whose signature is on this Supplemental Indenture or on the Guarantee no longer holds that office at the time the Trustee authenticates the Security on which a Guarantee is endorsed, the Guarantee shall be valid nevertheless.

The delivery of any Security by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Guarantee set forth in this Indenture on behalf of the Guarantors.

4. GUARANTORS MAY CONSOLIDATE, ETC. ON CERTAIN TERMS.

(a) Except as set forth in Articles 3 and 4 of the Indenture, nothing contained in this Supplemental Indenture or in the Securities shall prevent any consolidation or merger of the Guarantor with or into the Company or any Subsidiary of the Company that has executed and delivered a supplemental indenture substantially in the form hereof or shall prevent any sale or conveyance of the property of the Guarantor as an entirety or substantially as an entirety, to the Company or any such Subsidiary of the Company.

(b) Except as provided in Section 4(a) hereof or in a transaction referred to in Section 5 hereof, the Guarantor shall not consolidate with or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets to, another Person unless (1) either (x) the Guarantor shall be the surviving Person of such merger or consolidation or (y) the surviving Person or transferee is a corporation, partnership or trust organized and existing under the laws of the United States, any state thereof or the District of Columbia and such surviving Person or transferee shall expressly assume all the obligations of the Guarantor under this Guarantee and the Indenture pursuant to a supplemental indenture substantially in the form hereof; (2) immediately after giving effect to such transaction (including the incurrence of any Indebtedness incurred or anticipated to be incurred in connection with such transaction) no Default or Event of Default shall have occurred and be continuing; and (3) the Company has delivered to the Trustee an Officers' Certificate and Opinion of Counsel, each stating that such consolidation, merger or transfer complies with the Indenture, that the surviving Person agrees to be bound thereby, and that all conditions precedent in the Indenture relating to such transaction have been satisfied. For purposes of the foregoing, the transfer (by lease, assignment, sale or

otherwise, in a single transaction or series of related transactions) of all or substantially all of the properties and assets of one or more Subsidiaries of the Guarantor, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Guarantor, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Guarantor.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Guarantor in accordance with this Section 4(b) hereof, the successor corporation shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor corporation thereupon may cause to be signed any or all of the Guarantees to be endorsed upon all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee. All Guarantees so issued shall in all respects have the same legal rank and benefit under the Indenture as the Guarantees theretofore and thereafter issued in accordance with the terms of the Indenture as though all of such Guarantees had been issued at the date of the execution hereof.

5. RELEASES FOLLOWING SALE OF ASSETS. Concurrently with any sale, lease, conveyance or other disposition (by merger, consolidation or otherwise) of assets of the Guarantor (including, if applicable, disposition of all of the Capital Stock of the Guarantor), any Liens in favor of the Trustee in the assets sold, leased, conveyed or otherwise disposed of shall be released; *provided* that in the event of an Asset Sale, such Asset Sale is effected, and the Net Proceeds therefrom are applied, in accordance with Section 3.10 of the Indenture. If the assets sold, leased, conveyed or otherwise disposed of (by merger, consolidation or otherwise) include all or substantially all of the assets of the Guarantor or all of the Capital Stock of the Guarantor in each case, in compliance with the terms of the Indenture, then the Guarantor shall be automatically and unconditionally released from and relieved of its Obligations under its Guarantee; *provided* that in the event of an Asset Sale, such Asset Sale is effected, and the Net Proceeds therefrom are applied, in accordance with Section 3.10 of the Indenture. Upon delivery by the Company to the Trustee of an Officers' Certificate to the effect that such sale, lease, conveyance or other disposition was made by the Company in accordance with the provisions of the Indenture, including without limitation of Section 3.10 thereof, if applicable, the Trustee shall execute any documents reasonably required in order to evidence the release of the Guarantor from its Obligations under its Guarantee.

Nothing herein shall relieve the Company from its obligation to apply the proceeds of any Asset Sale as provided in Section 3.10 of the Indenture.

6. LIMITATION ON GUARANTOR LIABILITY. For purposes hereof, the Guarantor's liability will be that amount from time to time equal to the aggregate liability of the Guarantor hereunder, but shall be limited to the lesser of (i) the aggregate amount of the Obligations of the Company under the Securities and the Indenture and (ii) the amount, if any, which would not have (A) rendered the Guarantor "insolvent" (as such term is defined in the federal Bankruptcy Law and in the Debtor and Creditor Law of the State of New York) or (B) left it with unreasonably small capital at the time its Guarantee of the Securities was entered into, after giving effect to the incurrence of existing Indebtedness immediately prior to such time; *provided* that it shall be a presumption in any lawsuit or other proceeding in which the Guarantor is a party that the amount guaranteed pursuant to its Guarantee is the amount set forth in clause (i) above unless any creditor, or representative of creditors of the Guarantor, or debtor in possession or trustee in bankruptcy of the Guarantor, otherwise proves in such a lawsuit that the aggregate liability of the Guarantor is limited to the amount set forth in clause (ii). In making any determination as to the solvency or sufficiency of capital of the Guarantor in accordance with the previous sentence, the right of the Guarantor to contribution from other Subsidiaries of the Company that have executed and delivered a supplemental indenture substantially in the form hereof and any other rights the Guarantor may have, contractual or otherwise, shall be taken into account.

---

7. "TRUSTEE" TO INCLUDE PAYING AGENT. In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting under the Indenture, the term "Trustee" as used in this Supplemental Indenture shall in each case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully and for all intents and purposes as if such Paying Agent were named in this Supplemental Indenture in place of the Trustee.

8. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder of the Guarantor, as such, shall have any liability for any obligations of the Company or the Guarantor under the Securities, any Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Securities by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Securities. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

9. NEW YORK LAW TO GOVERN. The internal law of the State of New York shall govern and be used to construe this Supplemental Indenture.

10. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

11. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: _____ , _____

[Guarantor]

By: _____

Name:
Title:

The Bank of New York,
as Trustee

By: _____

Name:

Title:

EXHIBIT A TO SUPPLEMENTAL INDENTURE
GUARANTEE

The Guarantor hereby unconditionally guarantees to each Holder of a Security authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Securities or the Obligations of the Company to the Holders or the Trustee under the Securities or under the Indenture, that: (a) the principal of, and premium, if any, and interest on the Securities will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on overdue principal, premium, if any, and (to the extent permitted by law) interest on any interest on the Securities and all other payment Obligations of the Company to the Holders or the Trustee under the Indenture or under the Securities will be promptly paid in full, all in accordance with the terms thereof; and (b) in case of any extension of time of payment or renewal of any Securities or any of such other payment Obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration, redemption or otherwise. Failing payment when due of any amount so guaranteed, for whatever reason, the Guarantor shall be obligated to pay the same immediately.

The obligations of the Guarantor to the Holders of Securities and to the Trustee pursuant to this Guarantee and the Indenture are expressly set forth in a Supplemental Indenture, dated as of , to the Indenture, and reference is hereby made to the Indenture, as supplemented, for the precise terms of this Guarantee.

This is a continuing Guarantee and shall remain in full force and effect and shall be binding upon the Guarantor and its respective successors and assigns to the extent set forth in the Indenture until full and final payment of all of the Company's Obligations under the Securities and the Indenture and shall inure to the benefit of the successors and assigns of the Trustee and the Holders of Securities and, in the event of any transfer or assignment of rights by any Holder of Securities or the Trustee, the rights and privileges herein conferred upon that party shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. This a Guarantee of payment and not a guarantee of collection.

This Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Security upon which this Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized signatories.

For purposes hereof, the Guarantor's liability will be that amount from time to time equal to the aggregate liability of the Guarantor hereunder, but shall be limited to the lesser of (i) the aggregate amount of the Obligations of the Company under the Securities and the Indenture and (ii) the amount, if any, which would not have (A) rendered the Guarantor "insolvent" (as such term is defined in the federal Bankruptcy Law and in the Debtor and Creditor Law of the State of New York) or (B) left it with unreasonably small capital at the time its Guarantee of the Securities was entered into, after giving effect to the incurrence of existing Indebtedness immediately prior to such time; *provided* that it shall be a presumption in any lawsuit or other proceeding in which the Guarantor is a party that the amount guaranteed pursuant to its Guarantee is the amount set forth in clause (i) above unless any creditor, or representative of creditors of the Guarantor, or debtor in possession or trustee in bankruptcy of the Guarantor, otherwise proves in such a lawsuit that the aggregate liability of the Guarantor is limited to the amount set forth in clause (ii). The Indenture provides that, in making any determination as to the solvency or sufficiency of capital of a Guarantor in accordance with the previous sentence, the right of the Guarantor to contribution from other Subsidiaries of the Company that have become Guarantors and any other rights the Guarantor may have, contractual or otherwise, shall be taken into account.

Capitalized terms used herein have the same meanings given in the Indenture unless otherwise indicated.

[GUARANTOR]

By: _____
Name:
Title:

QuickLinks

TENET HEALTHCARE CORPORATION

$320,000,000
6% EXCHANGEABLE SUBORDINATED NOTES due 2005

INDENTURE
Dated as of January 10, 1996

THE BANK OF NEW YORK

as Trustee

TABLE OF CONTENTS

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Section
310 (a)(1)	6.10
(a)(2)	6.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	6.10
(b)	6.08; 6.10
(c)	N.A.
311 (a)	6.11
(b)	6.11
(c)	N.A.
312 (a)	2.05
(b)	8.03
(c)	8.03
313 (a)	6.06

(b)(1)	N.A.
(b)(2)	6.06
(c)	6.06; 8.02
(d)	6.06
314 (a)	3.03; 8.02
(b)	N.A.
(c)(1)	8.04
(c)(2)	8.04
(c)(3)	N.A.
(d)	N.A.
(e)	8.05
(f)	N.A.
315 (a)	6.01(iii)(b)
(b)	6.05; 8.02
(c)	6.01(i)
(d)	6.01(iii)
(e)	5.11
316 (a)(last sentence)	2.09
(a)(1)(A)	5.05
(a)(1)(B)	5.04
(a)(2)	N.A.
(b)	5.07
(c)	2.13; 7.04
317 (a)(1)	5.08
(a)(2)	5.09
(b)	2.04
318 (a)	8.01
(b)	N.A.
(c)	8.01

N.A. means not applicable.

---

* **This Cross-Reference Table is not part of the Indenture.**

INDENTURE dated as of January 10, 1996 between Tenet Healthcare Corporation, a Nevada corporation (the "*Company*"), and The Bank of New York, as trustee (the "*Trustee*").

The Company and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 6% Exchangeable Subordinated Notes due 2005 (the "*Securities*"):

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. DEFINITIONS.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"*Agent*" means any Registrar, Paying Agent or co-registrar.

"*Board of Directors*" means the Board of Directors of the Company or any authorized committee thereof.

"*Business Day*" means any day other than a Legal Holiday.

"*Capital Lease*" means, at the time any determination thereof is to be made, any lease of property, real or personal, in respect of which the present value of the minimum rental commitment would be capitalized on a balance sheet of the lessee in accordance with GAAP.

"*Capital Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a Capital

Lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"*Capital Stock*" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership, partnership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Change of Control*" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any Person or group (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), other than to a Person or group who, prior to such transaction, held a majority of the voting power of the voting stock of the Company, (ii) the acquisition by any Person or group (as defined above) of a direct or indirect interest in more than 50% of the voting power of the voting stock of the Company, by way of merger, consolidation or otherwise, or (iii) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and a Rating Decline.

"*Commission*" means the Securities and Exchange Commission.

"*Company*" means Tenet Healthcare Corporation, as obligor under the Securities, unless and until a successor replaces Tenet Healthcare Corporation, in accordance with Article 4 hereof and thereafter includes such successor.

"*Consolidated Net Worth*" means, with respect to any Person as of any date, the sum of (i) the consolidated equity of the common stockholders of such Person and its consolidated Subsidiaries as of such date *plus* (ii) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Stock), *less* all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made in accordance with GAAP as a result of the acquisition of such business) subsequent to the date hereof in the book value of any asset owned by such Person or a consolidated Subsidiary of such Person, and excluding the cumulative effect of a change in accounting principles, all as determined in accordance with GAAP.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Company who (i) was a member of such Board of Directors on the date hereof or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"*Corporate Trust Office of the Trustee*" shall be at the address of the Trustee specified in Section 8.02 hereof or such other address as to which the Trustee may give notice to the Company.

"*Credit Facility*" means that certain Credit Agreement, dated as of February 28, 1995, by and among the Company and Morgan Guaranty Trust Company of New York and the other banks that are party thereto, providing for $1.8 billion in aggregate principal amount of senior term debt and up to $500.0 million in aggregate principal amount of senior revolving debt, including any related notes, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended as of August 31, 1995, and as amended, modified, extended, renewed, refunded, replaced or refinanced, in whole or in part, from time to time.

"*Default*" means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the Holder thereof, in whole or in part, on or prior to December, 1 2005.

"*Escrow Agent*" means The Bank of New York, as Escrow Agent, under the Escrow Agreement until a successor replaces it in accordance with the applicable provisions of the Escrow Agreement.

"*Escrow Agreement*" means that certain Escrow Agreement, dated as of January 10, 1996, by and among the Company, NMEPI and NMEPHC and The Bank of New York, as Escrow Agent.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Exchange Security*" means any security, including Vencor Common Stock, deliverable upon the surrender of the Securities for exchange in accordance with the provisions of Article Ten.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, as in effect from time to time.

"*Government Securities*" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

"*Guarantee*" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, (ii) foreign exchange contracts or currency swap agreements and (iii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates or currency values.

"*Holder*" means a Person in whose name a Security is registered.

"*Indebtedness*" means with respect to any Person, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing Capital Lease Obligations or the balance deferred and unpaid of the purchase price of any property or representing any Hedging Obligations, except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, as well as all indebtedness of others secured by a Lien on any asset of such Person (whether or not such indebtedness is assumed by such Person) and, to the extent not otherwise included, the Guarantee by such Person of any indebtedness of any other Person.

"*Indenture*" means this Indenture, as amended or supplemented from time to time.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

"*Market Price*" means, with respect to any exchange, the average of the Sale Prices of the Vencor Common Stock (or any Exchange Security, as the case may be) for the five Business Day period (appropriately adjusted to take into account the occurrence during such period of certain events that would result in an adjustment of the Exchange Rate with respect to the shares of Vencor Common Stock or any Exchange Security) commencing on the first Business Day after delivery by the Company or the Escrow Agent of notice to the Holders that the Company has elected to pay cash in lieu of delivering shares of Vencor Common Stock or Exchange Security in exchange for any Securities. The period between the date of delivery by a holder of a notice of exchange and the date of determination of the Market Price may not exceed seven Business Days.

"*Moody's*" means Moody's Investors Services, Inc. and its successors.

"*NMEPHC*" means NME Property Holding Co., Inc., a Delaware corporation.

"*NMEPI*" means NME Properties, Inc., a Delaware corporation.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officers*" means the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary and any Vice President of the Company or any Subsidiary, as the case may be.

"*Officers' Certificate*" means a certificate signed by two Officers, one of whom must be the principal executive officer, principal financial officer or principal accounting officer of the Company.

"*Opinion of Counsel*" means an opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company, any Subsidiary or the Trustee.

"*Payment Default*" means any failure to pay any scheduled installment of interest or principal on any Indebtedness within the grace period provided for such payment in the documentation governing such Indebtedness.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust or unincorporated organization (including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business).

"*Rating Agencies*" means (i) S&P and (ii) Moody's or (iii) if S&P or Moody's or both shall not make a rating of the Securities publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, shall be substituted for S&P or Moody's or both, as the case may be.

"*Rating Category*" means (i) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories); and (iii) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Securities has decreased by one or more gradations, gradations within Rating Categories (+ and - for S&P, 1, 2 and 3 for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (E.G., with respect to S&P, a decline in a rating from BB+ to BB, as well as from BB- to B+, shall constitute a decrease of one gradation).

"*Rating Date*" means the date which is 90 days prior to the earlier of (i) a Change of Control and (ii) the first public notice of the occurrence of a Change of Control or of the intention by the Company to effect a Change of Control.

"*Rating Decline*" means the occurrence on or within 90 days after the date of the first public notice of the occurrence of a Change of Control or of the intention by the Company to effect a Change of Control (which period shall be extended so long as the rating of the Securities is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of: (a) in the event the Securities are rated by either Moody's or S&P on the Rating Date as Investment Grade, a decrease in the rating of the Securities by both Rating Agencies to a rating that is below Investment Grade, or (b) in the event the Securities are rated below Investment Grade by both Rating Agencies on the Rating Date, a decrease in the rating of the Securities by either Rating Agency by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"*Responsible Officer*" when used with respect to the Trustee, means any officer within the corporate trust department of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"*Sale Price*" means with respect to the Vencor Common Stock (or any other Exchange Security), for any given day, the closing sale price (or, if no closing sale price is reported, the average of the bid and asked prices or, if more than one bid or asked prices, the average of the average bid and average asked prices) on such day of the Vencor Common Stock (or other Exchange Security), reported on the

New York Stock Exchange Composite Tape or, in the event the Vencor Common Stock (or other Exchange Security) is not listed on the New York Stock Exchange, such other national or regional securities exchange upon which the Vencor Common Stock (or other Exchange Security) is listed and principally traded, or, in the event the Vencor Common Stock (or other Exchange Security) is not listed on a national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System, or, if no such price is available, the market value of the Vencor Common Stock (or other Exchange Security) on such day determined in such manner as shall be satisfactory to the Company, which shall be entitled to rely for such purpose on the advice of any firm of investment bankers or securities dealers having familiarity with the Vencor Common Stock (or other Exchange Security). Notwithstanding the foregoing, the Sale Price shall be adjusted to reflect the occurrence of any of the events specified in Section 10.04 that has resulted in an adjustment of the Exchange Rate if the Sale Price as calculated above has not been appropriately adjusted to reflect the occurrence of such event.

"*Securities*" means the securities described above, issued under this Indenture.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"*S&P*" means Standard & Poor's Corporation and its successors.

"*Subsidiary*" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"*TIA*" means the Trust Indenture Act of 1939, as amended (15 U.S.C. § 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA, except as provided in Section 7.03 hereof.

"*Trustee*" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"*Vencor*" means Vencor, Inc., a Delaware corporation.

"*Vencor Common Shares*" means the 8,301,067 shares of Vencor Common Stock to be deposited pursuant to the Escrow Agreement.

"*Vencor Common Stock*" means shares of common stock, $.25 par value, of Vencor.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other

required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

SECTION 1.02. OTHER DEFINITIONS.

Term	Defined in Section
"Bankruptcy Law"	5.01
"Change of Control Offer"	3.07
"Change of Control Payment"	3.07
"Change of Control Payment Date"	3.07
"Commencement Date"	2.15
"Custodian"	5.01
"Designated Senior and Senior Subordinated Debt"	11.02
"Event of Default"	5.01
"Exchange Rate"	10.01
"Legal Holiday"	8.07
"Notice of Default"	5.01
"Offer Amount"	2.15
"Offer Period"	2.15
"Paying Agent"	2.03
"Permitted Transferee"	10.05
"Registrar"	2.03
"Representative"	11.02
"Senior and Senior Subordinated Debt".	11.02

SECTION 1.03. INCORPORATION BY REFERENCE OF TIA.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"*indenture securities*" means the Securities;

"*indenture security holder*" means a Holder;

"*indenture to be qualified*" means this Indenture;

"*indenture trustee*" or "*institutional trustee*" means the Trustee;

"*obligor*" on the Securities means the Company and any successor obligor upon the Securities.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by the Commission rule under the TIA have the meanings so assigned to them.

SECTION 1.04. RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular; and

(5) provisions apply to successive events and transactions.

ARTICLE 2
THE SECURITIES; OFFER TO PURCHASE PROCEDURES

SECTION 2.01. FORM AND DATING.

The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto, the terms of which are incorporated in and made a part of this Indenture. The Securities may have notations, legends or endorsements approved as to form by the Company and required by law, stock exchange rule, agreements to which the Company is subject or usage. Each Security shall be dated the date of its authentication. The Securities shall be issuable only in registered form, without coupons, in denominations of $1,000 and integral multiples thereof.

SECTION 2.02. EXECUTION AND AUTHENTICATION.

An Officer of the Company shall sign the Securities for the Company by manual or facsimile signature.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual signature of the Trustee. The signature of the Trustee shall be conclusive evidence that the Security has been authenticated under this Indenture. The form of Trustee's certificate of authentication to be borne by the Securities shall be substantially as set forth in Exhibit A hereto.

The Trustee shall, upon a written order of the Company signed by two Officers of the Company, authenticate Securities for original issue up to the aggregate principal amount stated in paragraph 4 of the Securities. The aggregate principal amount of Securities outstanding at any time shall not exceed the amount set forth herein except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

SECTION 2.03. REGISTRAR AND PAYING AGENT.

The Company shall maintain (i) an office or agency where Securities may be presented for registration of transfer or for exchange and where Securities may be surrendered for exchange in accordance with the provisions of Article 10 for Vencor Common Shares (or cash, other securities and other property under certain circumstances) (including any co-registrar, the "*Registrar*") and (ii) an office or agency where Securities may be presented for payment (the "*Paying Agent*"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent, Registrar or co-registrar without prior notice to any Holder. The Company shall notify the Trustee and the Trustee shall notify the Holders of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent, Registrar or co-registrar. The Company

shall enter into an appropriate agency agreement with any Agent not a party to this Indenture, which shall incorporate the provisions of the TIA. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any such Agent. If the Company fails to maintain a Registrar or Paying Agent, or fails to give the foregoing notice, the Trustee shall act as such, and shall be entitled to appropriate compensation in accordance with Section 6.07 hereof.

The Company initially appoints the Trustee as Registrar, Paying Agent and agent for service of notices and demands in connection with the Securities.

SECTION 2.04. PAYING AGENT TO HOLD MONEY IN TRUST.

On or prior to the due date of principal of, premium, if any, and interest on any Securities, the Company shall deposit with the Trustee or the Paying Agent money sufficient to pay such principal, premium, if any, and interest becoming due. The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, and interest on the Securities, and shall notify the Trustee of any Default by the Company in making any such payment. While any such Default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company) shall have no further liability for the money delivered to the Trustee. If the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent.

SECTION 2.05. HOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Section Holders and shall otherwise comply with TIA § 312(a). If the Registrar, the Company shall furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders, including the aggregate principal amount of the Securities held by each thereof, and the Company shall otherwise comply with TIA § 312(a).

SECTION 2.06. TRANSFER AND EXCHANGE.

When Securities are presented to the Registrar with a request to register the transfer or to exchange them for an equal principal amount of Securities of other denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met; *provided, however*, that any Security presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar and the Trustee duly executed by the Holder thereof or by his attorney duly authorized in writing. To permit registrations of transfer and exchanges, the Company shall issue and the Trustee shall authenticate Securities at the Registrar's request, subject to such rules as the Trustee may reasonably require.

Neither the Company nor the Registrar shall be required to register the transfer or exchange of a Security between the record date and the next succeeding interest payment date.

No service charge shall be made to any Holder for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than such

transfer tax or similar governmental charge payable upon exchanges pursuant to Sections 2.10 or 7.05 hereof, which shall be paid by the Company).

Prior to due presentment for registration of transfer of any Security, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of, premium, if any, and interest on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and neither the Trustee, any Agent nor the Company shall be affected by notice to the contrary.

SECTION 2.07. REPLACEMENT SECURITIES.

If any mutilated Security is surrendered to the Trustee or the Company, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Security, the Company shall issue and the Trustee, upon the written order of the Company signed by two Officers of the Company, shall authenticate a replacement Security if the Trustee's requirements for replacements of Securities are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss which any of them may suffer if a Security is replaced. Each of the Company and the Trustee may charge for its expenses in replacing a Security.

Every replacement Security is an additional obligation of the Company.

SECTION 2.08. OUTSTANDING SECURITIES.

The Securities outstanding at any time are all the Securities authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation and those described in this Section as not outstanding.

If a Security is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the principal amount of any Security is considered paid under Section 3.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

Subject to Section 2.09 hereof, a Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

SECTION 2.09. TREASURY SECURITIES.

In determining whether the Holders of the required principal amount of Securities then outstanding have concurred in any demand, direction, waiver or consent, Securities owned by the Company or any Affiliate of the Company shall be considered as though not outstanding, except that for purposes of determining whether the Trustee shall be protected in relying on any such demand, direction, waiver or consent, only Securities that a Responsible Officer actually knows to be so owned shall be so considered. Notwithstanding the foregoing, Securities that are to be acquired by the Company or an Affiliate of the Company pursuant to an exchange offer, tender offer or other agreement shall not be deemed to be owned by the Company or an Affiliate of the Company until legal title to such Securities passes to the Company or such Affiliate, as the case may be.

SECTION 2.10. TEMPORARY SECURITIES.

Until definitive Securities are ready for delivery, the Company may prepare and the Trustee, upon receipt of the written order of the Company signed by two Officers of the Company, shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but

may have variations that the Company and the Trustee consider appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee, upon receipt of the written order of the Company signed by two Officers of the Company, shall authenticate definitive Securities in exchange for temporary Securities. Until such exchange, temporary Securities shall be entitled to the same rights, benefits and privileges as definitive Securities.

SECTION 2.11. CANCELLATION.

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall return such cancelled Securities to the Company. The Company may not issue new Securities to replace Securities that it has paid or that have been delivered to the Trustee for cancellation.

SECTION 2.12. DEFAULTED INTEREST.

If the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, which date shall be at the earliest practicable date but in all events at least five Business Days prior to the related payment date, in each case at the rate provided in the Securities and in Section 3.01 hereof. The Company shall, with the consent of the Trustee, fix or cause to be fixed each such special record date and payment date. At least 15 days before the special record date, the Company (or the Trustee, in the name of and at the expense of the Company) shall mail to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

SECTION 2.13. RECORD DATE.

The record date for purposes of determining the identity of Holders entitled to vote or consent to any action by vote or consent authorized or Trustee is not the permitted under this Indenture shall be determined as provided for in TIA § 316(c).

SECTION 2.14. CUSIP NUMBER.

The Company in issuing the Securities may use a "CUSIP" number, and if it does so, the Trustee shall use the CUSIP number in notices to Holders; *provided* that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP number printed in the notice or on the Securities and that reliance may be placed only on the other identification numbers printed on the Securities. The Company shall promptly notify the Trustee of any change in the CUSIP number.

ARTICLE 3
COVENANTS

SECTION 3.01. PAYMENT OF SECURITIES.

The Company shall pay or cause to be paid the principal of, premium, if any, and interest on the Securities on the dates and in the manner provided in this Indenture and the Securities. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary of the Company, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. Such Paying Agent shall return to the Company, no later than five days following the date of payment, any money (including accrued interest) that exceeds such amount of principal, premium, if any, and interest to be paid on the Securities.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the interest rate then applicable to the Securities to the extent lawful. In addition, it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 3.02. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Securities may be surrendered for registration of transfer or exchange and where Securities may be surrendered for exchange in accordance with the provisions of Article 10 for Vencor Common Shares (and cash, other securities and other property under certain circumstances) and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of

Manhattan, the City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates The Bank of New York, 101 Barclay Street, 21 West, New York, New York 10286 as one such office or agency of the Company in accordance with Section 2.03 hereof.

SECTION 3.03. COMMISSION REPORTS.

(i) So long as any of the Securities remain outstanding, the Company shall provide to the Trustee within 15 days after the filing thereof with the Commission copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act. All obligors on the Securities shall comply with the provisions of TIA § 314(a). Notwithstanding to the reporting requirements of Section 13 or 15(d) of the Exchange Act or otherwise report on an annual and quarterly basis on forms provided for such annual and quarterly reporting pursuant to rules and regulations promulgated by the Commission, the Company shall file with the Commission and provide to the Trustee (a) within 90 days after the end of each fiscal year, annual reports on Form 10-K (or any successor or comparable form) containing the information required to be contained therein (or required in such successor or comparable form), including a "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and a report thereon by the Company's certified public accountants; (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, reports on Form 10-Q (or any successor or comparable form) containing the information required to be contained therein (or required in any successor or comparable form), including a "*Management's Discussion and Analysis of Financial Condition and Results of Operations*"; and (c) promptly from time to time after the occurrence of an event required to be therein reported, such other reports on Form 8-K (or any successor or comparable form) containing the information required to be contained therein (or required in any successor or comparable form); *provided, however*, that the Company shall not be in default of the provisions of this Section 3.03(i) for any failure to file reports with the Commission solely by the

refusal of the Commission to accept the same for filing. Each of the financial statements contained in such reports shall be prepared in accordance with GAAP.

(ii) The Trustee, at the Company's expense, shall promptly mail copies of all such annual reports, information, documents and other reports provided to the Trustee pursuant to Section 3.03(i) hereof to the Holders at their addresses appearing in the register of Securities maintained by the Registrar.

(iii) Whether or not required by the rules and regulations of the Commission, the Company shall file a copy of all such information and reports with the Commission for public availability and make such information available to securities analysts and prospective investors upon request.

(iv) The Company shall provide the Trustee with a sufficient number of copies of all reports and other documents and information that the Trustee may be required to deliver to the Holders under this Section 3.03.

(v) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 3.04. COMPLIANCE CERTIFICATE.

(i) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether each has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge each entity has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action each is taking or proposes to take with respect thereto), all without regard to periods of grace or notice requirements, and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Securities is prohibited or if such event has occurred, a description of the event and what action each is taking or proposes to take with respect thereto.

(ii) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 3.03 above shall be accompanied by a written statement of the Company's certified independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements nothing has come to their attention which would lead them to believe that the Company or any Subsidiary of the Company has violated any provisions of Article 3 or of Article 4 of this Indenture or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(iii) The Company shall, so long as any of the Securities are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of (a) any Default or Event of Default or (b) any event of default under any other mortgage, indenture or instrument referred to in Section 5.01(v) hereof, an Officers' Certificate specifying such Default, Event of Default or event of default and what action the Company is

taking or proposes to take with respect thereto.

SECTION 3.05. TAXES.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except (i) as contested in good faith by appropriate proceedings and with respect to which appropriate reserves have been taken in accordance with GAAP or (ii) where the failure to effect such payment is not adverse in any material respect to the Holders.

SECTION 3.06. STAY, EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 3.07. CHANGE OF CONTROL.

Upon the occurrence of a Change of Control Triggering Event, each Holder of Securities shall have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Securities pursuant to the offer described below (the "*Change of Control Offer*") at an offer price in cash equal to 100% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, thereon to the date of purchase (the "*Change of Control Payment*") on a date that is not more than 90 days after the occurrence of such Change of Control Triggering Event (the "*Change of Control Payment Date*").

Within 30 days following any Change of Control Triggering Event, the Company shall mail, or at the Company's request the Trustee shall mail, a notice of a Change of Control to each Holder (at its last registered address with a copy to the Trustee and the Paying Agent) offering to repurchase the Securities held by such Holder pursuant to the procedures specified in such notice. The Change of Control Offer shall remain open from the time of mailing until the close of business on the Business Day next preceding the Change of Control Payment Date. The notice, which shall govern the terms of the Change of Control Offer, shall contain all instructions and materials necessary to enable the Holders to tender Securities pursuant to the Change of Control Offer and shall state:

(1) that the Change of Control Offer is being made pursuant to this Section 3.07 and that all Securities tendered will be accepted for payment;

(2) the Change of Control Payment and the Change of Control Payment Date, which date shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed;

(3) that any Security not tendered will continue to accrue interest in accordance with the terms of this Indenture;

(4) that, unless the Company defaults in the payment of the Change of Control Payment, all Securities accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have a Security purchased pursuant to any Change of Control Offer will be required to surrender the Security, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Security completed, to the Company, a depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice prior to

the close of business on the Business Day next preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Company, depositary or Paying Agent, as the case may be, receives, not later than the close of business on the Business Day next preceding the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Security the Holder delivered for purchase, and a statement that such Holder is withdrawing his election to have such Security purchased;

(7) that Holders whose Securities are being purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof; and

(8)

the circumstances and relevant facts regarding such Change of Control (including, but not limited to, information with respect to *pro forma* historical financial information after giving effect to such Change of Control, information regarding the Person or Persons acquiring control and such Person's or Persons' business plans going forward) and any other information that would be material to a decision as to whether to tender a Security pursuant to the Change of Control Offer.

On the Change of Control Payment Date, the Company shall, to the extent lawful, (i) accept for payment all Securities or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Securities or portions thereof so tendered and (iii) deliver or cause to be delivered to the Trustee the Securities so accepted together with an Officers' Certificate stating the aggregate principal amount of Securities or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to each Holder of Securities so tendered the Change of Control Payment for such Securities, and the Trustee shall promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Security equal in principal amount to any unpurchased portion of the Securities surrendered, if any; *provided* that each such new Security shall be in a principal amount of $1,000 or an integral multiple thereof. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Securities as a result of a Change of Control Triggering Event.

SECTION 3.08. CORPORATE EXISTENCE.

Subject to Section 3.07 and Article 4 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of each Subsidiary and (ii) the rights (charter and statutory), licenses and franchises of the Company and its Subsidiaries; *provided, however*, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders.

ARTICLE 4
SUCCESSORS

SECTION 4.01. LIMITATIONS ON MERGERS, CONSOLIDATIONS OR SALES OF ASSETS.

The Company may not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another corporation, Person or entity unless:

(i)

the Company is the surviving corporation or the entity or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia;

(ii)

the entity or Person formed by or surviving any such consolidation or merger (if other than the Company) or the entity or Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the Obligations of the Company under this Indenture and the Securities pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee and assumes all of the obligations of the Company under the Escrow Agreement pursuant to a written agreement;

(iii)

immediately after such transaction no Default or Event of Default exists; and

(iv)

the Company or the entity or Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made shall have a Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction.

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel, covering clauses (i) through (iv) above, stating that the proposed transaction and such supplemental indenture comply with this Indenture. The Trustee shall be entitled to conclusively rely upon such Officers' Certificate and Opinion of

Counsel.

SECTION 4.02. SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 4.01 hereof, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation), and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person has been named as the Company, herein.

ARTICLE 5
DEFAULTS AND REMEDIES

SECTION 5.01. EVENTS OF DEFAULT.

Each of the following constitutes an "*Event of Default*":

(i) default for 30 days in the payment when due of interest on the Securities;

(ii) default in payment when due of the principal of or premium, if any, on the Securities at maturity or otherwise;

(iii) failure by the Company to comply with the provisions of Section 3.07;

(iv) failure by the Company to comply with any other covenant or agreement in the Indenture, the Securities or the Escrow Agreement for the period and after the notice specified below;

(v) any default that occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Significant Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Significant Subsidiaries), whether such Indebtedness or Guarantee exists on the date hereof or is created after the date hereof, which default (a) constitutes a Payment Default or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or that has been so accelerated, aggregates $25.0 million or more;

(vi) failure by the Company or any of its Significant Subsidiaries to pay a final judgment or final judgments aggregating in excess of $25.0 million entered by a court or courts of competent jurisdiction against the Company or any of its Significant Subsidiaries if such final judgment or judgments remain unpaid or undischarged for a period (during which execution shall not be effectively stayed) of 60 days after their entry;

(vii) the Company or any Significant Subsidiary thereof pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case,

(b) consents to the entry of an order for relief against it in an involuntary case in which it is the debtor,

(c) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(d) makes a general assignment for the benefit of its creditors, or

(e) admits in writing its inability generally to pay its debts as the same become due;

(viii)
a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(a)
is for relief against the Company or any Significant Subsidiary thereof in an involuntary case in which it is the debtor,

(b)
appoints a Custodian of the Company or any Significant Subsidiary thereof or for all or substantially all of the property of the Company or any Significant Subsidiary thereof, or

(c)
orders the liquidation of the Company or any Significant Subsidiary thereof, and the order or decree remains unstayed and in effect for 60 days; and

(ix)
failure by the Company to make any exchange of Vencor Common Shares (or such other securities or property or cash as shall be added to such Vencor Common Shares or as such Vencor Common Shares shall have been changed into as provided in Article 10 hereof) for any Security at the Exchange Rate and upon the terms set forth in Article 10 hereof subject to the Company's right to pay cash in lieu thereof pursuant to Section 10.13.

The term "*Bankruptcy Law*" means title 11, U.S. Code or any similar federal or state law for the relief of debtors. The term "*Custodian*" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

A Default under clause (iv) is not an Event of Default until the Trustee notifies the Company in writing, or the Holders of at least 25% in principal amount of the then outstanding Securities notify the Company and the Trustee in writing, of the Default and the Company does not cure the Default within 60 days after receipt of such notice. The written notice must specify the Default, demand that it be remedied and state that the notice is a "*Notice of Default*."

SECTION 5.02. ACCELERATION.

If any Event of Default (other than an Event of Default specified in clause (vii) or (viii) of Section 5.01 hereof) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in aggregate principal amount of the then outstanding Securities by written notice to the Company and the Trustee, may declare the unpaid principal of, premium, if any, and any accrued and unpaid interest on all the Securities to be due and payable immediately. Upon such declaration the principal, premium, if any, and interest shall be due and payable immediately. If an Event of Default specified in clause (vii) or (viii) of Section 5.01 hereof occurs with respect to the Company or any Significant Subsidiary thereof such an amount shall *ipso facto* become and be immediately due and payable without further action or notice on the part of the Trustee or any Holder.

If an Event of Default occurs under this Indenture prior to the maturity of the Securities by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of such Securities prior to the date of maturity, then a premium with respect thereto (expressed as a percentage of the amount that would otherwise be due but for the provisions of this sentence) shall become and be immediately due and payable to the extent permitted by law upon the acceleration of such Securities if such Event of Default occurs during the twelve-month period beginning on January 1 of the years set forth below:

Year	Percentage
1996	106.00%
1997	105.40%
1998	104.80%
1999	104.20%
2000	103.60%
2001	103.00%
2002	102.40%
2003	101.80%
2004	101.20%
2005	100.60%

Any determination regarding the primary purpose of any such action or inaction, as the case may be, shall be made by and set forth in a resolution of the Board of Directors (including the concurrence of a majority of the independent directors of the Company then serving) delivered to the Trustee after consideration of the business reasons for such action or inaction, other than the avoidance of payment of such premium or prohibition on redemption. In the absence of fraud, each such determination shall

be final and binding upon the Holders of Securities. Subject to Section 6.01 hereof, the Trustee shall be entitled to rely on the determination set forth in any such resolutions delivered to the Trustee.

SECTION 5.03. OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 5.04. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in aggregate principal amount of the Securities then outstanding by written notice to the Trustee may on behalf of the Holders of all of the Securities waive any existing Default or Event of Default and its consequences under this Indenture except a continuing Default or Event of Default in the payment of the principal of, premium, if any, or interest on any Security or in respect of the exchange of Securities pursuant to Article 10 hereof. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 5.05. CONTROL BY MAJORITY.

Holders of a majority in principal amount of the then outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders or that may involve the Trustee in personal liability. The Trustee may take any other action which it deems proper which is not inconsistent with any such direction.

SECTION 5.06. LIMITATION ON SUITS.

A Holder may pursue a remedy with respect to this Indenture or the Securities only if:

(i) the Holder gives to the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in principal amount of the then outstanding Securities make a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(v) during such 60-day period the Holders of a majority in principal amount of the then outstanding Securities do not give the Trustee a direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 5.07. RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal, premium, if any, and interest on the Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

SECTION 5.08. COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 5.01(i) or (ii) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company or any other obligor for the whole amount of principal, premium, if any, and interest remaining unpaid on the Securities and interest on overdue principal and, to the extent lawful, interest and such further amount

as shall be sufficient to cover amounts due the Trustee under Section 6.07 hereof, including the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 5.09. TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Securities), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties which the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 5.10. PRIORITIES.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 6.07, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders for amounts due and unpaid on the Securities for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal, premium, if any and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 5.10 upon five Business Days prior notice to the Company.

SECTION 5.11. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 5.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Securities.

ARTICLE 6
TRUSTEE

SECTION 6.01. DUTIES OF TRUSTEE.

(i) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(ii) Except during the continuance of an Event of Default known to the Trustee:

(a) the duties of the Trustee shall be determined solely by the express provisions of this Indenture or the TIA and the Trustee need perform only those duties that are specifically set forth in this Indenture or the TIA and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee, and

(b) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provisions hereof are required to be

furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(iii) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) this paragraph does not limit the effect of paragraph (ii) of this Section;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.05 hereof.

(iv) Whether or not therein expressly so provided every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (i), (ii), and (iii) of this Section.

(v) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee may refuse to perform any duty or exercise any right or power unless it receives security and indemnity satisfactory to it against any loss, liability or expense.

(vi) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Absent written instruction from the Company, the Trustee shall not be required to invest any such money. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(vii) The Trustee shall not be deemed to have knowledge of any matter unless such matter is actually known to a Responsible Officer.

SECTION 6.02. RIGHTS OF TRUSTEE.

(i) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(ii) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(iii) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(iv) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this Indenture. A permissive right granted to the Trustee hereunder shall not be deemed an obligation to act.

(v) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

SECTION 6.03. INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Sections 6.10 and 6.11 hereof.

SECTION 6.04. TRUSTEE'S DISCLAIMER.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Securities, nor shall it be accountable for the Company's use of the proceeds from the Securities or any money paid to the Company or upon the Company's direction under any provision of this Indenture, nor shall it be responsible for the use or application of any money received by any Paying Agent other than the Trustee, nor shall it be responsible for any statement or recital herein or any statement in the Securities or any other document in connection with the sale of the Securities or pursuant to this Indenture other than its certificate of authentication.

SECTION 6.05. NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment on any Security, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice

is in the interests of the Holders.

SECTION 6.06. REPORTS BY TRUSTEE TO HOLDERS.

Within 60 days after each December 31 beginning with the December 31 following the date hereof, the Trustee shall mail to the Holders a brief report dated as of such reporting date that complies with TIA § 313(a) (but if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA § 313(b). The Trustee shall also transmit by mail all reports as required by TIA § 313(c).

A copy of each report at the time of its mailing to the Holders shall be mailed to the Company and filed with the Commission and each stock exchange on which the Securities are listed. The Company shall promptly notify the Trustee when the Securities are listed on any stock exchange.

SECTION 6.07. COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time such compensation for its acceptance of this Indenture and services hereunder as the Company and Trustee shall agree. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee against any and all losses, liabilities, damages, claims or expenses incurred by it arising out of or in connection with the acceptance of its duties and the administration of the trusts under this Indenture, except as set forth below. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Company under this Section 6.07 shall survive the satisfaction and discharge of this Indenture.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through its own negligence or bad faith.

To secure the Company's payment obligations in this Section, the Trustee shall have a Lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Securities. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.01(vii) or (viii) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 6.08. REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in principal amount of the then outstanding

Securities may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 6.10 hereof;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a Custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the

Company, or the Holders of at least 10% in principal amount of the then outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee after written request by any Holder who has been a Holder for at least six months fails to comply with Section 6.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 6.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 6.08, the Company's obligations under Section 6.07 hereof shall continue for the benefit of the retiring Trustee.

SECTION 6.09. SUCCESSOR TRUSTEE OR AGENT BY MERGER, ETC.

If the Trustee or any Agent consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee or Agent.

SECTION 6.10. ELIGIBILITY; DISQUALIFICATION.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any state thereof authorized under such laws to exercise corporate trustee power, shall be subject to supervision or examination by federal or state authority and shall have a combined capital and surplus of at least $100.0 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA § 313(a) (1),(2) and (5). The Trustee is subject to TIA § 310(b).

SECTION 6.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

ARTICLE 7
AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 7.01. WITHOUT CONSENT OF HOLDERS.

The Company and the Trustee may amend or supplement this Indenture or the Securities without the consent of any Holder:

(i) to cure any ambiguity, defect or inconsistency;

(ii) to provide for uncertificated Securities in addition to or in place of certificated Securities;

(iii) to provide for the assumption of the Company's obligations to the Holders of the Securities in the case of a merger, consolidation or sale of assets pursuant to Article 4 hereof;

(iv) to make any change that would provide any additional rights or benefits to the Holders of the Securities or that does not adversely affect the legal rights hereunder of any such Holder; or

(v) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.06 hereof, the Trustee shall join with the Company in the execution of any supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into such supplemental indenture which affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 7.02. WITH CONSENT OF HOLDERS.

Except as provided in the next succeeding paragraphs, this Indenture or the Securities may be amended or supplemented with the consent

of the Holders of at least a majority in principal amount of the Securities then outstanding (including consents obtained in connection with a tender offer or exchange offer for such Securities), and any existing default or compliance with any provision of this Indenture or the Securities may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Securities (including consents obtained in connection with a tender offer or exchange offer for such Securities).

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.06 hereof, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section 7.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver. Subject to Sections 5.04 and 5.07 hereof, the Holders of a majority in aggregate principal amount of the Securities then outstanding may waive compliance in a particular instance by the Company with any provision of this

Indenture or the Securities. Without the consent of each Holder affected, however, an amendment or waiver may not (with respect to any Security held by a non-consenting Holder):

(i) reduce the principal amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the principal of or change the fixed maturity of any Security;

(iii) reduce the rate of or change the time for payment of interest on any Security;

(iv) make any change regarding the exchange rights set forth in Article 10 other than to increase the Exchange Rate;

(v) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Securities (except a rescission of acceleration of the Securities by the Holders of at least a majority in aggregate principal amount thereof and a waiver of the payment default that resulted from such acceleration);

(vi) make any Security payable in money other than that stated in the Securities;

(vii) make any change in Section 5.04 or 5.07 hereof; or

(viii) make any change in this sentence of this Section 7.02.

SECTION 7.03. COMPLIANCE WITH TIA.

Every amendment to this Indenture or the Securities shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

SECTION 7.04. REVOCATION AND EFFECT OF CONSENTS.

Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to its Security if the Trustee receives written notice of revocation before the date the waiver or amendment becomes effective. An amendment or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

The Company may, but shall not be obligated to, fix a record date for determining which Holders must consent to such amendment or waiver. If the Company fixes a record date, the record date shall be fixed at (i) the later of 30 days prior to the first solicitation of such consent or the date of the most recent list of Holders furnished to the Trustee prior to such solicitation pursuant to Section 2.05 hereof or (ii) such other date as the Company shall designate.

SECTION 7.05. NOTATION ON OR EXCHANGE OF SECURITIES.

The Trustee may place an appropriate notation about an amendment or waiver on any Security thereafter authenticated. The Company in exchange for all Securities may issue and the Trustee shall authenticate new Securities that reflect the amendment or waiver.

Failure to make the appropriate notation or issue a new Security shall not affect the validity and effect of such amendment or waiver.

SECTION 7.06. TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amendment or supplemental indenture authorized pursuant to this Article 7 if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment or supplemental indenture, the Trustee shall be entitled to receive and, subject to Section 6.01, shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel as conclusive evidence that such amendment or Supplemental Indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it shall be valid and binding upon the Company in accordance with its terms. The Company may not sign an amendment or supplemental indenture until the Board of Directors approves it.

ARTICLE 8
MISCELLANEOUS

SECTION 8.01. TIA CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA Section 318(c), the imposed duties shall control.

SECTION 8.02. NOTICES.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guaranteeing next day delivery, to the other's address:

If to the Company:

Tenet Healthcare Corporation
2700 Colorado Avenue
Santa Monica, California 90404
Telecopier No.: (310) 998-6700
Attention: Treasurer

With a copy to:

Attention: General Counsel

With a copy to:

Skadden, Arps, Slate, Meagher & Flom
300 South Grand Avenue, Suite 3400
Los Angeles, California 90071
Telecopier No.: (213) 687-5600
Attention: Brian J. McCarthy

If to the Trustee:

The Bank of New York
101 Barclay Street, 21 West
New York, New York 10286
Telecopier No.: (212) 815-5915
Attention: Corporate Trust Trustee Administration

The Company or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand,

if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Unless otherwise set forth above, any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person desired in TIA Section 313(c) to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 8.03. COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 8.04. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate (which shall include the statements set forth in Section 8.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel (which shall include the statements set forth in Section 8.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

SECTION 8.05. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall include:

(1) a statement that the person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been satisfied; *provided, however*, that with respect to matters of fact, an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

SECTION 8.06. RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 8.07. LEGAL HOLIDAYS.

A "*Legal Holiday*" is a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized or obligated by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 8.08. NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND SHAREHOLDERS.

No director, officer, employee, incorporator or shareholder of the Company, as such, shall have any liability for any obligations of the Company under the Securities, the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Securities by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Securities. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy and is therefore unenforceable.

SECTION 8.09. DUPLICATE ORIGINALS.

The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture.

SECTION 8.10. GOVERNING LAW.

The internal law of the State of New York, shall govern and be used to construe this Indenture and the Securities, without regard to the conflict of laws provisions thereof.

SECTION 8.11. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or its Subsidiaries. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 8.12. SUCCESSORS.

All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 8.13. SEVERABILITY.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

SECTION 8.14. COUNTERPART ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 8.15. TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

ARTICLE 9
REDEMPTION OF SECURITIES

SECTION 9.01. NOTICES TO TRUSTEE.

If the Company elects to redeem Securities pursuant to the optional redemption provisions of Section 9.07 hereof, it shall furnish to the Trustee, at least 45 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth (i) the Section of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Securities to be redeemed and (iv) the redemption price.

SECTION 9.02. SELECTION OF SECURITIES TO BE REDEEMED.

If less than all of the Securities are to be redeemed at any time, the Trustee shall select the Securities to be redeemed among the Holders in compliance with the requirements of the principal national securities exchange, if any, on which the Securities are then listed, or, if the Securities are not so listed, by such method as the Trustee shall deem fair and appropriate; *provided*, that Securities with a principal amount of $1,000 shall not be redeemed in part.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Security selected for partial redemption, the principal amount thereof to be redeemed. Securities and portions of them selected shall be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Securities of a Holder are to be redeemed, the entire outstanding amount of Securities held by such Holder, even if not a multiple of $1,000 shall be redeemed.

SECTION 9.03. NOTICE OF REDEMPTION.

At least 30 days but not more than 60 days before a redemption date, the Company shall mail or cause to be mailed by first class mail a notice of redemption to each Holder of Securities to be redeemed at its registered address.

The notice shall identify the Securities (including CUSIP number) to be redeemed and shall state:

(1) the redemption date;

(2) the redemption price;

(3) if any Security is being redeemed in part, the porion of the principal amount of such Security to be redeemed and that, after the redemption date upon surrender of such Security, a new Security or Securities in principal amount equal to the unredeemed portion shall be issued;

(4) the name and address of the Paying Agent;

(5) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Company defaults in making such redemption payment, interest on Securities called for redemption ceases to accrue on and after the redemption date;

(7) the paragraph of the Securities and/or Section of this Indenture pursuant to which the Securities called for redemption are being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense; *provided, however*, that the Company shall have delivered to the Trustee, at least 45 days (or such lesser period of at least 30 days to which the Trustee may agree) prior to the redemption date, an Officers' Certificate requesting that the trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph. The notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the Holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the Holder of any Security shall not affect the validity of the proceeding for the redemption of any other Security.

SECTION 9.04. EFFECT OF NOTICE OF REDEMPTION.

Once notice of redemption is mailed in accordance with Section 9.03 hereof, Securities called for redemption will be due and payable on the redemption date at the redemption price plus accrued and unpaid interest, if any, to such date.

SECTION 9.05. DEPOSIT OF REDEMPTION PRICE.

One Business Day prior to the redemption date, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of, and accrued interest on, all Securities to be redeemed on that date. The Trustee or the Paying Agent shall promptly return to the Company any money deposited with the Trustee or the Paying Agent of the Company in excess of the amounts necessary to pay the redemption price of (including any applicable premium), and accrued interest on, all Securities to be redeemed.

On and after the redemption date, interest ceases to accrue on the Securities or the portions of Securities called for redemption. If a Security is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Security was registered at the close of business on such record date. If any Security called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Securities and in Section 3.01 hereof.

SECTION 9.06. SECURITIES REDEEMED IN PART.

Upon surrender of a Security that is redeemed in part, the Company shall issue and the Trustee shall authenticate for the Holder at the expense of the Company a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

SECTION 9.07. OPTIONAL REDEMPTION.

On or after January 15, 1999, the Company may redeem all or any portion of the Securities at a redemption price (expressed as a percentage of the principal amount thereof), as set forth in the immediately succeeding paragraph, plus accrued and unpaid interest, if any, to the applicable

redemption date (subject to the right of Holders of record on a Record Date to receive interest due on an interest payment date that is on or prior to such Redemption Date).

The redemption price as a percentage of the principal amount shall be as follows, if the Securities are redeemed during the following periods:

Period	Percentage
January 15, 1999 through May 31, 1999	103.0%

June 1, 1999 through November 30, 1999	102.5%
December 1, 1999 through May 31, 2000	102.0%
June 1, 2000 through November 30, 2000	101.5%
December 1, 2000 through May 31, 2001	101.0%
June 1, 2001 through November 30, 2001	100.5%
December 1, 2001 or thereafter	100.0%

SECTION 9.08. MANDATORY REDEMPTION.

Subject to the Company's obligation to make an offer to repurchase Securities under certain circumstance pursuant to Section 3.07 hereof, the Company shall have no mandatory redemption or sinking fund payments with respect to the Securities.

ARTICLE 10
EXCHANGE OF SECURITIES

SECTION 10.01. RIGHT OF EXCHANGE.

Subject to and upon compliance with the provisions of this Article 10, at the option of the Holder thereof, any Security or any portion of the principal amount thereof which is $1,000 or an integral multiple of $1,000 may, at any time or from time on or after November 6, 1997 and before the close of business on December 1, 2005 (or if not a Business Day the next preceding Business Day), or, in case such Security or portion thereof shall have been called for redemption prior to such date, then in respect of such Security or portion thereof until and including, but (unless the Company shall default in payment due upon the redemption thereof) not after, the close of business on the Business Day next preceding the Redemption Date or, in case such Security or portion thereof shall have been called for redemption in accordance with Section 10.11, then in respect of such Security or portion thereof until and including, but (unless the Company shall default in payment due upon the redemption thereof) not after, the close of business on the Business Day next preceding the fifteenth day after the date the notice of redemption is mailed, be exchanged for fully paid and non-assessable Vencor Common Shares (or such other securities or property or cash as shall be added to such Vencor Common Shares or as such Vencor Common Shares shall have been changed into as provided in this Article 10) at the Exchange Rate hereinafter *provided*; provided that prior to November 6, 1997, the Securities will be exchangeable only in the event of the consummation of a merger, consolidation or liquidation of Vencor pursuant to which all of the shares of Vencor Common Stock held by the Exchange Agent are converted into or exchanged for cash or other securities registered under the Securities Act.

The rate at which Vencor Common Shares shall be delivered upon exchange (herein called the "Exchange Rate") shall be initially 25.9403 Vencor Common Shares for each $1,000 principal amount of Securities exchanged. The Exchange Rate shall be subject to adjustment as provided in Sections 10.04, 10.05 and 10.10 and subject to the Company's right to pay an amount in cash in lieu thereof as provided in Section 10.13.

In connection with any exchange, the Company shall promptly determine the Market Price in accordance with the definition therein and deliver to the Trustee and the Escrow Agent an Officers' Certificate setting forth such calculation. The Trustee and the Escrow Agent shall be entitled to conclusively rely upon any such determination.

SECTION 10.02. METHOD OF EXCHANGE.

In order to exercise the right of exchange, the Holder of any Security to be exchanged shall surrender such Security to the office or agency maintained for that purpose pursuant to Section 2.03, which shall initially be the corporate trust office of the Escrow Agent, accompanied by written notice to the Company and the Escrow Agent that the Holder elects to exchange such Security or, if less than the entire principal amount of a Security is to be exchanged, the portion thereof to be exchanged. Such notice shall also state the name or names (with address) in which the certificate or certificates for shares of Vencor Common Stock (or such other securities, property or cash as shall be added to the Vencor Common Shares or as such shares of Vencor Common Stock shall have been changed into as provided in this Article 10) which shall be issuable on such exchange shall be issued. Securities surrendered for exchange shall be accompanied (if so required by the Company or Escrow Agent) by proper assignments thereof to the Company or in blank for transfer.

If the Company does not elect to deliver cash in lieu of shares of Vencor Common Stock pursuant to Section 10.13 hereof, as promptly as practicable after the receipt of such notice and the proper surrender of such Security as aforesaid (subject, however, to the following paragraph of this Section 10.02 and to Section 10.13), the Company shall deliver or cause the Escrow Agent to deliver at said office or agency to such Holder, or on his written order, a certificate or certificates for the number of full shares of Vencor Common Stock (or such other securities or property as shall be added to the Vencor Common Shares or as such shares of Vencor Common Stock shall have been changed into as provided in this Article 10) deliverable upon the exchange of any such Security (or specified portion thereof), the property and securities (other than cash), if any, apportioned thereto, a check for any cash apportioned thereto and provision shall be made for any fractional interests in shares of Vencor Common Stock or other securities or property as provided in Section 10.03. Such exchange shall be deemed to have been effected immediately prior to the close of business on the date on which such notice shall have been received by the Company and the Escrow Agent and such Security shall have been properly surrendered as aforesaid, and at such time the rights of the Holder of such Security as a Holder shall cease and the person or persons in whose name or names any certificate or certificates for shares of Vencor Common Stock (or such other securities or property as shall be added to the Vencor Common Shares or as such Vencor Common Shares shall have been changed into as provided in this Article 10) shall be deliverable upon such exchange shall, as between such person or persons and the Company and any Permitted Transferee (as defined below), be deemed to have become the holder or holders of record of the shares or securities represented thereby.

Delivery of such certificate or certificates, of property and securities, if any, apportioned thereto and of any check for any cash apportioned thereto and for cash in lieu of fractional interests as aforesaid may be delayed for a reasonable period of time at the request of the Company (which shall be made by an Officer's Certificate) in order to effectuate the calculation of the adjustments to the number of the shares of Vencor Common Stock (or such other securities or property as shall be added to the Vencor Common Shares or as such Vencor Common Shares shall have been changed into as provided in this Article 10) and cash apportioned thereto pursuant to this Article 10, to obtain any certificate representing securities to be delivered or to complete any reapportionment of the shares of Vencor Common Stock, cash and other property apportioned thereto which is required by this Article 10. If, between any date an exchange under this Section is deemed effected and delivery of the applicable security or securities, such security or securities shall cease to have any or certain rights, or a record date or effective date of a transaction to which Section 10.04, 10.05, or 10.10 applies shall occur, the person entitled to receive such security or securities shall be entitled only to receive such security or securities as so modified and any proceeds received thereon on or after the date and time on which such an exchange is deemed effected, and the Company, any Permitted Transferee (as defined below), the Trustee and the Escrow Agent shall not otherwise be liable with respect to the modification, from the date such an exchange is deemed effected to the date of such delivery, of such security or securities.

Except as otherwise expressly provided in this Indenture, no payment or adjustment shall be made upon any exchange on account of any interest accrued on the Securities surrendered for exchange or on account of any dividends on the Vencor Common Shares delivered upon such exchange; *provided* that (i) interest accrued on any Securities surrendered for exchange on or after any record date and before the interest payment date relating thereto shall be paid to the holder of record as of such record date and (ii) the Holder of a Security exchanged on or after the record date for any dividend on the shares of Vencor Common Stock (or any other Exchange Security) shall be entitled to receive, promptly after the Trustee's receipt thereof, any such dividend paid on the shares of Vencor Common Stock (or any other Exchange Security) delivered upon such exchange.

In the case of any Security which is exchanged in part only, upon such exchange the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company except for transfer taxes in the case that the new Security is to be registered in a name different than that in which the old Security was issued, a new Security or Securities of authorized denominations in principal amount equal to the unexchanged portion of such Security.

SECTION 10.03. FRACTIONAL INTERESTS.

No fractional shares of Vencor Common Stock or fractional interest in other securities or property shall be delivered upon exchange of Securities. If more than one Security shall be surrendered for exchange at one time by the same Holder, the number of full shares or whole interests in other securities or property which shall be delivered upon exchange shall be computed on the basis of the aggregate principal amount of the Securities (or specified portions thereof to the extent permitted hereby) so surrendered. Instead of any fractional shares of Vencor Common Stock (or other fractional interest) which would otherwise be deliverable upon exchange of any Security or Securities (or specified portions thereof), the Escrow Agent on behalf of the Company shall pay a cash adjustment in respect of such fractional interest in an amount equal to the same fraction of the Market Price per share of the Vencor Common Stock (or the same fraction of the Market Price of a whole interest in the other securities or property) on the Business Day next preceding the date of exchange. The Escrow Agent shall obtain the funds for payment of such fractional interests by, at the direction of the Company, (i) the sale of shares of Vencor Common Stock held by it, to the extent that after such sale the number of shares of Vencor Common Stock remaining on deposit with the Escrow Agent shall be sufficient to allow the exchange of all outstanding Securities for shares of Vencor Common Stock on the basis of the then applicable Exchange Rate, (ii) the sale of whole interests in the other securities or property held by it, to the extent that after such sale the number of whole interests in the other securities or property remaining on deposit with the Escrow Agent shall be sufficient to allow the exchange of all outstanding Securities on the basis of the then applicable Exchange Rate or (iii) sufficient cash contributions from the Company. The Company agrees to furnish any additional moneys required to permit such payment.

SECTION 10.04. ADJUSTMENT OF EXCHANGE RATE.

The Exchange Rate shall be subject to adjustment as follows:

(a) In the event Vencor shall, (i) pay a dividend on the Vencor Common Stock in Vencor Common Stock, (ii) subdivide outstanding shares of Vencor Common Stock into a greater number of shares of Vencor Common Stock, (iii) combine outstanding shares of Vencor Common Stock into a smaller number of shares of Vencor Common Stock, or (iv) issue, by reclassification of Vencor Common Stock, any shares of its common stock (which in any such case shall apply to the Vencor Common Shares held by the Escrow Agent under the Escrow Agreement), the Exchange Rate in effect immediately prior thereto shall be proportionately adjusted so that the Holder of any Securities thereafter surrendered for exchange shall be entitled (subject to Section 10.13 hereof) to receive the number and kind of shares of Vencor Common Stock (in addition to any cash or other property apportioned thereto) which he would have owned or have been entitled to

receive after the happening of any of the events described above had such Securities been exchanged immediately prior to the record date (or if there is no record date, the effective date) of such event. Such adjustments shall be made whenever any of the events listed above shall occur and shall become effective as of immediately after the close of business on the record date in the case of a stock dividend and shall become effective as of immediately after the close of business on the effective date in the case of a subdivision or

combination or reclassification. Any Holder surrendering any Securities after such record date or such effective date, as the case may be, shall be entitled to receive shares of Vencor Common Stock at the Exchange Rate as so adjusted pursuant to this Section 10.04(a), in addition to any cash or other property apportioned thereto.

(b) Notwithstanding the foregoing provisions, no adjustment in the Exchange Rate shall be required unless such adjustment would require an increase or decrease in such Exchange Rate of more than 1%; *provided* that any adjustments which by reason of this paragraph (b) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(c) All calculations under this Section 10.04 shall be made to the nearest one-ten-thousandth (.0001) of a share.

(d) Whenever the Exchange Rate is adjusted as herein provided, the Company shall determine the adjusted Exchange Rate in accordance with this Section 10.04 and shall prepare a certificate setting forth such adjusted Exchange Rate and any cash and other property apportioned to the Vencor Common Shares and showing in detail the facts upon which such adjustments are based, and such certificate shall forthwith be filed with the Trustee and the Escrow Agent and a notice stating the Exchange Rate has been adjusted and setting forth the adjusted Exchange Rate and any cash and other property apportioned to the Vencor Common Shares shall as soon as practicable be mailed by or on behalf of the Company to the Holders at their last addresses as they shall appear upon the Security register maintained pursuant to Section 2.05.

SECTION 10.05. ESCROW AGREEMENT.

(a) Simultaneously with the execution and delivery of this Indenture the Company, NMEPHC and NMEPI are entering into the Escrow Agreement with The Bank of New York, as Escrow Agent, pursuant to which the Vencor Common Shares will be deposited with the Escrow Agent. The Escrow Agent shall be the exchange agent for the exchange of Securities for the Vencor Common Shares (or such other securities or property or cash as shall be added to such Vencor Common Shares or as such Vencor Common Shares shall have been changed into as provided in this Article 10) as the Holders of all outstanding Securities shall from time to time be entitled to receive pursuant to this Article 10 upon exchange thereof. The Company, NMEPHC, NMEPI and its Permitted Transferees (as defined below) may, at any time and from time to time in its sole discretion, sell or transfer all or any part of its right, title and interest in the Vencor Common Shares to one or more wholly owned subsidiary of the Company or one or more partnership all of the general partners and limited partners of which are the Company and/or wholly owned subsidiaries of the Company (any of the foregoing are hereinafter referred to as a "Permitted Transferee"); provided that: (1) such Vencor Common Shares sold or transferred shall remain subject to the terms and conditions of the Escrow Agreement and this Indenture; (2) any such Permitted Transferee must expressly agree in writing to become bound by the terms and conditions of the Escrow Agreement, as such Escrow Agreement, may be amended from time to time, as though such Permitted Transferee were a party thereto; (3) the Company shall notify the Escrow Agent in writing at the time of any such sale or transfer as to the number of shares of Vencor Common Stock so sold or transferred to such Permitted Transferee; and (4) such sale or transfer shall be in compliance with federal and all applicable state and foreign securities laws. Notwithstanding any such sale or transfer, except as otherwise provided in the Escrow Agreement, the Company shall remain liable to perform all of its duties and obligations hereunder and under the Escrow Agreement.

(b) The Company, NMEPHC, NMEPI, and any Permitted Transferee, shall each be entitled (based upon their respective ownership of shares of Vencor Common Stock) to all (i) cash dividends paid on the shares of Vencor Common Stock held by the Escrow Agent other than dividends paid pursuant to a plan of liquidation, partial liquidation, recapitalization, restructuring or other extraordinary cash dividends and (ii) interest payments on any debt securities held for exchange by the Escrow Agent which are issued in exchange for or with respect to Vencor Common Stock held by the Escrow Agent, including pursuant to any merger or consolidation of Vencor or in connection with any sale of all or substantially all of the assets of Vencor. The Escrow Agent shall retain and apply as hereinafter provided all other dividends paid on the securities held by the Escrow Agent under the Escrow Agreement.

(c) If any distribution of cash, securities, or other property is made with respect to shares of Vencor Common Stock or other property held for exchange by the Escrow Agent under the Escrow Agreement (other than (i) cash dividends payable on the shares of Vencor Common Stock or such other property to which the Company, NMEPHC, NMEPI or any Permitted Transferee is entitled and interest paid on debt securities, as specified in paragraph (b) above, (ii) dividends, subdivisions, combinations and reclassifications for which an adjustment in the Exchange Rate is made pursuant to Section 10.04 and (iii) securities or other property received in a transaction to which Section 10.10 applies) or if transferable subscription rights, options, warrants or other similar rights are granted to the Company, NMEPHC, NMEPI, any Permitted Transferee (with respect to any securities or property held by the Escrow Agent) or the Escrow Agent, as the holder thereof, in respect of the shares of Vencor Common Stock or other property held for exchange by the Escrow Agent, the Company will cause to be deposited with the Escrow Agent any such securities, other property, cash and rights that it, NMEPHC, NMEPI or any Permitted Transferee receives and the Escrow Agent shall, as soon as reasonably practicable after its receipt of any such securities, other property, cash or rights, notify the Company, NMEPHC, NMEPI and any affected Permitted Transferee of such receipt. The Company shall cause the Escrow Agent, to the extent such rights, options, warrants, securities or other property are transferable, to sell all such options, warrants, securities or other property and rights for cash. Any net cash proceeds therefrom shall be apportioned equally among the shares of Vencor Common Stock or such other property for which outstanding Securities are exchangeable as of immediately after the close of business on the record date for the distribution or grant to which this paragraph (c) applies, or if there is no such record date, the effective date of such distribution or grant. Any Holder surrendering any Securities after such record date, or such effective date, as the case may be, and prior to the distribution date shall be entitled to receive, in addition to the shares of Vencor Common Stock or such other property for which such Securities are exchangeable (and any cash or property theretofore apportioned to such shares hereunder), the amount of cash so apportioned to the shares of Vencor Common Stock or such other property. Whenever a transaction occurs to which this paragraph (c) applies, the Company shall determine the Exchange Rate (calculated to the nearest .0001 of a share) and the cash and other property apportioned to the shares of Vencor Common

Stock or such other property as adjusted in accordance with this paragraph (c) and shall prepare an Officers' Certificate setting forth the Exchange Rate and the cash and other property apportioned to the Vencor Common Shares or such other property held by the Escrow Agent under the Escrow Agreement as so adjusted and showing in detail the facts upon which such calculation is based, and such Officers' Certificate shall forthwith be filed with the Trustee and Escrow Agent and a notice stating that a transaction to which this paragraph (c) applies has occurred and setting forth the Exchange Rate and the cash and other property apportioned to the shares of Vencor Common Stock or such other property, in accordance with this Section 10.5, shall as soon as practicable be mailed by or on behalf of the Company to the Holders at their last addresses as they shall appear upon the Security register maintained pursuant to Section 2.05.

(d) If, at any time any Securities are outstanding, any distribution or grant is made to holders of any shares of Vencor Common Stock or other property held or required to be held by the Escrow Agent under the Escrow Agreement, of any nontransferable subscription rights, options, warrants or

other similar nontransferable rights, securities or property, the Company shall elect to do any of the following: (i) to the extent permissible by the terms of said subscription rights, options, warrants or other similar nontransferable rights, securities or property, cause such rights, securities or property to be distributed *pro rata* by the Escrow Agent to the Holders *pro rata* based on the principal amount of the Securities held by such Holders of record of Securities shown on the Security register as of immediately after the close of business on the record date (or if there is no record date, the close of business on the effective date), for such distribution or grant, but subject to the provisions of Section 10.7 hereof, (ii) provide to the Escrow Agent the necessary funds and direct the Escrow Agent to exercise such options, warrants, or rights and to hold the securities or other property received upon such exercise for the benefit of Holders of Securities or (iii) direct the Escrow Agent to retain such options, warrants, or rights and to hold the securities or property for delivery to the Holders of Securities upon the exchange of such Securities. Any options, warrants, rights, securities or property retained pursuant to clause (iii) above and any securities or other property received by the Escrow Agent pursuant to clause (ii) above less any cash, property or securities as determined pursuant to the last three sentences of this paragraph (d) delivered to or sold or segregated for the benefit of the Company, NMEPHC, NMEPI or any Permitted Transferee, shall be apportioned equally among the shares of Vencor Common Stock or such other property for which outstanding Securities are exchangeable as of immediately after the close of business on the record date for the distribution or grant to which this paragraph (d) applies or, if there is no such record date, the effective date of such distribution or grant. Any Holder exchanging any Securities after such record date, or such effective date, as the case may be, shall be entitled to receive the shares of Vencor Common Stock or such other property for which such Securities are exchangeable and the amount of cash, or any such options, warrants, rights, securities or property, so apportioned to such shares of Vencor Common Stock or such other property, but subject to the provisions of the last three sentences of this paragraph and Section 10.7 hereof. Notwithstanding the foregoing, any such options, warrants or rights which may expire prior to the final maturity date of the Securities, may not be retained pursuant to clause (iii) of this paragraph (d) beyond the expiration date thereof, but must be distributed or exercised pursuant to clause (i) or (ii) of this paragraph (d). The Company shall be promptly repaid any amounts supplied by it pursuant to the foregoing clause (ii) of this paragraph (d). If the Company is entitled to any amount because it provided funds to pay for an exercise pursuant to clause (ii) of this paragraph (d), it shall receive such amount in cash held by the Escrow Agent, but if the amount of such cash held by the Escrow Agent shall be less than the amount due the Company, the Escrow Agent shall (i) as soon as reasonably practicable and to the extent legally permissible, sell in accordance with written instructions received from the Company such number of Vencor Common Shares or other property or securities held or required to be held by the Escrow Agent, as may be necessary to realize an amount of proceeds which shall equal the amount of any such insufficiency, or (ii) if in the opinion of the Company such sale is not advisable or legally permissible, segregate for the benefit of the Company or deliver to the Company an amount of property or securities, held or required to be held by the Escrow Agent, having a Market Price, as determined by an Officers' Certificate, equal to the amount of such insufficiency. Following such sale, segregation or delivery, the Vencor Common Shares, cash and other property or securities held by the Escrow Agent shall be proportionately adjusted as of immediately after the close of business on the record date for the distribution or grant to which this paragraph (d) applies or, if there is no record date, the effective date of such distribution or grant.

(e) The Company shall be entitled to any net income or gain resulting from investments of cash made by the Escrow Agent pursuant to Section 6 of the Escrow Agreement, in accordance with the provisions thereof, and the Company shall reimburse or cause the reimbursement of the Escrow Agent for any losses realized in respect of such investments.

(f) The Company, NMEPHC, NMEPI and any Permitted Transferee shall each have the full and unqualified right and power to exercise any rights to vote, or to give consents to take any other action in respect of, its respective share of the Vencor Common Shares or any other security held in escrow

under the Escrow Agreement at any time, and the Escrow Agent shall have no duty to exercise any such rights.

(g) The Company, NMEPHC, NMEPI (or any applicable Permitted Transferee) shall be entitled, out of the property held by the Escrow Agent, to such number of shares of Vencor Common Stock and such amount of any cash (investments contemplated by this Section 10.05 being deemed for these purposes to be cash and to be valued at their outstanding principal balance) and other property as shall be in excess of the number of shares of Vencor Common Stock and the amount of cash and other property apportioned thereto, all held by the Escrow Agent, which would be deliverable upon the exchange of all Securities then outstanding, and such excess shall be held by the Escrow Agent for the account of the Company and, subject to the limitations contained in the Escrow Agreement, released to the Company, NMEPHC, NMEPI (or to any applicable Permitted Transferee) upon demand of the Company. With respect to releases of cash, the Escrow Agent shall release cash or such of the investment securities so held as the Company may designate.

(h) Upon expiration of the right to surrender Securities for exchange and when all other obligations of the Company, NMEPHC, NMEPI and any Permitted Transferee shall have been satisfied under the Escrow Agreement, any shares of Vencor Common Stock, all cash and investments and other property held by the Escrow Agent under the Escrow Agreement which are not required with respect to Securities previously surrendered for exchange will, subject to the limitations contained in the Escrow Agreement, be delivered by the Escrow Agent to the Company, NMEPHC, NMEPI and any Permitted Transferee based upon their respective shares of the Vencor Common Shares.

SECTION 10.06. NOTICE OF CERTAIN EVENTS.

In case at any time:

(a) Vencor shall declare a dividend (or any other distribution) on Vencor Common Stock that would result in an adjustment to the Exchange Rate; or

(b) Vencor shall authorize the granting of subscription rights, options, warrants or other similar rights to holders of Vencor Common Stock; or

(c) there shall occur any reclassification of Vencor Common Stock (other than a subdivision or combination of outstanding shares of Vencor Common Stock) or any consolidation or merger to which Vencor is a party and for which approval of any stockholders of Vencor is required, or the sale or transfer of all or substantially all of the assets of Vencor; or

(d) there shall occur the voluntary or involuntary dissolution, liquidation or winding up of Vencor;

then the Company shall cause to be filed at the office or agency maintained for the purpose of exchange of Securities pursuant to Section 2.03, and shall cause to be mailed to the Holders of Securities at their last addresses as they shall appear upon the Security register, as promptly as practicable after receipt of notice by the Company of any record date or other applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, or grant of rights, or, if a record is not to be taken, the date as of which the holders of Vencor Common Stock of record to be entitled to such dividend, distribution or grant of rights is to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Vencor Common Stock shall be entitled to exchange their shares of Vencor Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

SECTION 10.07. TRANSFER TAXES.

The Company will pay any and all documentary, stamp, transfer or similar taxes that may be payable in respect of the transfer and delivery of Vencor Common Shares (or such other securities or property as shall be added to such Vencor Common Shares or as such Vencor Common Shares shall have been changed into as provided in this Article 10) pursuant hereto; provided that the Company shall not be required to pay any such tax which may be payable in respect of any transfer involved in the delivery of shares of Vencor Common Stock (or such other securities or property as shall be added to such Vencor Common Shares or as such Vencor Common Shares shall have been changed into as provided in this Article 10) in a name other than that in which the Securities so exchanged were registered and no such transfer or delivery shall be made unless and until the person requesting such transfer has paid to the Company the amount of any such tax, or has established, to the satisfaction of the Company, that such tax has been paid; and, *provided further*, that the Company shall not be obligated to pay any withholding taxes payable by Holders due to the exchange of any Securities.

SECTION 10.08. SHARES FREE AND CLEAR.

The Company hereby warrants that, upon exchange of a Security pursuant to this Indenture, the Holder thereof shall receive legal and valid title to the shares of Vencor Common Stock and any cash and other property apportioned thereto for which such Security is at such time exchangeable pursuant to this Indenture free and clear of any and all Liens. Except as provided in Section 10.07, the Company will discharge all Liens and pay all charges with respect to the delivery of Vencor Common Shares (or such other securities or property as shall be added to such Vencor Common Shares or as such Vencor Common Shares shall have changed into as provided in this Article 10).

SECTION 10.09. CANCELLATION OF SECURITIES.

All Securities delivered for exchange shall be delivered by the Escrow Agent to the Trustee for cancellation and the Trustee shall dispose of the same as provided in Section 2.11.

SECTION 10.10. CONSOLIDATION, ETC., OF VENCOR.

(a) In the case of any consolidation or merger of Vencor with or into any other corporation or of any sale or transfer of all or substantially all of the assets of Vencor or of any voluntary or involuntary dissolution, liquidation or winding up of Vencor, the Company shall execute and deliver to the Trustee a supplemental indenture satisfactory in form to the Trustee, and to the Escrow Agent a supplemental escrow agreement satisfactory in form to the Escrow Agent, providing that the holder of each Security then outstanding shall have the right thereafter to exchange such Security for (i) the kind and amount of securities and other property receivable upon or in connection with such consolidation, merger, sale, transfer, dissolution, liquidation or winding up by a holder of the number of shares of Vencor Common Stock for which such Security was exchangeable immediately prior to such consolidation, merger, sale, transfer, dissolution, liquidation or winding up had such holder of shares of Vencor Common Stock failed to exercise any rights of election as to the kind or amount of securities or other

property receivable upon such consolidation, merger, sale, transfer, dissolution, liquidation or winding up, and (ii) the kind and amount of securities (other than Vencor Common Shares) and other property or cash apportioned to the shares of Vencor Common Stock for which such Security was exchangeable immediately prior to such consolidation, merger, sale, transfer, dissolution, liquidation or winding up. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 10.

(b) The provisions of this Section 10.10 shall similarly apply to any successive consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

SECTION 10.11. CERTAIN TENDER OR EXCHANGE OFFERS FOR VENCOR COMMON STOCK.

In the event that a tender offer or exchange offer for the Vencor Common Stock (or such other securities as shall be added to such Vencor Common Shares or as such Vencor Common Shares shall have been changed into as provided in this Article 10) is commenced by any person (including the issuer of such security) after the date on which the Securities may be redeemed at the option of the Company pursuant to Section 9.07, the Company has the right to redeem, in each case, in accordance with this Section 10.11 at the optional redemption prices set forth in the form of Security hereinabove recited, together with accrued interest to the date fixed for redemption, all or any part of the Securities so long as (i) the Trustee shall have received notice of such redemption from the Company not later than two days after the later of the date of commencement of such tender or exchange offer or the date on which the Company receives actual notice of the commencement of such tender offer or exchange offer; provided that if the second such day is not a Business Day, the Trustee shall have received such notice not later than the next succeeding Business Day, (ii) any notice of redemption shall be mailed to the Holders of Securities called for redemption not later than ten days after the date of commencement of such tender or exchange offer as determined by Company and (iii) such tender or exchange offer shall not have been terminated by the date that such notice is mailed. If notice of redemption is given in accordance with the preceding sentence, the Company shall thereafter have the right (but not the obligation) to instruct the Escrow Agent to tender, for its own account or for the account of NMEPHC, NMEPI or a Permitted Transferee, Vencor Common Shares (or such other securities, as aforesaid) pursuant to such tender or exchange offer, provided the number of Vencor Common Shares (or such other securities, as aforesaid) so tendered does not include the number of such Vencor Common Shares (or such other securities, as aforesaid) which would be deliverable upon exchange of the aggregate principal amount of the outstanding Securities after giving effect to such redemption in accordance with this Section 10.11. In addition to the information called for by Section 9.03, any notice of redemption given pursuant to this Section 10.11 shall state whether or not the Company has decided by the date of such notice to cause Vencor Common Shares (or such other securities, as aforesaid) held in escrow to be tendered pursuant to such tender or exchange offer and, if tendered, that such Vencor Common Shares (or such other securities, as aforesaid) may be sold, to the extent purchased, to the offeror in accordance with such tender or exchange offer except to the extent that the Holders of Securities called for redemption duly surrender their Securities to the Escrow Agent in exchange for Vencor Common Shares (or such other securities, as aforesaid) by not later than the close of business on the last Business Day preceding the fifteenth day (which date shall be specified) after the date such notice is mailed. The Company shall cause to be withdrawn from the tender or exchange offer, or otherwise to be delivered to the Escrow Agent, a number of Vencor Common Shares (or such other securities, as aforesaid) at least equal to the number of Vencor Common Shares (or such other securities, as aforesaid) deliverable in exchange for Securities which are called for redemption pursuant to this Section 10.11 and are duly surrendered for exchange for Vencor Common Shares (or such other securities, as aforesaid) by not later than the close of business on such last Business Day preceding the fifteenth day in order to permit such Securities so to be exchanged. The proceeds of the sale of Vencor Common Shares (or such other securities, as aforesaid) sold pursuant to the tender or exchange offer and any shares tendered which are returned to the Company or the Escrow Agent following the expiration or termination of such tender or exchange offer, or which are withdrawn, which are no longer deliverable in exchange for Securities called for redemption pursuant to this Section 10.11, shall be the property of the Company, NMEPHC, NMEPI or such Permitted Transferee, as applicable, and not subject to the Escrow Agreement.

SECTION 10.12. OBLIGATIONS OF TRUSTEE AND ESCROW AGENT.

Neither the Trustee, subject to the provisions of Section 6.01, nor the Escrow Agent, subject to the provisions of the Escrow Agreement, shall at any time be under any duty or responsibility to any Holder of Securities to determine whether any facts exist which may require any adjustment of the Exchange Rate, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed herein, or in any supplemental indenture, in making the same. Neither the Trustee nor the Escrow Agent shall be accountable with respect to the validity or value (or the kind or amount) of any Vencor Common Stock, or of any securities or property, which may at any time be issued or delivered upon the exchange of any Security; and neither the Trustee nor the Escrow Agent makes any representation with respect thereto. Neither the Trustee nor the Escrow Agent shall be responsible for any failure of the Company to transfer or deliver any shares of Vencor Common Stock or stock certificates or other securities or property to the Escrow Agent as provided herein or, subject to the provisions of Section 6.01 and the express obligations assumed under the Escrow Agreement, to comply with any of the covenants of the Company contained in this Article 10.

SECTION 10.13. CASH EQUIVALENT.

Notwithstanding any other provisions in this Article 10, in lieu of delivering certificates representing shares of Vencor Common Stock or other Exchange Security in exchange for Securities surrendered in accordance with Section 10.02, the Escrow Agent shall, if so directed by the Company, pay to the Holder surrendering such Securities an amount in cash equal to the Market Price of the shares of Vencor Common Stock or other Exchange Security for which such Securities are exchangeable, plus any cash and other property theretofore apportioned to

such shares of Vencor Common Stock in accordance with Section 10.05. Prior to or concurrently with so directing the Escrow Agent to make any such cash payment, the Company shall deposit with the Escrow Agent the cash so payable. In the event that the Company elects to direct the Trustee to pay cash upon any exchange in lieu of delivering certificates representing shares of Vencor Common Stock or any other Exchange Security, as the case may be, the Company shall deliver or cause the Escrow Agent to deliver to such Holder written notice of such election not later than the first Business Day after the date of receipt by the Escrow Agent of the notice of exchange delivered by such Holder pursuant to Section 10.02.

SECTION 10.14. REGISTRATION OF VENCOR COMMON SHARES.

The Company hereby covenants that at any time that a Holder of Securities exchanges such Securities for certificates representing shares of Vencor Common Stock and an effective registration statement of Vencor filed with the Commission (or related qualification under state blue sky or securities law) would be required in order for the Escrow Agent to deliver such shares of Vencor Common Stock in the United States or to a United States Person, the Company will use its reasonable best efforts to ensure that an effective registration statement of Vencor is on file with the Commission covering the delivery of such shares of Vencor Common Stock and any qualification under state blue sky or securities laws required for such delivery is maintained. If such registration statement is not effective or such qualification is not maintained, the Company shall direct the Escrow Agent to pay such Holder cash, in lieu of delivering such shares of Vencor Common Stock in accordance with the provisions of Section 10.13.

ARTICLE 11
SUBORDINATION

SECTION 11.01. AGREEMENT TO SUBORDINATE.

The Company agrees, and each Holder by accepting a Security agrees, that the Indebtedness evidenced by the Security is subordinated in right of payment, to the extent and in the manner

provided in this Article, to the prior payment in full of all Senior and Senior Subordinated Debt (whether outstanding on the date hereof or hereafter created, incurred, assumed or Guaranteed), and that the subordination is for the benefit of the holders of Senior and Senior Subordinated Debt.

SECTION 11.02. CERTAIN DEFINITIONS.

"Designated Senior and Senior Subordinated Debt" means (i) so long as any Obligations are outstanding under the Credit Facility, such Obligations and (ii) thereafter, any other Senior and Senior Subordinated Debt permitted hereunder the principal amount of which is $100.0 million or more and that has been designated by the Company as "Designated Senior and Senior Subordinated Debt".

"Representative" means the indenture trustee or other trustee, agent or representative for any Senior and Senior Subordinated Debt.

"Senior and Senior Subordinated Debt" means any Indebtedness of the Company unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Securities and all Obligations with respect to any of the foregoing. Notwithstanding anything to the contrary in the foregoing, Senior and Senior Subordinated Debt will not include (w) any liability for federal, state, local or other taxes owed or owing by the Company, (x) any Indebtedness of the Company to any of its Subsidiaries or other Affiliates or (y) any trade payables.

A distribution may consist of cash, securities or other property, by set-off or otherwise.

SECTION 11.03. LIQUIDATION; DISSOLUTION; BANKRUPTCY.

Upon any distribution to creditors of the Company in a liquidation or dissolution of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property, an assignment for the benefit of creditors or any marshalling of the Company's assets and liabilities, holders of Senior and Senior Subordinated Debt will be entitled to receive payment in full of all Obligations due in respect of such Senior and Senior Subordinated Debt (including interest accruing after the commencement of any such proceeding at the rate specified in the applicable Senior and Senior Subordinated Debt, whether or not allowed or allowable as a claim in such proceeding) before the Holders will be entitled to receive any payment with respect to the Securities and until all Obligations with respect to Senior and Senior Subordinated Debt are paid in full, any distribution to which the Holders would be entitled shall be made to the holders of Senior and Senior Subordinated Debt (except that Holders may receive securities that (i) are subordinated to at least the same extent as the Securities to Senior and Senior Subordinated Debt and any securities issued in exchange for Senior and Senior Subordinated Debt, (ii) are unsecured, (iii) are not Guaranteed by any Subsidiary of the Company (except to the extent the Securities are so Guaranteed), and (iv) have a Weighted Average Life to Maturity and final maturity that are not shorter than the Weighted Average Life to Maturity of the Securities or any securities issued to Holders of Senior and Senior Subordinated Debt under the Credit Facility pursuant to a plan of reorganization or readjustment).

SECTION 11.04. DEFAULT ON DESIGNATED SENIOR AND SENIOR SUBORDINATED DEBT.

The Company may not make any payment upon or in respect of the Securities (except in securities that are subordinated to at least the same extent as the Securities to Senior and Senior Subordinated Debt and any securities issued in exchange for Senior and Senior

Subordinated Debt) if:

(i) a default in the payment of the principal of, premium, if any or interest on Designated Senior and Senior Subordinated Debt occurs and is continuing beyond any applicable period of

grace in the agreement, indenture or other document governing such Designated Senior and Senior Subordinated Debt; or

(ii) any other default occurs and is continuing with respect to Designated Senior and Senior Subordinated Debt that permits holders of the Designated Senior and Senior Subordinated Debt as to which such default relates to accelerate its maturity and the Trustee receives a notice of such default (a "Payment Blockage Notice"), for so long as any Obligations are outstanding under the Credit Facility, from the Representative thereunder and, thereafter, from the holders or Representative of any Designated Senior and Senior Subordinated Debt. No new period of payment blockage may be commenced within 360 days after the receipt by the Trustee of any prior Payment Blockage Notice. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent notice.

The Company may and shall resume payments on the Securities:

(1) in the case of a payment default, upon the date which the default is cured or waived, and

(2) in the case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior and Senior Subordinated Debt has been accelerated.

SECTION 11.05. ACCELERATION OF SECURITIES.

If payment of the Securities is accelerated because of an Event of Default, the Company shall promptly notify holders of Senior and Senior Subordinated Debt of the acceleration.

SECTION 11.06. WHEN DISTRIBUTION MUST BE PAID OVER.

In the event that the Trustee or any Holder receives any payment of any Obligations with respect to the Securities at a time when the Trustee or such Holder, as applicable, has actual knowledge that such payment is prohibited by Section 11.04 hereof, such payment shall be held by the Trustee or such Securityholder, in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to, the holders of Senior and Senior Subordinated Debt as their interests may appear or their Representative under the indenture or other agreement (if any) pursuant to which such Senior and Senior Subordinated Debt may have been issued, as their respective interests may appear, for application to the payment of all Obligations with respect to Senior and Senior Subordinated Debt remaining unpaid to the extent necessary to pay such Obligations in full in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior and Senior Subordinated Debt.

With respect to the holders of Senior and Senior Subordinated Debt, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article 11, and no implied covenants or obligations with respect to the holders of Senior and Senior Subordinated Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior and Senior Subordinated Debt, and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of Holders or the Company or any other Person money or assets to which any holders of Senior and Senior Subordinated Debt shall be entitled by virtue of this Article 11, except if such payment is made as a result of the willful misconduct or gross negligence of the Trustee.

SECTION 11.07. NOTICE BY COMPANY.

The Company shall promptly notify the Trustee and the Paying Agent of any facts known to the Company that would cause a payment of any Obligations with respect to the Securities to violate this Article, but failure to give such notice shall not affect the subordination of the Securities to the Senior and Senior Subordinated Debt as provided in this Article.

SECTION 11.08. SUBROGATION.

After all Senior and Senior Subordinated Debt is paid in full and until the Securities are paid in full, Holders shall be subrogated (equally and ratably with all other Indebtedness *pari passu* with the Securities) to the rights of holders of Senior and Senior Subordinated Debt to receive distributions applicable to Senior and Senior Subordinated Debt to the extent that distributions otherwise payable to the holders have been applied to the payment of Senior and Senior Subordinated Debt. A distribution made under this Article to holders of Senior and Senior Subordinated Debt that otherwise would have been made to Holders is not, as between the Company and Holders, a payment by the Company on the Securities.

SECTION 11.09. RELATIVE RIGHTS.

This Article defines the relative rights of Holders and holders of Senior and Senior Subordinated Debt. Nothing in this Indenture shall:

(1) impair, as between the Company and Holders, the obligation of the Company, which is absolute and unconditional, to pay principal of and interest on the Securities in accordance with their terms;

(2) affect the relative rights of Holders and creditors of the Company other than their rights in relation to holders of Senior and Senior Subordinated Debt; or

(3) prevent the Trustee or any Holder from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders and owners of Senior and Senior Subordinated Debt to receive distributions and payments otherwise payable to Holders.

If the Company fails because of this Article to pay principal of or interest on a Security on the due date, the failure is still a Default or Event of Default.

SECTION 11.10. SUBORDINATION MAY NOT BE IMPAIRED BY COMPANY.

No right of any holder of Senior and Senior Subordinated Debt to enforce the subordination of the Indebtedness evidenced by the Securities shall be impaired by any act or failure to act by the Company or any Holder or by the failure of the Company or any Holder to comply with this Indenture.

SECTION 11.11. DISTRIBUTION OR NOTICE TO REPRESENTATIVE.

Whenever a distribution is to be made or a notice given to holders of Senior and Senior Subordinated Debt, the distribution may be made and the notice given to their Representative.

Upon any payment or distribution of assets of the Company referred to in this Article 11, the Trustee and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Representative or of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Holders for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior and Senior Subordinated Debt and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 11.

SECTION 11.12. RIGHTS OF TRUSTEE AND PAYING AGENT.

Notwithstanding the provisions of this Article 11 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Trustee, and the Trustee and the Paying Agent may continue to make payments on the Securities, unless the Trustee shall have received at its Corporate Trust Office at least five Business Days prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Securities to violate this Article 11. Only the Company or a Representative may give the notice. Nothing in this Article 11 shall impair the claims of, or payments to, the Trustee under or pursuant to Section 6.07 hereof.

The Trustee in its individual or any other capacity may hold Senior and Senior Subordinated Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 11.13. AUTHORIZATION TO EFFECT SUBORDINATION.

Each Holder of a Security by the Holder's acceptance thereof authorizes and directs the Trustee on the Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 11, and appoints the Trustee to act as the Holder's attorney-in-fact for any and all such purposes.

SECTION 11.14. AMENDMENTS.

The provisions of this Article 11 shall not be amended or modified without the written consent of the holders of all Senior and Senior Subordinated Debt.

SIGNATURES

Dated as of January 10, 1996

TENET HEALTHCARE CORPORATION

By: /s/ RAYMOND L. MATHIASEN

Name: Raymond L. Mathiasen
Title: Senior Vice President

Dated as of January 10, 1996

THE BANK OF NEW YORK, as Trustee

By: /s/ VIVIAN GEORGES

Name: Vivian Georges
Title: Bank of New York

6% Exchangeable Subordinated Note
due December 1, 2005

CUSIP No. 88033G-AD2

$320,000,000

TENET HEALTHCARE CORPORATION

promises to pay to CEDE & CO. or its registered assigns, the principal sum of THREE HUNDRED AND TWENTY MILLION Dollars on December 1, 2005.
Interest Payment Dates: June 1 and December 1, commencing June 1, 1996
Record Dates: May 15 and November 15 (whether or not a Business Day).

TENET HEALTHCARE CORPORATION

By: _____

Dated: January 10, 1996

(SEAL)

Trustee's Certificate of Authentication:

Dated: January 10, 1996
This is one of the Securities referred to in the within-mentioned Indenture:

The Bank of New York, as Trustee

By: _____

Authorized Signatory

6% EXCHANGEABLE SUBORDINATED NOTE
due December 1, 2005

Capitalized terms used herein have the meanings assigned to them in the Indenture (as defined below) unless otherwise indicated.

1. *Interest.* Tenet Healthcare Corporation, a Nevada corporation (the "*Company*"), promises to pay interest on the principal amount of this Security at the rate and in the manner specified below.

The Company shall pay interest in cash on the principal amount of this Security at the rate per annum of 6%. The Company shall pay interest semiannually in arrears on June 1 and December 1 of each year, commencing June 1, 1996 to Holders of record on the immediately preceding May 15 and November 15, respectively, or if any such date of payment is not a Business Day on the next succeeding Business Day (each an "*Interest Payment Date*").

Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of the original issuance of the Securities. To the extent lawful, the Company shall pay interest on overdue principal at the rate of 1% per annum in excess of the interest rate then applicable to the Securities; it shall pay interest on overdue installments of interest (without regard to any applicable grace periods) at the same rate to the extent lawful.

2. *Method of Payment.* The Company shall pay interest on the Securities (except defaulted interest) to the Persons who are registered

Holders of Securities at the close of business on the record date next preceding the Interest Payment Date, even if such Securities are cancelled after such record date and on or before such Interest Payment Date. The Holder hereof must surrender this Security to a Paying Agent to collect principal payments. The Company shall pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Principal, premium, if any, and interest shall be payable at the office or agency of the Company maintained for such purpose within the City and State of New York or, at the option of the Company, payment of interest may be made by check mailed to the Holder's registered address. Notwithstanding the foregoing, all payments with respect to Securities the Holders of which have given wire transfer instructions, on or before the relevant record date, to the Paying Agent shall be made by wire transfer of immediately available funds to the accounts specified by such Holders.

3. *Paying Agent and Registrar.* Initially, the Trustee shall act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar or co-registrar without prior notice to any Holder. The Company and any of its Subsidiaries may act in any such capacity.

4. *Indenture.* The Company issued the Securities under an Indenture, dated as of January 10, 1996 (the "*Indenture*"), between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb) (the " *TIA*") as in effect on the date of the Indenture. The Securities are subject to all such terms, and Holders are referred to the Indenture and such act for a statement of such terms. The terms of the Indenture shall govern any inconsistencies between the Indenture and the Securities. The Securities are unsecured general obligations of the Company. The Securities are limited to $320,000,000 in aggregate principal amount.

5. *Optional Redemption.* On or after January 15, 1999, the Company may redeem all or any portion of the Securities at a redemption price (expressed as a percentage of the principal amount thereof), as set forth in the immediately succeeding paragraph, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of the Holders of record on a Record Date to receive interest due on an Interest Payment Date that is on or prior to such Redemption Date).

The redemption price as a percentage of the principal amount shall be as follows, if the Securities are redeemed during the following periods:

Period	Percentage
January 15, 1999 through May 31, 1999	103.0%
June 1, 1999 through November 30, 1999	102.5%
December 1, 1999 through May 31, 2000	102.0%
June 1, 2000 through November 30, 2000	101.5%
December 1, 2000 through May 31, 2001	101.0%
June 1, 2001 through November 30, 2001	100.5%
December 1, 2001 or thereafter	100.0%

6. *Mandatory Redemption.* Subject to the Company's obligation to make an offer to repurchase Securities under certain circumstances pursuant to Section 3.07 of the Indenture (as described in paragraph 6 below), the Company shall have no mandatory redemption or sinking fund obligations with respect to the Securities.

7. *Repurchase at Option of Holder.* If there is a Change of Control Triggering Event, the Company shall offer to repurchase on the Change of Control Payment Date all outstanding Securities at 100% of the aggregate principal amount thereof plus accrued and unpaid interest thereon to the Change of Control Payment Date. Holders that are subject to an offer to purchase shall receive a Change of Control Offer from the Company prior to any related Change of Control Payment Date and may elect to have such Securities purchased by completing the form entitled "Option of Holder to Elect Purchase" appearing below.

8. *Subordination.* The Securities are subordinated to Senior and Subordinated Debt (as defined in the Indenture), which includes any Indebtedness of the Company that is not expressly pari passu with or subordinated to the Securities and all Obligations (as defined in the Indenture) of the Company with respect thereto. To the extent provided in the Indenture, Senior and Subordinated Debt must be paid, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of Senior and Subordinated Debt, before the Securities may be paid. The Company agrees, and each Holder by accepting a Security consents and agrees, to the subordination provided in the Indenture and authorizes the Trustee to give it effect.

9. *Notice of Redemption.* Notice of redemption shall be mailed at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at its registered address. Securities may be redeemed in part but only in whole multiples of $1,000, unless all of the Securities held by a Holder are to be redeemed. On and after the redemption date, interest ceases to accrue on Securities or portions of them called for redemption.

10. *Exchange Rights.* Subject to the provisions of the Indenture, the holder of this Security has the right, at his option, at any time or from time to time on or after November 6, 1997 until and including, but not after the close of business on, the date of final maturity of this Security (except that, in case this Security or a portion hereof shall be called for redemption and the Company shall not thereafter default in making due provision for the payment of the redemption price, such right shall terminate with respect to this Security or such portion hereof at the close of business on the last business day preceding the date fixed for redemption or, in case this Security or a portion hereof shall be called for redemption in accordance with Section 10.11 of the Indenture and the Company shall not thereafter default in making due provision for the payment of the redemption price, such right shall terminate with respect to this Security or such portion hereof at the close of business on the last business day preceding the fifteenth day after the mailing of the notice of redemption), to exchange the principal of this Security, or

any portion thereof which is $1,000 or a multiple of $1,000, into fully paid and non-assessable shares of Vencor Common Stock, as said shares shall be constituted at the date of

exchange (or such other securities or property or cash as shall be added to such Vencor Common Shares or as such Vencor Common Shares shall have been changed into as provided in the Indenture), at the Exchange Rate of 25.9403 shares of Vencor Common Stock (or such other securities, property or cash) for each $1,000 principal amount of the Securities (the "Exchange Rate") or at the adjusted Exchange Rate in effect at the date of exchange if an adjustment has been made, determined as provided in the Indenture, upon surrender of this Security to the Company at the office or agency of the Company maintained for the purpose in the Borough of Manhattan, The City of New York, together with a fully executed notice substantially in the form entitled "Exchange Notice" appearing below that the holder elects so to exchange this Security (or any portion hereof which is an integral multiple of $1,000); provided that the Company may, in lieu of delivering shares of Vencor Common Stock in exchange for this Security, elect to pay the holder hereof an amount in cash equal to the Market Price (as of the date of receipt at such office or agency of such notice of exchange) as defined in the Indenture of such shares of Vencor Common Stock into which this Security (or any portion hereof which is an integral multiple of $1,000 which the holder elects to exchange) is exchangeable, plus any securities, property or cash theretofore apportioned to such shares of Vencor Common Stock, subject to certain conditions as more fully described in the Indenture. Except as expressly provided in the Indenture, no payment or adjustment shall be made on account of interest accrued on this Security (or portion thereof) so exchanged or on account of any dividend or distribution on any such shares of common stock of Vencor Power Company issued upon exchange. If so required by the Company or the Trustee, this Security, upon surrender for exchange as aforesaid, shall be duly endorsed by, or be accompanied by instruments of transfer, in form satisfactory to the Company, duly executed by, the holder or by his duly authorized attorney. The Exchange Rate from time to time in effect is subject to adjustment as provided in the Indenture. No fractional interest in Vencor Common Shares (or other securities) will be issued on exchange, but an adjustment in cash will be made for any fractional interest as provided in the Indenture.

11. *Denominations, Transfer, Exchange.* The Securities are in registered form without coupons, and in denominations of $1,000 and integral multiples of $1,000. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not exchange or register the transfer of any Securities between a record date and the corresponding Interest Payment Date.

12. *Persons Deemed Owners.* Prior to due presentment to the Trustee for registration of the transfer of this Security, the Trustee, any Agent and the Company may deem and treat the Person in whose name this Security is registered as its absolute owner for the purpose of receiving payment of principal of, premium, if any, and interest on this Security and for all other purposes whatsoever, whether or not this Security is overdue, and neither the Trustee, any Agent nor the Company shall be affected by notice to the contrary. The registered Holder of a Security shall be treated as its owner for all purposes.

13. *Amendment, Supplement and Waivers.* Except as provided in the next succeeding paragraphs, the Indenture or the Securities may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Securities then outstanding (including consents obtained in connection with a tender offer or exchange offer for Securities) and any existing default or compliance with any provision of the Indenture or the Securities may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Securities (including consents obtained in connection with a tender offer or exchange offer for Securities).

Without the consent of each Holder affected, an amendment or waiver may not (with respect to any Security held by a non-consenting Holder of Securities): (i) reduce the principal amount of Securities whose Holders must consent to an amendment, supplement or waiver, (ii) reduce the

principal of or change the fixed maturity of any Security, (iii) reduce the rate of or change the time for payment of interest on any Security, (iv) make any change regarding the exchange rights set forth in Article 10 of the Indenture other than to increase the Exchange Rate, (v) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Securities, (except a rescission of acceleration of the Securities by the Holders of at least a majority in aggregate principal amount thereof and a waiver of the payment default that resulted from such acceleration), (vi) make any Security payable in money other than that stated in the Securities, (vii) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Securities to receive payments of principal of or premium, if any, or interest on the Securities or (viii) make any change in the foregoing amendment and waiver provisions.

Notwithstanding the foregoing, without the consent of any Holder of Securities, the Company and the Trustee may amend or supplement the Indenture or the Securities to cure any ambiguity, defect or inconsistency, to provide for uncertificated Securities in addition to or in place of certificated Securities, to provide for the assumption of the Company's obligations to Holders of the Securities in the case of a merger, consolidation or sale of assets, to make any change that would provide any additional rights or benefits to the Holders of the Securities or that does not adversely affect the legal rights under the Indenture of any such Holder, or to comply with requirements of the Securities and Exchange Commission (the "*Commission*") in order to effect or maintain the qualification of the Indenture under the TIA.

14. *Defaults and Remedies.* Events of Default under the Indenture include: (i) a default for 30 days in the payment when due of interest on the Securities; (ii) a default in payment when due of the principal of or premium, if any, on the Securities, at maturity or otherwise; (iii) a failure by the Company to comply with the provisions described under the covenant "Change of Control;" (iv) a failure by the Company for 60 days after notice to comply with any of its other agreements in the Indenture, the Securities or the Escrow Agreement; (v) any default that

occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Significant Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Significant Subsidiaries) whether such Indebtedness or Guarantee exists on the date of the Indenture, or is created after the date of the Indenture, which default (a) constitutes a Payment Default or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or that has been so accelerated, aggregates $25.0 million or more; (vi) failure by the Company or any of its Significant Subsidiaries to pay a final judgment or final judgments aggregating in excess of $25.0 million entered by a court or courts or competent jurisdiction against the Company or any of its Significant Subsidiaries if such final judgment or judgments remain unpaid or undischarged for a period (during which execution shall not be effectively stayed) of 60 days after their entry; (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries; and (viii) a failure by the Company to make any exchange of Vencor Common Stock for any Security in accordance with the terms of the Indenture. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Securities by written notice to the Company and the Trustee, may declare all the Securities to be due and payable immediately (plus, in the case of an Event of Default that is the result of willful actions (or inactions) by or on behalf of the Company intended to avoid prohibitions on redemptions of the Securities contained in the Indenture or the Securities, an amount of premium applicable pursuant to the Indenture). Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries, all outstanding Securities shall become due and payable without further action or notice. Holders of the Securities may not enforce the Indenture or the Securities except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then

outstanding Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Securities notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in such Holders' interest.

The Holders of not less than a majority in aggregate principal amount of the Securities then outstanding by written notice to the Trustee may on behalf of the Holders of all of the Securities waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium on, or the principal of, the Securities.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

The above description of Events of Default and remedies is qualified by reference, and subject in its entirety, to the more complete description thereof contained in the Indenture.

15. *Restrictive Covenants.* The Indenture imposes certain limitations on the ability of the Company and its Subsidiaries to enter into certain mergers and consolidations.

16. *Trustee Dealings with Company.* The Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

17. *No Personal Liability of Directors, Officers, Employees and Shareholders.* No director, officer, employee, incorporator or shareholder of the Company, as such, shall have any liability for any obligations of the Company under the Securities, the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Securities. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

18. *Authentication.* This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

19. *Abbreviations.* Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

20. *Cusip Numbers.* Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Securities and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Request may be made to:

Tenet Healthcare Corporation
2700 Colorado Avenue
Santa Monica, California 90404
Attention: Treasurer

ASSIGNMENT FORM

To assign this Security, fill in the form below: For value received (I) or (we) hereby sell, assign and transfer this Security to

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____
(Print or type assignee's name, address and zip code)

and do hereby irrevocably constitute and appoint _____ Attorney to transfer this Security on the books of the Company with full power of substitution in the premises.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Security)

Signature Guarantee.*

*
Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have all or any part of this Security purchased by the Company pursuant to Section 3.07 of the Indenture, check the following box:

/ / Section 3.07
(Change of Control)

If you want to have only part of the Security purchased by the Company pursuant to Section 3.07 of the Indenture, state the amount you elect to have purchased:

$_____

Date:_____

Your Signature:_____

(Sign exactly as your name appears on the face of this Security)

Signature Guarantee.*

*
Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

[FORM OF EXCHANGE NOTICE]
To: TENET HEALTHCARE CORPORATION

The undersigned registered owner of this Security hereby: (i) irrevocably exercises the option to exchange this Security, or the portion hereof below designated, for shares of common stock ($.25 par value per share) of Vencor, Inc. or other securities, other property or cash in accordance with the terms of the Indenture referred to in this Security and (ii) directs that such shares, other securities, other property or cash deliverable upon the exchange, together with any check in payment for fractional shares, and any Security representing any unexchanged principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If shares or other securities are to be delivered registered in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Principal Amount to be

Exchanged: (if less than all)

$_____

Dated_____ _____
Signature

Notice: The signature to this Exchange Notice must correspond with the name as it appears upon the face of the written Security in every particular, without alteration, or enlargement or any change whatsoever.

Fill in for registration of shares if to be delivered, and of Securities if to be issued, otherwise than to and in the name of the registered holder.

_____
Social Security or Other
Taxpayer Identifying Number

_____
(Name)

_____
(Street Address)

_____
(City, State and Zip Code)
(Please print name and address)

QuickLinks

ESCROW AGREEMENT

ESCROW AGREEMENT dated as of January 10, 1996 among Tenet Healthcare Corporation, a Nevada corporation (the "Company"), NME Properties, Inc., a Delaware corporation ("NMEPI"), NME Property Holding Co., Inc., a Delaware corporation ("NMEPHC") and The Bank of New York, as Escrow Agent (the "Escrow Agent").

WHEREAS the Company has executed and delivered an Indenture (the "Indenture") dated as of January 10, 1996, to The Bank of New York, trustee (such trustee or such trustee's successor as such, the "Trustee");

WHEREAS under and pursuant to the Indenture the Company may issue up to $320,000,000 principal amount of its 6% Exchangeable Subordinated Notes Due 2005 (the "Notes");

WHEREAS, pursuant and subject to the terms of the Notes and the Indenture, the Notes are exchangeable at the option of the holder thereof for shares of common stock, $.25 par value, of Vencor, Inc. ("Vencor Common Stock") (or such other securities, property or cash as may be deliverable upon exchange pursuant to the Indenture) at any time or from time to time on or after November 6, 1997, and prior to maturity of the Notes, unless previously redeemed, at the exchange rate (the "Exchange Rate") of 25.9403 shares of Vencor Common Stock per $1,000 principal amount of Notes, subject to adjustment as provided in the Indenture and subject to the Company's right to pay cash equal to the Market Price (as defined in the Indenture) of the shares of Vencor Common Stock for which such Notes are exchangeable in lieu of delivery of such shares. The Notes will be exchangeable prior to November 6, 1997 only in the event of the consummation of a merger, consolidation or liquidation of Vencor, Inc. pursuant to which all shares of Vencor Common Stock held by the Escrow Agent are converted into or exchanged for cash or other securities registered under the Securities Act of 1933 as amended; and

WHEREAS, pursuant to the Indenture the Company is obligated to cause to be deposited with the Escrow Agent certificates representing up to 8,301,067 shares of Vencor Common Stock (the "Vencor Common Shares");

NOW, THEREFORE, in consideration of the mutual covenants herein contained and in order to set forth the terms upon which the Vencor Common Shares deposited with the Escrow Agent for delivery upon exchange of the Notes and all other property held by the Escrow Agent hereunder shall be held and dealt with by the Escrow Agent and its successors as such, the Company, NMEPI, NMEPHC and the Escrow Agent hereby agree as follows:

SECTION 1(a). Deposit

The Company, simultaneously with the execution and delivery of this Agreement, is causing NMEPI and NMEPHC to deliver to the Escrow Agent, irrevocably except as provided in Section 7 hereof, to be held by the Escrow Agent hereunder a certificate or certificates, together with assignments in blank, representing 8,301,067 shares of Vencor Common Stock. The Company represents and warrants that NMEPI and NMEPHC have good and lawful title to such shares, that such shares are fully paid and non-assessable, and that such shares are delivered free and clear of any liens, claims, charges and encumbrances. The Escrow Agent hereby acknowledges receipt of such certificate or certificates for 8,301,067 shares of Vencor Common Stock.

The Company, NMEPI and NMEPHC and any Permitted Transferee (as defined in Section 1(b)) and the Escrow Agent recognize that the holders of the Notes have an interest in the powers conferred on the Escrow Agent under this Agreement, and, except as provided in Section 8 hereof, such powers may not be revoked or modified without the consent of the holders of at least two-thirds in principal amount of the Notes at the time outstanding; *provided* that no revocation or modification shall change the right to exchange any Notes for Vencor Common Shares and other Escrowed Property (as defined

below) at the Exchange Rate and upon the terms set forth in Article 10 of the Indenture or reduce the aforesaid percentage of Notes the holders of which are required to consent to any revocation or modification, without the consent of all the holders of all Notes then outstanding.

The Vencor Common Shares received by the Escrow Agent together with such additional shares of Vencor Common Stock and such other securities, cash and other property as may be received and retained by the Escrow Agent in accordance with this Agreement, are herein sometimes referred to as the "Escrowed Property". Subject to the provisions of Section 9(c) hereof, the Escrow Agent shall cause any cash dividends on Escrowed Property which the Company, NMEPI, NMEPHC or any Permitted Transferee is entitled to receive under Section 10.05 of the Indenture to be paid to the Company NMEPI, NMEPHC or such Permitted Transferee, as the case may be.

SECTION 1(b). Sale and Transfer

Each of the Company, NMEPI and NMEPHC may at any time and from time to time in its sole discretion, sell or transfer all or any part of its right, title and interest in the Vencor Common Shares to any wholly-owned subsidiary of the Company or any partnership all of the general partners and limited partners of which are wholly-owned subsidiaries of the Company (any of the foregoing are hereinafter referred to as a "Permitted Transferee"); *provided* that (i) such Vencor Common Shares so sold or transferred shall remain subject to the terms and conditions of this Agreement and the Indenture; (2) any such Permitted Transferee must expressly agree in writing to become bound by the terms and conditions of this Agreement as such Agreement may be amended from time to time as though such Permitted Transferee were a party hereto; (3) the Company shall notify the Escrow Agent in writing at the time of any such sale or transfer as to the number of Vencor

Common Shares so transferred to such Permitted Transferee; and (4) such sale or transfer shall be in compliance with federal and all applicable state and foreign securities laws. Notwithstanding any such sale or transfer, except as otherwise provided herein, the Company shall remain liable to perform all of its duties and obligations hereunder.

SECTION 2. Covenant by Escrow Agent

The Escrow Agent shall hold the Vencor Common Shares and all other Escrowed Property received by it pursuant to this Agreement for the purposes and upon the terms and conditions set forth in the Indenture and this Agreement.

SECTION 3. Notification of Adjustment of Exchange Rate; Exchange of Notes

The Company will notify the Escrow Agent in writing forthwith upon any adjustment of the Exchange Rate, and will, upon request, notify the Escrow Agent in writing of the Market Price of the Vencor Common Shares (or per unit of any other property which is part of the Escrowed Property) as of any relevant date for the purpose of computing cash adjustments in respect of fractional interests. The Escrow Agent shall be under no duty or responsibility with respect to any such notice except to exhibit such notice from time to time to any holder of Notes requesting inspection thereof.

Upon surrender to the Escrow Agent of any Note (or a principal portion thereof which is an integral multiple of $1,000) for exchange in accordance with the terms thereof and of the Indenture, the Escrow Agent shall promptly (i) cause to be delivered, to or on the order of the person for whose account such Note (or portion) was so surrendered for exchange, a certificate or certificates representing the number of full shares of Vencor Common Shares or other securities, together with payment of any cash adjustment in respect of any fractional interest in shares or other securities, and such additional cash or other property, which the holder or holders of such Note (or portion thereof) shall be entitled to receive in accordance with the terms hereof and thereof, (ii) deliver to the Trustee the Note so exchanged, and (iii) if only a portion of said Note is exchanged, obtain from the Trustee

and deliver to or on the order of the person for whose account the Note was surrendered for exchange a new Note or Notes for the principal amount thereof not exchanged; *provided* that if the Company elects to make a cash payment in lieu of exchange of Vencor Common Shares pursuant to Section 10.13 of the Indenture and if sufficient funds are first deposited with the Escrow Agent by the Company, the Escrow Agent shall pay to the holder of the Notes so surrendered an amount in cash equal to the value of Vencor Common Shares for which such Notes are exchangeable (based on the Market Price on the date of receipt by the Escrow Agent of the notice of exchange delivered by the holder of Notes pursuant to Section 10.02 of the Indenture).

In any case in which Section 10.04 of the Indenture shall require that an adjustment of the Exchange Rate be made immediately following a record date, the Escrow Agent may defer delivering to the holder of any Note surrendered for exchange after such record date the additional securities and other property deliverable upon such exchange as a result of such adjustment until such additional securities and other property have been delivered to the Escrow Agent; and, in lieu of the additional securities and other property the delivery of which is so deferred, the Escrow Agent shall deliver to such holder appropriate evidence (determined in the sole discretion of the Company) of the right to receive such additional securities and other property.

SECTION 4. Division of Certificates; Payment of Taxes, Fees and Charges, and Cash Adjustments; Payment of Fractional Interest

The Company, NMEPI, NMEPHC and any Permitted Transferee shall make, execute and deliver or cause to be made, executed and delivered any and all such instruments and assurances, and take all such further action, as may be reasonably necessary or proper to carry out the intention of or to facilitate the performance of the terms of this Agreement or to secure the rights and remedies hereunder of the holders of the Notes. The Company shall pay (i) any and all documentary, stamp, transfer or similar taxes that may be payable in respect of the deposit of the Vencor Common Shares, and the transfer or delivery of the Escrowed Property to holders of Notes upon exchange thereof, *provided* that the Company shall not be obligated to pay any withholding taxes payable by holders of such Notes due to the exchange thereof; (ii) any income or other taxes incurred by the Escrow Agent in its capacity as such for any reason (except for payment or accrual of its own fees); (iii) all reasonable, out-of-pocket fees or charges of the Escrow Agent in connection with or arising out of this Agreement, the Indenture or any exchange of Notes in accordance with the terms hereof and thereof; (iv) all cash adjustments in respect of fractions of shares of Vencor Common Stock or other fractional units of property which the holders of Notes may be entitled to receive upon exchange thereof (after giving effect to moneys received by the Escrow Agent from the sale of Escrowed Property for the purpose of paying for such fractional interests); and (v) cash in an amount equal to any losses on investments made pursuant to Section 6 of this Agreement to the extent necessary to maintain on deposit with the Escrow Agent funds (investment securities held pursuant to Section 6 being valued as funds at the outstanding principal balance thereof) equal from time to time to the aggregate amount of cash apportioned to all Vencor Common Shares at each such time deliverable upon exchange of all Notes then outstanding. Notwithstanding the foregoing, the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the delivery, upon an exchange of Notes, of Escrowed Property in a name other than that in which the Notes so exchanged were registered, and no such transfer or delivery shall be made unless and until the person requesting such transfer has paid to the Company or the Escrow Agent the amount of any such tax or has established, to the satisfaction of the Company and the Escrow Agent, that such tax has been paid.

The Escrow Agent shall be authorized to, and, at the Company's direction, shall, sell any Vencor Common Shares or other securities which are part of the Escrowed Property held by it in order to obtain the funds necessary, or anticipated by the Company to be necessary, for payment of fractional interests with respect to Notes delivered to it for exchange; *provided* that after any such sale, the

number of shares of Vencor Common Shares and any such other securities remaining on deposit with the Escrow Agent shall be sufficient to allow the exchange of all the then outstanding Notes for shares of Vencor Common Stock and other Escrowed Property on the basis of the then applicable Exchange Rate. If a sale of Vencor Common Shares to make cash payments for fractional shares is not permitted, then the Company shall furnish additional moneys to permit such payment in accordance with Section 10.03 of the Indenture.

SECTION 5. Voting of Escrowed Property

The Company, NMEPI, NMEPHC and any Permitted Transferee shall each have the full and unqualified right and power to exercise any right to vote, or give consents or take other action in respect of, its respective share of the Vencor Common Shares or other securities which are part of the Escrowed Property, and the Escrow Agent shall have no such rights.

The Escrow Agent or its nominee shall from time to time deliver, or cause to be delivered, to the Company, NMEPI, NMEPHC or any Permitted Transferee, as the case may be, such proxies, duly executed and in the form required by applicable law, as may be necessary or appropriate to permit the Company, NMEPI, NMEPHC or such Permitted Transferee, as the case may be, to vote on each matter submitted to the holders of shares of Vencor Common Stock or other securities which are part of the Escrowed Property.

SECTION 6. Investment of Cash

All cash received and retained by the Escrow Agent under Section 10.05 of the Indenture shall, at the specific written direction of the Company, be invested in securities issued or guaranteed by the United States of America or any agency or instrumentality thereof, *provided* that such obligations shall mature by their terms within 12 months following their purchase.

SECTION 7. Distribution of Escrowed Property to Company or Permitted Transferee

Subject to the provisions of Section 9(c) hereof, the Escrow Agent shall cause any Escrowed Property which the Company, NMEPI, NMEPHC or any Permitted Transferee is entitled to receive under Section 10.05 of the Indenture to be delivered to the Company, NMEPI, NMEPHC or such Permitted Transferee.

SECTION 8. Amendment or Modification of Agreement

The Company, NMEPI, NMEPHC and the Escrow Agent may by mutual accord cure any ambiguity or correct or supplement any provision contained herein which may be inconsistent with any other provision contained herein or with any provision of the Indenture. Otherwise, except with respect to an amendment which is for one or more of the following purposes:

(1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company herein contained;

(2) to add to the covenants of the Company, for the benefit of the holders of the Notes, or to surrender any right or power herein conferred upon the Company;

(3) to comply with the requirements of Section 10.10 of the Indenture;

(4) to make any other provisions with respect to matters or questions arising under this Agreement or the Indenture which shall not be inconsistent with the provisions of this Agreement or the Indenture, provided such action shall not adversely affect the interest of the holders of the Notes; or

(5) to evidence the acceptance by a Permitted Transferee of its obligations hereunder;

this Agreement may not be amended or modified at any time without the written consent of the Escrow Agent, the written consent of the Company and the consent of the holders of not less than a majority of the outstanding aggregate principal amount of the Notes. No amendment or modification shall change the right to exchange any Notes for Vencor Common Shares and other Escrowed Property at the Exchange Rate and upon the terms set forth in Article 10 of the Indenture or reduce the aforesaid percentage of Notes the holders of which are required to consent to any amendment or modification, without the consent of all the holders of all Notes then outstanding.

SECTION 9. Duties and Obligations of Escrow Agent

(a) The Escrow Agent shall not at any time be under any duty or responsibility to any holder of Notes to determine whether any facts exist which may require any adjustments of the Exchange Rate, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making such adjustment; and the Escrow Agent may conclusively rely as to all such matters upon the notice furnished by the Company pursuant to this Agreement, including without limitation, those pursuant to Section 3 hereof. The Escrow Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any Vencor Common Shares, or of any other securities or other property, which may at any time be delivered upon the exchange of any Note; and the Escrow Agent makes no representation with respect thereto. The Escrow Agent shall not be responsible for any failure of the Company or any Permitted Transferee to comply with any of its covenants contained in this Agreement or in the Indenture.

(b) The Escrow Agent, either directly or through its nominee, shall be under no duty or obligation to enforce, through the institution of legal

proceedings or otherwise, any of its rights as the record owner (either directly or through its nominee) of the Vencor Common Shares or any other Escrowed Property either to secure possession of any cash or other securities or other property or otherwise to assert any rights or claims in the interest of any holder of Notes, nor shall it be required to make independent inquiry as to any matter but may rely upon such written notice pertaining to the Vencor Common Shares or other securities or other property as it shall receive from the Company, the Trustee or from the issuer of any of the securities held by it hereunder; *provided* that if the Escrow Agent shall be furnished with indemnity, in manner and form satisfactory to it, against losses or expenses which may be sustained or incurred by it in taking such action, the Escrow Agent shall take such action as may be specifically directed in writing by the Company, but the Escrow Agent shall have the right to decline to follow any such direction if it shall be advised by counsel that the actions so directed may not be lawfully taken or if the Escrow Agent shall in good faith determine that such action so directed would be unjustly prejudicial to the holders of Notes.

(c) The Escrow Agent shall be obligated to perform only such duties as are herein specifically set forth. The Escrow Agent shall not be liable for any action taken, omitted or suffered by it in good faith and believed by it to be authorized or within the rights or powers conferred upon it by this Agreement, and may conclusively rely and shall be protected in acting or refraining from acting in reliance upon advice of counsel (which need not constitute an Opinion of Counsel) or upon any certificate, request or other document believed by it to be genuine and to have been signed or presented by the proper party or parties; *provided* that the Escrow Agent shall not make any payment or deliver any Escrowed Property to the Company, NMEPI, NMEPHC or any Permitted Transferee until delivery to the Escrow Agent of an Officers' Certificate as to compliance with the conditions precedent provided for in Section 10.05(h) of the Indenture. The Escrow Agent shall not be required to take any action hereunder which, in the opinion of its counsel, will be contrary to law.

In the event the Escrow Agent is instructed by the Company to sell any securities (including the Vencor Common Shares) that constitute Escrowed Property, the Escrow Agent shall be entitled to an opinion of counsel (which counsel is satisfactory to the Escrow Agent), to the effect that the proposed sale of securities will not violate any applicable United States federal or state securities laws.

SECTION 10. Sales and Tenders of Escrowed Property

In the event that Article 10 of the Indenture requires or permits the Company to direct the Escrow Agent to sell or tender its respective share of Escrowed Property, the Escrow Agent shall sell or tender such Escrowed Property in such manner as shall be set forth in written instructions concerning any such sale or tender which are given by the Company by means of an Officers' Certificate and shall remit the proceeds thereof as provided in such Officers' Certificate. The Escrow Agent shall have no liability whatsoever for any loss, tax, fee or other charge in connection with such sale or tender.

SECTION 11. Release or Sale of Excess Escrowed Property

The Company, NMEPI, NMEPHC and any applicable Permitted Transferee, upon demand by the Company, shall be entitled at any time and from time to time, out of the Escrowed Property held by the Escrow Agent, to such kind and amount of Escrowed Property as shall be in excess of the kind and amount of Escrowed Property which would be required for the exchange of all Notes then outstanding for the Escrowed Property on the basis of the then applicable Exchange Rate and other terms and provisions of the Indenture and this Agreement, and such excess shall, upon delivery of the certificate provided for in the next following sentence, be released to the Company, NMEPI, NMEPHC or such Permitted Transferee or sold for the account of the Company, NMEPI, NMEPHC or such Permitted Transferee upon demand by the Company. Upon demanding any release or sale of Escrowed Property, the Company shall deliver to the Escrow Agent an Officers' Certificate that shall (i) state the principal amount of Notes then outstanding and the kind and amount of Escrowed Property required for delivery to the Holders thereof upon exchange; (ii) state that the release or sale of such kind and amount of Escrowed Property as so requested is permitted by the provisions of this Section and the Indenture, (iii) state that the Escrowed Property to be released or sold would not be deliverable upon exchange of all Notes then outstanding, and (iv) if the Company shall have directed the Escrow Agent to sell any of such excess Escrowed Property, state that such sale is a bona fide sale to a Person (as hereinafter defined) who is not an affiliate of the Company. Upon receipt of such Certificate from the Company, the Escrow Agent shall, as promptly as possible, release to the Company or such Permitted Transferee or sell, as the case may be, the kind and amount of Escrowed Property requested to be released or sold as specified in such Certificate.

The term "Person" as used herein means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

SECTION 12. Cash Dividends

Promptly upon its receipt thereof, the Escrow Agent shall deliver to the Company, NMEPI, NMEPHC or any Permitted Transferee all cash dividends received with respect to any Vencor Common Shares, to the extent that the Company, NMEPI, NMEPHC or such Permitted Transferee is entitled to receive such dividends pursuant to the terms of the Indenture, in accordance with the terms of such Notes and of the Indenture.

SECTION 13. Merger, etc., of the Company

(a) The Company hereby covenants and agrees that, upon any consolidation or merger, or any transfer or lease of all or substantially all of its assets other than a consolidation or merger in which the Company is the continuing corporation, the rights and obligations of the Company under this Agreement shall be expressly assumed, by a supplemental agreement satisfactory in form to the Escrow Agent, executed and delivered to the Escrow Agent by the Person formed by such consolidation, or

with or into which the Company shall have merged or to which the assets of the Company shall have been transferred or leased.

(b) In the case of any consolidation or merger, or any transfer or lease of all or substantially all of the Company's assets referred to in subsection (a) hereof, and upon the execution and delivery to the Escrow Agent of the supplemental agreement referred to therein by the successor or acquiring Person, such successor or acquiring Person shall succeed to the rights and obligations of and be substituted for the Company under this Agreement, with the same effect as if such Person had been named herein as the Company, and in the event of any such sale or conveyance, the Company (which term shall for this purpose mean the Person named as the "Company" in the first paragraph of this Agreement or any successor Person which shall theretofore have become such in the manner described in this Section) shall be discharged from all obligations and covenants under this Agreement and may (but need not) be dissolved and liquidated.

SECTION 14. Reliance on Information Supplied

The Escrow Agent may conclusively rely on the contents of any Officers' Certificate furnished hereunder and, in delivering any such certificate, the Company may rely on information furnished to the Company by the Escrow Agent as to the quantity and identity of Vencor Common Shares and other Escrowed Property delivered to holders of Notes upon exchange thereof and on published information as of the end of the preceding year (or such more recent date as of which such information has been publicly announced by Vencor) as to matters concerning Vencor Common Shares and Vencor. The Escrow Agent will furnish on request to the Company such information as to the Escrow Agent's holdings and as to Escrowed Property delivered to Holders of Notes upon exchange thereof.

SECTION 15. Expenses and Indemnification of the Escrow Agent

The Company covenants and agrees to pay to the Escrow Agent from time to time, and the Escrow Agent shall be entitled to, such compensation as shall be agreed upon between the Company and the Escrow Agent, and the Company will pay or reimburse the Escrow Agent upon its request for all reasonable, out-of-pocket expenses, disbursements and advances incurred or made by the Escrow Agent in accordance with any of the provisions of this Agreement (including the reasonable, out-of-pocket compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its gross negligence or bad faith. The Company also covenants to indemnify the Escrow Agent for, and to hold it harmless against, any loss, liability, claim, cause of action or expense incurred without gross negligence or bad faith on the part of the Escrow Agent and arising out of or in connection with its acceptance of, or its duties under, this Agreement. The Trustee and the Holders of the Notes shall not be liable for any expenses or compensation of the Escrow Agent and no charge shall be made for such expenses or compensation against the Escrowed Property.

SECTION 16. Resignation or Removal of the Escrow Agent

(a) The Escrow Agent may at any time resign by giving 60 days' written notice of resignation to the Company and the Trustee. The Company may at any time remove the Escrow Agent by giving like written notice of removal to the Escrow Agent and the Trustee. The Holders of a majority in principal amount of the Notes at the time outstanding may at any time remove the Escrow Agent. If the Escrow Agent shall resign or be removed, a successor Escrow Agent, which in each case shall be a bank or trust company having surplus and capital of at least $100,000,000 shall be appointed by the Company by written instrument executed and delivered to the Escrow Agent and to such successor Escrow Agent, a copy of which shall be delivered by the Company to the Trustee.

(b) Any resignation or removal of the Escrow Agent and any appointment of a successor Escrow Agent pursuant to any of the provisions of this Agreement shall become effective upon acceptance of appointment by the successor as provided in Section 17 hereof. If a successor Escrow Agent does not take office within 60 days after the retiring Escrow Agent resigns or is removed, the retiring Escrow Agent, the Company, or the Holders of at least 10% in principal amount of the then outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent.

SECTION 17. Acceptance by Successor Escrow Agent

Any successor Escrow Agent appointed as provided in Section 16 of this Agreement shall execute, acknowledge and offer to the Company and to its predecessor Escrow Agent an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Escrow Agent shall become effective and such successor Escrow Agent, without any further act, deed or conveyance shall become vested with all the right, title and interest to all property held hereunder, and all other rights, powers, duties and obligations hereunder, of such predecessor Escrow Agent; but nevertheless such predecessor Escrow Agent shall forthwith deliver to such successor Escrow Agent physical possession of the certificates evidencing the Vencor Common Shares and of all other Escrowed Property, and such predecessor Escrow Agent shall, on the written request of the Company or such successor Escrow Agent and upon payment of any amounts then due it pursuant to the provisions of Section 15 hereof, execute and deliver to such successor Escrow Agent an instrument transferring to such successor Escrow Agent all right, title and interest hereunder in and to the Vencor Common Shares and the other Escrowed Property, and all other rights and powers hereunder, of such predecessor Escrow Agent.

SECTION 18. Succession by Merger, etc.

Any Person into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any Person succeeding to all or substantially all of the corporate trust business of the Escrow Agent, shall be the successor of the Escrow Agent hereunder without the execution or filing of any

paper or any further act on the part of any of the parties hereto, provided that such corporation shall be eligible under Section 16 hereof.

SECTION 19. Termination of Agreement

This Agreement shall terminate when the rights of all holders of Notes under the Indenture to surrender Notes for exchange pursuant to Article 11 of the Indenture shall have expired or been terminated and when all other obligations of the Company shall have been satisfied under this Agreement, which termination or expiration and satisfaction shall be evidenced by an Officers' Certificate of the Company to that effect. Upon termination of this Agreement pursuant to this Section 19, any Vencor Common Shares and any other Escrowed Property remaining in the hands of the Escrow Agent hereunder which are not required for the exchange of Notes previously duly surrendered and duly accepted for the exchange shall be delivered first to the Permitted Transferee to the extent of its interest therein, and second to the Company.

SECTION 20. Notices

Any notice or communication shall be sufficiently given if in writing and delivered in person or mailed by first-class mail, postage prepaid, addressed as follows:

If to the Company:

Scott M. Brown, Esq.
Senior Vice President,
Secretary and General Counsel
Tenet Healthcare Corporation
2700 Colorado Avenue
Santa Monica, California 90404
Telephone: (310) 998-8000

If to the Escrow Agent:

The Bank of New York
101 Barclay Street, Floor 21 West
New York, New York 10286
Attention: Corporate Trust
Trustee Administration

The Company or the Escrow Agent by notice to the other may designate additional or different addresses for subsequent notices of communications.

Any notice or communication mailed to a holder of Notes shall be mailed by first-class mail, postage prepaid, to such holder at such holder's address as it appears on the registration books of the Registrar for the Notes and shall be sufficiently given to such holder if so mailed within the time prescribed.

Failure to mail notice or communication to a holder of Notes or any defect in it shall not affect its sufficiency with respect to other holders of Notes. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 21. Benefits of Agreement

Nothing in this Agreement or the Notes, expressed or implied, shall give or be construed to give any person, firm or corporation, other than the parties hereto and the Trustee as representative of the holders of the Notes, any legal or equitable right, remedy or claim under any covenant, condition or provision herein contained, all the covenants, conditions and provisions contained in this Agreement being for the sole benefit of the parties hereto and the Trustee as representative of the holders of the Notes.

SECTION 22. Headings

The headings contained in this Agreement are for convenience of reference only and shall have no effect on the interpretation or operation of this Agreement.

SECTION 23. Definitions

Terms defined in the Indenture and not otherwise defined herein have, as used herein, the respective meanings provided for therein.

SECTION 24. Choice of Laws

This Agreement shall be construed in accordance with the law of the State of New York, without regard to the conflict of laws provisions thereof.

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

TENET HEALTHCARE CORPORATION

By /s/ RAYMOND L. MATHIASEN

Title: *Senior Vice President*

THE BANK OF NEW YORK, as Escrow Agent

By /s/ VIVIAN GEORGES

Title: *Assistant Vice President*

NME PROPERTIES, INC.

By /s/ LAWRENCE G. HIXON

Title: *Vice President*

NME PROPERTY HOLDING CO., INC.

By /s/ TERENCE P. MCMULLEN

Title: *Vice President*

QuickLinks

ESCROW AGREEMENT

QuickLinks -- Click here to rapidly navigate through this document

MEMORANDUM OF UNDERSTANDING

This memorandum confirms my intent and certain understandings regarding my continued employment by Tenet Healthcare Corporation ("Tenet"). I hereby confirm my intent to continue as Chairman of the Board and Chief Executive Officer of Tenet for a period of not less than two years. I understand that Tenet intends to grant me, on or about June 1, 1996, options under Tenet's Stock Incentive Plan to purchase 900,000 shares of Tenet common stock and that these options would be exercisable at a price equal to the closing price of Tenet's common stock on the date of grant and expire not later than ten years from the date of grant. While past practice has been to vest options in equal portions over three years from the date of grant, I understand that these options would vest 66 2/3% on the second anniversary of the date of grant and 100% on the third anniversary of the grant date. I understand that as a result of this vesting schedule, under the terms of the stock incentive plan, if I leave Tenet voluntarily over the next two years, other than for reasons covered in the stock option plan and stock option agreement such as in the event of a change in control, I will not be entitled to any of these 900,000 stock options. I further understand that Tenet does not intend to grant any additional options to me during fiscal 1997 and fiscal 1998.

/s/ JEFFREY C. BARBAKOW

Date: May 21, 1996

JEFFREY C. BARBAKOW

QuickLinks

MEMORANDUM OF UNDERSTANDING

QuickLinks -- Click here to rapidly navigate through this document

MEMORANDUM OF UNDERSTANDING

I hereby confirm my intent to continue as Chairman of the Board and Chief Executive Officer of Tenet Healthcare Corporation ("Tenet") for a period of not less than three years. I understand that on May 29, 2001, Tenet granted me options under Tenet's 1991 Stock Incentive Plan to purchase 1,000,000 shares of Tenet common stock and on June 1, 2001, Tenet granted me options under Tenet's 1995 Stock Incentive Plan to purchase an additional 1,000,000 shares of Tenet common stock. I further understand that these options will be exercisable at an exercise price equal to the closing price of Tenet's common stock on the respective grant dates, will expire not later than ten years from the respective grant dates and will vest ratably on each of the first three anniversaries of the respective grant dates. I understand that Tenet does not contemplate granting any additional stock options to me through the end of fiscal year 2004.

/s/ JEFFREY C. BARBAKOW Date: June 1, 2001

JEFFREY C. BARBAKOW

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

EXECUTIVE OFFICERS RELOCATION PROTECTIONS AGREEMENT

Termination Benefits

If the Company's move to Santa Barbara results in a relocation of your household and your employment with Tenet is terminated involuntarily for any reason other than cause, as described below, you will be entitled to receive as termination benefits a severance package of 24 months of salary and benefits continuation together with re-employment assistance.

In addition, any stock options which have been granted or may be granted to you, and which are vested or become vested during your employment or during any period of salary continuation, will continue to be exercisable up until ninety (90) days after the end of the salary continuation period unless by their terms the options shall expire sooner.

In the event your employment is terminated for cause, you will not be entitled to any termination benefits.

If you voluntarily terminate your employment with Tenet within 24 months of your relocation to Santa Barbara, the amount paid on your behalf or to you as relocation benefits will be considered a loan. The loan amount due will be reduced 1/24th for each month you are employed within the initial 24-month period.

Relocation Benefits at Termination

If your employment is terminated involuntarily for other than cause, and the Company has relocated you to the Santa Barbara area, you may elect to have the Company move you back to the location of your residence prior to your having moved to the Santa Barbara area. Further, the Company will assist you with the sale of your Santa Barbara area home on a basis equivalent to the arrangements for initially moving you to the Santa Barbara area. For example, if the Company paid for realtor's fees and closing costs for the move to Santa Barbara, then Tenet would pay for those same expenses for the move from Santa Barbara. Any rental differential or mortgage/interest/tax differential then in effect would cease. No payments will be made in lieu of the Company providing such relocation expense.

"Cause" Defined

As used in this agreement, the term "cause" shall include, but shall not be limited to, dishonesty, fraud, willful misconduct, self-dealing or violations of the Tenet Standards of Conduct, breach of fiduciary duty (whether or not involving personal profit), failure, neglect or refusal to perform your duties in any material respect, violation of law (except traffic violations or similar minor infractions), material violation of Tenet's Human Resources or other policies, or any material breach of this agreement; provided, however, that a failure to achieve or meet business objectives as defined by the Company shall not be considered "cause" so long as you have devoted your best and good faith efforts and full attention to the achievement of those business objectives.

QuickLinks

EXECUTIVE OFFICERS RELOCATION PROTECTIONS AGREEMENT

SEVERANCE PROTECTION PLAN
FOR EXECUTIVE OFFICERS

Termination Benefits

Upon the occurrence of a Change of Control (as defined below) of Tenet Healthcare Corporation (the "Company"), all then unvested stock options held by each Participant (as defined below) in the Severance Protection Plan (the "Plan") will become vested as of the date of such Change of Control. In addition, if a Participant is terminated for other than Cause (as defined below) or the Participant terminates for Good Reason (as defined below) within two years of the date of the occurrence of a Change of Control, the Participant will be entitled to a lump-sum payment equal to two times the Participant's then-current base salary plus the Participant's target bonus for the then- current fiscal year under the Company's Annual Incentive Plan ("AIP"); provided that such payment shall be less any salary continuation amounts payable under any other severance agreement or severance policy of the Company. The Participant also will receive an additional pro-rated award (the "Pro-Rata Bonus") under the AIP for the then-current fiscal year calculated by multiplying (x) the number of months or partial months elapsed for that fiscal year divided by 12 by (y) an amount equal to not less than the Participant's target award for the then-current fiscal year. Furthermore, the Participant will be permitted to continue to receive benefits under the Company's (or its successor's) health care plan until the Participant reaches age 65 or is employed by another employer offering health care coverage to the Participant for the same cost to the Participant as the Participant was paying while employed by the Company (subject to adjustment based on the consumer price index). The total payments that are deemed to be contingent upon a Change of Control in accordance with the rules set forth in Section 280g of the Internal Revenue Code of 1986, as amended (the "Code"), when added to the present value of all other payments that are payable to the Participant and are contingent upon a Change of Control, may not exceed an amount equal to two hundred and ninety-nine percent (299%) of the Participant's "base amount" as that term is defined in Section 280g of the Code and applicable regulations. The Pro Rata Bonus is not subject to this limit. Participants also are entitled to reimbursement for reasonable legal fees, if any, necessary to enforce payment of benefits under the Plan.

"Participant" Defined

A "Participant" is any individual designated as a participant in the Plan by the Compensation and Stock Option Committee of the Board of Directors of the Company.

"Cause" Defined

"Cause" shall mean the willful, substantial, continued and unjustified refusal of the Participant to perform the duties of his or her office to the extent of his or her ability to do so; any conduct on the part of the Participant which constitutes a breach of any statutory or common law duty of loyalty to the Company; or any illegal or publicly immoral act by the Participant which materially and adversely affects the business of the Company.

"Change of Control" Defined

(A) A "Change in Control" of the Company shall be deemed to have occurred if: (i) any Person is or becomes the beneficial owner directly or indirectly of securities of the Company representing 20% or more of the combined Voting Stock of the Company or; (ii) individuals who, as of April 1, 1994, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that (a) any individual who becomes a director of the Company subsequent to April 1, 1994, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed to have been a member of the Incumbent Board and (b) no individual who was elected initially (after April 1, 1994) as a director as a result of an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A

---

promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any other actual or threatened solicitations of proxies or consents by or on behalf of any person other than the Incumbent Board shall be deemed to have been a member of the Incumbent Board.

(B) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(C) "Person" shall mean an individual, firm, corporation or other entity or any successor to such entity, together with all Affiliates and Associates of such Person, but "Person" shall not include the Company, any subsidiary of the Company, any employee benefit plan or employee stock plan of the Company or any subsidiary of the Company, or any Person organized, appointed, established or holding Voting Stock by, for or pursuant to the terms of such a plan.

(D) "Voting Stock" with respect to a corporation shall mean shares of that corporation's capital stock having general voting power, with "voting power" meaning the power under ordinary circumstances (and not merely upon the happening of a contingency) to vote in the election of directors.

Termination for "Good Reason" Defined

A voluntary termination for "Good Reason" shall mean a voluntary termination following: (i) material downward change in the functions, duties, or responsibilities which reduce the rank or position of the Participant; (ii) a reduction in the Participant's annual base salary; (iii) a material reduction in the Participant's annual incentive plan bonus payment other than for financial performance as it broadly applies to all similarly situated Participants in the same plan; (iv) a material reduction in the Participant's retirement or supplemental retirement benefits that does not broadly apply to all Participants in the same plan; or (v) transfer of the Participant's office to a location that is more than fifty (50) miles from the Participant's current principal office location.

QuickLinks

SEVERANCE PROTECTION PLAN FOR EXECUTIVE OFFICERS

SECOND AMENDED AND RESTATED TENET 2001 DEFERRED COMPENSATION PLAN

ARTICLE I

PREAMBLE AND PURPOSE

1.1 ***Preamble.*** This Second Amended and Restated Tenet 2001 Deferred Compensation Plan (the "Plan") of Tenet Healthcare Corporation (the "Company"), adopted on July 24, 2001 by the Compensation Committee, amends and restates the First Amended and Restated Tenet Healthcare Corporation 2001 Deferred Compensation Plan adopted on May 22, 2001. The Plan is intended to permit the Company to attract and retain a select group of management or highly compensated employees and Directors of the Company.

Effective as of December 5, 1995, the Company adopted the Tenet Executive Deferred Compensation and Supplemental Savings Plan (as the same has been amended from time to time, the "Supplemental Plan"). The Company intends to transfer to this Plan amounts held for the benefit of certain participants in the Supplemental Plan, other than those balances held for the benefit of physician-employees who participate in the Supplemental Plan and participants who are in pay-out status as of December 31, 2000, under the Supplemental Plan. In addition, the Company may adopt one or more trusts to serve as a possible source of funds for the payment of benefits under this Plan.

1.2 ***Purpose.*** Through this Plan, the Company intends to permit the deferral of compensation and to provide additional benefits to Directors and a select group of management or highly compensated employees of the Company. Accordingly, it is intended that this Plan shall not constitute a "qualified plan" subject to the limitations of Section 401 (a) of the Code, nor shall it constitute a "funded plan", for purposes of such requirements. It also is intended that this Plan shall be exempt from the participation and vesting requirements of Part 2 of Title I of the Act, the funding requirements of Part 3 of Title I of the Act, and the fiduciary requirements of Part 4 of Title I of the Act by reason of the exclusions afforded plans that are unfunded and maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

ARTICLE II

DEFINITIONS AND CONSTRUCTION

2.1 ***Definitions.*** When a word or phrase appears in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be a term defined in this Section 2.1. The following words and phrases with the initial letter capitalized shall have the meaning set forth in this Section 2.1, unless a different meaning is required by the context in which the word or phrase is used.

(a) "**Account**" means one or more of the bookkeeping accounts maintained by the Company or its agent on behalf of a Participant, as described in more detail in Section 4.3.

(b) "**Act**" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

(c) "**Affiliate**" means a corporation that is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) that includes the Company, any trade or business (whether or not incorporated) that is in common control (as defined in Section 414(c) of the Code) with the Company, or any entity that is a member of the same affiliated service group (as defined in Section 414(m) of the Code) as the Company.

(d) "**Annual Incentive Plan Award**" means the amount payable to an Employee each year, if any, under the Company's 1997 Annual Incentive Plan, as the same may be amended, restated, modified, renewed or replaced from time to time.

(e) "**Basic Deferral**" means the Compensation deferral made by a Participant pursuant to Section 4.1(a).

(f) "**Beneficiary**" means the person designated by the Participant to receive a distribution of his/her benefits under the Plan upon the death of the Participant. If the Participant is married, his/her spouse shall be his/her Beneficiary, unless his/her spouse consents in writing to the designation of an alternate Beneficiary. In the event that a Participant fails to designate a Beneficiary, or if the Participant's Beneficiary does not survive the Participant, the Participant's Beneficiary shall be his/her surviving spouse, if any, or if the Participant does not have a surviving spouse, his/her estate. The term "Beneficiary" also shall mean a Participant's spouse or former spouse who is entitled to all or a portion of a Participant's benefit pursuant to Section 6.1.

(g) "**Board**" means the Board of Directors of the Company.

(h) "**Bonus**" means (i) a bonus paid to a Participant in the form of an Annual Incentive Plan Award, or (ii) any other bonus payment designated by the PAC as an eligible bonus under the Plan.

(i) "**Bonus Deferral**" means the Bonus deferral made by a Participant pursuant to Section 4.1(b).

(j) "**Change of Control**" of the Company shall be deemed to have occurred if either (i) any person, as such term is used in Section 13(c) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities, or (ii) individuals who, as of August 1, 2000, constitute the Board of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board at any time; provided, however, that (a) any individual who becomes a director of the Company subsequent to August 1, 2000, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of directors then comprising the Incumbent Board shall be deemed to have been a member of the Incumbent Board, and (b) no individual who is elected initially (after August 1, 2000) as a director as a result of an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act or any other actual or threatened solicitations of proxies or consent by or on behalf of any person other than the Incumbent Board shall be deemed to have been a member of the Incumbent Board.

(k) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time.

(l) "**Company**" means Tenet Healthcare Corporation.

(m) "**Compensation**" means base salaries, commissions, and certain other amounts of cash compensation payable to the Participant during the Plan Year. Compensation shall exclude cash bonuses, foreign service pay, hardship withdrawal allowances and any other pay intended to reimburse the Employee for the higher cost of living outside the United States, Annual Incentive Plan Awards, automobile allowances, ExecuPlan payments, housing allowances, relocation payments, deemed income, income payable under stock incentive plans, Christmas gifts, insurance premiums, and other imputed income, pensions, retirement benefits, and contributions to and payments from the 401 (k) Plan and this Plan. The term "Compensation" for Directors shall mean any cash compensation from retainers, meeting fees and committee fees paid during the Plan Year.

(n) "**Compensation Committee**" means the Compensation Committee of the Board, which has the authority to amend and terminate the Plan as provided in Article X. The Compensation Committee also will be responsible for determining the amount of the Discretionary Contribution and Supplemental Director Contribution, if any, to be made by the Company.

(o) "**Compensation Deferrals**" means the Basic Deferrals, Supplemental Deferrals and Discretionary Deferrals made pursuant to Section 4.1 of the Plan.

(p) "**Covered Person**" means a covered employee within the meaning of Code Section 162(m)(3) or an Employee designated as a Covered Person by the Compensation Committee.

(q) **"Director"** means a member of the Board who is not an Employee of the Company.

(r) "**Disability**" means the total and permanent incapacity of a Participant, due to physical impairment or mental incompetence, to perform the usual duties of his/her employment with the Company or an Affiliate. Disability shall be determined by the Plan Administrator on the basis of (i) evidence that the Participant has become entitled to receive benefits from a Company sponsored long-term disability plan or (ii) evidence that the Participant has become entitled to receive primary benefits as a disabled employee under the Social Security Act in effect on such date of Disability or (iii) in the case of Directors, such evidence that the Plan Administrator deems appropriate.

(s) "**Discretionary Contribution**" means the contribution made by the Company on behalf of a Participant as described in Section 4.2(b).

(t) "**Discretionary Deferral**" means the Compensation deferral described in Section 4.1 (d) made by a Participant.

(u) "**Effective Date**" means January 1, 2001.

(v) "**Election Form**" means the written form(s) provided by the PAC or the Plan Administrator pursuant to which the Participant consents to participation in the Plan and makes elections with respect to deferrals, requested investment crediting rates and distributions hereunder.

(w) "**Eligible Employee**" means (i) each Employee who is eligible for the Company's Annual Incentive Plan Award for the applicable Plan Year, (ii) each Director and (iii) all aviation personnel who are designated as captains. In addition, the term "Eligible Employee" shall include any Employee designated as an Eligible Employee by the PAC. The PAC may, in its sole and absolute discretion, limit the classification of Employees who are eligible to participate in the Plan for a Plan Year without the need for an amendment to the Plan. Any such limitation shall be set forth in a resolution by the PAC and attached hereto as an Exhibit to the Plan.

(x) "**Emergency**" means a Foreseeable Emergency or Unforeseeable Emergency that makes a Participant eligible for a Financial Necessity Distribution under Section 5.5.

(y) "**Employee**" means each select member of management or highly compensated employee receiving remuneration, or who is entitled

to remuneration, for services rendered to the Company or to an Affiliate who has adopted this Plan, in the legal relationship of employer and employee.

(z) **"Fair Market Value"** means the closing price of a share of Stock on the New York Stock Exchange on the date as of which fair market value is to be determined.

(aa) "**Foreseeable Emergency**" means a severe financial hardship to the Participant resulting from an event that, although foreseeable, is outside the Participant's control, as determined by the Plan Administrator in its sole and absolute discretion. Such potentially foreseeable but uncontrollable events include the following:

(i) expenses for medical care described in Section 213(d) of the Code incurred by the Participant, the Participant's spouse, or any dependents of the Participant (as defined in Section 152 of the Code) or necessary for those persons to obtain medical care described in Section 213(d) of the Code; (ii) such other events deemed by the Plan Administrator, in its sole and absolute discretion, to constitute a Foreseeable Emergency.

(bb) "**401 (k) Plan**" means the Tenet Healthcare Corporation Retirement Savings Plan or the Tenet 401 (k) Retirement Savings Plan, as such plans may be amended, restated, modified, renewed or replaced from time to time.

(cc) "**Matching Contribution**" means the contribution made by the Company pursuant to Section 4.2(a) on behalf of a Participant who either makes Supplemental Deferrals to the Plan as described in Section 4.1 (c), or is not eligible for an employer matching contribution under the 401 (k) Plan.

(dd) "**Non-Scheduled Withdrawal**" means an election by a Participant in accordance with Section 5.4 to receive a withdrawal of amounts from his/her Account prior to the time at which such Participant otherwise would be entitled to such amounts.

(ee) "**Open Enrollment Period**" means the period prior to the beginning of the Plan Year during which an Eligible Employee may make his/her elections concerning Compensation Deferrals pursuant to Article IV, and distribution elections in accordance with Article V.

(ff) "**PAC**" means the Pension Administration Committee of the Company established by the Compensation Committee of the Board, and whose members have been appointed by such Compensation Committee. The PAC shall have the responsibility to administer the Plan and make final determinations regarding claims for benefits, as described in Article VIII.

(gg) "**Participant**" means each Eligible Employee who has been designated for participation in this Plan and each Employee or former Employee whose participation in this Plan has not terminated.

(hh) "**Plan**" shall have the meaning set forth in Section 1.1 above.

(ii) "**Plan Administrator**" means the individual or entity appointed by the PAC to handle the day-to-day administration of the Plan, including but not limited to determining a Participant's eligibility for benefits and the amount of such benefits and complying with all applicable reporting and disclosure obligations imposed on the Plan. If the PAC does not appoint an individual or entity as Plan Administrator, the PAC shall serve as the Plan Administrator.

(jj) "**Plan Year**" means the fiscal year of this Plan, which shall commence on January 1 each year and end on December 31 of such year.

(kk) "**Scheduled Withdrawal Date**" means the distribution date elected by the Participant for an in-service withdrawal of amounts of Basic Deferrals and Bonus Deferrals deferred in a given Plan Year, and earnings or losses attributable thereto, as set forth on the Election Form for such Plan Year.

(ll) **"Stock"** means the common stock, par value $0.075 per share, of the Company.

(mm)"**Stock Unit**" means a non-voting, non-transferable unit of measurement that is deemed for bookkeeping and distribution purposes only to represent one outstanding share of Stock.

(nn) "**Supplemental Deferral**" means the Compensation Deferral described in Section 4.1(c).

(oo) **"Supplemental Director Contribution"** means the contribution made by the Company on behalf of a Director as described in Section 4.2(c).

(pp) "**Supplemental Plan**" shall have the meaning set forth in Section 1.1 of this Plan.

(qq) "**Unforeseeable Emergency**" means a severe financial hardship to the Participant resulting from (i) a sudden and unexpected illness or accident of the Participant or one of the Participant's dependents (as defined under Section 152(a) of the Code); (ii) loss of the Participant's property due to casualty; or (iii) such other similar extraordinary and unforeseeable circumstances arising as a result of an unforeseeable event or events beyond the control of the Participant, as determined by the Plan Administrator in its sole and absolute discretion.

2.2 ***Construction.*** If any provision of this Plan is determined to be for any reason invalid or unenforceable, the remaining provisions of this Plan shall continue in full force and effect. All of the provisions of this Plan shall be construed and enforced in accordance with the laws of the State of California and shall be administered according to the laws of such state, except as otherwise required by the Act, the Code or other applicable federal law. The term "delivered to the PAC or Plan Administrator," as used in this Plan, shall include delivery to a person or persons designated by the PAC or Plan Administrator, as applicable, for the disbursement and the receipt of administrative forms. Delivery shall be deemed to have occurred only when the form or other communication is actually received. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of this Plan.

ARTICLE III

PARTICIPATION AND FORFEITABILITY OF BENEFITS

3.1 ***Eligibility and Participation.*** It is intended that eligibility to participate in the Plan shall be limited to Eligible Employees, as determined by the PAC, in its sole and absolute discretion. Prior to the beginning of each Plan year, each Eligible Employee will be contacted and informed that he/she may elect to defer portions of his/her Compensation and/or Bonus and shall be provided with an Election Form, investment crediting rate preference designation and such other forms as the PAC or the Plan Administrator shall determine. An Eligible Employee shall become a Participant by completing all required forms and making a deferral election pursuant to Section 4.1. Eligibility to become a Participant for any Plan Year shall not entitle an Eligible Employee to continue as an active Participant for any subsequent Plan Year.

If an Eligible Employee is hired/retained during the Plan Year and designated by the PAC to be a Participant for such year, such Eligible Employee may elect to participate within 30 days from the date he/she is notified that he/she is eligible to participate in the Plan, for the remainder of such Plan Year, by completing all required forms and making a deferral election pursuant to Section 4.1. Designation as a Participant for the Plan Year in which he/she is hired/retained shall not entitle the Eligible Employee to continue as an active Participant for any subsequent Plan Year.

A Participant under this Plan who separates from employment with the Company, or who ceases to be a Director, will continue as an inactive Participant under this Plan until the Participant has received payment of all amounts payable to him/her under this Plan. In the event that an Eligible Employee shall cease active participation in the Plan because the Eligible Employee is no longer described as a Participant pursuant to this Section 3.1, or because he/she shall cease making deferrals of Compensation and/or Bonuses, the Eligible Employee shall continue as an inactive Participant under this Plan until he/she has received payment of all amounts payable to him/her under this Plan.

3.2 ***Forfeitability of Benefits.*** Except as provided in Section 5.4 and Section 6.1, a Participant shall at all times have a nonforfeitable right to amounts credited to his/her Account pursuant to Section 4.3, subject to the distribution provisions of Article V. As provided in Section 7.2, however, each Participant shall be only a general creditor of the Company or the Participant's employing Affiliate with respect to the payment of any benefit under this Plan.

ARTICLE IV

DEFERRAL, COMPANY CONTRIBUTIONS, ACCOUNTING AND INVESTMENT CREDITING RATES

4.1 ***Deferral.*** An Eligible Employee who is designated by the PAC to be an Eligible Employee for a Plan Year may become a Participant for such Plan Year by electing to defer Compensation and/or his/her Bonus pursuant to an Election Form. Such Election Form shall be submitted to the Company

not later than a date to be set by the Plan Administrator and shall be effective with respect to deferral elections with the first paycheck dated on or after the next following January 1. In the case of an Eligible Employee who is hired/retained during the Plan Year, the Election Form shall be entered into within 30 days after the Eligible Employee is provided with notice of his/her eligibility to participate in the Plan and shall only be effective with respect to deferral elections with respect to Compensation and/or Bonuses earned after the date such Election Form is received by the Plan Administrator. A Participant's Election Form shall only be effective with respect to a single Plan Year and shall be irrevocable for the duration of such Plan Year. Deferral elections for each subsequent Plan Year of participation shall be made pursuant to a new Election Form.

Compensation deferred by a Participant may be distributed, at the Participant's election, either in a lump sum or, in certain instances as described herein, in equal monthly installments over a period of not less than one year nor more than 15 years. On each Election Form, the Participant shall specify the method in which Compensation and/or Bonuses deferred under the Plan shall be paid. If the Participant, during the Open Enrollment Period, elects a different method of payment on a subsequent Election Form, such form of payment election shall supersede any prior payment elections made on an earlier Election Form, provided such election has been in effect for 12 months.

Four types of deferrals may be made under the Plan:

(a) **Basic Deferral.** Each Eligible Employee may elect to defer a stated dollar amount, or designated full percentage, of Compensation to the Plan up to a maximum percentage of 75% (100% for Directors) of the Eligible Employee's Compensation for such Plan Year. The Company shall not make any Matching Contributions with respect to any Basic Deferrals made to the Plan.

(b) **Bonus Deferral.** Each Eligible Employee may elect to defer a stated dollar amount, or designated full percentage, of his/her Bonus to the Plan up to a maximum percentage of 100% (97% if a Supplemental Deferral is elected pursuant to Section 4.1(c)) of the Employee's Bonus for such Plan Year. The Company shall not make any Matching Contributions with respect to any Bonus Deferrals made to the Plan.

(c) **Supplemental Deferral.** Each Eligible Employee may elect to make Supplemental Deferrals to the Plan in accordance with the following provisions of this Section 4.1(c).

(i) **Statutory Limits.** Each Eligible Employee who is also a participant in the 401 (k) Plan may elect to automatically have 3% of his/her Compensation deferred under the Plan when he/she reaches any of the following statutory limitations under the 401 (k) Plan: (A) the limitation on Compensation under Section 401(a)(17) of the Code, as such limit is adjusted for cost of living increases; (B) the limitation imposed on elective deferrals under Section 402(g) of the Code, as such limit is adjusted for cost of living increases; (C) the limitations on contributions and benefits under Section 415 of the Code; or (D) the limitations on contributions imposed by the 401(k) Plan administrator in order to satisfy the limitations on contributions under sections 401 (k) and 401 (m) of the Code.

(ii) **Bonus.** Each Eligible Employee who is also a participant in the 401 (k) Plan may elect to automatically have 3% of his/her Bonus deferred under the Plan as a Supplemental Deferral whether or not the Eligible Employee has reached the statutory limitations under the 401 (k) Plan described in Section 4.1(c)(i). This Supplemental Deferral shall be applied to that portion of the Eligible Employee's Bonus in excess of that deferred as a Bonus Deferral under Section 4.1(b). For example, if the Eligible Employee elects to defer 50% of his/her Bonus under Section 4.1(b) and also elects to make a Supplemental Deferral under this Section 4.1(c), 50% of the Eligible Employee's Bonus will be deferred under Section 4.1(b) and 3% of the Eligible Employee's Bonus will be deferred under this Section 4.1(c).

(iii) **401(k) Plan Before-Tax Savings Contribution Eligibility.** Each Eligible Employee who elects to participate in this Plan prior to the date on which he/she becomes eligible to make before-tax savings contributions to the 401(k) Plan, may elect, until such 401(k) Plan before-tax contribution eligibility date, to defer 3% of his/her Compensation under the Plan as a Supplemental Deferral for such Plan Year. Upon the Eligible Employee's 401 (k) Plan before-tax contribution eligibility date, his/her Supplemental Deferrals under this Section 4.1(c)(iii) shall cease and any subsequent Supplemental Deferrals shall only be made by the Employee pursuant to Section 4.1(c)(i) or Section 4.1(c)(ii), as applicable.

(d) **Discretionary Deferral**. The PAC may authorize an Eligible Employee to defer a stated dollar amount, or designated full percentage, of Compensation to the Plan as a Discretionary Deferral. The PAC, in its sole and absolute discretion, may limit the amount or percentage of Compensation an Eligible Employee may defer to the Plan as a Discretionary Deferral. The Company shall not make any Matching Contributions pursuant to Section 4.2(a) with respect to any Discretionary Deferrals, but may elect to make a Discretionary Contribution to the Plan with respect to such Discretionary Deferrals in the form of a discretionary matching contribution as described in Section 4.2(b).

4.2 ***Company Contributions.***

(a) **Matching Contribution.** The Company shall make a Matching Contribution to the Plan each Plan Year on behalf of each Participant who makes a Supplemental Deferral to the Plan. Such Matching Contribution shall equal 100% of the Participant's Supplemental Deferrals for such Plan Year. In addition, the Company shall make a Matching Contribution to the Plan for the Plan Year on behalf of each Participant who is eligible to participate in the 401 (k) Plan but is not eligible to receive an employer matching contribution under the 401 (k) Plan by reason of the one year eligibility service requirement. Such Matching Contribution shall equal 3% of the Participant's Compensation earned during the period beginning on the date on which such Participant elects to make Supplemental Deferrals to the Plan in accordance with Section 4.1(c)(iii).

(b) **Discretionary Contribution.** The Company may elect to make a Discretionary Contribution to a Participant's Account in such amount, and at such time, as shall be determined by the Compensation Committee. If a Participant who is a Covered Person receives a Discretionary Contribution, that Participant shall not be permitted to receive that Discretionary Contribution until such Participant's employment with the Company is terminated; provided, however, that if such Participant has elected to receive a distribution upon the occurrence of a Change of Control and a Change of Control occurs, such Participant shall be entitled to receive such Change of Control distribution in accordance with Section 5.9 of this Plan.

(c) **Supplemental Director Contribution.** The Company shall make a Supplemental Director Contribution to the Plan on behalf of each Director who makes a Basic Deferral and makes a request for amounts deferred to be invested in Stock Units pursuant to Section 4.4(b). On each date on which a Director's Basic Deferral is invested in Stock Units, the Company will make a Supplemental Director Contribution in an amount equal to 15% of the amount of the Director's Basic Deferral invested in Stock Units on such date. Such Supplemental Director Contribution shall be invested in Stock Units for the account of such Director.

4.3 ***Accounting for Deferred Compensation.***

(a) **Cash Account.** If a Participant has made an election to defer his/her Compensation and/or Bonus and has made a request for amounts deferred to be invested pursuant to Section 4.4(a), the Company may, in its sole and absolute discretion, establish and maintain a cash Account for the Participant under this Plan. Each cash Account shall be adjusted at least quarterly to reflect the Basic Deferrals, Bonus Deferrals, Supplemental Deferrals, Discretionary Deferrals, Matching Contributions and Discretionary Contributions credited thereto, earnings or losses credited on such Basic Deferrals, Bonus Deferrals, Supplemental Deferrals, Discretionary Deferrals, Matching Contributions and Discretionary Contributions, and any payment or withdrawal of such Basic Deferrals, Bonus Deferrals, Supplemental Deferrals, Discretionary Deferrals and, Matching Contributions and Discretionary Contributions. The amounts of Basic Deferrals, Bonus Deferrals, Supplemental Deferrals, Discretionary Deferrals and Matching Contributions shall be credited to the Participant's cash Account within five business days of the date on which such Compensation and/or Bonus would have been paid to the Participant had the Participant not elected to defer such amount pursuant to the terms and provisions of the Plan. Any Discretionary Contributions shall be credited to each Participant's cash Account at such times as determined by the Compensation Committee. In the sole and absolute discretion of the Plan Administrator, more than one cash Account may be established for each Participant to facilitate record-keeping convenience and accuracy. Each such cash Account shall be credited and adjusted as provided in this Plan.

(b) **Stock Unit Account.** If a Participant has made an election to defer his/her Compensation and/or Bonus and has made a request for amounts deferred to be invested in Stock Units pursuant to Section 4.4(b), the Company may, in its sole and absolute discretion, establish and maintain a Stock Unit Account and credit the Participant's Stock Unit Account, within five business days of the date on which such Compensation and/or Bonus otherwise would have been payable, with a number of Stock Units determined by dividing an amount equal to the Basic Deferrals, Bonus Deferrals, Supplemental Deferrals, Discretionary Deferrals, Matching Contributions and Discretionary Contributions made as of such date by the Fair Market Value of a share of Stock on the fifth day following the date such Compensation and/or Bonus otherwise would have been payable. In the sole and absolute discretion of the Plan Administrator, more than one Stock Unit Account may be established for each Participant to facilitate record-keeping convenience and accuracy.

(i) The Stock Units credited to a Participant's Stock Unit Account shall be used solely as a device for determining the number of shares of Stock eventually to be distributed to the Participant in accordance with this Plan. The Stock Units shall not be treated as property of the Participant or as a trust fund of any kind. No Participant shall be entitled to any voting or other stockholder rights with respect to Stock Units credited under this Plan.

(ii) If the outstanding shares of Stock are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Stock or other securities, through merger, consolidation, spin-off, sale of all or substantially all the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Stock or other securities, an appropriate and proportionate adjustment shall be made by the Compensation Committee in the number and kind of Stock Units credited to a Participant's Stock Unit Account.

(c) **Accounts Held in Trust.** Amounts credited to Participants' Accounts may be secured by one or more trusts, as provided in Section 7.1, but shall be subject to the claims of the Company's general creditors. Although the principal of such trust and any earnings or losses thereon shall be separate and apart from other funds of the Company and shall be used for the purposes set forth therein, neither the Participants nor their Beneficiaries shall have any preferred claim on, or any beneficial ownership

in, any assets of the trust prior to the time such assets are paid to the Participant or Beneficiaries as benefits and all rights created under this Plan shall be unsecured contractual rights of Plan Participants and Beneficiaries against the Company. Any assets held in the trust shall be subject to the claims of the Company's general creditors under federal and state law in the event of insolvency. The assets of any trust established pursuant to this Plan shall never inure to the benefit of the Company and the same shall be held for the exclusive purpose of providing benefits to Participants and their beneficiaries.

4.4 ***Investment Crediting Rates.*** At the time of making a deferral election described in Section 4.1, the Participant shall request on an Election Form the type of investment crediting rate option with which the Participant would like the Company, in its sole and absolute discretion, to credit the Participant: one of several investment crediting rate options payable in cash or an investment crediting rate option based on the performance of the price of the Company's Stock and payable in the Company's Stock.

(a) **Cash Investment Crediting Rate Options.** A Participant may request on an Election Form the type of investment in which the Participant would like amounts deferred by the Participant to be deemed invested for purposes of determining the amount of earnings or losses to be credited or losses to be debited to his/her cash Account. The Participant shall specify his/her preference from among the following possible investment crediting rate options:

(i) An annual rate of interest equal to 1% below the prime rate of interest as quoted by Bloomberg, compounded daily; or

(ii) One or more benchmark mutual funds.

A Participant may change, on a daily basis, the investment crediting rate preference under this Section 4.4(a) by filing an election in such manner as shall be determined by the PAC. Notwithstanding any request made by a Participant, the Company, in its sole and absolute discretion, shall determine the investment rate with which to credit amounts deferred by Participants under this Plan, provided, however, that if the Company chooses an investment crediting rate other than the investment crediting rate requested by the Participant, such investment crediting rate cannot be less than (i) above.

(b) **Stock Units.** A Participant may request on an Election Form to have amounts deferred by him/her invested in Stock Units.

Deferrals invested in Stock Units are irrevocable and shall be distributed in an equivalent whole number of shares of Stock. Any fractional share interests shall be paid in cash with the last distribution.

(c) **Deemed Election.** In his/her request(s) pursuant to this Section 4.4, the Participant may request that all or any multiple of his/her Account (in whole percentage increments) be deemed invested in one or more of the investment crediting rate preferences provided under the Plan as communicated from time to time by the PAC. Although a Participant may express an investment crediting rate preference, the Company shall not be bound by such request. If a Participant fails to set forth his/her investment crediting rate preference under this Section 4.4, he/she shall be deemed to have elected an annual rate of interest equal to 1% below the prime rate of interest as quoted by Bloomberg, compounded daily. The PAC shall select from time to time, in its sole and absolute discretion, the possible investment crediting rate options to be offered on a Participant's deferrals and contributions for any Plan Year.

(d) **Transferred Accounts.** The Company retains the right in its sole and absolute discretion to transfer a Participant's Supplemental Plan account balance, as the Company deems appropriate, from the Supplemental Plan to this Plan. In the event that the Company determines that a transfer of a Participant's Supplemental Plan account balance to this Plan is appropriate, a Participant shall be permitted to express an investment crediting rate preference with respect to such transferred amounts. In the event a Participant's Supplemental Plan account balance is transferred from the

Supplemental Plan to this Plan, such transferred amount shall be treated in all other respects as if such amount were initially deferred pursuant to the terms of this Plan.

(e) **Company Contributions.** Contributions to the Plan made by the Company and allocated to a Participant's Account pursuant to Section 4.2 shall be invested in accordance with the investment crediting rate requested by such Participant on his/her Election Form for the relevant Plan Year.

ARTICLE V
DISTRIBUTION OF BENEFITS

5.1 ***General Rules.*** A Participant may elect to receive payment on Basic Deferrals and Bonus Deferrals, and earnings or losses thereon, at any of the following times:

(a) As soon as practicable after termination of a Participant's employment, retirement, Disability or death;

(b) On the first January following, or on the second January following, but not later than the second January following, the Participant's termination of employment, retirement, Disability or death; or

(c) At a specified future date while still in the employ of the Company.

Supplemental Deferral Balances and earnings or losses thereon, are distributable only upon a Participant's termination of employment, retirement, Disability or death.

All distributions from the Plan shall be taxable as ordinary income when received and subject to appropriate withholding of income taxes.

5.2 ***Distributions Resulting from Termination.*** In the case of a Participant who terminates employment with the Company for any reason and has an Account balance of $100,000 or less, such Participant shall be paid the balance in his/her Account in a lump sum in accordance with Section 5.1.

A Participant who has an Account balance in excess of $100,000 may elect either a lump sum distribution or monthly installments over a period of not less than one nor more than 15 years. Such Participant's Election Form that has been in effect for at least 12 months and made during an Open Enrollment Period shall govern the form of distribution. In the event a Participant elects monthly installments, such installment payments will begin in accordance with Section 5.1(a) or 5.1(b). All amounts held for a Participant's or Beneficiary's benefit shall be revalued annually if paid in installments.

5.3 ***Scheduled In-Service Withdrawals.*** In the case of a Participant who, while still in the employ of the Company, has elected a Scheduled Withdrawal Date for distribution of his/her Basic Deferrals and Bonus Deferrals, and earnings or losses thereon, such Participant shall receive a lump sum payment that must occur at least two calendar years after the end of the Plan Year in which the Basic and Bonus Deferrals occurred. A Participant may extend the Scheduled Withdrawal Date with respect to Basic Deferrals and Bonus Deferrals for any Plan Year, provided (i) such extension occurs at least one year before the Scheduled Withdrawal Date, (ii) such extension is for a period of not less than two years from the Scheduled Withdrawal Date, (iii) the Participant may not extend the Scheduled Withdrawal Date more than two times and (iv) any such extension shall be effective only if consented to by the PAC. All such lump sum distributions will be paid in the January of the year specified on the election form.

If a Participant retires, terminates employment, incurs a Disability or dies prior to any Scheduled Withdrawal Date, the Scheduled In-Service Withdrawal will be disregarded and waived and the Participant's Account balance will be distributed after the Participant's retirement, death, Disability or

termination of employment in the same form of distribution elected with respect to retirement, death, Disability or termination.

5.4 ***Non-Scheduled Withdrawals.*** A Participant shall be permitted to elect a Non-Scheduled Withdrawal, subject to the following restrictions:

(a) The election to take a Non-Scheduled Withdrawal shall be made by filing a form provided by and filed with the PAC prior to the end of any calendar month.

(b) The amount of the Non-Scheduled Withdrawal shall in all cases not exceed 90% of the gross amount of a Participant's Account balance.

(c) The amount described in subsection (b) above shall be paid in a lump sum as soon as practicable after the end of the month in which the Non-Scheduled Withdrawal election is made.

(d) If a Participant receives a Non-Scheduled Withdrawal from his/her Account, the Participant shall permanently forfeit an amount equal to 10% of the gross amount of the Non-Scheduled Withdrawal and the Company shall have no obligation to the Participant or his/her Beneficiary with respect to such forfeited amount.

(e) If a Participant receives a Non-Scheduled Withdrawal of any part of his/her Account, the Participant will be ineligible to participate in the Plan for the balance of the Plan Year and the next following Plan Year.

5.5 ***Financial Necessity Distributions.***

(a) **Unforeseeable Emergency.** Upon application by the Participant, the Plan Administrator, in its sole and absolute discretion, may direct payment of all or a portion of the Basic Deferrals, Bonus Deferrals and/or Discretionary Deferrals credited to the Account of a Participant prior to his/her separation from employment or termination as a Director in the event of an Unforeseeable Emergency. Any such application shall set forth the circumstances constituting such Unforeseeable Emergency.

In addition to the deferrals specified in this Section 5.5(a), upon application by the Participant, the Plan Administrator, in its sole and absolute discretion, may direct payment of all or a portion of the Supplemental Deferrals credited to the Account of the Participant prior to his/her separation from employment or termination as a Director in the event of an Unforeseeable Emergency. Such application and payment shall be subject to the same conditions and limitations as a request for any other payment of deferrals under this Section 5.5.

(b) **Foreseeable Emergency**. Upon application by the Participant, the Plan Administrator, in its sole and absolute discretion, may direct payment of all or a portion of the Basic Deferrals, Bonus Deferrals and/or Discretionary Deferrals credited to the Account of a Participant prior to his/her separation from employment or termination as a Director in the event of an Foreseeable Emergency. Any such application shall set forth the circumstances constituting such Foreseeable Emergency.

(c) **General Rules Regarding Financial Necessity Distributions.** The Plan Administrator may not direct payment of any Basic Deferrals, Bonus Deferrals, Supplemental Deferrals, and/or Discretionary Deferrals credited to the Account of a Participant to the extent that such an Emergency is or may be relieved (i) by reimbursement or compensation by insurance or otherwise or (ii) by cessation of Basic Deferrals, Bonus Deferrals and/or Discretionary Deferrals under this Plan. In the event that the Plan Administrator, in its sole and absolute discretion, shall determine that such Emergency may be alleviated by such cessation of deferrals under the Plan, the Plan Administrator shall deny such financial necessity distribution and require the cancellation of the Participant's Basic Deferral, Bonus Deferral and/or Discretionary Deferral elections for the Plan

Year in which an Emergency shall occur. Conversely, if the Plan Administrator, in its sole and absolute discretion, shall determine that such Emergency may not be alleviated by such cessation of Basic Deferrals, Bonus Deferrals and/or Discretionary Deferrals, it may approve such financial necessity distribution. Any distribution from the Plan due to Emergency shall be permitted only to the extent necessary to satisfy such Emergency, in the sole and absolute discretion of the Plan Administrator, both with respect to the determination as to whether an Emergency exists and also with respect to determination of the amount distributable. The Plan Administrator may permit a financial necessity distribution under this Section 5.5, but as a result the Participant will be ineligible to participate in the Plan for the balance of the Plan Year and the next following Plan Year.

5.6 ***Elective Distributions.*** A Participant may elect to receive a distribution of amounts credited to his/her Account upon a determination by the Internal Revenue Service or a state taxing authority of competent jurisdiction that amounts credited to such Account are subject to inclusion in the gross income of such Participant or Beneficiary for federal or state income tax purposes. Neither the PAC nor the Plan Administrator shall have any obligation to determine whether any such determination is or has been made with respect to any Participant and shall assume that no such determination has been made until advised by the Participant, in writing, that such determination has been made and that either such determination is final and binding, or that obtaining judicial review of such determination is not reasonably likely to result in a reversal of such determination or is economically prohibitive.

5.7 ***Death of a Participant.*** If a Participant dies while employed by the Company, the Participant's Account balance will be paid to the Participant's Beneficiary in the manner elected by the Participant.

In the event a terminated Participant dies while receiving installment payments, the remaining installments shall be paid to the Participant's Beneficiary as such payments become due.

In the event a terminated Participant dies before receiving his/her lump sum payment or before he/she begins receiving installment payments, the lump sum payment or installment payments shall be paid to the Participant's Beneficiary as such payments become due.

5.8 ***Disability of a Participant.*** In the event of the Disability of the Participant, the Participant shall be entitled to a distribution of the Participant's Account balance in the manner elected in advance by the Participant and, if applicable, in accordance with Section 6.2.

5.9 ***Change of Control.*** A Participant may, during an Open Enrollment Period, file an Election Form in which the Participant elects to receive a lump sum distribution of his/her Account balance in the event that a Change of Control, as defined in Section 2.1(j), occurs. The Participant's election with respect to a distribution of his/her Account in the event of a Change of Control must have been in effect for 12 months prior to the time of the Change of Control. If elected, payment will be made as soon as practicable, but in any event not more than six months, after the occurrence of a Change of Control.

Notwithstanding any provision in this Plan to the contrary, to the extent that any portion of the lump sum distribution is characterized as a parachute payment within the meaning of Proposed Regulations Section 1.280G-1 Q/A-24, or any similar Regulations, then in no event shall the present value of such parachute payment, when added to the present value of all other parachute payments received as a result of a Change of Control, exceed 299% of the Participant's "base amount" as that term is defined in Section 280G of the Code.

If a Participant has elected to receive a lump sum distribution of his/her Account balance in the event of a Change of Control, a portion of which distribution is characterized as a parachute payment, and such portion, when added to the present value of all other parachute payments to be received as a result of a Change of Control, exceeds an amount equal to 299% of the Participant's base amount,

then the Participant may elect (a) to revoke the election made pursuant to this Section 5.9, or (b) to receive in a lump sum distribution that portion of his/her Account balance which does not result in a parachute payment with the remainder being distributed in accordance with the Participant's election under Section 5.1.

5.10 ***Withholding.*** Any taxes or other legally required withholdings from Compensation and Bonus deferrals and/or payments to Participants or Beneficiaries hereunder shall be deducted and withheld by the Company, benefit provider or funding agent as required pursuant to applicable law. A Participant or Beneficiary shall be provided with a tax withholding election form for purposes of federal and state tax withholding, if applicable.

5.11 ***Suspension of Benefits.*** If a Participant terminates service and begins receiving installment distributions and such Participant is reemployed by the Company, then such Participant's installment distributions shall be suspended during the period of his/her reemployment. Upon the Participant's subsequent termination of service, such installment distributions shall recommence in the same form as they were being paid before the reemployment, unless during the period of the Participant's reemployment he/she is eligible to participate in the Plan and elects a different form of payment on his/her Election Form in accordance with this Article V.

ARTICLE VI
PAYMENT LIMITATIONS

6.1 ***Spousal Claims.*** The Plan will recognize a court order, entered into pursuant to state domestic relations law, that provides that all or a portion of a Participant's benefit under the Plan shall be paid to the Participant's spouse or former spouse for child support, spousal maintenance or alimony. Any benefits payable to a spouse or former spouse pursuant to such an order shall be subject to all provisions and restrictions of this Plan and any dispute regarding such benefits shall be resolved pursuant to the Plan claims procedure in Article VIII. A former spouse shall have no claim to any benefits under the Plan unless such former spouse's entitlement to such benefits is specified in such a court order. Any payment of benefits under the Plan, to the extent any payment of benefits is due, to a former spouse pursuant to such an order shall be made as soon as administratively feasible after the order is accepted by the Plan Administrator, but not longer than 90 days after the end of the Plan Year in which the order is accepted by the Plan Administrator.

Any taxes or other legally required withholdings from payments to such spouse or former spouse shall be deducted and withheld by the Company, benefit provider or funding agent. The spouse or former spouse shall be provided with a tax withholding election form for purposes of federal and state tax withholding, if applicable.

No order shall be accepted by the Plan Administrator that requires (a) the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan, (b) the Plan to provide increased benefits, or (c) payment of benefits to such former spouse that are required to be paid to another former spouse under another order previously accepted by the Plan Administrator. The order must clearly specify information sufficient for the Plan Administrator to determine the plan to which it relates and the amount and person to whom benefits are payable. The Plan Administrator shall have sole and absolute discretion to determine whether such a court order shall be accepted for purposes of this Section 6.1 and to make interpretations under this Section 6.1, including determining who is to receive benefits, all calculations of benefits, and the amount of taxes to be withheld. The decisions of the Plan Administrator shall be binding on all parties of interest.

6.2 ***Legal Disability.*** If a person entitled to any payment under this Plan shall, in the sole judgment of the Plan Administrator, be under a legal disability, or otherwise shall be unable to apply such payment to his/her own interest and advantage, the Plan Administrator, in the

exercise of its

discretion, may direct the Company or payor of the benefit to make any such payment in any one or more of the following ways:

(a) Directly to such person;

(b) To his/her legal guardian or conservator; or

(c) To his/her spouse or to any person charged with the duty of his/her support, to be expended for his/her benefit and/or that of his/her dependents.

The decision of the Plan Administrator shall in each case be final and binding upon all persons in interest, unless the Plan Administrator shall reverse its decision due to changed circumstances.

6.3 ***Assignment.*** Except as provided in Section 6.1, no Participant or Beneficiary shall have any right to assign, pledge, transfer, convey, hypothecate, anticipate or in any way create a lien on any amounts payable hereunder. No amounts payable hereunder shall be subject to assignment or transfer or otherwise be alienable, either by voluntary or involuntary act, or by operation of law, or subject to attachment, execution, garnishment, sequestration or other seizure under any legal, equitable or other process, or be liable in any way for the debts or defaults of Participants and their Beneficiaries.

ARTICLE VII
FUNDING

7.1 ***Funding.*** Benefits under this Plan shall be funded solely by the Company and its Affiliates. Benefits under this Plan shall constitute an unfunded general obligation of the Company, but the Company may create reserves, funds and/or provide for amounts to be held in trust to fund such benefits on the Company's or its Affiliates' behalf. Payment of benefits may be made by the Company, any trust established by the Company or through a service or benefit provider to the Company or such trust.

7.2 ***Creditor Status.*** Participants and their Beneficiaries shall be general unsecured creditors of the Company or the Participants' employing Affiliate(s) with respect to the payment of any benefit under this Plan, unless such benefits are provided under a contract of insurance or an annuity contract that has been delivered to Participants, in which case Participants and their Beneficiaries shall look to the insurance carrier or annuity provider for payment, and not to the Company or Affiliate. The Company's or Affiliate's obligation for such benefit shall be discharged by the purchase and delivery of such annuity or insurance contract.

ARTICLE VIII
ADMINISTRATION

8.1 ***The PAC.*** The overall administration of the Plan will be the responsibility of the PAC.

8.2 ***Powers of PAC.*** In order to effectuate the purposes of the Plan, the PAC will have the following powers:

(a) To appoint the Plan Administrator;

(b) To review and render decisions respecting a denial of a claim for benefits under the Plan;

(c) To construe the Plan and to make equitable adjustments for any mistakes or errors made in the administration of the Plan; and

(d) To determine and resolve, in its sole and absolute discretion, all questions relating to the administration of the Plan and the trust established to secure the assets of the Plan (i) when differences of opinion arise between the Employer, the Plan Administrator, the Trustee, a Participant, or any of them and (ii) whenever it is deemed advisable to determine such questions

in order to promote the uniform and nondiscriminatory administration of the Plan for the greatest benefit of all parties concerned.

The foregoing list of express powers is not intended to be either complete or conclusive, and the PAC will, in addition, have such powers as it may reasonably determine to be necessary or appropriate in the performance of its powers and duties under the Plan.

8.3 ***Appointment of Plan Administrator.*** The PAC will appoint the Plan Administrator, who will have the responsibility and duty to administer the Plan on a daily basis. The PAC may remove the Plan Administrator with or without cause at any time. The Plan Administrator may resign upon written notice to the PAC.

8.4 ***Duties of Plan Administrator.*** The Plan Administrator will have the following duties:

(a) To direct the administration of the Plan in accordance with the provisions herein set forth;

(b) To adopt rules of procedure and regulations necessary for the administration of the Plan, provided such rules are not inconsistent with the terms of the Plan;

(c) To determine all questions with regard to rights of Employees, Participants, and Beneficiaries under the Plan including, but not limited to, questions involving eligibility of an Employee to participate in the Plan and the value of a Participant's Accounts;

(d) To enforce the terms of the Plan and any rules and regulations adopted by the PAC;

(e) To review and render decisions respecting a claim for a benefit under the Plan;

(f) To furnish the Company with information that the Company may require for tax or other purposes;

g) To engage the service of counsel (who may, if appropriate, be counsel for the Company), actuaries, and agents whom it may deem advisable to assist it with the performance of its duties;

(h) To prescribe procedures to be followed by distributees in obtaining benefits;

(i) To receive from the Company and from Participants such information as is necessary for the proper administration of the Plan;

(j) To establish and maintain, or cause to be maintained, the individual Accounts described in Section 4.3;

(k) To create and maintain such records and forms as are required for the efficient administration of the Plan;

(l) To make all determinations and computations concerning the benefits, credits and debits to which any Participant, or other Beneficiary, is entitled under the Plan;

(m) To give the Trustee of the trust established to serve as a source of funds under the Plan specific directions in writing with respect to:

(i) the making of distribution payments, giving the names of the payees, the amounts to be paid and the time or times when payments will be made; and

(ii) the making of any other payments which the Trustee is not by the terms of the trust agreement authorized to make without a direction in writing by the Plan Administrator;

(n) To comply with all applicable lawful reporting and disclosure requirements of the Act;

(o) To comply (or transfer responsibility for compliance to the Trustee) with all applicable federal income tax withholding requirements for benefit distributions; and

(p) To construe the Plan, in its sole and absolute discretion, and make equitable adjustments for any mistakes and errors made in the administration of the Plan.

The foregoing list of express duties is not intended to be either complete or conclusive, and the Plan Administrator will, in addition, exercise such other powers and perform such other duties as it may deem necessary, desirable, advisable or proper for the supervision and administration of the Plan.

8.5 ***Indemnification of PAC and Plan Administrator.*** To the extent not covered by insurance, or if there is a failure to provide full insurance coverage for any reason, and to the extent permissible under corporate by-laws and other applicable laws and regulations, the Company agrees to hold harmless and indemnify the PAC and Plan Administrator against any and all claims and causes of action by or on behalf of any and all parties whomsoever, and all losses therefrom, including, without limitation, costs of defense and reasonable attorneys' fees, based upon or arising out of any act or omission relating to or in connection with the Plan other than losses resulting from the PAC's, or any such person's, fraud or willful misconduct.

8.6 ***Claims for Benefits.***

(a) **Initial Claim.** In the event that an Employee, Eligible Employee, Participant or his/her Beneficiary claims to be eligible for benefits, or claims any rights under this Plan, he/she must complete and submit such claim forms and supporting documentation as shall be required by the Plan Administrator, in its sole and absolute discretion. Likewise, any Participant or Beneficiary who feels unfairly treated as a result of the administration of the Plan, must file a written claim, setting forth the basis of the claim, with the Plan Administrator. In connection with the determination of a claim, or in connection with review of a denied claim, the claimant may examine this Plan, and any other pertinent documents generally available to Participants that are specifically related to the claim.

A written notice of the disposition of any such claim shall be furnished to the claimant within 90 days after the claim is filed with the Plan Administrator. Such notice shall refer, if appropriate, to pertinent provisions of this Plan, shall set forth in writing the reasons for denial of the claim if a claim is denied (including references to any pertinent provisions of this Plan) and, where appropriate, shall explain how the claimant may perfect the claim. If the claim is denied, in whole or in part, the claimant shall also be notified in writing that a review procedure is available. All benefits provided in this Plan as a result of the disposition of a claim will be paid as soon as

practicable following receipt of proof of entitlement, if requested.

(b) **Request for Review.** Within 90 days after receiving the written notice of the Plan Administrator's disposition of the claim, the claimant may file with the PAC a written request for review of his/her claim. In connection with the request for review, the claimant shall be entitled to be represented by counsel. If the claimant does not file a written request for review within 90 days after receiving written notice of the Plan Administrator's disposition of the claim, the claimant shall be deemed to have accepted the Plan Administrator's written disposition, unless the claimant shall have been physically or mentally incapacitated so as to be unable to request review within the 90 day period.

(c) **Decision on Review.** A decision on review of the claim shall be made by the PAC at its next meeting following receipt of the written request for review. If no meeting of the PAC is scheduled within 45 days of receipt of the written request for review, then the PAC shall hold a special meeting to review such written request for review within such 45-day period. If special circumstances require an extension of the 45-day period, the PAC shall so notify the claimant and a decision shall be rendered within 90 days of the receipt of the request for review. In any event, if a claim is not determined by the PAC within 90 days of receipt of written submission for review, it shall be deemed to be denied.

The PAC shall have the right to request of, and receive from, a claimant such additional information, documents or other evidence as the PAC may reasonably require. The decision of the PAC shall be in writing and shall reference the provisions of the Plan on which the decision is based. To the extent permitted by law, a decision on review by the PAC shall be binding and conclusive upon all persons whomsoever.

8.7 ***Arbitration.*** In the event the claims review procedure described in Section 8.6 of the Plan does not result in an outcome thought by the claimant to be in accordance with the Plan document, he/she may appeal to a third party neutral arbitrator. The claimant must appeal to an arbitrator within 60 days after receiving the PAC's denial or deemed denial of his/her request for review and before bringing suit in court.

The arbitrator shall be mutually selected by the Participant and the PAC from a list of arbitrators provided by the American Arbitration Association ("AAA"). If the parties are unable to agree on the selection of an arbitrator within 10 days of receiving the list from the AAA, the AAA shall appoint an arbitrator. The arbitrator's review shall be limited to interpretation of the Plan document in the context of the particular facts involved. The claimant, the PAC and the Company agree to accept the award of the arbitrator as binding, and all exercises of power by the arbitrator hereunder shall be final, conclusive and binding on all interested parties, unless found by a court of competent jurisdiction, in a final judgment that is no longer subject to review or appeal, to be arbitrary and capricious. The costs of arbitration shall be shared by the Company and the claimant; the costs of legal representation for the claimant or witness costs for the claimant shall be borne by the claimant.

The arbitrator shall have no power to add to, subtract from, or modify any of the terms of the Plan, or to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements of eligibility for a benefit under the Plan. Nonetheless, the arbitrator shall have absolute discretion in the exercise of its powers in this Plan. Arbitration decisions will not establish binding precedent with respect to the administration or operation of the Plan.

8.8 ***Receipt and Release of Necessary Information.*** In implementing the terms of this Plan, the PAC and Plan Administrator, as applicable, may, without the consent of or notice to any person, release to or obtain from any other insuring entity or other organization or person any information, with respect to any person, which the PAC or Plan Administrator deems to be necessary for such purposes. Any Participant or Beneficiary claiming benefits under this Plan shall furnish to the PAC or Plan Administrator, as applicable, such information as may be necessary to determine eligibility for and amount of benefit, as a condition of claiming and receiving such benefit.

8.9 ***Overpayment and Underpayment of Benefits.*** The Plan Administrator may adopt, in its sole and absolute discretion, whatever rules, procedures and accounting practices are appropriate in providing for the collection of any overpayment of benefits. If a Participant or Beneficiary receives an underpayment of benefits, the Plan Administrator shall direct that payment be made as soon as practicable to make up for the underpayment. If an overpayment is made to a Participant or Beneficiary, for whatever reason, the Plan Administrator may, in its sole and absolute discretion, withhold payment of any further benefits under the Plan until the overpayment has been collected or may require repayment of benefits paid under this Plan without regard to further benefits to which the Participant or Beneficiary may be entitled.

ARTICLE IX
OTHER BENEFIT PLANS OF THE COMPANY

9.1 ***Other Plans.*** Nothing contained in this Plan shall prevent a Participant prior to his/her death, or a Participant's spouse or other Beneficiary after such Participant's death, from receiving, in addition to any payments provided for under this Plan, any payments provided for under any other plan or benefit program of the Company or an Affiliate, or which would otherwise be payable or distributable

to him/her, his/her surviving spouse or Beneficiary under any plan or policy of the Company or otherwise. Nothing in this Plan shall be construed as preventing the Company or any of its Affiliates from establishing any other or different plans providing for current or deferred compensation for employees and/or Directors. Unless otherwise specifically provided in any plan of the Company intended to "qualify" under Section 401 of the Code, Compensation Deferrals made under this Plan shall constitute earnings or compensation for purposes of determining contributions or benefits under such qualified plan.

ARTICLE X
AMENDMENT AND TERMINATION OF THE PLAN

10.1 ***Amendment.*** The Compensation Committee may amend this Plan by duly authorized written amendment; provided that no amendment or modification shall deprive a Participant, or person claiming benefits under this Plan through a Participant, of any benefit accrued under this Plan up to the date of amendment or modification, except as may be required by applicable law.

10.2 ***Termination.*** The Compensation Committee may terminate or suspend this Plan in whole or in Part at any time, provided that no such termination or suspension shall deprive a Participant, or person claiming benefits under this Plan through a Participant, of any benefit accrued under this Plan up to the date of suspension or termination, except as required by applicable law. Upon the complete termination of the Plan, the Compensation Committee, in its sole and absolute discretion, may direct the Plan Administrator to distribute each Participant's account to him/her or his/her Beneficiary, as applicable, in a lump sum and regardless of whether benefit payments have previously commenced to be made to such Participant.

10.3. ***Continuation.*** The Company intends to continue this Plan indefinitely, but nevertheless assumes no contractual obligation beyond the promise to pay the benefits described in this Plan.

ARTICLE XI
MISCELLANEOUS

11.1 ***No Reduction of Employer Rights.*** Nothing contained in this Plan shall be construed as a contract of employment between the Company or an Affiliate and an Employee, or as a right of any Employee to continue in the employment of the Company or an Affiliate, or as a limitation of the right of the Company or an Affiliate to discharge any of its Employees, with or without cause or as a right of any Director to be renominated to serve as a Director.

11.2 ***Provisions Binding.*** All of the provisions of this Plan shall be binding upon all persons who shall be entitled to any benefit hereunder, their heirs and personal representatives.

QuickLinks

SECOND AMENDED AND RESTATED

TENET EXECUTIVE

DEFERRED COMPENSATION PLANS TRUST

Effective December 21, 2000

SECOND AMENDED AND RESTATED
TENET EXECUTIVE
DEFERRED COMPENSATION PLANS TRUST

This Trust Agreement (the "Agreement") is made and entered into as of this 21 st day of December, 2000, by and between Tenet Healthcare Corporation, a Nevada corporation (the "Company") and Wachovia Bank, N.A. (the "Trustee") with reference to the following facts:

A. The Company previously established an executive deferred compensation and excess benefit plan, known as the Tenet Executive Deferred Compensation and Supplemental Savings Plan (the "Supplemental Plan"), effective November 10, 1995, to provide benefits to both the employees and directors of the Company and its subsidiaries.

B. The Company has now established an executive deferred compensation and excess benefit plan, known as the Tenet 2001 Deferred Compensation Plan (the "Plan"), effective October 11, 2000, to provide benefits to certain employees and directors of the Company. The Plan and the Supplemental Plan, as they may be amended, restated or replaced from time to time, are referred to herein collectively as the "Plans".

C. In connection with the adoption of the Plan, the Company intends to transfer to the Plan the account balances of certain participants in the Supplemental Plan.

D. The Company and its "Affiliates" (as defined under sections 414(b),(c) and (m) of the Internal Revenue Code of 1986, as amended (the "Code")) have incurred and expect to continue to incur liability under the terms of the Plans with respect to the individuals participating in such plans.

E. It is the intention of the parties that this Trust shall continue to constitute an unfunded arrangement and shall not affect the status of the Plans as unfunded plans maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees and directors for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

F. It is the intention of the Company to make contributions to the Trust to provide a source of funds to assist it in meeting its liabilities under the Plans.

NOW, THEREFORE, the parties do hereby amend and restate the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

ARTICLE 1
FUNDING OF TRUST

1.1 The Trust shall initially be funded by the assets described in *Schedule 1*, attached hereto and incorporated herein by reference, as the principal of the Trust to be held, administered and disposed of by Trustee as provided in this Agreement.

1.2 The Company shall contribute to the Trust such additional amounts as the Company shall reasonably decide are necessary to provide for all benefits payable under the Plans.

1.3 The Trust is intended to continue to be a grantor trust, of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, and shall be construed accordingly.

1.4 The principal of the Trust, and any earnings thereon, shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes of participants in the Plans and general creditors as herein set forth. Participants and their beneficiaries under the Plans shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any

---

rights created under the Plans and this Agreement shall be mere unsecured contractual rights of Plan participants and their beneficiaries against the Company. Any assets held by the Trust will be subject to the claims of the Company's general creditors under federal and state law in the event of Insolvency, as defined in Section 3.1 herein.

1.5 Upon a Change of Control, as defined in Section 13.4 herein, and on the last day of every calendar quarter commencing with the first calendar quarter beginning after the month in which a Change of Control occurs (a "Quarter"), the Company shall, as soon as possible, but in no event longer than thirty (30) days following the Change of Control and no longer than ten (10) days after the end of each Quarter, make an irrevocable contribution to the Trust in an amount that is sufficient, together with all assets held by the Trust as of such date, to pay to each participant or beneficiary, on a pre-tax basis, the benefits to which such participants or their beneficiaries would be entitled pursuant to the terms of the Plans as of the later of the date on which the Change of Control occurred or the last day of each Quarter. The Company shall notify the Trustee immediately following verification that a Change of Control has occurred.

ARTICLE 2
PAYMENTS TO PLAN PARTICIPANTS AND THEIR BENEFICIARIES

2.1 Upon the occurrence of a Change of Control, the Company shall deliver to the Trustee a schedule (the "Payment Schedule") that indicates the amounts payable with respect to each participant (and his or her beneficiaries) under the Plans, and provides a formula or other instructions acceptable to the Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the Plans), the time of commencement for payment of such amounts and the period of time over which such amounts are to be paid and the monthly amount of such payments if such amounts are to be paid over time. Except as otherwise provided herein, the Trustee shall make payments to participants and their beneficiaries in accordance with such Payment Schedule. The Trustee shall not be responsible for determining the accuracy of the amounts to be paid according to the Payment Schedule. The Trustee shall make provision for the reporting and withholding of any federal, state or local taxes pursuant to the terms of the Plans and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by the Company.

2.2 The entitlement of a participant or his or her beneficiaries to benefits under the Plans shall be determined by the Company or such party as it shall designate under the Plans, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Plans.

2.3 The Company may make payment of benefits directly to participants or their beneficiaries as they become due under the terms of the Plans. The Company shall notify the Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to participants or their beneficiaries. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Plans, the Company shall make the balance of each such payment as it falls due. The Trustee shall notify the Company in the event that principal and earnings of the Trust are not sufficient to make payments of benefits in accordance with the terms of the Plans.

ARTICLE 3
TRUSTEE RESPONSIBILITY REGARDING PAYMENTS TO TRUST BENEFICIARY WHEN COMPANY IS INSOLVENT

3.1 The Trustee shall cease payment of benefits to participants and their beneficiaries under the Plans if the Company is "Insolvent". The Company shall be considered "Insolvent" for purposes of this

Trust Agreement if (a) the Company is unable to pay its debts as they become due, or (b) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

3.2 At all times during the continuation of this Trust, as provided in Section 1.4 hereof, the principal and income of the Trust shall be subject to claims of general creditors of the Company under federal and state law as set forth below.

(a) The Board of Directors and the Chief Executive Officer of the Company shall have the duty to inform the Trustee in writing if the Company is Insolvent. If a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall determine whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payment of benefits, from the Trust, to participants or their beneficiaries under the Plans.

(b) Unless the Trustee has actual knowledge of the Company's Insolvency, or has received notice from the Board of Directors or Chief Executive Officer of the Company or a person claiming to be a creditor alleging that the Company is Insolvent, the Trustee shall have no duty to inquire whether the Company is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's Insolvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning the Company's Insolvency.

(c) If at any time the Trustee has determined that the Company is Insolvent, the Trustee shall discontinue payments from the Trust to participants or their beneficiaries under the Plans and shall hold the assets of the Trust for the benefit of the Company's general creditors. Nothing in this Agreement shall in any way diminish any rights of Plan participants or their beneficiaries to pursue their rights as general creditors of the Company with respect to benefits due under the Plans or otherwise.

(d) The Trustee shall resume the payment of benefits to participants or their beneficiaries under the Plans in accordance with Article 2 of this Agreement only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent).

3.3 Provided that there are sufficient assets, if the Trustee discontinues the payment of benefits from the Trust pursuant to Section 3.2

hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to participants or their beneficiaries under the terms of the Plans for the period of such discontinuance, less the aggregate amount of any payments made to the such participants or their beneficiaries by the Company in lieu of the payments provided for hereunder during any such period of discontinuance.

ARTICLE 4
PAYMENTS TO COMPANY

4.1 Except as provided in Article 3 hereof, upon the occurrence of a Change of Control, the Company shall have no right or power to direct the Trustee to return to the Company or to divert to others any of the Trust assets before all payment of benefits have been made to participants and their beneficiaries pursuant to the terms of the Plans.

ARTICLE 5
INVESTMENT AUTHORITY

5.1 The Trustee shall invest contributions made by the Company to the Trust and any income thereon in accordance with the directions of the Company. The Trustee may invest in securities (including stock or rights to acquire stock) or obligations issued by the Company. All rights associated with assets of the Trust shall be exercised by the Trustee, or the person designated by the Trustee, and shall in no event be exercisable by or rest with participants in the Plans. The Company shall have the

right at any time, and from time to time in its sole discretion, to substitute assets of equal fair market value for any assets held by the Trust. This right is exercisable by the Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity. If the assets of the Trust include Company stock, the Trustee shall hold the stock until such time as the stock must be liquidated to pay participants or their beneficiaries benefits under the Plans or until such time as the Trustee determines it to be clearly imprudent to retain the stock to preserve the principal balance required to maintain adequate funding for future payments due to participants or their beneficiaries under the Plans.

5.2 No investment shall be made in real property, mineral interests, or leaseholds.

5.3 Prior to a Change of Control, as defined in Section 13.4 herein, the voting and other rights in securities or other assets held in the Trust shall be exercised by the Trustee as directed by the Company.

5.4 The Trustee shall hold (and have the duty of safekeeping) any policy of insurance contributed to the Trust or purchased by the Trust at the direction of the Company. Any such insurance policy may be on the life of a participant.

(a) Upon the direction of the Company, the Trustee shall use, to the extent available, contributions made by the Company or apply any assets of the Trust to the purchase of a policy of life insurance on the life of a participant. In connection with the purchase of any policy of insurance, the Trustee may also engage in the following activities: the payment of premiums, reinvestment of policy proceeds back into remaining policies, application of any cash value to the purchase of paid-up insurance or of extending insurance, borrowing upon any policy for the payment of premiums due on any policy, accepting the cash value of any policy upon cancellation or forfeiture thereof and applying such value to the payment of premiums due on any policy, and applying cash contributions received by the Trustee and as directed by the Company. In the absence of written direction of the Company, the Trustee shall not be under any obligation to pay any premiums that may become due or payable under the provisions of any insurance policy held in the Trust.

(b) In addition to the powers and duties set forth above, the Trustee, as owner of any insurance policy or policies held in the Trust shall enjoy for the purposes of this Trust all options, benefits, privileges and rights under such policy or policies and, prior to a Change of Control, shall exercise such in accordance with the direction of the Company.

(c) Upon the death of a participant upon whose life an insurance policy was purchased, the Trustee shall receive any or all of the proceeds and benefits of any insurance on the life of the participant as are actually paid to the Trust. The Trustee shall take any and all steps reasonably necessary for the collection of such proceeds, including the institution of proceedings at law or in equity to enforce payment thereof, which steps shall be taken at the direction of the Company prior to the occurrence of a Change of Control.

5.5 Prior to a Change of Control, the Company shall have the right to contribute to the Trust shares of the Company's common stock, par value $.075 per share ("Company Stock"). To the extent Company Stock is contributed to the Trust, it shall be held by the Trustee pursuant to this Section 5.5.

5.6 (a) Purchases and sales of Company Stock shall be made on the date on which the Trustee receives from the Company in good order all information and documentation necessary to accurately effect such purchases and sales (or, in the case of purchases, the subsequent date on which the Trustee

has received a wire transfer of the funds necessary to make such purchases). Purchases and sales of Company Stock shall be made on the

open market as necessary unless the following applies:

(i) The Trustee is unable to determine the number of shares required to be purchased or sold on such day; or

(ii) The Trustee is unable to purchase or sell the total number of shares required to be purchased or sold on such day as a result of market conditions; or

(iii) The Trustee is prohibited by the Securities and Exchange Commission, the New York Stock Exchange or any other regulatory body from purchasing or selling any or all of the shares required to be purchased or sold on such days.

In the event of the occurrence of the circumstances described in (i), (ii) or (iii) above, the Trustee shall purchase or sell such shares as soon as possible thereafter and shall determine the price of such purchases or sales to be the average purchase or sales price of all such shares purchased or sold, respectively. The Trustee may follow written directions from the Company to deviate from the above purchase and sale procedures.

(b) The Company hereby directs the Trustee to use Wachovia Securities, Inc. (WSI) to provide brokerage services in connection with any purchase or sale of Company Stock subject to the requirement that the Trustee take all reasonable steps to assure that the Trust receives best execution on any transaction. The provision of brokerage services shall be subject to the following:

(i) To the extent such services are utilized, as consideration for such brokerage services, the Company agrees that WSI shall be entitled to remuneration under this authorization provision in accordance with a fee schedule agreed to in writing by the Company and WSI;

(ii) Any successor organization of WSI, through reorganization, consolidation, merger or similar transactions, shall, upon consummation of such transaction, become the successor broker in accordance with the terms of this authorization provision;

(iii) The Trustee and WSI shall continue to rely on this authorization provision until notified to the contrary. The Company reserves the right to terminate this authorization upon sixty (60) days written notice to WSI (or its successor) and the Trustee.

5.7 The Company shall be responsible for filing all reports required under Federal or state securities laws with respect to the Trust's ownership of Company Stock, including, without limitation, any reports required under Section 13 or 16 of the Securities Exchange Act of 1934, as amended, and shall immediately notify the Trustee in writing of any requirement to stop purchases or sales of Company Stock pending the filing of any report. The Company shall be responsible for the registration of any Plan interests required under Federal or state securities laws. The Trustee shall provide to the Company such information on the Trust's ownership of Company Stock as the Company may reasonably request in order to comply with Federal or state securities laws.

ARTICLE 6
DISPOSITION OF INCOME

6.1 During the term of this Trust, all income received by the Trust, net of expenses, shall be accumulated and reinvested at the direction of the Company until the occurrence of a Change of Control.

ARTICLE 7
ACCOUNTING BY TRUSTEE

7.1 The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between the Company and the Trustee. Within sixty (60) days following the close of each calendar year and within sixty (60) days after the resignation of the Trustee, the Trustee shall deliver to the Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be.

ARTICLE 8
RESPONSIBILITY OF TRUSTEE

8.1 The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by the Company which is contemplated by, and in conformity with, the terms of the Plans or this Agreement and is given in writing by the Company. In the event of a dispute between the Company and a party, the Trustee may apply to a court of competent jurisdiction to resolve the dispute.

8.2 If the Trustee undertakes or defends any litigation arising in connection with this Trust, the Company agrees to indemnify the Trustee against the Trustee's reasonable costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. The Company shall not indemnity Trustee for any litigation arising in connection with the Trustee's gross negligence or misconduct. If the Company does not pay such costs, expenses and liabilities in a reasonably timely manner, the Trustee may obtain payment from the Trust.

8.3 (a) The Trustee may consult with legal counsel (who may be in-house or outside counsel for the Company) with respect to any of its duties or obligations hereunder.

(b) Upon receipt by the Trust or Trustee, as the case may be, of notice or commencement (by way of service with a summons or other legal process giving information as to the nature and basis of the claim) of a claim, action or proceeding (a "Legal Proceeding") involving or against the Trustee or the Trust, as the case may be, arising in connection with the Trust, the Trustee shall promptly notify the Company with respect thereto. The Company will, if requested by the Trustee and/or in the Company's sole and absolute discretion, assume the defense of any such Legal Proceeding and will employ counsel reasonably satisfactory to the Trustee and pay the fees and expenses of such counsel, in which event, except as provided below, the Company shall not be liable for the fees and expenses of any other counsel retained by the Trustee in connection with such Legal Proceeding. The Company shall notify the Trustee, within ten (10) calendar days of the Company's receipt of notice from the Trustee of any such Legal Proceeding, of the Company's intent to assume the defense of any such Legal Proceeding and employ counsel. If the Company fails to provide such notice to the Trustee, the Trustee will be entitled to assume the defense of any such Legal Proceeding and employ counsel in accordance with Section 8.2 above.

(c) If the Company has exercised its discretion to assume the defense of any Legal Proceeding and to employ counsel, the Trustee shall have the right to participate in any such Legal Proceeding and to retain its own counsel, but, notwithstanding any provision of this Agreement to

the contrary, the fees and expenses of such counsel shall be at the expense of the Trust and/or Trustee, as the case may be, unless (i) the Company and the Trustee mutually shall have agreed in writing to the retention of such counsel, or (ii) the named parties to any such Legal Proceeding (including any impleaded parties) include both the Company and the Trust and/or Trustee, as the case may be, and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between the Company and the Trust and/or Trustee, as the case may be; provided, however, that in no event shall the Company be liable for the reasonable fees and expenses of more than one firm of attorneys (in addition to any local counsel) in connection with any one Legal Proceeding or separate but substantially similar or substantially related Legal Proceedings in the same jurisdiction arising out of the same facts and circumstances.

(c) The Company shall not be liable for any settlement of any Legal Proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company shall be obligated for any loss or liability by reason of such settlement or judgment. The Company will not settle any claim, action or proceeding (i) in which the Trust and/or Trustee, as the case may be, is a named party, or (ii) pursuant to which settlement any responsibility, culpability or liability is imposed on, or ascribed to, the Trust and/or Trustee, as the case may be, without the written consent of the Trust and/or Trustee, as the case may be, which consent shall not be unreasonably withheld.

(d) Notwithstanding the provisions of Section 8.3(b) above to the contrary, upon the occurrence of a Change of Control, as defined in Section 13.4, the Trustee shall have sole and absolute discretion to assume the defense of any such Legal Proceeding and employ counsel in accordance with Section 8.2 above.

8.4 The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder.

8.5 The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law, unless expressly provided otherwise herein, provided, however, that if an insurance policy is held as an asset of the Trust, the Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

8.6 Notwithstanding any powers granted to the Trustee pursuant to this Agreement or to applicable law, the Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of Section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Code.

8.7 Notwithstanding any provision in this Agreement to the contrary, in the event of a Change of Control, as defined in Section 13.4, the Trustee is hereby directed to sell any and all shares of Company stock, or other stock that is received by the Trustee in exchange for such Company stock as a result of the Change of Control, which the Trustee holds as a Trust asset, as soon as practicable following such Change of Control. The Trustee shall invest any and all proceeds that it receives as a result of such sales that are not immediately needed in order to make distributions to participants and their beneficiaries under the Plans in United States government securities and/or securities of United States government agencies. Additionally, if the Trustee sells any Company stock prior to a Change of Control, the proceeds from any such sale that are not immediately needed in order to make distributions to participants and their beneficiaries under the Plans also shall be invested by the Trustee in United States government securities and/or securities of United States government agencies with an average portfolio maturity of two (2) years.

8.8 The Company hereby indemnifies the Trustee against losses, liabilities, claims, costs and expenses in connection with the administration of the Trust, unless resulting from the gross negligence

or misconduct of Trustee. To the extent the Company fails to make any payment on account of an indemnity provided in this paragraph in a reasonably timely manner, the Trustee may obtain payment from the Trust.

ARTICLE 9
COMPENSATION AND EXPENSES OF TRUSTEE

9.1 The Company shall pay all reasonable administrative and Trustee's fees and expenses. If not so paid, such reasonable fees and expenses shall be paid from the Trust.

9.2 In the event of a Change of Control or any other matter, which in the Trustee's reasonable discretion requires the Trustee to perform services in addition to the Trustee's custodial and investment responsibilities under this Agreement, including, without limitation, the Trustee's responsibilities under Section 8.7, which shall not be considered additional responsibilities upon a Change of Control, the Trustee shall be entitled to a reasonable additional fee as provided in this Article 9. The Trustee shall be compensated at rates agreed to by the Company and the Trustee, not to exceed its normal hourly rates for all reasonable additional services and for the reasonable fees and expenses of its counsel or other experts required to be engaged by the Trustee. Such amounts shall be paid by the Company to the Trustee within sixty (60) days of billing, provided that if timely payment is not made by the Company, the Trustee may discharge any such obligation out of the Trust assets, regardless of whether the Trust is fully funded.

9.3 In the event of the termination of the Trust or the removal or resignation of the Trustee, the Trustee shall be entitled to withhold out of the Trust assets all amounts due to the Trustee pursuant to this Article 9. This Section 9.3 shall supersede any conflicting provision of this Agreement or the Plans.

ARTICLE 10
RESIGNATION AND REMOVAL OF TRUSTEE

10.1 The Trustee may resign at any time by written notice to the Company, which shall be effective one hundred and twenty (120) days after receipt of such notice unless the Company and Trustee agree otherwise.

10.2 Subject to Section 10.3, the Trustee may be removed by the Company on ninety (90) days notice or upon shorter notice accepted by the Trustee.

10.3 Upon a Change of Control, as defined herein, the Trustee may not be removed by the Company for three (3) years following the date of such Change of Control.

10.4 If the Trustee resigns within three (3) years following a Change of Control, as defined herein, the Trustee shall select a successor Trustee in accordance with the provisions of Section 11.2 hereof prior to the effective date of the Trustee's resignation or removal.

10.5 Upon resignation or removal of the Trustee and appointment of a successor Trustee, all Trust assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within sixty (60) days after receipt of notice of resignation, removal or transfer, unless the Company extends the time limit.

10.6 If the Trustee resigns or is removed, a successor shall be appointed, in accordance with Article 11 hereof, by the effective date of resignation or removal under Section 10.1 or 10.2. If no such appointment has been made, the Trustee or the Company may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All reasonable expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

ARTICLE 11
APPOINTMENT OF SUCCESSOR

11.1 If the Trustee resigns or is removed in accordance with Section 10.1 or 10.2 hereof, the Company may appoint any third party, such as a bank trust department or other party that may be granted corporate trustee powers under state law, as a successor to replace the Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer.

11.2 If the Trustee resigns or is removed pursuant to the provisions of Section 10.4 hereof and selects a successor Trustee, the Trustee may appoint any third party such as a bank trust department or other party that may be granted corporate trustee powers under state law. The appointment of a successor Trustee shall be effective when accepted in writing by the new Trustee. The new Trustee shall have all the rights

and powers of the former Trustee, including ownership rights in Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the successor Trustee to evidence the transfer.

11.3 The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Articles 7 and 8 hereof. The successor Trustee shall not be responsible for, and the Company shall indemnify and defend the successor Trustee from, any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

ARTICLE 12
AMENDMENT OR TERMINATION

12.1 This Agreement may be amended by a written instrument executed by the Trustee and the Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plans or shall make the Trust revocable.

12.2 The Trust shall not terminate until the date on which participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Plans. Upon termination of the Trust any assets remaining in the Trust shall be returned to the Company.

12.3 Upon written approval of all participants or beneficiaries entitled to payment of benefits pursuant to the terms of the Plans, the Company may terminate this Trust prior to the time all benefit payments under the Plans have been made. The Company shall provide verification to the Trustee that all such participants or beneficiaries entitled to benefits under the Plans have in fact approved the termination of the Trust. All assets in the Trust at termination shall be returned to the Company.

12.4 Section 1.5, Article 4, Article 5, Section 8.7, Section 10.3, Section 10.4, Section 12.4 and Section 13.4 of this Agreement may not be amended by Company for three (3) years following a Change in Control, as defined herein.

ARTICLE 13
MISCELLANEOUS

13.1 Any provision of this Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

13.2 Benefits payable to participants and their beneficiaries under the Plans pursuant to this Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged,

encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

13.3 This Trust Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, except to the extent preempted by ERISA or the Code.

13.4 For purposes of this Trust, a "Change of Control" of the Company shall be deemed to have occurred if either (i) any person, as such term is used in Section 13(c) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities, or (ii) individuals who, as of August 1, 2000, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that (a) any individual who becomes a director of the Company subsequent to August 1, 2000, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of directors then comprising the Incumbent Board shall be deemed to have been a member of the Incumbent Board, and (b) no individual who is elected initially (after August 1, 2000) as a director as a result of an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act or any other actual or threatened solicitations of proxies or consent by or on behalf of any person other than the Incumbent Board shall be deemed to have been a member of the Incumbent Board.

13.5 If a participant or his or her beneficiary is required to institute a legal proceeding in order to enforce his or her rights under this Agreement and the Plans and such participant or beneficiary prevails in such legal proceeding, then the Company shall reimburse such participant or beneficiary for the reasonable legal fees and expenses incurred in bringing and prosecuting such legal proceeding.

ARTICLE 14
EFFECTIVE DATE

14.1 The effective date of this Agreement shall be the date first written above.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

"COMPANY"

TENET HEALTHCARE COMPANY

By: /s/ ALAN R. EWALT

Its: EVP—Human Resources

"TRUSTEE"

WACHOVIA BANK, N.A.

By: /s/ GREGORY FORBES

Its: Gregory Forbes, V.P. of Wachovia Bank, N.A.

Schedule 1

Second Amended and Restated Tenet Executive Deferred Compensation Plans Trust

Schedule of Assets

1. Seven Hundred Fifty Thousand (750,000) shares of the $0.075 par value per share common stock of Tenet Healthcare Corporation.

2. Fifty Million ($50 million) U.S. dollars to be used for the purchase of corporate-owned life insurance.

QuickLinks

TENET HEALTHCARE CORPORATION
SECOND AMENDED AND RESTATED
1994 DIRECTORS STOCK OPTION PLAN

1. Purpose of Plan.

The purpose of the Second Amended and Restated 1994 Directors Stock Option Plan of Tenet Healthcare Corporation is to promote the interests of the Company and its shareholders by strengthening the Company's ability to attract, motivate and retain Directors of training, experience and ability, and to encourage the highest level of Directors' performance by providing Directors with a proprietary interest in the Company's financial success and growth.

2. Definitions.

(a) "Board" means the Board of Directors of the Company.

(b) "Committee" means the Compensation and Stock Option Committee of the Board as shall be appointed by the Board from time to time.

(c) "Common Stock" means the $.075 par value Common Stock of the Company.

(d) "Company" means Tenet Healthcare Corporation, a Nevada corporation, formerly known as National Medical Enterprises, Inc.

(e) "Director" means a member of the Board who is not an Employee.

(f) "Employee" means any full-time employee of the Company, or of any of its subsidiaries.

(g) "Fair Market Value" means the closing price of a share of Common Stock on the New York Stock Exchange on the date as of which fair market value is to be determined or the actual sale price of the shares acquired upon exercise if the shares are sold in a same day sale, or if no sales were made on such date, the closing price of such shares on the New York Stock Exchange on the next preceding date on which there were such sales.

(h) "Grant Date" means the date on which an Option is granted to a Director.

(i) "Initial election" means election to the Board by the Board or by the shareholders of the Company, whichever first occurs.

(j) "Option" means a non-qualified stock option.

(k) "Plan" means the Company's Second Amended and Restated 1994 Directors Stock Option Plan, as amended from time to time.

3. Shares of Common Stock Subject to this Plan.

Subject to the provisions of Section 7, the aggregate number of shares of Common Stock that may be issued or transferred pursuant to exercise of Options under this Plan is 1,200,000 shares of Common Stock. Such shares may be either authorized but unissued shares of Common Stock or treasury shares.

4. Administration of this Plan.

(a) This Plan shall be administered by the Committee, which shall have the power to interpret this Plan and, subject to its provisions, to prescribe, amend and rescind rules and to make all other determinations necessary for this Plan's administration.

(b)

All action taken by the Committee in the administration and interpretation of this Plan shall be final and binding upon all parties. No member of the Committee will be liable for any action or determination made in good faith by the Committee with respect to this Plan or any Option.

5. Eligibility.

(a)

Only Directors shall be eligible to participate in this Plan. Each Director who is serving in such capacity on the Grant Date automatically shall be granted, on the last Thursday of October of each year, an Option to acquire the greater of (x) 10,000 shares of Common Stock and (y) the number of shares of Common Stock determined by dividing (i) the product of four times the then-existing annual retainer fee, by (ii) the Fair Market Value on the Grant Date.

(b)

Upon Initial Election to the Board, each Director automatically shall be granted, on the last Thursday of the month of such Director's election to the Board, an Option to acquire two times the greater of (x) 10,000 shares of Common Stock and (y) the number of shares of Common Stock determined by dividing (i) the product of four times the then-existing annual retainer fee, by (ii) the Fair Market Value on the Grant Date.

(c)

Each Option will be evidenced by a written instrument including terms and conditions consistent with this Plan, as the Committee may determine.

6. Terms and Conditions of Stock Options.

(a)

The purchase price of Common Stock under each Option will be the Fair Market Value on the Grant Date. Notwithstanding any other provision to the contrary contained in this Plan, including without limitation, Sections 6(c)(i), (ii) and (iii), each Option will expire not later than ten years from the Grant Date.

(b)

The Committee shall have the discretion to set the vesting terms for all Options granted under this Plan, including the discretion to grant Options that vest immediately upon grant. Upon vesting, an Option may be exercised with respect to all shares of Common Stock covered thereby during its term provided hereunder.

(c)

Subject to the provisions of Section 6(a), each Option will expire at the time the Director ceases to be a Director, except as follows:

(i)

If the service of the Director is terminated by the Company other than for cause, for which the Company will be the sole judge, or if the Director is nominated but is not reelected by the shareholders of the Company, then the Option will expire one year after the date of termination;

(ii)

If the Director retires at or after age 65, or retires with the consent of the Committee, the Option will expire five years after the date of retirement.

(iii)

If the Director dies or becomes permanently and totally disabled while serving in such capacity, the Option will expire five years after the date of death or permanent and total disability. If the Director dies or becomes permanently and totally disabled within the one-year period referred to in subparagraph (i) above, the Option will expire one year after the date of death or permanent and total disability. If the Director dies or becomes permanently and totally disabled within the five-year period referred to in subparagraph (ii) above, the Option will expire upon the later of five years after retirement or one year after the date of death or permanent and totally disability.

(d)

Upon the exercise of an Option, the exercise price will be payable in full (i) in cash; or, (ii) with the consent of the Committee in its sole discretion, (A) by the assignment and delivery to the Company of shares of Common Stock, owned by the holder of the Option for at least six months, with a Fair Market Value on the relevant exercise date equal to the exercise price, (B) by execution and delivery of a promissory note, secured by such number of shares of Common Stock determined by the Committee, bearing interest at a rate determined

by the Committee, or (C) by a combination of any of the above. No payment by an assignment of shares or by a promissory note or by any combination thereof will be allowed unless such payments are allowed under applicable requirements of federal and state tax, securities and other laws, rules and regulations and any regulatory authority having jurisdiction.

7. Adjustment Provisions.

(a)

Subject to Section 7(b), if the outstanding shares of Common Stock of the Company are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Common Stock or other securities, through merger, consolidation, spin-off, sale of all or substantially all the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Common Stock, or other securities, an appropriate and proportionate adjustment may be made in (i) the maximum number and kind of shares provided in Section 3 and Section 5 and (ii) the number and kind of shares or other securities subject to, and the purchase price in, then-outstanding Options.

(b)

Notwithstanding the provisions of Section 7(a), upon dissolution, or liquidation of the Company or upon a reorganization, merger or consolidation of the Company with one or more corporations as a result of which the Company is not the surviving corporation, or upon the sale of all or substantially all the assets of the Company, all Options then outstanding under this Plan will be fully vested and the restrictions upon exercise in Section 6(b) will immediately cease, unless provisions are made in connection with such transaction for the continuance of this Plan or the assumption or the substitution for such Options of new options covering the stock of a successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices.

(c)

Adjustments under Section 7(a) and 7(b) will be made by the Committee, whose determination as to what adjustments will be made and the extent thereof will be final, binding, and conclusive. No fractional interest will be issued under this Plan on account of any such adjustments.

(d)

Upon the occurrence of a "Change of Control" of the Company or in the event that any Person makes a filing with respect to the Company under Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended, all Options then outstanding under this Plan will be fully vested and the restrictions upon exercise in Section 6(b) will immediately cease. For purposes of this Section 7(d) the following definitions shall apply:

(i)

A "Change in Control" of the Company shall have occurred when a Person, alone or together with its Affiliates and Associates, becomes the beneficial owner of 20% or more of the general voting power of the Company.

(ii)

"Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities and Exchange Act of 1934, as amended (the "Exchange Act")

(iii)

"Person" shall mean an individual, firm, corporation or other entity or any successor to such entity, but "Person" shall not include the Company, any subsidiary of the Company, any employee benefit plan or employee stock plan of the Company, or any Person organized, appointed, established or holding Voting Stock by, for or pursuant to the terms of such a plan or any Person who acquires 20% or more of the general voting power of

---

the Company in a transaction or series of transactions approved prior to such transaction or series of transactions by the Board.

(iv)

"Voting Stock" shall mean shares of the Company's capital stock having general voting power, with "voting power" meaning the power under ordinary circumstances (and not merely upon the happening of a contingency) to vote in the election of directors.

8. General Provisions.

(a)

Nothing in this Plan or in any instrument executed pursuant to this Plan will confer upon any Director any right to continue as a Director or affect the right of the Company to terminate the services of any Director in accordance with the bylaws of the Company.

(b)

No shares of Common Stock will be issued or transferred pursuant to an Option unless and until all then-applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the Common Stock may be listed, have been fully met. As a condition precedent to the issuance of shares pursuant to the exercise of an Option, the Company may require the Director to take any reasonable action to meet such requirements.

(c)

No Director and no beneficiary or other person claiming under or through such Director will have any right, title or interest in or to any shares of Common Stock allocated or reserved under this Plan or subject to any Option except as to such shares of Common Stock, if any, that have been issued or transferred to such Director.

(d)

No Option and no right under this Plan, contingent or otherwise, will be assignable or subject to any encumbrance, pledge or charge of any nature except (i) with the written consent of the Committee, (ii) an assignment in favor of the Company, and (iii) under such rules and regulations as the Committee may establish pursuant to the terms of this Plan.

(e)

No Option and no right under this Plan, contingent or otherwise, will be transferable by a Director other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended (the "Code") or Title I of the Employee Retirement Income Security Act ("ERISA"), or the rules thereunder. The designation of a beneficiary by a Director does not constitute a transfer.

9. Amendment and Termination.

(a)

The Board will have the power, in its discretion, to amend, suspend or terminate this Plan at any time, subject to approval of the shareholders of the Company if and to the extent necessary for the continued applicability of Rule 16b-3 under the Exchange Act.

(b)

No amendment, suspension or termination of this Plan will, without the consent of the holder, alter, terminate, impair or adversely affect any right or obligation under any Option previously granted under this Plan.

(c)

Notwithstanding the provisions of Section 9(a), the Board may not amend the provisions of Section 5 or the definition of "Director" in Section 2 more than once every six months, other than to comport with changes in the Code, ERISA or the rules thereunder.

10. Effective Date of Plan and Duration of Plan.

This amended Plan is effective as of July 26, 2000. Unless this Plan is previously terminated, this Plan will terminate on July 26, 2010 except with respect to Options then outstanding.

QuickLinks

TENET HEALTHCARE CORPORATION SECOND AMENDED AND RESTATED 1994 DIRECTORS STOCK OPTION PLAN

EXHIBIT B

NATIONAL MEDICAL ENTERPRISES, INC.

1991 STOCK INCENTIVE PLAN

Dated September 25, 1991

1. Purpose of the Plan.

The purpose of the 1991 Stock Incentive Plan of National Medical Enterprises, Inc. is to promote the interests of the Company and its shareholders by strengthening the Company's ability to attract, motivate and retain employees, advisors and consultants of training, experience and ability, and to provide a means to encourage stock ownership and a proprietary interest in the Company to officers and valued employees of the Company and consultants and advisors to the Company upon whose judgment, initiative, and efforts the financial success and growth of the business of the Company largely depend.

2. Definitions.

(a) "Appreciation Right" means a right to receive an amount, representing the difference between a price per share of Common Stock assigned on the date of grant and the Fair Market Value of a share of Common Stock on the date of exercise of such grant, payable in cash and/or Common Stock.

(b) "Board" means the Board of Directors of the Company.

(c) "Committee" means the Compensation and Stock Option Committee of the Board, unless the Board appoints another committee to administer the Plan.

(d) "Common Stock" means the $.075 par value Common Stock of the Company.

(e) "Company" means National Medical Enterprises, Inc., a Nevada corporation.

(f) "Eligible Person" means an Employee, advisor or consultant of the Company or any of its present or future subsidiary corporations eligible to receive an Incentive Award but shall not include a director who is not an Employee of the Company.

(g) "Employee" means any executive officer or any employee of the Company, or of any of its present or future subsidiary corporations.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time or any successor statute.

(i) "Fair Market Value" means the closing price of a share of Common Stock on the New York Stock Exchange on the date as of which fair market value is to be determined or the actual sale price of the shares acquired upon exercise if the shares are sold in a same day sale, or if no sales were made on such date, the closing price of such shares on the New York Stock Exchange on the next preceding date on which there were such sales.

(j) "Incentive Award" means an Option, Incentive Stock Award, Appreciation Right, Performance Unit, Restricted Unit, or cash bonus award granted under the Plan.

(k) "Incentive Stock Award" means a right to the grant or purchase, at a price determined by the Committee, of Common Stock of the Company which is nontransferable and subject to substantial risk of forfeiture until specific conditions are met. Such conditions will be determined by the Committee. An Incentive Stock Award includes a Performance Unit paid in Common Stock of the Company.

(l) "Incentive Stock Option" means an Option intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended and the Treasury Regulations thereunder.

(m) "Option" means an Incentive Stock Option or a nonqualified or nonstatutory stock option.

(n) "Performance Unit" means a grant made under Section 9 entitling a Participant to a payment of Common Stock or cash at the end of a performance period if certain conditions as may be established by the Committee are met.

(o) "Participant" means any Eligible Person selected to receive an Incentive Award pursuant to Section 5.

(p) "Plan" means the 1991 Stock Incentive Plan as set forth herein, which may be amended from time to time.

(q) "Restricted Unit" means a grant made under Section 10 entitling a Participant to a payment of cash at the end of a vesting period

established by the Committee equivalent in value to the Fair Market Value of a share of Common Stock with such limits as to maximum value, if any, as may be established by the Committee.

3. Shares of Common Stock Subject to the Plan.

(a) Subject to the provisions of Section 3(c) and Section 11 of the Plan, the aggregate number of shares of Common Stock that may be issued or transferred or exercised pursuant to Incentive Awards under the Plan is 18,000,000 shares of Common Stock.

(b) The shares of Common Stock to be delivered under the Plan will be made available, at the discretion of the Board or the Committee, either from authorized but unissued shares of Common Stock or from previously issued shares of Common Stock reacquired by the Company, including shares purchased on the open market.

(c) If any share of Common Stock that is the subject of an Incentive Award is not issued or transferred and ceases to be issuable or transferable for any reason, such share of Common Stock will no longer be charged against the limitations provided for in Section 3(a) and may again be made subject to Incentive Awards. However, shares as to which an Option has been surrendered in connection with the exercise of a related Appreciation Right will not again be available for the grant of any further Incentive Awards. Incentive Awards to the extent they are paid out in cash and not in Common Stock shall not be applied against the limitations provided for in Section 3(a).

4. Administration of the Plan.

(a) The Plan will be administered by the Committee, which will consist of two or more persons (i) who are not eligible to receive Incentive Awards under the Plan, and (ii) who have not been eligible at any time within one year before appointment to the Committee for selection as persons to whom Incentive Awards may be granted pursuant to the Plan, or to whom shares may be allocated or Options or Appreciation Rights may be granted pursuant to any other plan of the Company or any of its subsidiary corporations entitling the participants therein to acquire stock, appreciation rights, or options of the Company or any of its present or future subsidiary corporations, except that this requirement shall not prohibit any person from serving on the Committee solely by reason of the fact that such person is eligible or may have been granted such rights under the Company's Directors Stock Option Plan or the Director Restricted Share Plan.

(b) The Committee has and may exercise such powers and authority of the Board as may be necessary or appropriate for the Committee to carry out its functions as described in the Plan. The Committee has authority in its discretion to determine the Eligible Persons to whom, and the time or times at which, Incentive Awards may be granted and the number of shares, units, or Appreciation

Rights subject to each Incentive Award. The Committee also has authority to interpret the Plan, to make determinations as to whether a grantee is permanently and totally disabled, and to determine the terms and provisions of the respective Incentive Award agreements and to make all other determinations necessary or advisable for Plan administration. The Committee has authority to prescribe, amend, and rescind rules and regulations relating to the Plan. All interpretations, determinations, and actions by the Committee will be final, conclusive, and binding upon all parties.

(c) No member of the Board nor the Committee will be liable for any action or determination made in good faith by the Board or the Committee with respect to the Plan or any Incentive Award under it.

5. Eligibility.

(a) All Employees who have been determined by the Committee to be key Employees and all consultants and advisors to the Company, or to any subsidiary, present or future, that have been selected by the Committee are eligible to receive Incentive Awards under the Plan; however, only Employees who have been determined by the Committee to be key Employees shall be eligible to receive Incentive Stock Options under the Plan. The Committee has authority, in its sole discretion, to determine and designate from time to time those Eligible Persons who are to be granted Incentive Awards, and the type and amount of Incentive Award to be granted. Each Incentive Award will be evidenced by a written instrument and may include any other terms and conditions consistent with the Plan, as the Committee may determine.

(b) No person will be eligible for the grant of any Incentive Stock Option who owns or would own immediately after the grant of such Option, directly or indirectly, stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any subsidiary corporation. This does not apply if, at the time such Incentive Stock Option is granted, the Incentive Stock Option price is at least 110% of the Fair Market Value of the Common Stock on the date of the grant. In this event, the Incentive Stock Option by its terms is not exercisable after the expiration of five years from the date of grant.

6. Terms and Conditions of Stock Options.

(a) The purchase price of Common Stock under each Option shall be determined by the Committee and shall not be less than an amount allowed by applicable law; however, the purchase price under an Incentive Stock Option will be at least equal to the Fair Market Value of the Common Stock on the date of grant.

(b) Options may be exercised as determined by the Committee but in no event after 15 years from the date of grant; however, an Incentive Stock Option shall not be exercisable after the expiration of 10 years from the date of the grant.

(c) Upon the exercise of an Option, the purchase price will be payable in full in cash or, in the discretion of the Committee, by the

assignment and delivery to the Company of shares of Common Stock owned by the optionee (including Common Stock subject to Incentive Stock Awards under the Plan); or in the discretion of the Committee, by a promissory note secured by shares of Common Stock bearing interest at a rate determined by the Committee; or by a combination of any of the above. The purchase price may, in the discretion of the Committee, also be paid by delivering a properly executed exercise notice for such Option along with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to fully pay the purchase price and such other documents as the Committee may determine. Any shares assigned and delivered to the Company in payment or partial payment of the purchase price will be valued at the Fair Market Value on the exercise date.

(d) With respect to Incentive Stock Options granted under the Plan, the aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the number of shares with respect to which Incentive Stock Options are exercisable for the first time by an Employee during any calendar year shall not exceed one hundred thousand dollars ($100,000) or such other limit as may be required by the Internal Revenue Code of 1986, as amended.

(e) No fractional shares will be issued pursuant to the exercise of an Option nor will any cash payment be made in lieu of fractional shares.

(f) With respect to the exercise of an Option under the Plan, the Participant may, in the discretion of the Committee, receive a replacement Option under the Plan to purchase a number of shares of Common Stock equal to the number of shares of Common Stock, if any, which the Participant delivered on exercise of the Option, with a purchase price equal to the Fair Market Value on the exercise date and with a term extending to the expiration date of the original Option.

(g) At the time a Participant exercises an Option, the Committee may grant a cash bonus award in such amount as the Committee may determine. The Committee may make such a determination at the time of grant or exercise. The cash bonus award may be subject to any condition imposed by the Committee, including a reservation of the right to revoke a cash bonus award at any time before it is paid.

(h) All Incentive Stock Options shall be granted within 10 years from the date this Plan is adopted or is approved by the shareholders, whichever is earlier.

(i) Incentive Stock Options by their terms shall not be transferable by an Employee, other than by will or by laws of descent and distribution and shall be exercisable only by an Employee during his or her lifetime.

7. Terms and Conditions of Appreciation Rights.

(a) An Appreciation Right may be granted in connection with an Option, either at the time of grant or at any time thereafter during the term of the Option.

(b) An Appreciation Right granted in connection with an Option will entitle the holder, upon exercise, to surrender such Option or any portion thereof to the extent unexercised, with respect to the number of shares as to which such Appreciation Right is exercised, and to receive payment of an amount computed pursuant to Section 7(d). Such Option will, to the extent surrendered, then cease to be exercisable.

(c) Subject to Section 7(i), an Appreciation Right granted in connection with an Option hereunder will be exercisable at such time or times, and only to the extent that a related Option is exercisable, will expire no later than the related Option expires, and will not be transferable except to the extent that such related Option may be transferable.

(d) Upon the exercise of an Appreciation Right granted in connection with an Option, the holder will be entitled to receive payment of an amount determined by multiplying:

(i) The difference obtained by subtracting the purchase price of a share of Common Stock specified in the related Option from the Fair Market Value of a share of Common Stock on the date of exercise of such Appreciation Right, by

(ii) The number of shares as to which such Appreciation Right will have been exercised.

(e) An Appreciation Right granted without relationship to an Option will be exercisable as determined by the Committee but in no event after 15 years from the date of grant.

(f) An Appreciation Right granted without relationship to an Option will entitle the holder, upon exercise of the Appreciation Right, to receive payment of an amount determined by multiplying:

(i) The difference obtained by subtracting the amount assigned to the Appreciation Right by the Committee on the date of grant (which shall not be less than allowed by applicable law) from the Fair Market Value of a share of Common Stock on the date of exercise of such Appreciation Right, by

(ii) The number of shares as to which such Appreciation Right will have been exercised.

(g) At the time of grant of an Appreciation Right, the Committee may determine the maximum amount payable with respect to such Appreciation Right.

(h) Payment of the amount determined under Section 7(d) or (f) may be made solely in whole shares of Common Stock valued at their Fair Market Value on the date of exercise of the Appreciation Right or alternatively, in the sole discretion of the Committee, solely in cash or a combination of cash and shares as the Committee deems advisable. If the Committee decides that payment may be made in shares of Common Stock, and the amount payable results in a fractional share, payment for the fractional share will be made in cash.

(i) An Appreciation Right granted in connection with an Incentive Stock Option may be exercised only when the market price of the Common Stock subject to the Incentive Stock Option exceeds the purchase price of a share of Common Stock related to the Incentive Stock Option.

8. Terms and Conditions of Incentive Stock Awards.

(a) All shares of Incentive Stock Awards granted pursuant to the Plan will be subject to the following conditions:

(i) The shares may not be transferred, assigned or subject to any encumbrance, pledge or charge until the restrictions are removed or expire or unless otherwise allowed by the Committee.

(ii) The Committee may require the Participant to enter into an escrow agreement providing that the certificates representing Incentive Stock Awards granted or sold pursuant to the Plan will remain in the physical custody of an escrow holder until all restrictions are removed or expire.

(iii) Each certificate representing Incentive Stock Awards granted pursuant to the Plan will bear a legend making appropriate reference to the restrictions imposed.

(iv) The Committee may impose the conditions on any shares granted or sold pursuant to the Plan as it may deem advisable, including, without limitation, restrictions under the Securities Act of 1933, as amended, under the requirements of any stock exchange upon which such shares of the same class are then listed and under any blue sky or other securities laws applicable to such shares.

(v) The Committee, in its sole discretion, may elect to settle all or a portion of an Incentive Stock Award in cash in lieu of issuing shares of Common Stock based on the Fair Market Value on the date of payment.

(b) The restrictions imposed under subparagraph (a) above upon Incentive Stock Awards will lapse in accordance with a schedule or other conditions as determined by the Committee, subject to the provisions of Section 11(d) and Section 13(e).

(c) Subject to the provisions of subparagraph (a) above and Section 13(e), the holder will have all rights of a shareholder with respect to the Incentive Stock Awards granted or sold, including the right to vote the shares and receive all dividends and other distributions paid or made with respect thereto, unless the Committee determines otherwise at the time the Incentive Stock Awards are granted or sold.

9. Terms and Conditions of Performance Units.

Performance Units, measured in whole or in part by the value of shares of Common Stock, the performance of the Participant, the performance of the Company, its subsidiaries or any separate business units or properties thereof, or any combination thereof, may be granted under the Plan. Such incentives may be payable in Common Stock, cash or both, and shall be subject to such restrictions and conditions, as the Committee shall determine. At the time of a Performance Unit grant, the Committee shall determine, in its sole discretion, one or more performance periods and performance goals to be achieved during the applicable performance periods as well as a target payment value for the Performance Unit or a range of payment values. No performance period shall exceed 15 years from the date of the grant. The performance goals applicable to a Performance Unit grant may be subject to such later revisions as the Committee shall deem appropriate to reflect significant unforeseen events such as changes in laws, regulations or accounting practices, or unusual or nonrecurring items or occurrences. At the end of the performance period, the Committee shall determine the extent to which performance goals have been attained or a degree of achievement between maximum and minimum levels in order to establish the level of payment to be made, if any, and shall determine if payment is to be made in the form of Common Stock or cash or both.

10. Terms and Conditions of Restricted Units.

Restricted Units may be granted under the Plan based on past, current and potential performance. Such Units shall be subject to such restrictions and conditions as the Committee shall determine. At the time of a Restricted Unit grant, the Committee shall determine, in its sole discretion, the vesting period of the Units and the maximum value of the Units. No vesting period shall exceed 15 years from the date of the grant. A Restricted Unit grant may be made subject to such later revisions as the Committee shall deem appropriate to reflect significant unforeseen events such as changes in laws, regulations or accounting practices, or unusual or nonrecurring items or occurrences. At the end of the vesting period applicable to Restricted Units granted to a Participant, a cash amount equivalent in value to the Fair Market Value of one share of Common Stock on the last day of the vesting period, subject to any maximum value determined by the Committee at the time of grant, shall be paid with respect to each such Restricted Unit to the Participant.

During the vesting period for Restricted Units, the Committee may provide that a Participant shall be paid with respect to each Restricted Unit, cash amounts in the same amount and at the same time as a dividend on a share of Common Stock.

11. Adjustment Provisions.

(a) Subject to Section 11(b), if the outstanding shares of Common Stock of the Company are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Common Stock or other securities, through merger, consolidation, spin off, sale of all or substantially all the property of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Common Stock, or other securities, an appropriate and proportionate adjustment may be made in (i) the maximum number and kind of shares provided in Section 3, (ii) the number and kind of shares, units, or other securities subject to the then-outstanding Incentive Awards, and (iii) the price for each share or other unit of any other securities subject to then-outstanding Incentive Awards without change in the aggregate purchase price or value as to which such Incentive Awards remain exercisable or subject to restrictions.

(b) Despite the provisions of Section 11(a), upon dissolution or liquidation of the Company or upon a reorganization, merger, or consolidation of the Company with one or more corporations as a

result of which the Company is not the surviving corporation, or upon the sale of all or substantially all the property of the Company, all Incentive Awards then outstanding under the Plan will be fully vested and exercisable and all restrictions will immediately cease, unless provisions are made in connection with such transaction for the continuance of the Plan and the assumption or the substitution for such Incentive Awards of new incentive awards covering the stock of a successor employer corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices.

(c) Adjustments under Section 11(a) and 11(b) will be made by the Committee, whose determination as to what adjustments will be made and the extent thereof will be final, binding and conclusive. No fractional interest will be issued under the Plan on account of any such adjustments.

(d) In the event a Change of Control occurs or in the event that any Person makes a filing under Sections 13(d) or 14(d) of the Exchange Act with respect to the Company, the Committee may, in its sole discretion, without obtaining shareholder approval, take any one or more of the following actions with respect to all Eligible Persons and Participants:

(i) Accelerate the exercise dates of any outstanding Appreciation Rights or Options, accelerate the vesting dates of outstanding Restricted Units or Incentive Stock Awards or the performance period of outstanding Performance Units, make outstanding Appreciation Rights or Options fully vested and exercisable, or make outstanding Restricted Units fully vested and outstanding Performance Units fully payable;

(ii) Determine that all or any portion of conditions associated with any Incentive Award have been met;

(iii) Grant a cash bonus award to any of the holders of outstanding Options;

(iv) Grant Appreciation Rights to holders of outstanding Options;

(v) Pay cash to any or all Option holders in exchange for the cancellation of their outstanding Options;

(vi) Make any other adjustments or amendments to the Plan and outstanding Incentive Awards and substitute new Incentive Awards.

For purposes of this Section 11(d), the following definitions shall apply:

(A)
A "Change in Control" of the Company shall have occurred when a Person, alone or together with its Affiliates and Associates, becomes the beneficial owner of 20% or more of the general voting power of the Company.

(B)
"Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(C)
"Person" shall mean an individual, firm, corporation or other entity or any successor to such entity, but "Person" shall not include the Company, any subsidiary of the Company, any employee benefit plan or employee stock plan of the Company, or any Person organized, appointed, established or holding Voting Stock by, for or pursuant to the terms of such a plan or any Person who acquires 20% or more of the general voting power of the Company in a transaction or series of transactions approved prior to such transaction or series of transactions by the Board.

(D)
"Voting Stock" shall mean shares of the Company's capital stock having general voting power, with "voting power" meaning the power under ordinary circumstances (and not merely upon the happening of a contingency) to vote in the election of directors.

12. General Provisions.

(a) Nothing in the Plan or in any instrument executed pursuant to the Plan will confer upon any Participant who is an Employee any right to continue in the employ of the Company or any of its subsidiaries or affect the right of the Company to terminate the employment of such Participant or terminate the consulting or advisory services of any Participant at any time with or without cause.

(b) No shares of Common Stock will be issued or transferred pursuant to an Incentive Award unless and until all then-applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the Common Stock may be listed, have been fully met. As a condition precedent to the issuance of shares pursuant to the grant or exercise of an Incentive Award, the Company may require the Participant to take any reasonable action to meet such requirements.

(c) No Participant and no beneficiary or other person claiming under or through such Participant will have any right, title or interest in or to any shares of Common Stock allocated or reserved under the Plan or subject to any Incentive Award except as to such shares of Common Stock, if any, that have been issued or transferred to such Participant.

(d) The Company shall have the right to deduct from any settlement, including the delivery or vesting of shares or Units, made under the Plan any federal, state or local taxes of any kind required by law to be withheld with respect to such payments or take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. With respect to any nonqualified stock Option, the Committee may, in its discretion, permit the Participant to satisfy, in whole or in part, any tax withholding obligation which may arise in connection with the exercise of the nonqualified stock Option by electing to have the Company withhold shares of Common Stock having a Fair Market Value equal to the amount of the tax withholding.

(e) No Incentive Award and no right under the Plan, contingent or otherwise, will be transferable, assignable or subject to any encumbrances, pledge or charge of any nature except that, under such rules and regulations as the Company may establish pursuant to the terms of the Plan, a beneficiary may be designated with respect to an Incentive Award in the event of death of a Participant. If such beneficiary is the executor or administrator of the estate of the Participant, any rights with respect to such Incentive Award may be transferred to the person or persons or entity (including a trust) entitled thereto.

(f) The Company may make a loan to a Participant in connection with (i) the exercise of an Option in an amount not to exceed the aggregate exercise price of the Option being exercised and the amount of any federal and state taxes payable in connection with such exercise for the purpose of assisting such optionee to exercise such Option and (ii) an Incentive Stock Award or Performance Unit paid in Common Stock in an amount not to exceed the amount of any federal and state taxes payable upon expiration of any applicable forfeiture provision, performance period or vesting period for the purpose of assisting the holder of the Incentive Stock Award or Performance Unit to enjoy the rights thereunder. Any such loan may be secured by shares of Common Stock or other collateral deemed adequate by the Committee and will comply in all respects with all applicable laws and regulations. The Committee may adopt policies regarding eligibility for such loans, the maximum amounts thereof and any terms and conditions not specified in the Plan upon which such loans will be made. Such loans will bear interest at a rate determined by the Committee.

(g) The Committee may cancel, with the consent of the Participant, all or a portion of any Option or Appreciation Right granted under the Plan to be conditioned upon the granting to the Participant of a new Option or Appreciation Right for the same or a different number of shares as the Option or Appreciation Right surrendered, or may require such voluntary surrender as a condition to a grant of a new Option or Appreciation Right to such Participant. Subject to the provisions of Section 6(d), such

new Option or Appreciation Right shall be exercisable at the price, during the period and in accordance with any other terms or conditions specified by the Committee at the time the new Option or Appreciation Right is granted, all determined in accordance with the provisions of the Plan without regard to the price, period of exercise, or any other terms or conditions of the Option or Appreciation Right surrendered.

(h) The forms of Options and Appreciation Rights granted under the Plan may contain such other provisions as the Committee may deem advisable.

13. Amendment and Termination.

(a) The Board will have the power, in its discretion, to amend, suspend or terminate the Plan at any time, subject to approval of the shareholders of the Company to the extent necessary for the continued applicability of Rule 16b-3 under the Exchange Act.

(b) The Committee may, with the consent of a Participant, make such modifications in the terms and conditions of an Incentive Award agreement as it deems advisable.

(c) No amendment, suspension or termination of the Plan will, without the consent of the Participant, alter, terminate, impair or adversely affect any right or obligation under any Incentive Award previously granted under the Plan.

(d) An Appreciation Right or an Option held by a person who was an Employee at the time such Appreciation Right or Option was granted will expire immediately if and when the Participant ceases to be an Employee, except as follows:

(i) If the employment of an Employee is terminated by the Company other than for cause, for which the Company will be the sole

judge, then the Appreciation Rights and Options will expire three months thereafter unless by their terms they expire sooner. During said period, the Appreciation Rights and Options may be exercised in accordance with their terms, but only to the extent exercisable on the date of termination of employment.

(ii) If the Employee retires at normal retirement age or retires with the consent of the Company at an earlier date or becomes permanently and totally disabled, as determined by the Committee, while employed by the Company, the Appreciation Rights and Options of the Employee will be exercisable and will expire in accordance with their terms.

(iii) If an Employee dies while employed by the Company, the Appreciation Rights and Options of the Employee will become fully exercisable as of the date of death and will expire three years after the date of death unless by their terms they expire sooner. If the Employee dies or becomes permanently and totally disabled as determined by the Committee within the three months referred to in subparagraph (i) above, the Appreciation Rights and Options will become fully exercisable as of the date of death or such permanent disability and will expire, in the case of death, one year after the date of such death. In the case of permanent and total disability such Options and Appreciation Rights will expire in accordance with their terms. If the Employee dies or becomes permanently and totally disabled as determined by the Committee subsequent to the time the Employee retires at normal retirement age or retires with the consent of the Company at an earlier date, the Appreciation Rights and Options will fully vest as of the date of death or permanent and total disability and will expire, in the case of death, one year after the date of death. In the case of permanent and total disability, such Appreciation Rights and Options will expire in accordance with their terms.

(e) In the event a holder of Incentive Stock Awards, Performance Units or Restricted Units ceases to be an Employee, all such Incentive Stock Awards, Performance Units or Restricted Units

subject to restrictions at the time his or her employment terminates will be returned to the Company unless the Committee determines otherwise except as follows:

(i) In the event the holder of Incentive Stock Awards or Restricted Units ceases to be an Employee due to death all such Incentive Stock Awards or Restricted Units subject to restrictions at the time his or her employment terminates will no longer be subject to said restrictions.

(ii) If an Employee retires at normal retirement age or retires with the consent of the Company at an earlier date or becomes permanently and totally disabled as determined by the Committee, all such Incentive Stock Awards, Performance Units and Restricted Units will continue to vest over the applicable vesting or performance period provided that during these periods such Employee does not engage in or assist any business that the Company, in its sole discretion, determines to be in competition with businesses engaged in by the Company.

(iii) In the event a holder of Performance Units ceases to be an Employee prior to the end of a performance period applicable thereto, the Committee in its sole discretion shall determine whether to make any payment to the Participant in respect of such Performance Unit and the timing of such payment, if any.

(f) The Committee may in its sole discretion determine, (i) with respect to an Incentive Award, that any Participant who is on leave of absence for any reason will be considered as still in the employ of the Company, provided that rights to such Incentive Award during a leave of absence will be limited to the extent to which such right was earned or vested at the commencement of such leave of absence, or (ii) with respect to any Appreciation Rights and Options of any Employee who is retiring at normal retirement age or with the consent of the Company at an earlier age, or of an Employee who becomes permanently and totally disabled as determined by the Committee that the Appreciation Rights and/or Options of such Employee will accelerate and become fully exercisable on a date specified by the Committee which is not later than the effective date of such Employee's retirement or on a date specified by the Committee which is not later than the date that the Employee becomes permanently and totally disabled as determined by the Committee.

14. Effective Date of Plan and Duration of Plan.

This Plan will become effective upon adoption by the Board subject to approval by the holders of a majority of the shares which are represented in person or by proxy and entitled to vote on the subject at the 1991 Annual Meeting of Shareholders of the Company. Unless previously terminated, the Plan will terminate on September 25, 2006 except with respect to Incentive Awards then outstanding.

QuickLinks

TENET Healthcare Corporation
Annual Report

[LOGO]

TENET
3820 State Street
Santa Barbara, CA 93105
805/563-7000
www.tenethealth.com

Tenet and its subsidiaries own and operate general hospitals and many related health care services. In communities across the U.S., our dedicated 110,000 employees treated millions of patients last year. Their work embodies the core business philosphy reflected in our name: *the importance of shared values among partners in providing a full spectrum of quality health care.*

LETTER TO SHAREHOLDERS

Chairman and Chief Executive Officer, Jeffrey C. Barbakow

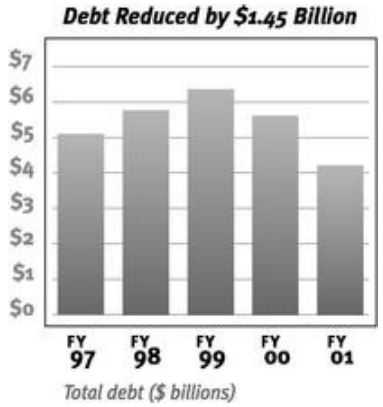
By just about any measure, fiscal 2001 was the most successful year in Tenet's history.

Here's a snapshot of what we accomplished in fiscal 2001:

- Earnings per share from operations before special items were up 27.1 percent over the prior year, to $2.30. Net income from operations before special items was up 32.3 percent, to $752.6 million.
- Admissions grew 3.6 percent on a same-facility basis over the prior year—well above our historical average of approximately 2 percent.
- Cash flow from operations was $1.82 billion, up 109 percent over the prior year, setting a record for the company.
- For the year, we reduced our debt by a remarkable $1.45 billion—another company record. This brought our debt-to-equity ratio down to 0.83, from 1.40 just one year ago.
- We reported significant improvement in virtually all measures of profitability, including operating margins, pretax margins, net income margins, return on assets and return on equity.

Among the many factors that contributed to these excellent financial and operating results were continuing strong commercial pricing, a much-improved government reimbursement climate and our own company-wide initiatives to improve operational performance and grow our acute care business.

Clearly, our back-to-basics focus on our operations has paid off. In fiscal 2001, many of these initiatives reaped results that exceeded our expectations. All of this leaves me very optimistic that we will drive our performance to even higher levels in the coming years.



TARGET 100 HITS THE MARK

One of the keys to our success in fiscal 2001 was the new culture we are building at Tenet through our Target 100 initiative, an innovative customer-service program designed to achieve 100 percent satisfaction rates among our patients, physicians and employees.

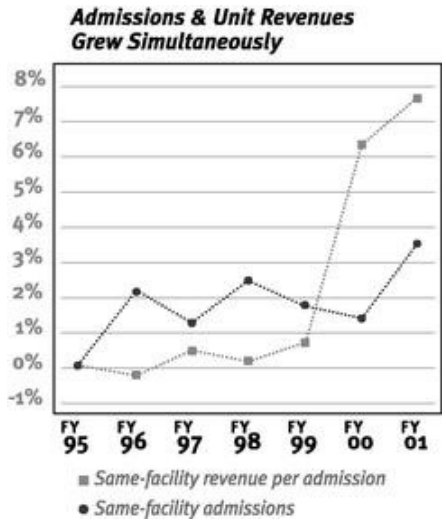
I'm delighted by how our hospitals, corporate offices and other facilities have whole-heartedly embraced this program. From Frye Regional Medical Center in Hickory, N.C., to West Boca Medical Center in Boca Raton, Fla., and Fountain Valley Regional Hospital and Medical Center in Fountain Valley, Calif., our hospitals are reporting that Target 100 has brought about nothing less than an institution-wide culture change. Since May 2001, I have been to 50 of our hospitals as part of my personal commitment to Target 100, and I am seeing first-hand how much Target 100 has inspired our employees and rekindled their passion to provide quality care and efficient service. By the end of this fiscal year, I will have visited more than 100 of our facilities.

Since we launched Target 100 in March 2000, we've seen measurable results to support this anecdotal evidence. Bayou City Medical Center in Houston implemented Target 100 shortly after the start of fiscal 2001 and reported the largest increase in patient satisfaction scores —up 4.42 percentage points—of any Tenet hospital for the year. Overall, with virtually all hospitals now in the program, patient satisfaction scores are rising. And throughout fiscal 2001, hospitals participating in Target 100 generated admissions growth significantly above those not yet in the program, propelling company-wide same-facility admissions to grow 3.6 percent for the full fiscal year.

FOCUS ON CORE SERVICES

Another success has been our focus on core services at our hospitals—areas like cardiology, neurology and orthopedics—that increasingly are in demand by the aging, 83 million-strong baby boomer generation. Our highest rates of admissions growth are now among the baby boomer age groups, and we expect that trend to continue. Admissions for the 51-to-60 age group were up 10 percent over the prior year and admissions for the 41-to-50 age group increased 8 percent for the year.

We are investing in facilities and equipment and selectively recruiting physicians who specialize in these high-acuity services to help our hospitals meet the health care needs of what will be the largest elderly population in U.S. history.



"Target 100 has definitely had an impact on Frye Regional. Now, it's not just individual employees who are going the extra mile for our patients; instead its given us the tools to pull together as a team. Target 100 touches everyone — patients, employees, physicians, volunteers, visitors. I feel sorry for hospitals that aren't doing what we're doing. I think we're leaving them behind."

Michelle Dickerson, R.N.
Nurse Recruiter

2

Frye Regional Medical Center
Hickory, N.C.

3

For example, at Centinela Hospital Medical Center in Los Angeles, a major new cardiology center, the Tommy Lasorda Heart Institute, and a new arthritis institute that focuses primarily on joint replacement and other orthopedic procedures helped increase overall admissions in fiscal 2001 by 8.1 percent, in a market that is not seeing significant population growth. The number of open heart surgeries performed at Centinela increased 61 percent since fiscal 1999.

There are similar examples throughout the company. Overall, admissions in cardiac services were up almost 8 percent in fiscal 2001 over the prior year. Orthopedic and neurology admissions were up almost 7 percent.

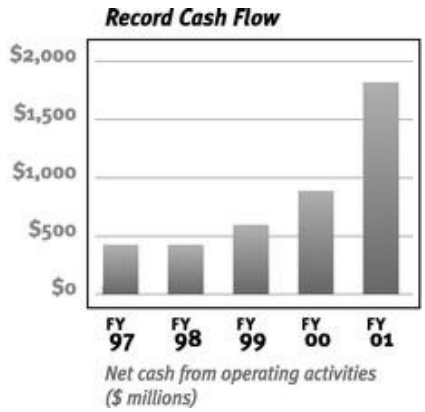
Additionally, we're expanding capacity where it makes sense. We have a number of expansion projects under way, including a brand new hospital in Bartlett, near Memphis, a new 10-story tower at USC University Hospital in Los Angeles and a new pavilion at Piedmont Medical Center in Rock Hill, S.C.

RECORD CASH FLOW

Results also have been outstanding for the wide range of initiatives we launched to increase cash flow and reduce bad debt expense. I'd like to highlight just a couple of our successes.

Our hospitals in Texas and Pennsylvania have substantially reduced the number of medical payment claims denied by managed care payors. By more carefully preparing claims and developing new systems and procedures to more closely analyze and track claims that are denied by payors, these hospitals have been able to contest the denials more aggressively—and have had more success in overturning them.

Another success was in South Florida, where we created a special unit to improve bill collections from certain managed care companies that historically have not paid us either promptly or in full. Patient accounts for these payors now go directly to that unit which, working on behalf of several hospitals, tracks each account from billing to payment. Managed care collections at these hospitals increased from 87.7 percent of billings in fiscal 1999—the year before we established this unit—to 108.3 percent in fiscal 2001. By collecting amounts due from prior years, we actually collected more from these managed care companies in fiscal 2001 than we billed.



"Target 100 prompted us to look for ways to improve what we do. Our Target 100 team developed a fast-track system for the emergency department that enables us to get to our sicker patients more quickly. As a physician, I love Target 100 because my patients are happier and the people who work for me are happier."

Scott Pickle, M.D., F.A.C.E.P.
Medical Director, Emergency Services
North Shore Medical Center, Miami, Fla.

4

Our record cash flow shows that these initiatives are working. Bad debt expense dropped to 7.0 percent of revenues in fiscal 2001, compared to 7.5 percent in the prior year. Accounts receivable days outstanding dropped a remarkable 11 days in fiscal 2001, to 68 days.

FOCUSING ON QUALITY

The Partnership for Change is another impressive initiative and one that should give Tenet a leadership role in the important nationwide effort to improve quality of medical care and patient safety.

Using clinical data collected through our proprietary data collection system from our 36 Partnership for Change hospitals, as well as from other clinical studies, we're identifying best clinical practices and re-engineering hospital processes to help achieve better outcomes for our patients. We're currently making this clinical data available to physicians who practice at these hospitals, giving them real-time evidence about their clinical practice patterns, as well as comparisons with accepted clinical standards. This enables them to see for themselves where improvement opportunities exist.

Overall, the initial results from our Partnership for Change hospitals are very encouraging. We're working cooperatively with our physicians to identify and promote certain clinical practices that authoritative medical literature indicates can make a real difference in patient outcomes. For example, we've set a protocol in the emergency departments of the Partnership for Change hospitals so that all heart attack patients receive aspirin on arrival. The American College of Cardiology recommends the prompt administration of aspirin as a treatment for heart attacks because studies have shown it can reduce mortality by 23 percent. Aspirin, a blood thinner, inhibits aggregation of blood platelets, which form the clots that cause heart attacks. Based on a nationwide study that found a link between improved outcomes for pneumonia patients and the early administration of antibiotics, our Partnership for Change hospitals also have changed their processes to better identify possible pneumonia patients and treat them with antibiotics as soon as possible after they arrive at the hospital. One of our hospitals, Encino-Tarzana Regional Medical Center in Tarzana, Calif., for example, significantly improved the timely administration of antibiotics to pneumonia patients when they arrive in the emergency room, in part, by developing a more coordinated process for pharmacists, nurses and physicians to treat those patients.

By implementing the Partnership for Change in all 114 of our hospitals, we expect to see real improvement in patient outcomes.

"Partnership for Change is the future of medicine. Because of the data that we're able to obtain, physicians like myself will see better ways to treat our patients. And that means we'll be providing better quality of care."

Robert A. Frank, M.D.
Cardiothoracle Surgeon
Meadowcrest Hospital, New Orleans

OUTSTANDING EMPLOYEES, OUTSTANDING LEADERSHIP

Health care providers across the United States face a growing shortage of nurses. Our Employer of Choice initiative is designed to help recruit and retain nurses at our hospitals by offering a wide range of programs and benefits, including online continuing education courses and leadership training.

Several of our hospitals were guiding beacons for this initiative in fiscal 2001. Saint Mary's Regional Medical Center in Russellville, Ark., almost halved its nurse vacancy rate in fiscal 2001 after implementing a number of Employer of Choice programs, including a tuition reimbursement and bonus program that rewards potential employees for the length of time they're willing to commit to a Tenet career.

One of the things that impressed me most in fiscal 2001 was the way in which our employees took these initiatives and ran with them. We could not have accomplished what we did without their dedication to quality and customer service.

I was especially proud to be able to honor another four employees this year with the Chairman's Award, the special program we established last year to recognize our exemplary caregivers. Our winners were Nelda Bates, a registered nurse in the labor and delivery department at Mission Hospital of Huntington Park, Calif., whose love and concern for her patients inspired one mother to name her baby daughter after her; Dottie Kavinsky, a registered nurse in the Emergency Department at Hialeah Hospital in Hialeah, Fla., who is celebrating her 50th anniversary as a nurse this year and her 44th anniversary at Hialeah Hospital; Carlene Gray, a registered nurse at Hahnemann University Hospital in Philadelphia, who's known as a devoted and compassionate caregiver; and T.C. Anderson, a patient transporter at Saint Francis Hospital in Memphis, who lifts the spirits of his patients by—among other things—singing to them.

Tenet is fortunate to employ caregivers of this caliber. We're also fortunate to have outstanding leadership throughout the company.

One of those outstanding leaders, Raymond A. Hay, a 16-year member of our Board of Directors, retired in July. Tenet has benefited greatly from Ray's incisive business sense and forthright counsel ever since he joined us in 1985. While Ray will be missed, we can celebrate the addition to the Board of J. Robert Kerrey, former U.S. Senator from Nebraska and now president of New School University in New York. Bob's record of strong leadership and his extensive knowledge of both health care and government will be great assets for Tenet.

"The online continuing education program makes my life so much easier. I don't have to pay the high cost of taking regular classes, and I don't have to take time off work to attend mandatory education classes. I can do it on my computer at home — at my convenience. It's a great option and I think Tenet's offering it to us is a real bonus."

Julie Baker, Critical Care R.N.
Brotman Medical Center
Culver City, Calif.

LOOKING FORWARD

This is an exciting time for us at Tenet. We showed in fiscal 2001 that we're a dynamic, growing organization that is unafraid to embrace new ideas and conquer tough challenges.

I believe we are differentiating our hospitals from their competitors by making our name synonymous with quality patient care and excellent service.

We're also emerging as the acquirer of choice for hospitals seeking a strong partner. We acquired two acute care hospitals in fiscal 2001 and another two just after the end of the fiscal year. I expect there will be additional opportunities for growth through selective acquisitions in the months and years ahead.

Thank you for your support and encouragement in fiscal 2001, and I look forward to your continued support as we reach for even greater heights in fiscal 2002 and beyond.

Sincerely,

Jeffrey C. Barbakow
Chairman and Chief Executive Officer

SELECTED FINANCIAL DATA
Continuing Operations
Dollars in Millions, Except Per Share Amounts

	Years Ended May 31				
	1997	1998	1999	2000	2001
Operating Results					
Net operating revenues	$ 8,691	$ 9,895	$ 10,880	$ 11,414	$ 12,053
Operating Expenses:					
Salaries and benefits	3,595	4,052	4,412	4,508	4,680
Supplies	1,197	1,375	1,525	1,595	1,677
Provision for doubtful accounts	498	588	743	851	849
Other operating expenses	1,878	2,071	2,342	2,525	2,603
Depreciation	335	347	421	411	428
Amortization	108	113	135	122	126
Impairment and other unusual charges	619	221	363	355	143
Operating income	461	1,128	939	1,047	1,547
Interest expense	(417)	(464)	(485)	(479)	(456)
Investment earnings	27	22	27	22	37
Minority interests in income of consolidated subsidiaries	(27)	(22)	(7)	(21)	(14)
Net gains (losses) on disposals of facilities and long-term investments	(18)	(17)	—	49	28
Income from continuing operations before income taxes	26	647	474	618	1,142

Income taxes	(89)	(269)	(225)	(278)	(464)
Income (loss) from continuing operations	$ (63)	$ 378	$ 249	$ 340	$ 678
Basic earnings (loss) per common share from continuing operations	$ (0.21)	$ 1.23	$ 0.80	$ 1.09	$ 2.12
Diluted earnings (loss) per common share from continuing operations	$ (0.21)	$ 1.22	$ 0.79	$ 1.08	$ 2.08

	As of May 31				
	1997	1998	1999	2000	2001
Balance Sheet Data					
Working capital	$ 621	$ 1,182	$ 1,940	$ 1,682	$ 1,060
Total assets	11,606	12,774	13,771	13,161	12,995
Long-term debt, excluding current portion	5,022	5,829	6,391	5,668	4,202
Shareholders' equity	3,224	3,558	3,870	4,066	5,079
Book value per common share	10.65	11.50	12.44	12.97	15.61

	Years Ended May 31				
	1997	1998	1999	2000	2001
Cash Flow Data					
Cash provided by operating activities	$ 404	$ 403	$ 582	$ 869	$ 1,818
Cash used in investing activities	(1,125)	(1,083)	(1,147)	(36)	(574)
Cash provided by (used in) financing activities	653	668	571	(727)	(1,317)

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

RESULTS OF OPERATIONS

Highlights for the year ended May 31, 2001 included the following:

- Strong growth in patient revenues
- Improvements in operating margins
- Significant improvements in cash flow
- Significant reductions of debt

On a same-facility basis, patient revenues improved 11.1% over last year, admissions were up 3.6% and net inpatient revenue per admission improved 7.7%. Total Company operating margins (the ratio of operating income to net operating revenues) increased from 9.2% to 12.8%. Net cash provided by operating activities increased by $949 million during the year, to $1.82 billion. The Company reduced its debt by $1.45 billion.

The Company reported income from continuing operations before income taxes of $474 million in 1999, $618 million in 2000 and $1.14 billion in 2001. Certain significant items affecting the results of continuing operations in the last three years have been: (1) impairment and other unusual charges and (2) acquisitions and sales of facilities and long-term investments. The pretax impact of these items is shown below:

	1999	2000	2001
	Dollars in Millions		
PRETAX IMPACT			

Impairment and other unusual charges	$ (363)	$ (355)	$ (143)
Net gains on sales of facilities and long-term investments	—	49	28
Net pretax impact (after tax, diluted per share: $(0.86) in 1999, $(0.73) in 2000 and $(0.22) in 2001)	$ (363)	$ (306)	$ (115)

Excluding the items in the table above, income from continuing operations before income taxes would have been $837 million in 1999, $924 million in 2000 and $1.26 billion in 2001 and diluted earnings per share from continuing operations would have been $1.65, $1.81 and $2.30, respectively.#Results of operations for the year ended May 31, 2001 include the operations of one general hospital acquired in 2000 and two general hospitals acquired in 2001 and exclude, from the dates of sale or closure, the operations of one general hospital and certain other facilities sold or closed since May 31, 2000. Results of operations for the year ended May 31, 2000 include the operations of 12 general hospitals acquired in 1999 and one general hospital acquired in 2000 and exclude, from the dates of sale or closure, the operations of 21 general hospitals and certain other facilities sold or closed since May 31, 1999.

The following is a summary of operating income for the past three fiscal years:

	1999	2000	2001	1999	2000	2001
	(Dollars in Millions)			(% of Net Operating Revenues)		
OPERATING INCOME						
Net Operating Revenues:						
Domestic general hospitals (1)	$ 9,958	$ 10,666	$ 11,542	91.5%	93.4%	95.8%
Other operations (2)	922	748	511	8.5%	6.6%	4.2%
	$ 10,880	**$ 11,414**	**$ 12,053**	**100.0%**	**100.0%**	**100.0%**
OPERATING EXPENSES:						
Salaries and benefits	4,412	4,508	4,680	40.6%	39.5%	38.8%
Supplies	1,525	1,595	1,677	14.0%	14.0%	13.9%
Provision for doubtful accounts	743	851	849	6.8%	7.5%	7.0%
Other operating expenses	2,342	2,525	2,603	21.5%	22.1%	21.6%
Depreciation	421	411	428	3.9%	3.6%	3.6%
Amortization	135	122	126	1.2%	1.0%	1.0%
Operating income before impairment and other unusual charges	**1,302**	**1,402**	**1,690**	**12.0%**	**12.3%**	**14.0%**
Impairment and other unusual charges	363	355	143	3.4%	3.1%	1.2%
Operating income	**$ 939**	**$ 1,047**	**$ 1,547**	**8.6%**	**9.2%**	**12.8%**

(1) Net operating revenues of domestic general hospitals include inpatient and outpatient revenues, as well as nonpatient revenues, primarily rental income and services such as cafeteria, gift shops, parking and other miscellaneous revenue.

(2) Net operating revenues of other operations consist primarily of revenues from (i) physician practices; (ii) rehabilitation hospitals, long-term-care facilities, psychiatric and specialty hospitals, all of which are located on or near the same campuses as the Company's

general hospitals; (iii) the Company's hospital in Barcelona, Spain; (iv) health care joint ventures operated by the Company; (v) subsidiaries of the Company offering managed care and indemnity products; and (vi) equity in earnings of unconsolidated affiliates.

TENET HEALTHCARE CORPORATION and Subsidiaries

The table below sets forth certain selected historical operating statistics for the Company's domestic general hospitals:

	1999	2000	2001	Increase (Decrease) 2000 to 2001
OPERATING STATISTIC				
Number of hospitals (at end of period)	130	110	111	1(1)
Licensed beds (at end of period)	30,791	26,939	27,277	1.3%
Net inpatient revenues (in millions)	$ 6,516	$ 7,029	$ 7,677	9.2%
Net outpatient revenues (in millions)	$ 3,185	$ 3,394	$ 3,603	6.2%
Admissions	940,247	936,142	939,601	0.4%
Equivalent admissions (2)	1,360,024	1,351,295	1,341,138	(0.8)%
Average length of stay (days)	5.2	5.2	5.3	0.1(1)
Patient days	4,881,439	4,888,649	4,936,753	1.0%
Equivalent patient days (2)	6,997,079	6,975,306	6,956,539	(0.3)%
Net inpatient revenues per patient day	$ 1,335	$ 1,438	$ 1,555	8.1%
Net inpatient revenues per admission	$ 6,930	$ 7,508	$ 8,170	8.8%
Utilization of licensed beds	45.4%	46.8%	50.0%	3.2%(1)
Outpatient visits	9,654,975	9,276,372	9,054,117	(2.4)%

(1) The change is the difference between the 2000 and 2001 amounts shown.

(2) Equivalent admissions/patient days represents actual admissions/patient days adjusted to include outpatient and emergency room services by multiplying actual admissions/patient days by the sum of gross inpatient revenues and outpatient revenues and dividing the result by gross inpatient revenues.

The table below sets forth certain selected operating statistics for the Company's domestic general hospitals, on a same-facility basis:

	2000	2001	Increase(Decrease)
SELECTED OPERATING STATISTICS(1)			
Average licensed beds	26,823	26,844	0.1%
Patient days	4,704,383	4,912,711	4.4%
Net inpatient revenue per patient day	$ 1,458	$ 1,558	6.9%
Admissions	901,540	934,276	3.6%
Net inpatient revenue per admission	$ 7,608	$ 8,194	7.7%
Outpatient visits	8,881,950	8,975,730	1.1%

Average length of stay (days)	5.2	5.3	0.1(1)

(1) The change is the difference between the 2000 and 2001 amounts shown.

The table below sets forth the sources of net patient revenue for the Company's domestic general hospitals:

	1999	2000	2001	2000 to 2001(1)
PATIENT REVENUE				
Medicare	34.2%	32.6%	30.8%	(1.8)%
Medicaid	9.1%	8.3%	8.2%	(0.1)%
Managed care	37.6%	40.7%	43.3%	2.6%
Indemnity and other	19.1%	18.4%	17.7%	(0.7)%

(1) The change is the difference between the 2000 and 2001 amounts shown.

The Company's focus of expansions and additions of core services, such as cardiology, orthopedics and neurology, has led to increases in inpatient acuity and intensity of services. The Company experienced an 11.9% decline in the number of same-facility outpatient visits during 1999 compared to 1998 and a 3.4% decline during 2000 compared to 1999. The Company experienced a 1.1% increase in the number of same-facility outpatient visits during 2001 compared to 2000. This is the first increase in same-facility outpatient visits since the consolidation or closure of the majority of the Company's home health agencies, in response to the changes in Medicare payments to home health agencies mandated by the Balanced Budget Act of 1997 (BBA).

One of the most significant trends in recent years has been the improvement in net inpatient revenue per admission. On a total-facility basis this statistic increased 8.8% and on a same-facility basis it increased by 7.7%. Some of the improvement is attributable to benefits from contract changes that are essentially one-time events that effectively raise overall pricing beyond the actual contract rate increase. Because of these one-time events, growth in revenue per admission may moderate going forward. Some improvement can be attributable to the growth in core services, which are higher acuity and higher revenue services. Driven by reductions in Medicare payments under the BBA, the Company's Medicare revenues declined steadily through the end of September 2000. As a result of the Balanced Budget Refinement Act, the Company began to receive improved Medicare payments on October 1, 2000. This trend continues with the implementation of the new Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, which became effective in April 2001.

The pricing environment for managed care and other nongovernment payors has also improved and the Company expects continuing benefits as it renegotiates and renews contracts with improved terms.

In fiscal 2000, the Company implemented a program designed to improve patient, physician and employee satisfaction by building a true customer-service culture. The program, which is called Target 100, consists of action teams in each hospital that address concerns of the patients, physicians and employees—the customers. The Company believes the recent improvement in volume trends is attributable, in part, to the implementation of this new program. In addition, the Company is experiencing significant admissions growth in the 41-to-50 and 51-to-60 baby boomer age groups. As these baby boomers continue to age, their demand for health care will continue to grow.

To address all the changes impacting the health care industry, while continuing to provide quality care to patients, the Company has implemented strategies to reduce inefficiencies, create synergies, obtain additional business and control costs. In the past three years, such strategies have included the enhancement of integrated health care delivery systems, hospital cost-control programs and overhead-reduction plans. The Company has positioned itself for potential additional cost savings in the years to come, for example, by outsourcing housekeeping and dietary services in most of its hospitals. Further

consolidations and implementation of additional cost-control programs and other operating efficiencies may be undertaken in the future.

Net operating revenues from the Company's other operations were $922 million in 1999, $748 million in 2000 and $511 million in 2001. The decreases in fiscal 2000 and 2001 are primarily the result of terminations and contract expirations of physician practices and sales of facilities other than general hospitals. As of May 31, 2001, the Company had exited approximately 77% of the physician practices it had owned.

Salaries and benefits expense as a percentage of net operating revenues was 40.6% in 1999, 39.5% in 2000 and 38.8% in 2001. The decreases have primarily resulted from continuing cost-control measures, improved labor productivity and the outsourcing of certain hospital services described above.

Supplies expense as a percentage of net operating revenues was 14.0% in both 1999 and 2000 and 13.9% in 2001. The Company controls supplies expense through improved utilization, improving the supply chain process and by developing and expanding programs designed to improve the purchase of supplies through Broadlane, Inc., its group-purchasing subsidiary.

The provision for doubtful accounts as a percentage of net operating revenues was 6.8% in 1999, 7.5% in 2000 and 7.0% in 2001. The Company continues to focus on initiatives that have improved cash flow and reduced the provision for doubtful accounts, including improving the process for collecting receivables, pursuing timely payments from managed care payors, standardizing and improving billing systems and developing best practices in the patient admissions and registration process.

The Company also has strengthened its medical eligibility programs, as well as its business office and related operations, including admitting, medical records and coding, and the recruitment, training and compensation of business office staff. In certain markets, the Company has set up dedicated managed care collection units to focus on problem accounts, problem payors and the highly complex reimbursement terms in managed care contracts.

Other operating expenses as a percentage of net operating revenues were 21.5% in 1999, 22.1% in 2000 and 21.6% in 2001. The increase in 2000 is primarily due to the outsourcing of certain hospital services mentioned earlier and higher malpractice and other insurance costs.

Depreciation and amortization expense was $556 million in 1999, $533 million in 2000 and $554 million in 2001. The decrease in 2000 was due primarily to the effect of the sales or closures of 21 general hospitals and other health care businesses. The increase in 2001 was primarily due to capital expenditures and the opening of a new replacement hospital. Goodwill amortization in 2001 was approximately $99 million or $0.26 per share.

Impairment and other unusual charges of $363 million, $355 million and $143 million were recorded in fiscal 1999, 2000 and 2001, respectively.

The Company begins its process of determining if its facilities are impaired (other than those related to the elimination of duplicate facilities or excess capacity) by reviewing the three-year historical and one-year projected cash flows of each facility. Facilities whose cash flows are negative and/or trending significantly downward on this basis are selected for further impairment analysis. Future cash flows (undiscounted and without interest charges) for these selected facilities are estimated over the expected useful life of the facility taking into account patient volumes, changes in payor mix, revenue and expense growth rates and changes in Medicare reimbursement and other payor payment patterns, which assumptions vary by hospital, home health agency and physician practice. In 1999 and 2000, these factors caused significant declines in cash flows at certain facilities such that estimated future cash flows were inadequate to recover the carrying values of the long-lived assets. Continued deterioration of operating results for certain of the Company's physician practices led to impairment and restructuring

charges. Impairment charges have resulted in subsequent minor reductions in depreciation and amortization expense.

In addition to striving to continuously improve its portfolio of general hospitals through acquisitions, the Company divests, from time to time, hospitals that are not essential to its strategic objectives. For the most part, these facilities are not part of an integrated delivery system. The size and performance of these facilities vary, but on average they are smaller, with lower margins. Such divestitures allow the Company to streamline its organization by concentrating on markets where it already has a strong presence.

Over the past several years, the Company has employed or entered into at-risk management agreements with physicians in most of its markets. A large percentage of these physician practices were acquired as part of large hospital acquisitions or through the formation of integrated health care delivery systems. These physician practices, however, have not been profitable. During the latter part of fiscal 1999, the Company undertook the process of evaluating its physician strategy in each of its markets and began to develop plans to either terminate or allow a significant number of its existing contracts with physicians to expire. During fiscal 2000, Company management, with the authority to do so, authorized the termination of the contractual relationships with approximately 50% of its contracted physicians. The termination of most of the balance of the contracted physicians was similarly authorized in fiscal 2001. As of May 31, 2001, the Company had exited 77% of the practices it had owned. The Company expects to exit another 5% to 10% by the end of this calendar year. The physicians, employees and property owners/lessors affected by this decision were duly notified prior to the Company's respective fiscal year-ends.

The impairment and other unusual charges recorded in fiscal 2001 include $98 million related to the completion of the Company's program to divest or terminate certain physician-practice contracts. This is the final charge for this program. Additional charges of $45 million were related to asset impairment write-downs for the closure of one hospital and certain other health care businesses. The total charge consists of $55 million in impairment write-downs of property, equipment and other assets to estimated fair values and $88 million for expected cash disbursements related to costs of terminating physician contracts, severance costs, lease cancellation and other exit costs. The impairment charge consists of $29 million for the write-down of property and equipment and $26 million for the write-down of other assets. The principal elements of the balance of the charges are $56 million for the buyout of physician contracts, $6 million in severance costs related to the termination of 322 employees, $3 million in lease cancellation costs and $23 million in other exit costs.

The charges recorded in fiscal 2000 include $177 million relating to the Company's program to divest or terminate certain physician-

practice contracts and $178 million relating to the closure or planned sale of five general hospitals and other property and equipment.

The charges recorded in fiscal 1999 consisted of (1) $277 million of impairment losses for the Company's plan to sell 20 general hospitals and close one general and one specialty hospital, (2) $48 million of restructuring charges related to the implementation of hospital cost-control programs and general overhead-reduction plans and (3) $38 million for the impairment of carrying values of property, equipment and goodwill at facilities and physician practices to be held and used.

Costs remaining in accrued liabilities at May 31, 2001 for impairment and other unusual charges include $85 million primarily for lease cancellations and exit costs, $12 million in severance costs, $10 million for unfavorable lease commitments and $28 million in estimated costs to buy out physician contracts.

Interest expense, net of capitalized interest, was $485 million in 1999, $479 million in 2000 and $456 million in 2001. The decrease in both 2000 and 2001 is primarily due to a decrease in borrowings, partially offset by interest rate increases and capitalized interest during each year.

Investment earnings of $27 million in 1999, $22 million in 2000 and $37 million in 2001 were earned primarily from notes receivable and investments in debt and equity securities.

Minority interests in income of consolidated subsidiaries were $7 million in 1999, $21 million in 2000 and $14 million in 2001. The decrease in 2001 was due to the decreased profitability of certain of these subsidiaries.

The $49 million net gains from sales of facilities and other long-term investments in 2000 comprises $50 million in gains on sales of 17 general hospitals, three long-term-care facilities and various other businesses, $61 million in gains from sales of investments in Internet-related health care ventures, offset by $62 million in net losses from sales of other investments. The $28 million net gains in 2001 comprises gains from sales of investments in various health care ventures.

The Company's tax rate in 2001 before the effect of impairment and other unusual charges was 40.2%. The Company expects this tax rate to be approximately 40.7% in fiscal 2002.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity for the year ended May 31, 2001 was derived principally from net cash provided by operating activities, stock option exercises and sales of facilities and long-term investments as shown below.

LIQUIDITY AND CAPITAL RESOURCES	Dollars in Millions
Net cash provided by operating activities	$ 1,818
Proceeds from exercises of stock options	254
Proceeds from sales of facilities, long-term investments and other assets	132
Repayments of borrowings, net	(1,558)
Capital expenditures	(601)
Purchases of new businesses, net of cash acquired	(29)
Other net investing and financing activities	(89)
Net decrease in cash and cash equivalents	**$ (73)**

Net cash provided by operating activities for the years ended May 31, 1999, 2000 and 2001 was $657 million, $979 million and $1.9 billion, respectively, before net expenditures for discontinued operations, impairment and other unusual charges of $75 million in 1999, $110 million in 2000 and $129 million in 2001.

On March 1, 2001, the Company entered into a new senior unsecured $500 million 364-day credit agreement and a new senior unsecured $1.5 billion five-year revolving credit agreement (together, the "New Credit Agreement"). The New Credit Agreement replaced the Company's $2.8 billion five-year revolving bank credit agreement that would have expired on January 31, 2002. The Company's New Credit Agreement extends the Company's maturities, offers efficient pricing tied to quantifiable credit measures and has more flexible covenants than the previous credit agreement.

Management believes that future cash provided by operating activities, the availability of credit under the Company's New Credit Agreement and, depending on capital market conditions and to the extent permitted by the restrictive covenants of the New Credit Agreement and the indentures governing the Company's Senior and Senior Subordinated notes, other borrowings or the sale of equity

securities should be adequate to meet known debt-service requirements and to finance planned capital expenditures, acquisitions and other presently known operating needs for the next three years.

Proceeds from borrowings under the credit agreements amounted to $5.6 billion in 1999, $1.3 billion in 2000 and $992 million in 2001. Loan repayments under the credit agreements were $5.1 billion in 1999, $2.0 billion in 2000 and $2.4 billion in 2001.

In June 2000, the Company sold $400 million of $9^{1}/_{4}$% Senior Notes due 2010. The net proceeds of $396 million were used to repay unsecured bank loans under the $2.8 billion credit agreement.

During the year ended May 31, 2001, the Company repurchased $514 million of its notes payable. In connection with the repurchase of this debt and the refinancing of the Company's bank credit agreement, the Company recorded an extraordinary charge from early extinguishment of debt in the amount of $35 million, net of the tax benefits of $21 million, in the fourth quarter of the year ended May 31, 2001.

During fiscal 1999, 2000 and 2001, the Company received net proceeds from the sales of facilities, long-term investments and other assets of $72 million, $764 million and $132 million, respectively.

Capital expenditures were $592 million in fiscal 1999, $619 million in fiscal 2000 and $601 million in 2001. The Company expects to spend approximately $700 million in fiscal 2002 for capital expenditures, before any significant acquisitions of facilities or other health care operations. Such capital expenditures relate primarily to the development of integrated health care delivery systems in selected geographic areas, design and construction of new buildings, expansion and renovation of existing facilities, equipment and information systems additions and replacements, enhancement of core services, introduction of new medical technologies and various other capital improvements.

During fiscal 1999, 2000 and 2001, the Company spent $541 million, $38 million and $29 million, respectively, for purchases of new businesses, net of cash acquired. In June 2001, the Company acquired two hospitals in Florida for approximately $241 million in cash.

The Company's strategy includes the prudent development of integrated health care delivery systems, including the possible acquisition of general hospitals and related health care businesses or joining with others to develop integrated health care delivery networks. These strategies may be financed by net cash provided by operating activities, the availability of credit under the New Credit Agreement, sale of assets and, to the extent permitted by the restricted covenants of the New Credit Agreement and the indentures governing the Company's Senior and Senior Subordinated notes, and depending on capital market conditions, the sale of additional debt or equity securities or other bank borrowings. The Company's unused borrowing capacity under its New Credit Agreement was $1.8 billion at May 31, 2001.

The Company's New Credit Agreement and the indentures governing its Senior and Senior Subordinated notes have, among other requirements, affirmative, negative and financial covenants with which the Company must comply. These covenants include, among other requirements, limitations on other borrowings, liens, investments, the sale of all or substantially all assets, prepayment of subordinated debt, and the Company declaring or paying a dividend or purchasing its common stock and requirements regarding maintenance of specified levels of net worth, debt ratios and fixed charge coverages. The Company is in compliance with all of its loan covenants.

MARKET RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The table below presents information about certain of the Company's market-sensitive financial instruments as of May 31, 2001. The fair values were determined based on quoted market prices for the same or similar instruments.

	Maturity Date, Year Ending May 31							
	2002	2003	2004	2005	2006	Thereafter	Total	Fair Value
	Dollars in Millions							
FINANCIAL INSTRUMENTS								
Fixed-rate long-term debt	$ 25	$ 490	$ 459	$ 815	$ 324	$ 2,118	$ 4,231	$ 4,387
Average interest rates	11.4%	8.2%	8.7%	8.0%	6.1%	8.4%	8.1%	—
Variable-rate long-term debt	—	—	—	—	$ 60	—	$ 60	$ 60
Average interest rates	—	—	—	—	6.7%	—	6.7%	—

The Company does not hold or issue derivative instruments for trading purposes and is not a party to any instruments with leverage or prepayment features.

At May 31, 2001, the Company's principal long-term, market-sensitive investments consisted of 8,301,067 shares of Ventas, Inc., with a market value of $77 million and an independently managed investment portfolio of debt securities, also with a market value of $77 million. At May 31, 2001, the investment portfolio of debt securities consisted of investments in U.S. Treasury Bills and notes with the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, with an average maturity of 180 days. The Company's market risk associated with its short-term investments in debt securities is substantially mitigated by the frequent turnover of the portfolio.

Included in the Company's fixed-rate long-term debt are 6% Exchangeable Subordinated Notes due 2005 with an aggregate principal balance of $320 million. These notes are exchangeable at the option of the holder for 25.9403 shares of Ventas common stock plus $239.36 in cash per $1,000 principal amount of the notes, subject to the Company's right to pay an amount in cash equal to the market price of the Ventas shares in lieu of delivery of such shares. To the extent that the combined fair market value of the Company's investment in Ventas common stock and the related portfolio of debt securities exceeds the carrying value of the notes, the Company must adjust the carrying value of the notes to such fair market value through a charge or credit to earnings. Corresponding adjustments to the carrying values of the investments are credited or charged directly to other comprehensive income.

BUSINESS OUTLOOK

For many years, significant unused capacity at U.S. hospitals, payor-required preadmission authorization and payor pressure to maximize outpatient and alternative health care delivery services for less acutely ill patients created an environment where hospital admissions and length of stay declined significantly. More recently, admissions have begun to increase as the baby boomer generation enters the stage of life where hospital utilization increases. Admissions to Tenet hospitals during fiscal 2001 increased the most in those baby boomer age groups —41-to-50 and 51-to-60. The Company anticipates a long period of increasing demand for hospital services as this population group continues to age.

Simultaneously, the company has experienced three successive years of significant increases in same-facility inpatient revenue per admission. Given the current outlook for government reimbursement rates and managed care contracting rates, combined with the strong competitive positioning of the Company's integrated health care delivery systems, the Company expects continued strong increases in same-facility inpatient revenue per admission.

The ongoing challenge facing the Company and the health care industry as a whole is to continue to provide quality patient care in a competitive environment, to attain reasonable rates for the services it provides and to manage its costs. The primary cost pressure facing the company and the industry is the ongoing increase of labor costs due to a nationwide shortage of nurses. The Company expects the nursing shortage to continue and has implemented various initiatives to better position its hospitals to attract and retain qualified nursing personnel, improve productivity and otherwise manage labor-cost pressures.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report, including, without limitation, statements containing the words believes, anticipates, expects, will, may, might, should, surmises, estimates, intends, appears and words of similar import, and statements regarding the Company's business strategy and plans, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's current expectations and involve known and unknown risks, uncertainties and other factors, many of which the Company is unable to predict or control, that may cause the Company's or the health care industry's actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and regionally; industry capacity; demographic changes; changes in, or the failure to comply with, laws and governmental regulations; the ability to enter into managed care provider arrangements on acceptable terms; changes in Medicare and Medicaid payments or reimbursement, including those resulting from a shift from traditional reimbursement to managed care plans; liability and other claims asserted against the Company; competition, including the Company's failure to attract patients to its hospitals; the loss of any significant customers; technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for, health care; a shortage of raw materials; a breakdown in the distribution process or other factors that may increase the Company's cost of supplies; changes in business strategy or development plans; the ability to attract and retain qualified personnel, including physicians, nurses and other health care professionals, including the impact on the Company's labor expenses resulting from a shortage of nurses or other health care professionals; the significant indebtedness of the Company; the availability of suitable acquisition opportunities and the length of time it takes to accomplish acquisitions; the Company's ability to integrate new businesses with its existing operations; and the availability and terms of capital to fund the expansion of the Company's business, including the acquisition of additional facilities and other factors referenced in this Annual Report and the Company's annual report on Form 10-K. Given these uncertainties, investors and prospective investors are cautioned not to rely on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Report Of Management

To Our Shareholders

The management of Tenet Healthcare Corporation is responsible for the preparation, integrity and objectivity of the consolidated financial statements of the Company and its subsidiaries and all other information in this Annual Report to Shareholders. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include certain amounts that are based on management's informed judgment and best estimates.

The Company maintains a comprehensive system of internal accounting controls to assist management in fulfilling its responsibility for financial reporting. These controls are supported by the careful selection and training of qualified personnel and an appropriate division of responsibilities. Management believes that these controls provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the Company's financial records are a reliable basis for preparing the consolidated financial statements.

The Audit Committee of the Board of Directors, comprised solely of directors who are neither current nor former officers or employees of the Company, meets regularly with Tenet's management, internal auditors and independent certified public accountants to review matters relating to financial reporting (including the quality of accounting principles), internal accounting controls and auditing. The independent accountants and the internal auditors have direct and confidential access to the Audit Committee at all times to discuss the results of their audits.

The Company's independent certified public accountants, selected and engaged by the Company, perform an annual audit of the consolidated financial statements of the Company in accordance with auditing standards generally accepted in the United States of America. These standards require a review of the system of internal controls and tests of transactions to the extent deemed necessary by the independent certified public accountants for purposes of supporting their opinion as set forth in their independent auditors' report. Their report expresses an independent opinion on the fairness of presentation of the consolidated financial statements.

David L. Dennis
Office of the President,
Chief Corporate Officer and Chief Financial Officer, Vice Chairman

Raymond L. Mathiasen
Executive Vice President and Chief Accounting Officer

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Tenet Healthcare Corporation:

We have audited the accompanying consolidated balance sheets of Tenet Healthcare Corporation and subsidiaries as of May 31, 2000 and 2001, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended May 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tenet Healthcare Corporation and subsidiaries as of May 31, 2000 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended May 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the consolidated financial statements, effective June 1, 1999, the Company changed its method of accounting for start-up costs.

KPMG LLP

Los Angeles, California

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS
Dollars in Millions

	May 31	
	2000	2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 135	$ 62
Short-term investments in debt securities	110	104
Accounts receivable, less allowances for doubtful accounts ($358 in 2000 and $333 in 2001)	2,506	2,386
Inventories of supplies, at cost	223	214
Deferred income taxes	176	155
Other current assets	444	305
Total current assets	**3,594**	**3,226**
Investments and other assets	344	395
Property and equipment, net	5,894	5,976
Costs in excess of net assets acquired, less accumulated amortization ($421 in 2000 and $516 in 2001)	3,235	3,265
Other intangible assets, at cost, less accumulated amortization ($80 in 2000 and $90 in 2001)	94	133
	$ 13,161	**$ 12,995**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 9	$ 25
Accounts payable	671	775
Employee compensation and benefits	383	476
Accrued interest payable	155	132
Other current liabilities	694	758
Total current liabilities	**1,912**	**2,166**
Long-term debt, net of current portion	5,668	4,202
Other long-term liabilities and minority interests	1,024	994
Deferred income taxes	491	554
Commitments and contingencies		
Shareholders' Equity:		
Common stock, $0.075 par value; authorized 700,000,000 shares; 317,214,748 shares issued at May 31, 2000 and 329,222,000 shares issued at May 31, 2001	24	25

Additional paid-in capital	2,555	2,898
Accumulated other comprehensive loss	(70)	(44)
Retained earnings	1,627	2,270
Less common stock in treasury, at cost, 3,754,708 shares at May 31, 2000 and 2001	(70)	(70)
Total shareholders' equity	**4,066**	**5,079**
	$ 13,161	**$ 12,995**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
Dollars in Millions, Except Per Share Amounts

	Years Ended May 31		
	1999	2000	2001
Net operating revenues	$ 10,880	$ 11,414	$ 12,053
Operating Expenses:			
Salaries and benefits	4,412	4,508	4,680
Supplies	1,525	1,595	1,677
Provision for doubtful accounts	743	851	849
Other operating expenses	2,342	2,525	2,603
Depreciation	421	411	428
Amortization	135	122	126
Impairment and other unusual charges	363	355	143
Operating income	**939**	**1,047**	**1,547**
Interest expense	(485)	(479)	(456)
Investment earnings	27	22	37
Minority interests in income of consolidated subsidiaries	(7)	(21)	(14)
Net gains on sales of facilities and long-term investments	—	49	28
Income from continuing operations before income taxes	474	618	1,142
Income taxes	(225)	(278)	(464)
Income from continuing operations, before discontinued operations, extraordinary charge and cumulative effect of accounting change	**249**	**340**	**678**
Discontinued operations, net of taxes	—	(19)	—
Extraordinary charge from early extinguishment of debt, net of taxes	—	—	(35)
Cumulative effect of accounting change, net of taxes	—	(19)	—
Net income	**$ 249**	**$ 302**	**$ 643**

Earnings (loss) per common and common equivalent share:			
Basic:			
Continuing operations	$ 0.80	$ 1.09	$ 2.12
Discontinued operations	—	(0.06)	—
Extraordinary charge	—	—	(0.11)
Cumulative effect of accounting change	—	(0.06)	—
	$ 0.80	$ 0.97	$ 2.01
Diluted:			
Continuing operations	$ 0.79	$ 1.08	$ 2.08
Discontinued operations	—	(0.06)	—
Extraordinary charge	—	—	(0.11)
Cumulative effect of accounting change	—	(0.06)	—
	$ 0.79	$ 0.96	$ 1.97
WEIGHTED SHARES AND DILUTIVE SECURITIES OUTSTANDING (IN THOUSANDS):			
Basic	310,050	311,980	319,747
Diluted	313,386	314,918	327,152

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Dollars in Millions

	Years Ended May 31		
	1999	2000	2001
Net Income	$ 249	$ 302	$ 643
Other Comprehensive Income (Loss):			
Unrealized gains (losses) on securities held as available for sale:			
Unrealized net holding gains (losses) arising during period	51	(142)	80
Less: reclassification adjustment for gains included in net income	—	(92)	(39)
Foreign currency translation adjustments	(5)	(1)	(3)
Other comprehensive income (loss), before income taxes	**46**	**(235)**	**38**
Income tax benefit (expense) related to items of other comprehensive income	(19)	88	(12)
Other comprehensive income (loss)	27	(147)	26

Comprehensive income	**$ 276**	**$ 155**	**$ 669**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Dollars in Millions, Share Amounts in Thousands

	Outstanding Shares	Issued Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock
Balances, May 31, 1998	**309,290**	**$ 23**	**$ 2,475**	**$ 50**	**$ 1,080**	**$ (70)**
Net income					249	
Other comprehensive income				27		
Issuance of common stock	1,044	1	22			
Stock options exercised	690		13			
Balances, May 31, 1999	**311,024**	**24**	**2,510**	**77**	**1,329**	**(70)**
Net income					302	
Other comprehensive loss				(147)		
Issuance of common stock	1,222		20			
Stock options exercised	1,214		25			
Redemption of shareholder rights					(4)	
Balances, May 31, 2000	**313,460**	**24**	**2,555**	**(70)**	**1,627**	**(70)**
Net income					643	
Other comprehensive income				26		
Issuance of common stock	560	1	15			
Stock options exercised	11,447		328			
Balances, May 31, 2001	**325,467**	**$ 25**	**$ 2,898**	**$ (44)**	**$ 2,270**	**$ (70)**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in Millions

	Years Ended May 31		
	1999	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 249	$ 302	$ 643
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			

Depreciation and amortization	556	533	554
Provision for doubtful accounts	743	851	849
Impairment and other unusual charges	363	355	143
Income tax benefit related to stock options	3	3	74
Deferred income taxes	101	2	48
Net gain on sales of facilities and long-term investments	—	(49)	(28)
Discontinued operations	—	19	—
Extraordinary charge from early extinguishment of debt	—	—	35
Cumulative effect of accounting change	—	19	—
Other items	14	30	27
Increases (Decreases) in Cash from Changes in Operating Assets and Liabilities, Net of Effects from Purchases of New Businesses and Sales of Facilities:			
Accounts receivable	(1,347)	(1,139)	(735)
Inventories and other current assets	(114)	51	45
Accounts payable, accrued expenses and other current liabilities	197	(15)	312
Other long-term liabilities and minority interests	(108)	17	(20)
Net expenditures for discontinued operations, impairment and other unusual charges	(75)	(110)	(129)
Net cash provided by operating activities	**582**	**869**	**1,818**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(592)	(619)	(601)
Purchases of new businesses, net of cash acquired	(541)	(38)	(29)
Proceeds from sales of facilities, long-term investments and other assets	72	764	132
Other items, including expenditures related to prior-year purchases of new businesses	(86)	(143)	(76)
Net cash used in investing activities	**(1,147)**	**(36)**	**(574)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	5,634	1,298	1,387
Repayments of borrowings	(5,085)	(2,085)	(2,945)
Proceeds from exercises of stock options	13	25	254
Proceeds from sales of common stock	23	20	15
Other items	(14)	15	(28)
Net cash provided by (used in) financing activities	**571**	**(727)**	**(1,317)**
Net increase (decrease) in cash and cash equivalents	6	106	(73)
Cash and cash equivalents at beginning of year	23	29	135
Cash and cash equivalents at end of year	$ 29	$ 135	$ 62

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED Financial Statements

Note 1

BASIS OF PRESENTATION

The accounting and reporting policies of Tenet Healthcare Corporation (together with its subsidiaries, "Tenet" or the "Company") conform to accounting principles generally accepted in the United States of America and prevailing practices for investor-owned entities within the health care industry. The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2

SIGNIFICANT ACCOUNTING POLICIES

A. The Company

Tenet is an investor-owned health care services company that owns or operates, through its subsidiaries and affiliates (collectively, "subsidiaries"), general hospitals and related health care facilities and holds investments in other companies, including health care companies. The Company's provision of health care through its domestic general hospitals and related health care facilities comprises a single reportable operating segment under Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information." At May 31, 2001, the Company's subsidiaries operated 111 domestic general hospitals serving urban and rural communities in 17 states, with a total of 27,277 licensed beds. The Company's subsidiaries also owned or operated physician practices, a small number of rehabilitation hospitals, specialty hospitals, long-term-care facilities, a psychiatric facility and medical office buildings located on the same campus as, or nearby, the Company's general hospitals and various other ancillary health care businesses.

At May 31, 2001, the Company's largest concentrations of hospital beds were in California with 29.1%, Florida with 13.9% and Texas with 13.4%. The concentration of hospital beds in these three states increases the risk that any adverse economic, regulatory or other developments that may occur in such states may adversely affect the Company's results of operations or financial condition.

The Company is subject to changes in government legislation that could impact Medicare and Medicaid payment levels and to increased levels of managed care penetration and changes in payor patterns that may impact the level and timing of payments for services rendered.

B. Principles of Consolidation

The consolidated financial statements include the accounts of Tenet and its wholly owned and majority-owned subsidiaries. Significant investments in other affiliated companies generally are accounted for using the equity method. Intercompany accounts and transactions are eliminated in consolidation. The results of operations of acquired businesses in purchase transactions are included from their respective acquisition dates.

C. Net Operating Revenues

Net operating revenues consist primarily of net patient service revenues that are recorded based on established billing rates less estimates for contractual allowances principally for patients covered by Medicare, Medicaid and managed care health plans. Estimates for Medicare and Medicaid contractual allowances are based on historically developed cost reporting models updated for currently effective

reimbursement factors, the results of which are adjusted as final settlements of filed cost reports are determined. Adjustments due to final settlement and determinations related to contractual allowances increased net operating revenues by approximately 1% in 1999 and 2000 and decreased net operating revenues by less than 1% in 2001. Estimated cost report settlements and contractual allowances are deducted from accounts receivable in the accompanying consolidated balance sheets.

Estimates for contractual allowances under managed care health plans are based primarily on the payment terms of contractual arrangements such as predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates.

Management believes that adequate provision has been made for adjustments that may result from final determination of amounts earned under these arrangements. There are no known material claims, disputes or unsettled matters with payors not adequately provided for in the accompanying consolidated financial statements.

Percentages of consolidated net patient revenues for the Company's domestic general hospitals were as follows during the past three years:

PERCENTAGES OF CONSOLIDATED NET PATIENT REVENUES

	1999	2000	2001
Medicare	34.2%	32.6%	30.8%
Medicaid	9.1%	8.3%	8.2%
Managed care	37.6%	40.7%	43.3%
Indemnity and other	19.1%	18.4%	17.7%

The Company provides care to patients who meet certain financial or economic criteria without charge or at amounts substantially less than its established rates. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported in net operating revenues or in operating expenses.

D. Cash Equivalents

The Company treats highly liquid investments with original maturities of three months or less as cash equivalents.

E. Investments in Debt and Equity Securities

Investments in debt and equity securities are classified as either available-for-sale, held-to-maturity or as part of a trading portfolio. At May 31, 2000 and 2001, the Company had no significant investments in securities classified as either held-to-maturity or trading. Securities classified as available-for-sale are carried at fair value if unrestricted. Their unrealized gains and losses, net of tax, are reported as accumulated other comprehensive income (loss). Realized gains or losses are included in net income on the specific identification method.

F. Long-Lived Assets

The Company uses the straight-line method of depreciation for buildings, building improvements and equipment over estimated useful lives of 25 to 50 years for buildings and improvements; and three to 15 years for equipment. Capital leases are recorded at the beginning of the lease term as assets and liabilities at the lower of the present value of the minimum lease payments or the fair value of the assets, and such assets, including improvements, are amortized over the shorter of the lease term or estimated useful life. The Company capitalizes interest costs related to construction projects. Capitalized interest was $20 million in 1999, $29 million in 2000 and $8 million in 2001.

Costs in excess of the fair value of the net assets of purchased businesses (goodwill) generally have been amortized on a straight-line basis, primarily over 40 years.

Impairment of long-lived assets, including goodwill related to such assets, is recognized whenever events or changes in circumstances indicate that the carrying amount of the asset, or related groups of assets, may not be fully recoverable from estimated future cash flows. The Company also assesses the recoverability of goodwill at the enterprise level in a similar manner. Measurement of the amount of impairment may be based on appraisal, market values of similar assets or estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset.

The Company begins its process of determining if its facilities are impaired at each fiscal year-end by reviewing the three-year historical and one-year projected cash flows of each facility. Facilities whose cash flows are negative and/or trending significantly downward on this basis are selected for further impairment analysis. Future cash flows (undiscounted and without interest charges) for these selected facilities are estimated over the expected useful life of the facility taking into account patient volumes, changes in payor mix, revenue and expense growth rates and changes in Medicare legislation and other payor payment patterns, which assumptions vary by hospital, home health agency and physician practice. The sum of those expected future cash flows are compared to the carrying value of the assets. If the sum of the expected future cash flows is less than the carrying amount of the assets, including allocated goodwill, the Company recognizes an impairment charge.

G. Indexed Debt Instruments

Changes in the Company's liability resulting from increases or decreases in the index value of the Company's 6% Exchangeable Subordinated Notes are accounted for as adjustments of the carrying amount of the notes with corresponding charges (or credits) to earnings.

H. Income Taxes

The Company accounts for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

I. Segment Reporting

The Company's business of providing health care through its domestic general hospitals (which generated 91.5%, 93.4% and 95.8% of the Company's net operating revenues in fiscal years 1999, 2000, and 2001 respectively) and related health care facilities is a single reportable operating segment. The Company's chief operating decision maker, as that term is defined under generally accepted accounting principles, regularly reviews financial information about each of the Company's facilities and subsidiaries for assessing performance and allocating resources.

Note 3

ACQUISITIONS AND DISPOSALS OF FACILITIES

Tenet's subsidiaries acquired 12 general hospitals in fiscal 1999, one general hospital in fiscal 2000 and two general hospitals in 2001. All of these transactions have been accounted for as purchases. The results of operations of the acquired businesses have been included in the Company's consolidated financial statements from the dates of acquisition.

In addition to striving to continuously improve its portfolio of general hospitals through acquisitions, the Company divests, from time to time, hospitals that are not essential to its strategic objectives. For the most part, these facilities are not part of an integrated delivery system. The size and performance of these facilities vary, but on average they are smaller, with lower margins. Such

divestitures allow the Company to streamline its organization by concentrating on, or strengthening, the integrated health care delivery systems in geographic areas where it already has a strong presence.

During the year ended May 31, 1999, the Company sold two general hospitals, closed one general hospital, combined the operations of two general hospitals and closed 29 home health agencies. During the year ended May 31, 2000, the Company sold 17 general hospitals, closed three general hospitals and terminated the lease on one general hospital. The Company also sold three long-term-care facilities. The net gain on the sales of these facilities in 2000 was $50 million. During the year ended May 31, 2001, the Company sold one general hospital and three long-term-care facilities, closed one long-term-care facility and combined the operations of one rehabilitation hospital with the operations of a general hospital. The results of operations of the sold or closed businesses were not significant.

In addition, during the year ended May 31, 2000, the Company recorded $61 million in gains from sales of investments in Internet-related health care ventures, offset by $62 million in net losses from sales of other investments. During the year ended May 31, 2001, the Company recorded $28 million in net gains from sales of investments in health care ventures.

Note 4

IMPAIRMENT AND OTHER UNUSUAL CHARGES

2001

In the fourth quarter of the year ended May 31, 2001, the Company recorded impairment and other unusual charges of $143 million relating to:

IMPAIRMENT AND OTHER UNUSUAL CHARGES
Dollars in Millions

The completion of the Company's program to divest or terminate certain employment and management contracts with approximately 248 physicians over the next 18 months	$	98
Impairment of the carrying values of property and equipment and other assets in connection with the closure of one hospital and certain other health care businesses		45
	$	**143**

The total charge consists of $55 million in impairment write-downs of property, equipment and other assets to estimated fair values and $88 million for expected cash disbursements related to costs of terminating physician contracts, severance costs, lease cancellation and other exit costs. The impairment charge consists of $29 million for the write-down of property and equipment and $26 million for the write-down of other assets. The principal elements of the balance of the charges are $56 million for the buyout of physician contracts, $6 million in severance costs related to the termination of 322 employees, $3 million in lease cancellation costs, and $23 million in other exit costs.

The Company decided to terminate or buy out the physician practices because they have not been profitable. During the latter part of fiscal 1999, the Company undertook the process of evaluating its physician strategy in each of its markets and began to develop plans to either terminate or allow a significant number of its existing contracts with physicians to expire. During fiscal 2000, Company management, with the authority to do so, authorized the termination of the contractual relationships with approximately 50% of its contracted physicians. The termination of most of the balance of the contracted physicians was similarly authorized in fiscal 2001. As of May 31, 2001, the Company had exited 77% of the practices it had owned. The Company expects to exit another 5% to 10% by the end of the calendar year. The physicians,

employees and property owners/lessors affected by this decision were duly notified, prior to the Company's respective fiscal year-ends.

2000

In the third and fourth quarters of the year ended May 31, 2000, the Company recorded impairment and other unusual charges of $355 million relating to:

IMPAIRMENT AND OTHER UNUSUAL CHARGES
Dollars in Millions

The Company's plan to terminate or buy out certainemployment and management contracts with approximately 440 physicians over the next 15 months	$	177
The closure or sale of five general hospitals and other property and equipment		178
	$	**355**

The charges consisted of $244 million in impairment write-downs of property, equipment and other assets to the lower of carrying values or estimated fair values and $111 million for expected cash expenditures for lease cancellation and other exit costs, the estimated and actual costs to close or sell the five general hospitals, severance costs and costs to buy out the physician contracts. The impairment charge includes $116 million for the write-down of property and equipment, $69 million for the write-down of goodwill and $59 million for the write-down of other assets. The principal elements of the other charges were $38 million in lease cancellation costs, $12 million in severance costs related to the termination of 713 employees and $61 million in other exit costs.

1999

In the fourth quarter of the year ended May 31, 1999, the Company recorded impairment and other unusual charges of $363 million relating to:

IMPAIRMENT AND OTHER UNUSUAL CHARGES
Dollars in Millions

The Company's plan to sell 20 general hospitals and close one general and one specialty hospital by February 29, 2000	$	277
Impairment of the carrying values of property, equipment and goodwill at 20 physician practices and other ancillary health care businesses to be held and used		38
Implementation of hospital cost control programs and general overhead reduction plans		48
	$	**363**

The charges above primarily consisted of $264 million in impairment charges to value property and equipment and other assets at the lower of carrying value or estimated fair values for those facilities included in the Company's plan that were to be closed or were expected to be sold at losses, and $13 million in other costs of closure, primarily lease cancellations. The $38 million impairment charge included $19 million for the write-off of goodwill, $10 million for the write-down of property and equipment to estimated fair values and $9 million for the write-down of other assets. The principal elements of the $48 million charge for the implementation of hospital cost-control programs and general overhead-reduction plans were $18 million in lease cancellation costs, $15 million in severance costs related to the termination of 233 employees in facilities and 120 employees in corporate overhead departments and $15 million in other exit costs.

The Company decided to sell or close the above facilities in each fiscal year because, for the most part, they were in markets that were not essential to the Company's strategic objectives.

The table below presents a reconciliation of beginning and ending liability balances in connection with impairment and other unusual charges recorded in the current and prior fiscal years, as of May 31, 1999, 2000 and 2001.

LIABILITY BALANCES IN CONNECTION WITH IMPAIRMENT AND OTHER UNUSUAL CHARGES
Dollars in Millions

	May 31, 1999(1)	Charges	Cash Payments	Other Items(2)	May 31, 2000(1)	Charges	Cash Payments	Other Items(2)	May 31, 2001(1)

Reserves Related to:									
Lease cancellations, exit costs and estimated costs to sell or close hospitals and other facilities	$ 76	$ 96	$ (54)	$ (12)	$ 106	$ 26	$ (42)	$ (5)	$ 85
Impairment losses to value property, equipment, goodwill and other assets, at estimated fair values	—	244	—	(244)	—	55	—	(55)	—
Severance costs in connection with the implementation of hospital cost-control programs, general overhead-reduction plans, closure of home health agencies and closure of hospitals and termination of physician contracts	19	11	(13)	—	17	6	(11)	—	12
Accruals for unfavorable lease commitments at six medical office buildings	20	—	(8)	—	12	—	(2)	—	10
Buyout of physician contracts	6	4	(6)	—	4	56	(32)	—	28
Other	8	—	(6)	—	2	—	(2)	—	—
Total	**$ 129**	**$ 355**	**$ (87)**	**$ (256)**	**$ 141**	**$ 143**	**$ (89)**	**$ (60)**	**$ 135**

(1) The liability balances are included in other current liabilities and other long-term liabilities in the accompanying consolidated balance sheets.

(2) Other items primarily include write-offs of long-lived assets, including property and equipment, goodwill and other assets.

Cash payments to be applied against these liabilities are expected to approximate $88 million in fiscal 2002 and $47 million thereafter.

Note 5

SELECTED BALANCE SHEET DETAILS

OTHER CURRENT ASSETS
Dollars in Millions

	2000	2001
Other receivables	$ 224	$ 162
Prepaid expenses and other current items	88	87
Assets held for sale or disposal, at the lower of carrying value or fair value less estimated costs to sell or dispose	132	56
Other current assets	$ 444	$ 305

The results of operations of the assets held for sale and the impact of suspending future depreciation and amortization were not significant.

PROPERTY AND EQUIPMENT
Dollars in Millions

	2000	2001
Land	$ 535	$ 530
Buildings and improvements	4,543	4,949
Construction in progress	424	199

Equipment	2,639	2,905
	8,141	**8,583**
Less accumulated depreciation and amortization	(2,247)	(2,607)
Net property and equipment	**$ 5,894**	**$ 5,976**

Property and equipment is stated at cost less accumulated depreciation and amortization and impairment write-downs related to assets held and used.#

Note 6

LONG-TERM DEBT AND LEASE OBLIGATION

LONG-TERM DEBT
Dollars in Millions

	2000	2001
Loans payable to banks — unsecured	$ 1,442	$ 60
8 5/8% Senior Notes due 2003	500	455
7 7/8% Senior Notes due 2003	400	400
8% Senior Notes due 2005	900	811
7 5/8% Senior Notes due 2008	350	313
9 1/4% Senior Notes due 2010	—	238
8 5/8% Senior Subordinated Notes due 2007	700	628
8 1/8% Senior Subordinated Notes due 2008	1,005	897
6% Exchangeable Subordinated Notes due 2005	320	320
Zero-coupon guaranteed bonds due 2002	45	45
Notes payable and capital lease obligations, secured by property and equipment, payable in installments to 2013	80	71
Other notes, primarily unsecured	16	53
Unamortized note discounts	(81)	(64)
	5,677	**4,227**
Less current portion	(9)	(25)
	$ 5,668	**$ 4,202**

Loans Payable to Banks — On March 1, 2001, the Company entered into a new senior unsecured $500 million 364-day credit agreement and a new senior unsecured $1.5 billion five-year revolving credit agreement (together, the "New Credit Agreement"). The New Credit Agreement replaced the

Company's $2.8 billion five-year revolving bank credit agreement that would have expired on January 31, 2002. The New Credit Agreement allows the Company to borrow, repay and reborrow up to $500 million prior to March 1, 2002 and to borrow, repay and reborrow up to

$1.5 billion prior to March 1, 2006. The New Credit Agreement extends the Company's maturities, offers efficient pricing tied to quantifiable credit measures and has more flexible covenants than the previous credit agreement.

Loans under the New Credit Agreement are unsecured and generally bear interest at a base rate equal to the prime rate or, if higher, the federal funds rate plus 0.5% or, at the option of the Company, an adjusted London interbank offered rate ("LIBOR") plus an interest margin between 50 and 200 basis points. The Company has agreed to pay the lenders under the New Credit Agreement an annual facility fee on the total loan commitment at rates ranging from 20 to 57.5 basis points. The interest rate margins and the facility fee rates are based on the ratio of the Company's consolidated total debt to consolidated EBITDA (defined as operating income plus depreciation, amortization, impairment and certain other unusual charges.)

Senior Notes and Senior Subordinated Notes — In June 2000, the Company issued $400 million of unregistered 9 1/4% Senior Notes due 2010. The proceeds were used to retire existing bank debt under the Company's unsecured revolving bank credit agreement. In October 2000, the unregistered notes were exchanged for $400 million of 9 1/4% Senior Notes registered under the Securities Act of 1933, as amended, and listed on the New York Stock Exchange.

The Company's 7 7/8% Senior Notes due 2003, 8 5/8% Senior Notes due 2003 and 8% Senior Notes due 2005 are not redeemable prior to their maturity. The 7 5/8% Senior Notes due 2008 and the new 9 1/4% Senior Notes due 2010 are redeemable at any time at the option of the Company. The 8 5/8% Senior Subordinated Notes due 2007 are redeemable at the option of the Company, in whole or from time to time in part, at any time on or after January 15, 2002. The 8 1/8% Senior Subordinated Notes due 2008 are not redeemable by the Company prior to June 1, 2003.

The senior notes are unsecured obligations of the Company ranking senior to all subordinated indebtedness of the Company, including the senior subordinated notes, and equally in right of payment with all other indebtedness of the Company, including borrowings under the New Credit Agreement described above. The senior subordinated notes also are unsecured obligations of the Company and are subordinated in right of payment to all existing and future senior debt, including the senior notes and borrowings under the New Credit Agreement.

In May 2001 the Company repurchased an aggregate of $514 million of its Senior and Senior Subordinated Notes. In connection with the repurchase of debt and the refinancing of its bank credit agreement, the Company recorded an extraordinary charge from early extinguishment of debt in the amount of $35 million, net of tax benefits of $21 million, in the fourth quarter of the year ended May 31, 2001.

6% Exchangeable Subordinated Notes — The 6% Exchangeable Subordinated Notes due 2005 are exchangeable at the option of the holder for shares of common stock of Ventas, Inc. (Ventas) at an exchange rate of 25.9403 shares and $239.36 in cash (see Note 12) per $1,000 principal amount of the notes, subject to the Company's right to pay an amount in cash equal to the market price of the shares of Ventas common stock in lieu of delivery of such shares. Subject to certain limitations in the New Credit Agreement, the notes are now redeemable at the option of the Company at any time. The notes also are unsecured obligations of the Company subordinated in right of payment to all existing and future senior and senior subordinated debt and borrowings under the New Credit Agreement. The Company holds an investment portfolio of debt securities, with a market value of $77 million, in escrow for the benefit of the note holders.

To the extent that the combined fair market value of the Company's investment in the common stock of Ventas and the related investment portfolio exceeds the carrying value of the notes at the end of any accounting period, the Company adjusts the carrying value of the notes to the fair market value of the investments through a charge or credit to earnings. Corresponding adjustments to the carrying value of the investments are credited or charged directly to other comprehensive income as unrealized gains or losses. The combined value of the Ventas common stock and the investment portfolio is below the exchange price.

Loan Covenants — The New Credit Agreement and the indentures governing the Company's outstanding public debt have, among other requirements, limitations on other borrowings by, and liens on the assets of, the Company and its subsidiaries, investments, the sale of all or substantially all assets, prepayment of subordinated debt, and the Company declaring or paying a dividend on or purchasing its stock and requirements regarding maintenance of specified levels of net worth, debt ratios and fixed-charge coverage ratios. The Company is in compliance with its loan covenants. There are no compensating balance requirements for any credit line or borrowing.

Future long-term debt maturities and minimum operating lease payments as of May 31, 2001 are as follows:

LONG-TERM DEBT MATURITIES & LEASE OBLIGATIONS
Dollars in Millions

	2002	2003	2004	2005	2006	LATER YEARS
Long-term debt	$ 25	$ 490	$ 459	$ 815	$ 384	$ 2,118
Long-term leases	192	176	150	94	71	232

Rental expense under operating leases, including short-term leases, was $290 million in 1999, $286 million in 2000 and $237 million in 2001.

Note 7

INCOME TAXES

INCOME TAXES ON CONTINUING OPERATIONS
Dollars in Millions

	1999	2000	2001
Currently Payable:			
Federal	$ 99	$ 232	$ 361
State	25	32	55
	124	**264**	**416**
Deferred:			
Federal	83	(4)	32
State	18	18	16
	101	**14**	**48**
	$ 225	**$ 278**	**$ 464**

A reconciliation between the amount of reported income tax expense and the amount computed by multiplying income before tax by the statutory Federal income tax rate is shown below:

INCOME TAXES
Dollars in Millions

	1999	2000	2001
Tax provision at statutory federal rate of 35%	$ 166	$ 216	$ 400
State income taxes, net of federal income tax benefit	28	32	44
Goodwill amortization	25	23	22
Nondeductible goodwill included in asset sales	—	32	—
Nondeductible asset impairment charges	38	1	—
Change in valuation allowance and tax contingency reserves	(35)	(32)	(8)
Other items	3	6	6
	$ 225	**$ 278**	**$ 464**

Deferred tax assets and liabilities as of May 31, 2000 and 2001 relate to the following:

DEFERRED TAX ASSETS AND LIABILITIES
Dollars in Millions

	2000		2001	
	Assets	Liabilities	Assets	Liabilities
Depreciation and fixed-asset basis differences	$ —	$ 892	$ —	$ 796

Reserves related to discontinued operations, impairment and other unusual charges	140	—	122	—
Receivables — doubtful accounts and adjustments	—	15	—	10
Accruals for insurance risks	120	—	127	—
Intangible assets	—	50	—	68
Other long-term liabilities	149	—	39	—
Benefit plans	69	—	79	—
Other accrued liabilities	124	—	60	—
Investments and other assets	16	—	30	—
Net operating loss carryforwards	17	—	11	—
Other items	7	—	7	—
	$ 642	**$ 957**	**$ 475**	**$ 874**

Management believes that realization of the deferred tax assets is more likely than not to occur as temporary differences reverse against future taxable income.

At May 31, 2001, the Company's carryforwards from prior tax returns available to offset future federal net taxable income consisted of net operating loss carryforwards of approximately $30 million, expiring in 2004 through 2007.

Allowable federal deductions relating to net operating losses are subject to annual limitations. These limitations are not expected to significantly affect the ability of the Company to ultimately recognize the benefit of these net operating loss deductions in future years.

Note 8

CLAIMS AND LAWSUITS

The Company is subject to claims and lawsuits in its normal course of business. The Company believes that its liability for damages resulting from such claims and lawsuits is adequately covered by insurance or is adequately provided for in its consolidated financial statements. Although the results of these claims and lawsuits cannot be predicted with certainty, the Company believes that the ultimate resolution of these claims and lawsuits will not have a material adverse effect on the Company's financial position or results of operations.

The Company insures substantially all of its professional and comprehensive general liability risks in excess of self-insured retentions through a majority-owned insurance subsidiary. These self-insured retentions currently are $1 million per occurrence and in prior years varied by hospital and by policy period from $500,000 to $3 million per occurrence. A significant portion of these risks is, in turn, reinsured with major independent insurance companies for the excess over the self-insured retentions. In addition to the reserves recorded by the above insurance subsidiary, the Company maintains an unfunded reserve based on actuarial estimates for the self-insured portion of its professional liability risks. Reserves for losses and related expenses are estimated using expected loss-reporting patterns and have been discounted to their present value using a discount rate of 7.75%. There can be no assurance that the ultimate liability will not exceed such estimates. Adjustments to the reserves are included in results of operations.

Note 9

STOCK BENEFIT PLANS

The Company has stock-based compensation plans, which are described below. The Company has elected to continue to apply Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for stock options under the plans because the exercise prices for options granted were equal to the quoted market prices on the option grant dates and all option grants were to employees or directors.

At May 31, 2001, there were 10,876,689 shares of common stock available for future grants of stock options and performance-based incentive awards to the Company's key employees, advisors and consultants. Options are normally exercisable at the rate of one-third per year beginning one year from the date of grant. Stock options generally expire 10 years from the date of grant. No performance-based incentive stock awards have been made since fiscal 1994.

The Company has a Directors Stock Option Plan pursuant to which nonemployee directors receive annual grants of options to purchase shares of common stock. At May 31, 2001, there were 657,704 shares available for future grant. Awards have an exercise price equal to the fair market value of the Company's shares on the date of grant, typically vest on the date of grant and expire 10 years after the date of grant.

Pursuant to the terms of the Company's stock-based compensation plans, awards granted under those plans vest and may be exercised as determined by the Compensation Committee of the Company's Board of Directors. In the event of a change in control, the Compensation Committee may, in its sole discretion, without obtaining shareholder approval, accelerate the vesting or performance periods of the awards.

The following table summarizes certain information about the Company's stock options outstanding at May 31, 2001:

OUTSTANDING STOCK OPTIONS

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted-Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$ 5.71 to $ 9.50	2,123,540	2.2 years	$ 9.45	2,123,540	$ 9.45
$ 9.88 to $18.69	7,842,811	7.0 years	16.10	2,987,798	14.93
$18.75 to $26.38	5,563,259	5.6 years	22.48	4,974,417	22.69
$29.94 to $35.13	8,110,785	7.0 years	31.18	6,013,230	31.57
$38.38 to $45.26	7,110,775	9.6 years	41.36	100,000	39.53
	30,751,170	**7.0 years**	**$ 26.61**	**16,198,985**	**$ 22.92**

A summary of the status of the Company's stock option plans as of May 31, 1999, 2000 and 2001, and changes during the years ending on those dates is presented below:

STOCK OPTIONS PLANS

	1999		2000		2001	
Stock Options Plans	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	23,284,572	$ 21.58	31,387,519	$ 23.76	35,309,284	$ 22.22
Granted	9,144,750	28.89	8,168,651	16.98	7,172,308	41.30
Exercised	(690,102)	15.69	(1,214,077)	17.65	(11,447,264)	22.21
Forfeited	(351,701)	28.07	(3,032,809)	25.80	(283,158)	29.35
Outstanding at end of year	31,387,519	23.76	35,309,284	22.22	30,751,170	26.61
Options exercisable at year end	16,833,561	$ 19.02	20,119,672	$ 21.55	16,198,985	$ 22.92

The weighted average fair value of options granted in 1999, 2000 and 2001 was $13.48, $8.21 and $21.01, respectively. The fair values of the option grants in the table above, and for purposes of the pro forma disclosures below, have been estimated as of the date of each grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

VALUATION ASSUMPTIONS

	1999	2000	2001
Expected volatility	35%	36%	39%
Risk-free interest rates	4.9%	5.9%	5.4%

Expected lives, in years	7.2	6.6	7.0
Expected dividend yield	0%	0%	0%

Had compensation cost for the Company's stock options been determined based on these fair values for awards granted during the past four years, the Company's net income and earnings per share would have been the amounts indicated below:

PRO FORMA DISCLOSURES
Dollars in Millions, Except Per Share Amounts

	1999	2000	2001
Net Income:			
As reported	$ 249	$ 302	$ 643
Pro forma	$ 199	$ 249	$ 590
Basic Earnings Per Common Share:			
As reported	$ 0.80	$ 0.97	$ 2.01
Pro forma	$ 0.65	$ 0.81	$ 1.86
Diluted Earnings Per Common Share:			
As reported	$ 0.79	$ 0.96	$ 1.97
Pro forma	$ 0.64	$ 0.80	$ 1.81

Note 10

EMPLOYEE STOCK PURCHASE PLAN

The Company has an Employee Stock Purchase Plan under which it is authorized to issue up to 9,500,000 shares of common stock to eligible employees of the Company or its designated subsidiaries. Under the terms of the plan, eligible employees may elect to have between 1% and 10% of their base earnings withheld each calendar quarter to purchase, on the last day of the quarter, shares of the Company's common stock at a purchase price equal to 85% of the lower of the closing price on the first day of the quarter or its closing price on the last day of the quarter. Under the plan, no individual may purchase, in any year, shares with a fair market value in excess of $25,000 per year. Under the plan, the Company sold 1,043,804 shares in the year ended May 31, 1999 at a weighted average price of $21.58 per share, 1,098,554 shares in the year ended May 31, 2000 at a weighted average price of $15.92 per share and 559,988 shares in the year ended May 31, 2001 at a weighted average price of $27.01 per share.

Note 11

EMPLOYEE RETIREMENT PLAN

Substantially all domestic employees who are employed by the Company or its subsidiaries, upon qualification, are eligible to participate in a defined contribution 401(k) plan. Employees who elect to participate may make contributions from 1% to 20% of their eligible compensation, and the Company matches such contributions up to a maximum percentage. Company contributions to the plan were approximately $49 million for fiscal 1999, $52 million for fiscal 2000 and $54 million for fiscal 2001.

Note 12

INVESTMENTS

The Company's principal long-term investments in unconsolidated affiliates at May 31, 2001 included 8,301,067 shares of Ventas and shares of various other investments, primarily in Internet-related health care ventures. Also included in the Company's long-term investments at May 31, 2001 is an investment portfolio of U.S. government securities aggregating $77 million, which resulted from the

investment of the proceeds from the Company's sale of the shares of Vencor common stock that it received as a dividend from Ventas in 1998. The portfolio is being held in an escrow account for the benefit of the holders of the Company's 6% Exchangeable Notes. (See Note 6.) The Company classifies all these investments as "available-for-sale" whereby the carrying values of the shares and debt instruments are adjusted to market value at the end of each accounting period through a credit or charge, net of income taxes, to other comprehensive income. At May 31, 2000 and 2001 the aggregate market value of these investments was approximately $159 million and $170 million, respectively.

Note 13

EARNINGS PER COMMON SHARE

The table below is a reconciliation of the numerators and the denominators of the Company's basic and diluted earnings per common share computations for income from continuing operations for each of the three years ended May 31, 1999 through 2001. Income is expressed in millions and weighted average shares are expressed in thousands:

EARNINGS PER COMMON SHARE RECONCILIATION

	Basic Earnings Per Share	Effect of Dilutive Stock Options and Warrants	Diluted Earnings Per Share
1999 Income (Numerator)	$ 249	—	$ 249
Weighted average shares (Denominator)	310,050	3,336	313,386
Per share amount	$ 0.80		$ 0.79
2000 Income (Numerator)	$ 340	—	$ 340
Weighted average shares (Denominator)	311,980	2,938	314,918
Per share amount	$ 1.09		$ 1.08
2001 Income (Numerator)	$ 678	—	$ 678
Weighted average shares (Denominator)	319,747	7,405	327,152
Per share amount	$ 2.12		$ 2.08

Outstanding options to purchase 1,037,000 shares of common stock were not included in the computation of earnings per share for fiscal 2001 because the options' exercise prices were greater than the average market price of the common stock.

Note 14

DISCONTINUED OPERATIONS—PSYCHIATRIC HOSPITAL BUSINESS

In the fourth quarter of the year ended May 31, 2000 the Company recorded a $30 million charge to discontinued operations ($19 million after taxes or $0.06 per share) to reflect a July 19, 2000 agreement in principle to settle substantially all of the remaining civil litigation related to certain of the Company's former psychiatric hospitals. The settlements were paid in fiscal 2001.

Note 15

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

On June 1, 1999 the Company changed its method of accounting for start-up costs to expense such costs as incurred in accordance with Statement of Position 98-5. The adoption of the Statement resulted in the write-off of previously capitalized start-up costs as of May 31, 1999 in the amount of

$19 million, net of tax benefit, which amount is shown in the accompanying consolidated statement of income for the year ended May 31, 2000 as a cumulative effect of accounting change.

Note 16

DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable, current portion of long-term debt, accounts payable and accrued interest payable approximate fair value because of the short maturity of these instruments. The carrying values of investments, both short-term and long-term (excluding investments accounted for by the equity method), are reported at fair value. Long-term receivables are carried at cost and are not materially different from their estimated fair values. The fair value of long-term debt is based on quoted market prices and approximates its carrying value.

Note 17

SUPPLEMENTAL DISCLOSURES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURES TO CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in Millions

1999	2000	2001	
Interest paid (net of amounts capitalized)	$ 417	$ 473	$ 462
Income taxes paid (net of refunds received)	(7)	226	257
Fair value of common stock issued for acquisitions of hospitals and other assets	9	—	—

Note 18

SUPPLEMENTAL DISCLOSURE FOR OTHER COMPREHENSIVE INCOME

The following table sets forth the tax effects allocated to each component of other comprehensive income for the years ended May 31, 1999, 2000 and 2001.

EFFECTS OF OTHER COMPREHENSIVE INCOME
Dollars in Millions

		TAX	
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Year Ended May 31, 1999			
Foreign currency translation adjustment	$ (5)	$ 2	$ (3)
Unrealized gains on securities held as available-for-sale	51	(21)	30
	$ 46	**$ (19)**	**$ 27**
Year Ended May 31, 2000			
Foreign currency translation adjustment	$ (1)	$ 1	$ —
Unrealized losses on securities held as available-for-sale	(142)	53	(89)
Less: reclassification adjustment for realized gains included in net income	(92)	34	(58)
	$ (235)	**$ 88**	**$ (147)**
Year Ended May 31, 2001			
Foreign currency translation adjustments	$ (3)	$ 1	$ (2)

Unrealized gains on securities held as available-for-sale	80	(28)	52
Less: reclassification adjustment for realized gains included in net income	(39)	15	(24)
	$ 38	**$ (12)**	**$ 26**

Note 19

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), which, as amended by SFAS No. 137 and No. 138, is effective for financial statements for fiscal years beginning after June 15, 2000, and which will apply to the Company beginning June 1, 2001. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities. The Company does not expect the adoption of this new accounting standard to have a material effect on its future results of operations.

On July 20, 2001 the FASB issued two new accounting standards, SFAS No. 141, "Business Combinations," and SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets." Under SFAS No. 141, all business combinations initiated after June 30, 2001 will be accounted for using the purchase method of accounting; the use of the pooling- of-interests method will be prohibited. The adoption of this standard will not have a material effect on the Company's financial position or future results of operations.

SFAS No. 142 eliminates the amortization of goodwill. Instead, under SFAS No. 142, the carrying amount of goodwill should be tested for impairment at least annually at the reporting unit level, as defined, and will be reduced only if it is found to be impaired or is associated with assets sold or otherwise disposed of. The Statement is effective for fiscal years beginning after December 15, 2001, but early adoption is permitted for companies with a fiscal year beginning after March 15, 2001. The Company has not yet determined whether it will adopt the new standard as of June 1, 2001 or June 1, 2002.

The adoption of the new standard will have a material effect on future results of operations. The table below, for example, shows the Company's income from continuing operations and net income for the years ended May 31, 1999, 2000 and 2001 on a pro forma basis as if the cessation of goodwill amortization had occurred as of June 1, 1998:

EFFECT OF SFAS NO. 142
Dollars in Millions, Except Per Share Amounts

	1999	2000	2001
Income from continuing operations, as reported	$ 249	$ 340	$ 678
Goodwill amortization, net of applicable income tax benefits	91	84	86
Pro forma income from continuing operations	$ 340	$ 424	$ 764
Net income, as reported	$ 249	$ 302	$ 643
Goodwill amortization, net of applicable income tax benefits	91	84	86
Pro forma net income	$ 340	$ 386	$ 729
Diluted Earnings Per Common And Common Equivalent Share:			
Continuing operations, as reported	$ 0.79	$ 1.08	$ 2.08
Goodwill amortization, net of applicable income tax benefits	0.29	0.26	0.26
Pro forma continuing operations	$ 1.08	$ 1.34	$ 2.34
Net income, as reported	$ 0.79	$ 0.96	$ 1.97
Goodwill amortization, net of applicable income tax benefits	0.29	0.26	0.26

Pro forma net income	$ 1.08	$ 1.22	$ 2.23

SUPPLEMENTARY
Financial Information

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	FISCAL 2000 QUARTERS				FISCAL 2001 QUARTERS			
	First	Second	Third	Fourth	First	Second	Third	Fourth
	Dollars in Millions, Except Per Share Amounts							
Net operating revenues	$ 2,873	$ 2,780	$ 2,850	$ 2,911	$ 2,893	$ 2,915	$ 3,036	$ 3,209
Income from continuing operations	128	135	38	39	154	175	198	151
Net income	109	135	38	20	154	175	198	116
Earnings Per Share from Continuing Operations:								
Basic	$ 0.41	$ 0.43	$ 0.12	$ 0.13	$ 0.49	$ 0.55	$ 0.62	$ 0.47
Diluted	$ 0.41	$ 0.43	$ 0.12	$ 0.12	$ 0.48	$ 0.54	$ 0.60	$ 0.46

Quarterly operating results are not necessarily representative of operations for a full year for various reasons, including levels of occupancy, interest rates, acquisitions, disposals, revenue allowance and discount fluctuations, the timing of price changes, gains and losses on sales of assets, impairment and other unusual charges and fluctuations in quarterly tax rates. For example, fiscal 2000 includes a $19 million charge for the cumulative effect of accounting change recorded in the first quarter and net gains (losses) on sales of facilities and long-term investments of $10 million, $58 million, $51 million and $(70) million recorded in the first, second, third and fourth quarters, respectively. The third and fourth quarters also include impairment and other unusual charges of $232 million and $123 million, respectively. The fourth quarter also includes a $19 million charge to discontinued operations. Fiscal 2001 includes impairment and other unusual charges of $143 million and net gains on sales of facilities and long-term investments of $28 million recorded in the fourth quarter. The fourth quarter also includes a $35 million extraordinary charge from early extinguishment of debt.

COMMON STOCK INFORMATION (UNAUDITED)

	FISCAL 2000 QUARTERS				FISCAL 2001 QUARTERS			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Price Range:								
High	24 15/16	25	28 3/4	27 1/8	32 11/16	43 7/16	47	47 3/4
Low	15 3/8	16 1/4	16	17 5/16	24 3/4	30 9/16	37	38

At July 31, 2001 there were approximately 10,600 holders of record of the Company's common stock. The Company's common stock is listed and traded on the New York and Pacific stock exchanges. The stock prices above are the high and low sales prices as reported in the NYSE Composite Tape for the last two fiscal years.

DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Jeffrey C. Barbakow [1]

Chairman and Chief Executive Officer
Tenet Healthcare Corporation

Lawrence Biondi, S.J. [2, 4, 5]
President
Saint Louis University

Bernice B. Bratter [1, 3, 4]
Retired President
Los Angeles Women's Foundation

Sanford Cloud Jr. [5, 6, 7]
President and Chief Executive Officer
National Conference for
Community and Justice

Maurice J. DeWald [1, 2, 3, 7]
Chairman
Verity Financial Group, Inc.

Michael H. Focht Sr. [5, 7]
Retired President and
Chief Operating Officer
Tenet Healthcare Corporation

Van B. Honeycutt [2, 6, 7]
Chairman and Chief Executive Officer
Computer Sciences Corporation

J. Robert Kerrey [4, 5]
President, New School University
Former United States Senator

Lester B. Korn [1, 3, 6]
Chairman and Chief Executive Officer
Korn Tuttle Capital Group

Floyd D. Loop, M.D. [2, 6]
Chairman and Chief Executive Officer
The Cleveland Clinic Foundation

Board Committees

[1] Executive Committee

[2] Audit Committee

[3] Compensation Committee

[4] Nominating Committee

[5] Ethics and Quality Assurance Committee

[6] Pension Committee

[7] Corporate Governance Committee

PRINCIPAL MANAGEMENT
of the Company or a Subsidiary

Jeffrey C. Barbakow
Chairman and Chief Executive Officer

David L. Dennis
Office of the President
Chief Corporate Officer
Chief Financial Officer
Vice Chairman

Thomas B. Mackey
Office of the President
Chief Operating Officer

Stephen F. Brown
Executive Vice President
Chief Information Officer

Alan R. Ewalt
Executive Vice President
Human Resources

Reynold J. Jennings
Executive Vice President
Southeast Division

Raymond L. Mathiasen
Executive Vice President
Chief Accounting Officer

David R. Mayeux
Executive Vice President
Acquisition & Development

Barry P. Schochet
Vice Chairman

W. Randolph Smith
Executive Vice President
Central-Northeast Division

Neil M. Sorrentino
Executive Vice President
Western Division

Christi R. Sulzbach
Executive Vice President
General Counsel
Chief Compliance Officer

SENIOR VICE PRESIDENTS
of the Company or a Subsidiary

William A. Barrett
Assistant General Counsel

Dennis M. Brown
Northern Region

Stephen E. Corbeil
Central States and Massachusetts Region

Alan N. Cranford
Information Systems

David S. Dearman
Operations Finance

Steven Dominguez
Government Programs

Stephen D. Farber
Corporate Finance and Treasurer

Michael W. Gallo
Patient Financial Services

Lynn S. Hart
Government Relations

Bruce L. Johnson
Audit Services

T. Dennis Jorgensen
Ethics, Business Conduct and Administration

Ben F. King
Finance, Central-Northeast Division

Paul B. Kusserow
Corporate Strategy

Kenneth B. Love Jr.
Finance, Western Division

Stephen L. Newman, M.D.
Gulf States Region

Martin J. Paris, M.D., M.P.H.
Medical Affairs and Quality Improvement

Suzanne T. Porter
Strategy & Development

Timothy L. Pullen
Controller

Gary W. Robinson
Assistant General Counsel

Paul J. Russell
Investor Relations

Edward T. Schreck
Southern California Region III

Richard B. Silver
Assistant General Counsel and Corporate Secretary

Jay A. Silverman
Chief Executive Officer, Syndicated Office Systems

Charles R. Slaton
Texas Region

Don S. Steigman
Florida Region

Michael E. Tyson
Finance, Southeast Division

Gustavo A. Valdespino
Southern California Region II

Kenneth K. Westbrook
Southern California Region I

William R. Wilson
Finance, Pennsylvania Region

Barry A. Wolfman
Pennsylvania Region

VICE PRESIDENTS
of the Company or a Subsidiary

Harold O. Anderson
Corporate Communications

Michael P. Appelhans
Assistant General Counsel

Craig C. Armin
Government Programs

John F. Bealle
Reimbursement

Steven R. Blake
Finance, Northern Region

Sanford M. Bragman
Risk Management

Gregory H. Burfitt
Southern States Region

Daniel J. Cancelmi
Assistant Controller

Lourdes Cordero
Human Resources, Operations

Stephen F. Diaz
Corporate Financial Planning

Curtis L. Dosch
Finance, Southern States Region

William R. Durham
Finance, Gulf States Region

Robert Duzan
Finance, So. California Region II

Donna E. Erb
Assistant General Counsel

Deborah J. Ettinger
Business Development & Strategy,
Western Division

Cynthia A. Farrow
Employee Benefits

Richard W. Fiske
Acquisition & Development

Robert S. Hendler, M.D.
Medical Affairs

Lawrence G. Hixon
Corporate Financial Reporting

Michael S. Hongola
Information Systems

Jill Willen Kennelly
Business Development & Strategy
Central-Northeast Division

Jeffrey Koury
Finance, So. California Region III

Douglas G. Lerner
MOB Development

William W. Leyhe
Managed Care and Strategy Development Western Division

John A. Lynn
Compensation

Deborah A. Maicach
Information Systems

Robert W. McElearney
Tenet Care

Benjamin R. McLemore IV
Information Systems

Patricia A. Monahan
Corporate Communications

Paul E. O'Neill
Acquisition & Development

Douglas E. Rabe
Tax

Rodney Reasoner
Finance, Central States and Massachusetts Region

Norma Resneder
Human Resources, Operations

J. Scott Richardson
Finance, Texas Region

Mario E. Rodriguez
Government Programs

Leonard H. Rosenfeld
Quality Management

C. David Ross
Finance, Florida Region

Karen L. Rutledge
Coding Compliance

Phillip S. Schaengold
St. Louis Market

Jeffrey S. Sherman
Finance, So. California Region I

Kenneth F. Sutherland
Construction & Design

Diana L. Takvam
Investor Relations

Eric A. Tuckman
Acquisition and Development

Davis L. Watts
Business Office Services

Steven Weiss
Finance, St. Louis Market

CORPORATE
Information

COMMON STOCK LISTING

The Company's common stock is listed under the symbol THC on the New York and Pacific stock exchanges.

Transfer Agent and Registrar
The Bank of New York
(800) 524-4458
shareowner-svcs@bankofny.com

Holders of National Medical Enterprises, Inc. (NME) stock certificates who would like to exchange them for Tenet certificates may do so by contacting the transfer agent. Former shareholders of American Medical Holdings, Inc. (AMI) and OrNda HealthCorp who have not yet redeemed their AMI or OrNda stock for cash and Tenet stock also should contact the transfer agent.

Please send certificates for transfer and address changes to:

Receive and Deliver
Department – 11W
P.O. Box 11002
Church Street Station
New York, NY 10286

Please address other inquiries for the transfer agent to:

Shareholder Relations
Department – 11E
P.O. Box 11258
Church Street Station
New York, NY 10286

DEBT SECURITIES

Debt securities listed on the New York Stock Exchange are:

$7^{7}/_{8}$%	Senior Notes due 2003
$8^{5}/_{8}$%	Senior Notes due 2003
6%	Exchangeable Subordinated Notes due 2005
8%	Senior Notes due 2005
$8^{5}/_{8}$%	Senior Subordinated Notes due 2007
$7^{5}/_{8}$%	Series B Senior Notes due 2008
$8^{1}/_{8}$%	Series B Senior Subordinated Notes due 2008
$9^{1}/_{4}$%	Senior Notes due 2010

Trustee/Registrar
The Bank of New York
101 Barclay Street
New York, NY 10286
(800) 524-4458

COMPANY INFORMATION

The Company reports annually to the Securities and Exchange Commission on Form 10-K. The Company also publishes an annual report to shareholders and reports quarterly earnings. You may obtain a copy of these and other documents as listed below.

The Company's web site, www.tenethealth.com, offers extensive information about the Company's operations and financial performance, including a comprehensive series of investor pages. Current and archived quarterly earnings reports, annual reports and other documents may be accessed and/or downloaded.

To request any financial literature be mailed to you, please call the Company's literature request hotline at (805) 563-6969 or write to Tenet Investor Relations.

INVESTOR RELATIONS

For all other shareholder inquiries, please contact:

Paul J. Russell
Senior Vice President, Investor Relations
P.O. Box 31907
Santa Barbara, CA 93130
Phone: (805) 563-7188
Fax: (805) 563-6877
E-mail: paul.russell@tenethealth.com

Diana L. Takvam
Vice President, Investor Relations
P.O. Box 31907
Santa Barbara, CA 93130
Phone: (805) 563-6883
Fax: (805) 563-6877
E-mail: diana.takvam@tenethealth.com

CORPORATE HEADQUARTERS

Tenet Healthcare Corporation
3820 State Street
Santa Barbara, CA 93105
(805) 563-7000
www.tenethealth.com

ANNUAL MEETING

The annual meeting of shareholders of Tenet Healthcare Corporation will be held at 9:30 a.m. on Wednesday, October 10, 2001, at the St. Regis Hotel, 2055 Avenue of the Stars, Los Angeles, California.

QuickLinks

ITEM 6

6(a) Entities Within the Person Filing Notification

The following are the corporate entities within the person filing notification, including those with total assets of less than $10 million. Unless otherwise indicated, the headquarter's mailing address for each entity is 3820 State Street, Santa Barbara, California 93105. All of the subsidiaries are 100% owned by Tenet Healthcare Corporation unless otherwise indicated.

Assured Investors Life Company

Broadlane, Inc.

H.F.I.C. Management Company, Inc.

(a) Health Facilities Insurance Corp., Ltd. (Bermuda)

International-NME, Inc.

(a) Bumrungrad Medical Center Limited (Thailand)
(a) Burleigh House Properties Limited (Bermuda)
(a) Centro Medico Teknon, S.L. (Spain)
(a) N.M.E. International (Cayman) Limited (Cayman Islands, B.W.I.)
    (b) B.V. Hospital Management (Netherlands)
    (b) Hyacinth Sdn. Bhd. (Malaysia)
    (b) Medical Staff Services Sdn Bhd (Malaysia)
(a) NME Spain, S.A. (Spain)
(a) New Teknon, S.A. (Spain)
(a) Medicalia International, B.V. (Netherlands)
(a) Tenet UK Properties Limited

Medfield Corporation

NME Headquarters, Inc.

(a) Tenant IL, Inc.

NME Properties Corp.

(a) Cascade Insurance Company, Ltd.
(a) NME Properties, Inc.
    (b) Lake Health Care Facilities, Inc.
    (b) NME Properties West, Inc.
(a) NME Property Holding Co., Inc.
(a) Tenet HealthSystem SNF-LA, Inc.

NME Psychiatric Properties, Inc.

(a)
Alvarado Parkway Institute, Inc.
(a)
Baywood Hospital, Inc.
(a)
Brawner Hospital, Inc.
(a)
Contemporary Psychiatric Hospitals, Inc.
(a)
Elmcrest Manor Psychiatric Institute, Inc.
(a)
Gwinnett Psychiatric Institute, Inc.
(a)
Jefferson Hospital, Inc.

(a)
Lake Hospital and Clinic, Inc.— *ownership—NME Psychiatric Properties, Inc. (97.875%)*
Ralph Mollycheck, M.D. (2.125%)
(a)
Lakewood Psychiatric Hospital, Inc.
(a)
Leesburg Institute, Inc.
(a)
Manatee Palms Residential Treatment Center, Inc.
(a)
Manatee Palms Therapeutic Group Home, Inc.
(a)
Medfield Residential Treatment Center, Inc.
(a)
Modesto Psychiatric Hospital, Inc.
(a)
Nashua Brookside Hospital, Inc.
(a)
North Houston Healthcare Campus, Inc.
(a)
Northeast Behavioral Health, Inc.
(a)
Northeast Psychiatric Associates—2, Inc.
(a)
Outpatient Recovery Centers, Inc.
(a)
P.D. at New Baltimore, Inc.
(a)
P.I.A. Alexandria, Inc.
(a)
P.I.A. Canoga Park, Inc.
(a)
P.I.A. Cape Girardeau, Inc.
(a)
P.I.A. Capital City, Inc.
(a)
P.I.A. Central Jersey, Inc.
(a)
P.I.A. Colorado, Inc.
(a)
P.I.A. Connecticut Development Company, Inc.
(a)
P.I.A. Cook County, Inc.
(a)
P.I.A. Denton, Inc.
(a)
P.I.A. Detroit, Inc.

(b)
Psychiatric Facility at Michigan Limited Partnership

(a)
P.I.A. Educationsl Institute, Inc.
(a)
P.I.A. Green Bay, Inc.
(a)
P.I.A. Highland, Inc.

(b)
Highland Psychiatric Associates, Inc.— *ownership—P.I.A. Highland, Inc. (50%)*
Psychiatric Facility at Asheville, Inc. (50%)

(a)
P.I.A. Highland Realty, Inc.

(b)
Highland Realty Associates, Ltd.— *ownership—P.I.A. Highland Realty, Inc. LP (49%); GP (1%)*
Psychiatric Facility at Asheville, Inc. LP (49%); GP (1%)

(a)
P.I.A. Indianapolis, Inc.
(a)
P.I.A. Kansas City, Inc.
(a)
P.I.A. Lincoln, Inc.
(a)
P.I.A. Long Beach, Inc.
(a)
P.I.A. Maryland, Inc.
(a)
P.I.A. Michigan City, Inc.
(a)
P.I.A. Milwaukee, Inc.
(a)
P.I.A. Modesto, Inc.
(a)
P.I.A. Naperville, Inc.
(a)
P.I.A. New Jersey, Inc.
(a)
P.I.A. North Jersey, Inc.
(a)
P.I.A. Northern New Mexico, Inc.
(a)
P.I.A. of Fort Worth, Inc.
(a)
P.I.A. of Rocky Mount, Inc.
(a)
P.I.A. Panama City, Inc.
(a)
P.I.A. Randolph, Inc.

(a)
P.I.A. Rockford, Inc.
(a)
P.I.A. Salt Lake City, Inc.
(a)
P.I.A. San Antonio, Inc.
(a)
P.I.A. San Ramon, Inc.
(a)
P.I.A. Sarasota Palms, Inc.
(a)
P.I.A. Seattle, Inc.
(a)
P.I.A. Slidell, Inc.

(a)
P.I.A. Solano, Inc.
(a)
P.I.A. Specialty Press, Inc.
(a)
P.I.A. Stafford, Inc.
(a)
P.I.A. Stockton, Inc.
(a)
P.I.A. Tacoma, Inc.
(a)
P.I.A. Tidewater Realty, Inc.

(b)
I.P.T. Associates

(a)
P.I.A. Topeka, Inc.
(a)
P.I.A. Visalia, Inc.
(a)
P.I.A. Waxahachie, Inc.
(a)
P.I.A. Westbank, Inc.
(a)
P.I.A.C. Realty Company, Inc.
(a)
PIAFCO, Inc.
(a)
Pinewood Hospital, Inc.
(a)
Potomac Ridge Treatment Center, Inc.
(a)
Psychiatric Facility at Amarillo, Inc.
(a)
Psychiatric Facility at Asheville, Inc.
(a)
Psychiatric Facility at Azusa, Inc.
(a)
Psychiatric Facility at Evansville, Inc.
(a)
Psychiatric Facility at Lafayette, Inc.
(a)
Psychiatric Facility at Lawton, Inc.
(a)
Psychiatric Facility at Medfield, Inc.
(a)
Psychiatric Facility at Memphis, Inc.
(a)
Psychiatric Facility at Palm Springs, Inc.
(a)
Psychiatric Facility at Yorba Linda, Inc.
(a)
Psychiatric Institute of Alabama, Inc.
(a)
Psychiatric Institute of Atlanta, Inc.
(a)
Psychiatric Institute of Bedford, Inc.
(a)
Psychiatric Institute of Bucks County, Inc.
(a)
Psychiatric Institute of Chester County, Inc.
(a)
Psychiatric Institute of Columbus, Inc.
(a)
Psychiatric Institute of Delray, Inc.
(a)
Psychiatric Institute of Northern Kentucky, Inc.

(a) Psychiatric Institute of Northern New Jersey, Inc.
(a) Psychiatric Institute of Orlando, Inc.
(a) Psychiatric Institute of Richmond, Inc.
(a) Psychiatric Institute of San Jose, Inc.
(a) Psychiatric Institute of Sherman, Inc.
(a) Psychiatric Institute of Washington, D.C., Inc.
(a) Regent Hospital, Inc.
(a) Residential Treatment Center of Memphis, Inc.
(a) Residential Treatment Center of Mongtomery County, Inc.
(a) Residential Treatment Center of the Palm Beaches, Inc.
(a) Riverwood Center, Inc.

(a) Sandpiper Company, Inc.
(a) Southern Crescent Psychiatric Institute, Inc.
(a) Southwood Psychiatric Centers, Inc.
(a) Springwood Residential Treatment Centers, Inc.
(a) The Psychiatric Institutes of America Foundation, Inc.
(a) The Tidewater Psychiatric Institute, Inc.
(a) Treatment Center at Bedford, Inc.
(a) Tucson Psychiatric Institute, Inc.

NME Rehabilitation Properties, Inc.

(a) Pinecrest Rehabilitation Hospital, Inc.
(a) R.H.S.C. El Paso, Inc.
(a) R.H.S.C. Modesto, Inc.
(a) R.H.S.C. Prosthetics, Inc.
(a) Rehabilitation Facility at San Ramon, Inc.
(a) Tenet HealthSystem Pinecrest Rehab, Inc.

NME Specialty Hospitals, Inc.

(a) NME Management Services, Inc.
(a) NME New Beginnings, Inc.

(b) Addiction Treatment Centers of Maryland, Inc.
(b) Alcoholism Treatment Centers of New Jersey, Inc.

(b)
Health Institutes,Inc.

(c)
Fenwick Hall, Inc.
(c)
Health Insitutes Investments, Inc.

(b)
NME New Beginnings-Western, Inc.

(a)
NME Partial Hospital Services Corporation
(a)
NME Psychiatric Hospitals, Inc.

(b)
The Huron Corporation

(a)
NME Rehabilitation Hospitals, Inc.
(a)
National Medical Specialty Hospital of Redding
(a)
Psychiatric Management Services Company

NorthShore Hospital Management Corporation

Syndicated Office Systems

TH AR, Inc.

Tenet Healthcare Foundation

Tenet HealthSystem Holdings, Inc.

(a)
Tenet HealthSystem Medical, Inc.

(b)
Alabama Medical Group, Inc.

(c)
Alabama Medical Group-Gadsden Family Medicine, Inc.
(c)
Alabama Medical Group-Obstetrics and Gynecology, Inc.
(c)
Alabama Medical Group-Primary Care I, Inc.

(c)
Alabama Medical Group-Primary Care II, Inc.
(c)
Brookwood OB-GYN Clinic, Inc.

(b)
American Medical (Central), Inc.

(c)
Amisub (Twelve Oaks), Inc.
(c)
Amisub of Texas, Inc.— *ownership—Lifemark Hospital, Inc. (63.68%)*
Tenet HealthSystem Medical, Inc. (19.75%)
Brookwood Health Services, Inc. (5.10%)
AMI Information Systems Group, Inc. (.42%)
American Medical (Central), Inc. (11.05%)
(c)
Lifemark Hospitals, Inc.

(d)
6103 Webb Road Ltd.— *ownership—Lifemark Hospitals, Inc.,GP 10%), LP (78%)*
Physicians Development, Inc.(6%)
Easterm Professions Properties, Inc. (3%), Dr. Robert Sherrill (3%)

(d)
Houston Network, Inc.

(d)
Houston Specialty Hospital, Inc.

(d)
Lifemark Hospitals of Florida, Inc.

(e)
Florida Care Connect, Inc.

(e)
Palmetto Medical Plan, Inc.

(e)
T&C and USF Ob/Gyn Center, Inc.

(e)
Hospital Constructors, Ltd.— *ownership—Lifemark Hospitals of Florida, Inc., GP (97%)*
Eastern Professional Properties, Inc., LP (3%)

(d)
Lifemark Hospitals of Louisiana, Inc.

(e)
Kenner Regional Clinical Services, Inc.

(e)
Concentra New Orleans, L.L.C.— *ownership—Lifemark Hospitals of Louisiana, Inc. (49%)*
Concentra Health Services, Inc. (51%)

(d)
Lifemark Hospitals of Missouri, Inc.

(e)
Lifemark RMP Joint Venture— *ownership—Lifemark Hospitals of Missouri, Inc. (50%),*
RMP, L.L.C. (50%)

(e)
Procare Network II, Inc.

(d)
Permian Premier Health Services, Inc.

(d)
Regional Alternative Health Services, Inc.

(e)
Mid-Missouri Lithotripter Center— *ownership—Physicians (68.33%)*
Regional Alternative Health Services, Inc. (31.67%)

(d)
Tenet Investments-Kenner, Inc.

(d)
Tenet Healthcare, Ltd.— *ownership—Lifemark Hospitals, GP (1%);*
Amisub of Texas, Inc., LP (70.1%)
Amisub (Heights), Inc., LP (10.3%)
Amisub (Twelve Oaks), Inc., LP (18.6%)

(e)
Beaumont Newco, Inc.

(d)
Tenet HealthSystem RMA, Inc.

(d)
Tenet Specialty Operations, Inc.

(d)
Texas Healthcare Physician Services, Inc.

(c)
Park Plaza Professional Building, Ltd.— *ownership—American Medical (Central), Inc., GP*

(c)

Tenet Texas Employment, Inc.

(c)

Texas Southwest Healthservices, Inc.

(b)

American Medical Home Care, Inc.

(b)

AMI Ambulatory Centres, Inc.

(c)

Surgical Services, Inc.

(d)

Ambulatory Care—Broward Development Corp.

(d)

Surgical Services of West Dade, Inc.

(b)

AMI Arkansas, Inc.

(c)

Healthstar Properties Limited Partnership— *ownership-AMI Arkansas, Inc., G.P (1%), LP (49%)*
St. Vincent TotalHealth Corporation, G.P (1%), L.P. (49%)

(d)

NovaSys Health Network, L.L.C.— *ownership—*
Healthstar Properties Limited Partnership (70 units)
Arkansas Children's Hospital (1 unit)
Quorum Health Resources, Inc. (1 unit)
Northwest Medical Center (1 unit)
Rebsam Regional Medical Center (1 unit)

(b)

AMI Diagnostic Services, Inc.

(b)

AMI Information Systems Group, Inc.

(c)

American Medical International B.V.

(d)

American Medical International N.V.

(b)

AMI/HTI Tarzana Encino Joint Venture— *ownership—Tenet HealthSystem Medical, Inc. (30%)*
Amisub of California, Inc. (26%)
New H Acute, Inc. (12%)
AMI Information Systems Group, Inc. (7%)
Encino Hospital Corporation (25%)

(b)

Amisub (Culver Union Hospital), Inc.

(c)

Choice Care Network, Inc.

(b)

Amisub (Florida Ventures), Inc.

(c)

Lauderdale Clinical Services, Inc.

(c)

Tampa MOB 107, Inc.

(c)

Tampa MOB 104, Inc.

(c)

Tampa 8313 West Hillsborough, Inc.

(c)

Tampa 4802 Gunn Highway, Inc.

(c)

Tampa 418 W. Platt St., Inc.

(b)

Amisub (GTS), Inc.

(b)

Amisub (Heights), Inc.

(b)

Amisub (Hilton Head), Inc.

(c)

Hilton Head Health System, L.P.— *ownership—Amisub (Hilton Head), Inc.(69%)*
Tenet Physician Services—Hilton Head, Inc. (21%)
Univ. Medical Associates of The Univ. of South Carolina (10%)

(d)

Beaufort Hilton Head Healthcare System, L.L.C.— *ownership—*
Hilton Head Health System, L.P. (50%)
Broad River Healthcare, Inc. (50%)

(b)

Amisub (Irvine Medical Center), Inc.

(b)

Amisub (North Ridge Hospital), Inc.

(c)

FL Health Complex, Inc.

(c)

North Ridge Partners, Inc.

(d)

SFHCA Walk-In Centers, Inc.— *ownership—North Ridge Partners, Inc. (50%)*
South Florida Health Care Associates (50%)

(b)

Amisub (Saint Joseph Hospital), Inc.

(c)

Creighton Saint Joseph Regional HealthCare System, L.L.C.— *ownership—*
Amisub (Saint Joseph Hospital), Inc. (74.66%)
Creighton Healthcare, Inc. (25.94%)

(c)

Saint Joseph Mental Health Plans, Inc.

(b)

Amisub (SFH), Inc.

(c)

Tenet HealthSystem SF-SNF, Inc.

(c)

Tenet Regional Infusion South, Inc.— *ownership—Central Arkansas Hospital Inc. (11%)*
AMISUB (Cluver Union Hospital), Inc. (11%)
National Medical Hospital of Tullahona (11%)
Three Rivers Healthcare, Inc.(11%)
Jonesboro Health Services, LLC (11%)
AMISUB (SFH), Inc. (11%)
S.C. Management Inc. (11%)
National Medical Hospital of Wilson County, Inc. (11%)
Winona Memorial Hospital, L.P. (11%)

(b)

Amisub of California, Inc.

(c)

Park Plaza Retail Pharmacy, Inc.

(c)
Physician Practice Management Corporation
(c)
Valley Doctors' Hospital

(d)
Family Medical Services

(b)
Amisub of North Carolina, Inc.

(c)
Central Carolina Physicians Hospital Organization, Inc.— *ownership—Physicians (50%)*
Amisub of North Carolina, Inc. (50%)

(b)
Amisub of South Carolina, Inc.

(c)
Piedmont Medical Equipment, G.P.— *ownership—Amisub of South Carolina, Inc. (50%)*
America Home Patient, Inc. (50%)
(c)
Piedmont Medical Services Company
(c)
Piedmont Seven, Inc.
(c)
Rock Hill Surgery Center, L.P.— *ownership—Amisub of South Carolina, Inc. (72%)*
Surgical Center of Rock Hill (28%)
(c)
Tenet Rehab Piedmont, Inc.

(b)
Brookwood Center Development Corporation

(c)
BWP Associates, Ltd.— *ownership—Brookwood Center Development Corporation (80%)*
W+R, Inc. (20%)
(c)
Concentra Birmingham, L.L.C.— *ownership—Brookwood Center Development Corporation (49%)*
Concentra Health Services, Inc. (51%)

(c)
Hoover Doctors Group, Inc.
(c)
Medplex Land Associates— *ownership—Brookwood Center Development Corporation (49%)*
Hoover Doctors' Group II (51%)
(c)
Medplex Outpatient Medical Centers, Inc.
(c)
Medplex Outpatient Surgery Center, Ltd.— *ownership—Others (15%)*
Brookwood Center Development Corporation (85%)
(c)
R & H Transition, Inc.

(b)
Brookwood Development, Inc.

(c)
Alabama Health Services, Inc.— *ownership—Brookwood Development, Inc. (50%)*
Eastern Health System, Inc. (50%)
(c)
Alabama Health Services (St. Clair), L.L.C.— *ownership—Brookwood Development, Inc. (50%)*
Health Services East, Inc. (50%)

(b)
Brookwood Health Services, Inc.

(c)
Estes Health Care Centers, Inc.
(c)
Tenet Florida, Ltd.— *ownership—Brookwood Health Services, Inc. (76%)*
Eastern Professional Properties, Inc. (24%)

(b)
Brookwood Parking Associates, Ltd.— *ownership—Tenet HealthSystem Medical, Inc. (99%)*
Brookwood Parking, Inc. (1%)
(b)
Central Arkansas Hospital, Inc.

(c)
Central Arkansas Physican Hospital Organization— *ownership—Physicians (50%)*
Amisub of North Carolina, Inc. (50%)

(b)
Central Care, Inc.
(b)
Central Carolina Management Services Organization, Inc.
(b)
Columbia Land Development, Inc.
(b)
Culver Health Network, Inc.
(b)
Cumming Medical Ventures, Inc.
(b)
East Cooper Community Hospital, Inc.
(b)
Eastern Professional Properties, Inc.
(b)
Florida Health Network, Inc.
(b)
Frye Regional Medical Center, Inc.

(c)
Frye Home Infusion, Inc.
(c)
Piedmont Health Alliance, Inc.— *ownership—Frye Regional Medical Center, Inc. (50%)*
Physicians (50%)
(c)
Shared Medical Ventures, L.L.C.— *ownership—Frye Regional Medical Center, Inc. (33 1/3%)*
Grace Hospital Inc. (33 1/3%)
Caldwell Memorial Hospital Incorporated (33 1/3%)

(d)
Mobile Imaging Services, L.L.C.— *ownership—Shared Medical Ventures, L.L.C.*

(c)
Tenet Claims Processing, Inc.
(c)
Ten Broeck/Frye Partnership— *ownership—Frye Regional Medical Center, Inc. (50%)*
United Medical Corp. of NC (50%)

(b)
Heartland Corporation

(c)
Heartland Physicians, Inc.
(c)
Prairie Medical Clinic, Inc.

(b)
Kenner Regional Medical Center, Inc.
(b)
Medical Center of Garden Grove, Inc.

(c)
Orange County Kidney Stone Center, L.P.— *ownership—Medical Center of Garden Grove, Inc. (42.5805%)*
OCKSC Assoc.,Inc. + 11 others (57.4195%)

(c)
Orange County Kidney Stone Center Assoc., G. P.— *ownership—Physicians (67.9%)*
Medical Center of Garden Grove, Inc. (32.1%)

(b)
Medical Collections, Inc.

(b)
Mid-Continent Medical Practices, Inc.

(b)
National Medical Services III, Inc.

(b)
National Medical Services IV, Inc.

(b)
National Park Medical Center, Inc.

(c)
Garland Managed Care Organization, Inc.

(c)
Hot Springs Outpatient Surgery, G.P.— *ownership—National Park Medical Center, Inc. (50%)*
Hot Springs Outpatient Surgery (50%)

(c)
NPMC Healthcenter—Cardiology Care Center, Inc.

(c)
NPMC Healthcenter—Cardiology Services, Inc.

(c)
NPMC Healthcenter—Family Healthcare Clinic, Inc.

(c)
NPMC Healthcenter—Gastroenterology Center of Hot Springs, Inc.

(c)
NPMC Healthcenter—Hot Springs Village, Inc.

(c)
NPMC Healthcenter—Malvern, Inc.

(c)
NPMC Healthcenter—National Park Surgery Clinic, Inc.

(c)
NPMC Healthcenter—Physician Services, Inc.

(c)
NPMC Healthcenter—Physicians for Women, Inc.

(c)
NPMC Healthcenter—The Heart Clinic, Inc.

(c)
Tenet HealthSystem NPMC Hamilton West, Inc.

(b)
New H Holdings Corp.— *ownership—Tenet HealthSystem Medical, Inc. (99%)*
Amisub of California, Inc. (.5%); Brookwood Health Services, Inc. (.5%)

(c)
New H Acute, Inc.

(d)
New H South Bay, Inc.

(b)
North Fulton Imaging Ventures, Inc.

(c)
North Fulton Imaging Partners, Ltd.— *ownership—North Fulton Imaging Ventures, Inc., GP*

(b)
North Fulton Medical Center, Inc.

(c)
NorthPoint Health System, Inc.

(c)
Northwoods Ambulatory Surgery, Inc.
(c)
North Fulton Health Care Associates, Inc.

(b)
North Fulton MOB Ventures, Inc.

(c)
North Fulton Professional Building I, L.P.— *ownership—North Fulton MOB Ventures, Inc., LP. (15.4917%)*
North Fulton Medical Ventures, Inc., GP (84.5083%)

(b)
Northwind Medical Building Associcates, Ltd.— *ownership—Tenet HealthSystem Medical Inc. (1.44%)*
Others (98.56%)
(b)
Occupational Health Medical Services of Florida, Inc.
(b)
Palm Beach Gardens Community Hospital, Inc.

(c)
Diagnostic Associates of Palm Beach Gardens, Ltd.— *ownership—Palm Beach Gardens Community Hospitals, Inc., GP*
Phymatrix Management Company, Inc., LP

(b)
Partners in Service, Inc.
(b)
Physicians Development, Inc.
(b)
Piedmont Home Health, Inc.
(b)
Piedmont Urgent Care and Industrial Health Centers, Inc.

(c)
Piedmont East Urgent Care Center, L.L.C.
(c)
Piedmont Urgent Care Center at Baxter Village, LLC

(b)
Pinnacle Healthcare Services, Inc.
(b)
Professional Healthcare Systems Licensing Corporation
(b)
ProMed Pharmicenter, Inc.
(b)
Roswell Medical Ventures, Inc.
(b)
Saint Joseph Mental Health Physicians, Inc.
(b)
San Dimas Community Hospital
(b)
San Luis MSO Partners, Inc.
(b)
SEMO Medical Management Company, Inc.
(b)
Sierra Vista Hospital, Inc.

(c)
Tenet HealthSystem Sierra Vista Venture I, Inc.
(c)
Tenet HealthSystem Sierra Vista Ventures II, Inc.

(b)
South Carolina Health Services, Inc.

(b)
Southern Medical Holding Corporation
(b)
St. Mary's Regional Medical Center, Inc.

(c)
Amisub (St Mary's), Inc.

(d)
Priority Industrial Physical Therapy Sports Rehab, G.P.— *ownership—Amisub (St. Mary's), Inc. (51%) Danny Lyons (43%); Larry Engla (6%)*

(c)
Dedicated Health PHO, Inc.
(c)
St. Mary's Medical Group, Inc.

(b)
Stonecrest Medical Center Corporation
(b)
Tenet (Brookwood Development), Inc.

(c)
Health Advantage Plans, Inc.— *ownership—Tenet (Brookwood Development), Inc. (33 1/3%) Tenet HealthSystem Lloyd Noland Properties, Inc. (33 1/3%) Eastside Ventures, Inc. (33 1/3%)*

(d)
Group Administrators, Inc.

(b)
Tenet DISC Imaging, Inc.
(b)
Tenet Caldwell Family Physicians, Inc.
(b)
Tenet Catawba Nurse Midwives, Inc.
(b)
Tenet Central Carolina Physicians for Women, Inc.
(b)
Tenet Choices, Inc.— *ownership—Tenet HealthSystem Medical, Inc. 5,000 shares; Roger Friend—1 share Richard Freeman—1 share;* NOTE: Total = 5,002 shares.
(b)
Tenet DeLaine Adult Medical Care, Inc.
(b)
Tenet East Cooper Spine Center, Inc.
(b)
Tenet Finance Corp.
(b)
Tenet Frye Regional, Inc.

(c)
Tenet Claremont Family Medicine, L.L.C.
(c)
Tenet Unifour Urgent Care Center, L.L.C.

(b)
Tenet Goodman Family Practice Associates, Inc.
(b)
Tenet Good Samaritan, Inc.
(b)
Tenet Health Network, Inc.
(b)
Tenet HealthSystem Bartlett, Inc.
(b)
Tenet HealthSystem GB, Inc.

(c)
Sheffield Educational Fund, Inc.

(b)
Tenet HealthSystem Hilton Head, Inc.
(b)
Tenet HealthSystem Lloyd Noland Medical, Inc.
(b)
Tenet HealthSystem Lloyd Noland Properties, Inc.
(b)
Tenet HealthSystem Nacogdoches ASC, G.P., Inc.

(c)
NMC Lessor, L.P.
(c)
NMC Surgery Center, L.P.

(b)
Tenet HealthSystem Nacogdoches ASC, L.P., Inc.
(b)
Tenet HealthSystem North Shore, Inc.

(c)
Tenet HealthSystem North Shore (BME), Inc.

(b)
Tenet HealthSystem PBPG, Inc.
(b)
Tenet HealthSystem Philadelphia, Inc.

(c)
Delaware Valley Physician Alliance, Inc.
(c)
Philadelphia Charitable Holdings Corporation
(c)
Philadelphia Health & Education Corporation
(c)
Philadelphia Health & Research Corporation
(c)
Tenet HealthSystem Bucks County, LLC
(c)
Tenet HealthSystem City Avenue, LLC
(c)
Tenet HealthSystem Elkins Park, LLC
(c)
Tenet HealthSystem Graduate, LLC
(c)
Tenet HealthSystem Hahnemann, LLC
(c)
Tenet HealthSystem MCP, LLC
(c)
Tenet HealthSystem Parkview, LLC
(c)
Tenet HealthSystem St. Christopher Hospital, LLC

(d)
SCHC Pediatric Associates, LLC

(c)
Tenet Home Services, L.L.C.
(c)
Tenet Medical Equipment Services, LLC
(c)
TPS of PA, L.L.C.

(d)
TPS II of PA, L.L.C.
(d)

TPS III of PA, L.L.C.

(d)

TPS IV of PA, L.L.C.

(d)

TPS V of PA, L.L.C.

(b)

Tenet HealthSystem SGH, Inc.

(b)

Tenet HealthSystem SL, Inc.

(c)

Tenet HealthSystem DI-SUB, Inc.

(b)

Tenet HealthSystem SL-HLC, Inc.

(c)

Concentra St. Louis, L.L.C.— *ownership—Tenet HealthSystem SL-HLC, Inc. (49%)*
Concentra Health Services, Inc. (51%)

(b)

Tenet HealthSystem Spalding, Inc.

(c)

Spalding Health System, L.L.C.— *ownership—Tenet HealthSystem Spalding, Inc. (50%)*
Physicians (50%)

(c)

Spalding Medical Ventures, L.P.— *ownership—Tenet HealthSystem Spalding, Inc.*

(c)

Tenet Physician Services—FMC, Inc.

(c)

Tenet Physician Services—Spalding, Inc.

(c)

Tenet EMS/Spalding 911, LLC—*ownership—Tenet HealthSystem Spalding, Inc. (64.1%)*
Spalding County (35.9%)

(b)

Tenet Healthcare-Florida, Inc.

(c)

TCC Partners GP

(b)

Tenet Hildebran Medical Clinic

(b)

Tenet HomeCare Information Systems, Inc.

(b)

Tenet Home Care of South Florida, Inc.

(b)

Tenet Home Care Tampa/St. Pete, Inc.

(b)

Tenet Investments, Inc.

(c)

T.I. Promed

(c)

T.I. MedChannel

(c)

T.I. VM, Inc.

(c)

T.I. EMA, Inc.

(b)

Tenet Kimmel, L.L.C.

(b)

Tenet Management Services, Inc.

(c) Alexa Integrated Medical Management, Inc.

(c) Mid-Orange Medical Management, Inc.

(c) Quality Medical Management, Inc.

(d) Sterling Healthcare Management, LLC

(c) Tenet Health Integrated Services, Inc.

(b) Tenet Physician Services—East Cooper, Inc.

(b) Tenet Physician Services—Fort Mill, Inc.

(b) Tenet Physician Services—Georgia Baptist, Inc.

(c) Tenet Fayette Medical Group, Inc.

(b) Tenet Physician Services—Hilton Head, Inc.

(c) Hilton Head Clinics, Inc.

(c) Hilton Head Medical Group—Cardiology, L.L.C.

(c) Hilton Head Medical Group—ENT, L.L.C.

(c) Hilton Head Medical Group—Oncology, L.L.C.

(c) Hilton Head Medical Group—Urology—HH, L.L.C.

(c) Hilton Head Medical Group—Urology—Beaufort, L.L.C.

(b) Tenet Physician Services—North Fulton, Inc.

(b) Tenet Physician Services—Piedmont, Inc.

(c) Piedmont West Urgent Care Center LLC

(c) Tenet Physician Services—Walker, L.L.C.

(c) Tenet Physician Services—Delaine, L.L.C.

(c) Tenet Physician Services—Lewisville, L.L.C

(c) Tenet Physician Services—Herlong, L.L.C.

(c) Tenet Physician Services—Village Oaks, L.L.C.

(c) Tenet Physician Services—Rock Hill Psych, L.L.C.

(b) Tenet Physician Services—York, Inc.

(b) Tenet Physician Services of Mississippi, L.L.C.

(b) Tenet Physician Services of the Southeast, Inc.

(b) Tenet Riverbend Family Medicine, Inc.

(b)
Tenet St. Mary's, Inc.
(b)
Tenet South Atlanta Diagnostic Cardiology, Inc.
(b)
Tenet South Fulton, Inc.

(c)
Tenet South Fulton health Care Center, Inc.

(b)
Tenet System Services, Inc.
(b)
Tenet West Palm Outreach Services, Inc.

(b)
Tenet West Palm Real Estate, Inc.
(b)
Texas Healthcare Services, Inc.
(b)
Texas Professional Properties, Inc.
(b)
Three Rivers Healthcare, Inc.

(c)
Three Rivers Health Ventures, LLC

Tenet HealthSystem Hospitals, Inc.

(a)
Airmed II
(a)
Alvarado Hospital Medical Center, Inc.
(a)
Brookhaven Hospital, Inc.

(b)
Brookhaven Pavilion, Inc.

(a)
Century City Hospital, Inc.
(a)
Community Hospital of Los Gatos, Inc.
(a)
Delray Medical Center, Inc.
(a)
Diagnostic Imaging Services, Inc.
(a)
Doctors Hospital of Manteca, Inc.
(a)
Doctors Medical Center—Pinole, Inc.
(a)
Doctors Medical Center—San Pablo, Inc.
(a)
Doctors Medical Center of Modesto, Inc.
(a)
Jefferson County Surgery, Inc.

(b)
Jefferson County Surgery ASC, LLC— *ownership—Jefferson County Surgery, Inc.*
Tenet HealthSystem DI, Inc.

(a)
Garfield Medical Center, Inc.
(a)
Greater El Paso Healthcare Enterprises
(a)

Hollywood Medical Center, Inc.

(a)
JD French Center, Inc.

(a)
JFK Memorial Hospital, Inc.

(a)
Laughlin Pavilion, Inc.

(a)
Los Alamitos Center, Inc.

(a)
LR Medical Center, Inc.

(a)
MHJ, Inc.

(b)
Jonesboro Health Services, L.L.C.— *ownership—MHJ, Inc. 95%)*
St. Vincent Total Health Corporation (5%)

(c)
Starcare of Jonesboro, Inc.

(a)
Manteca Medical Management, Inc.

(a)
Meadowcrest Hospital, Inc.

(a)
Metro Physicians Management Organization, Inc.

(a)
Mid-America Equipment Co.

(a)
Mid-Tennessee Health Partners, L.L.C.— *ownership—Tenet HealthSystem Hospitals, Inc. (50%)*
Smithville Healthcare Ventures, L.P. (50%)

(a)
NM Ventures of North County, Inc.

(b)
North County Outpatient Surgery Center, Ltd.— *ownership—Physicians (35.47%)*
NM Ventures of North County, Inc. (64.53%)

(a)
NME Medical de Mexico, S.A. de C.V.

(a)
NMV-II, Inc.

(b)
Delray Outpatient Surgery & Laser Center, Ltd.— *ownership—NMV-II, Inc. (10%); Others (90%)*

(a)
National Managed Med, Inc.

(a)
National Med, Inc.

(a)
National Medical Hospital of Tullahoma, Inc.

(b)
Harton Medical Group, Inc.

(b)
Health Point Physician Hospital Organization, Inc.

(b)
Tullahoma Ambulatory Surgery Center, L.L.C.

(a)
National Medical Hospital of Wilson County, Inc.

(b)
Middle Tennessee Therapy Services, Inc.

(b)
Tenet Lebanon Surgery Center, LLC
(b)
Wilson County Management Services, Inc.

(a)
National Medical Services, Inc.

(b)
Barron, Barron & Roth, Inc.

(a)
National Medical Services II, Inc.
(a)
National Medical Ventures, Inc.

(b)
Litho I, Ltd.— *ownership—National Medical Ventures, Inc. 63.75%); Physicians (36.75%)*
(b)
McHenry Surgery Center Partners, L.P.

(a)
New Orleans Regional Physician Hospital Organization, Inc.
(a)
Northeast Texas Healthcare Enterprises
(a)
NorthShore Regional Medical Center, Inc.
(a)
Physician Network Corporation of Louisiana

(b)
Family Health Network, Inc.

(a)
Placentia-Linda Hospital, Inc.
(a)
Practice Partners, Inc.
(a)
Preferred Medical Systems of California, Inc.
(a)
Redding Medical Center, Inc.
(a)
Redding Medical Center Cardiac Cath Lab
(a)
San Ramon Regional Medical Center, Inc.
(a)
San Ramon ASC, L.P.—*ownership—THV 1 (100%)*
(a)
Seven Rivers Community Hospital, Inc.
(a)
Sierra Providence Healthcare Enterprises
(a)
Sierra Providence Health Network, Inc.
(a)
South Bay Practice Administrators, Inc.
(a)
South Florida Managed Care Delivery System, L.L.P.— *ownership—Intracoastal Health Systems, Inc. (50%)*
Collectivel y (50%): Tenet HealthSystem Hospitals, Inc., Lifemark Hospitals of Florida, Inc., Amisub (North Ridge Hospital), Inc., Palm Beach Gardens Community Hospital, Inc.
(a)
SouthPointe Hospital, Inc.
(a)
St. Charles General Hospital, Inc.
(a)
THV I, Inc.
(a)

Tenet Beaumont Healthsystem, Inc.

(a)

Tenet Birmingham Management, Inc.

(a)

Tenet California Medical Ventures I, Inc.

(a)

Tenet D.C., Inc.

(a)

Tenet Dimension Holding Company, Inc.

(a)

Tenet El Mirador Surgical Center, Inc.

(a)

Tenet Funding, Inc.

(a)

Tenet HealthSystem Desert, Inc.

(a)

Tenet HealthSystem DFH, Inc.

(a)

Tenet HealthSystem DI, Inc.

(b)

Tenet DI, LLC

(a)

Tenet HealthSystem DI-SNF, Inc.

(a)

Tenet HealthSystem DI-TPS, Inc.

(a)

Tenet HealthSystem Hospitals Dallas, Inc.

(a)

Tenet HealthSystem Memorial Medical Center, Inc.

(a)

Tenet HealthSystem Metroplex Hospitals, Inc.

(a)

Tenet HealthSystem Surgical, L.L.C.

(a)

Tenet Hialeah HealthSystem, Inc.

(b)

Edgewater Provider Insurance Company, Ltd. *(25%)*

(b)

Hialeah Real Properties, Inc.

(b)

Tenet Hialeah (H.H.A.) HealthSystem, Inc.

(b)

Tenet Hialeah (ASC) HealthSystem, Inc.

(a)

Tenet Hospitals Limited—*ownership—Tenet HealthSystem Hospitals, Inc., G.P. (1%)*
Tenetsub Texas, Inc., L.P. (99%)

(a)

Tenet Jefferson, Inc.

(a)

Tenet Louisiana Medical Ventures I, Inc.

(a)

Tenet Missouri JV, Inc.

(a)

Tenet Network Management, Inc.

(a)

Tenet Regional Infusion North, Inc.—*ownership—Tenet HealthSystem, SL, Inc. (50%);*
Tenet HealthSystem DI, Inc. (40%); Tenet HealthSystem Hospitals, Inc. (5%)
Lifemark Hospitals of Missouri, Inc. (5%)

(a)

Tenet West Valley, Inc.

(b)

Alpine Surgery Centers, L.P.—*ownershp—Tenet West Valley (50%); Alpine Healthcare (10%); Doctors own 40%*

(a) Tenetsub Texas, Inc.

(a) Total Rehab, LLC—*ownership—Tenet HealthSystem Hospitals, Inc. (51%); Total Rehab Associates (49%)*

(a) Twin Cities Community Hospital, Inc.

(a) USC University Hospital, Inc.

(a) West Boca Medical Center, Inc.

(a) West Coast PT Clinic, Inc.

Tenet HealthSystem HealthCorp

(a) OrNda Hospital Corporation

(b) AHM Acquisition Co., Inc.

(c) OrNda Investments, Inc.

(d) AHM CGH, Inc.

(d) AHM GEMCH, Inc.

(d) AHM Minden Hospital, Inc.

(d) AHM SMC, Inc.

(d) AHM WCH, Inc.

(d) American Healthcare Management Development Company

(d) CHHP, Inc.

(d) HCW, Inc.

(d) LBPG, Inc.

(d) Lake Mead Holdings—*ownership—OrNda Investments, Inc., GP (25%) Doctors Group, LP (75%).*

(d) Monterey Park Hospital

(d) MPC, Inc.

(d) NLVH, Inc.

(e) Pollamead Partnership—*ownership—NLVH, Inc., GP (50%); Doctors Group, LP (50%)*

(e) Pollamead Partnership II—*ownership—NLVH, Inc., GP (50%); Doctors Group, LP (50%)*

(d) OrNda Management Services, Inc.

(d) Sharpstown General Hospital Professional Building, Ltd.—*ownership— OrNda Investments, Inc., LP (80%)*

(d)

Tenet HealthSystem Heritage, Inc.

(e)
Foot and Ankle Specialty Institute of Tacoma—*ownership—PSH, Inc., GP (50%)*
Integrated Healthcare Alliance, LP (50%)

(d)
USDHC, Inc.

(d)
WPH Management Services, Inc.

(b)
Commonwealth Continental Health Care, Inc.

(b)
Commonwealth Continental Health Care III, Inc.

(b)
Coral Gables Hospital, Inc.

(c)
CGH Hospital, Ltd.—*ownership—Coral Gables Hospital, Inc., GP (94.25%)*
Greater Miami Medical Group, Ltd., LP (5.75%)

(c)
Greater Miami Medical Group, Ltd.—*ownership—Greater Miami Medical Group, Inc., GP (1%)*
Coral Gables Hospital, Inc., LP (40%)
Doctor Group, LP (59%)

(b)
CVHS Hospital Corporation

(b)
Cypress Fairbanks Medical Center, Inc.

(c)
New Medical Horizons II, Ltd.—*ownership—Cypress Fairbanks Medical Center, Inc., GP (5%)*
Tenet HealthSystem CFMC, Inc., LP (95%)

(b)
FMC Acquisition, Inc.

(c)
FMC Hospital, Ltd.—*ownership—FMC Acquisition, Inc., GP (85%)*
Florida Institute of Health, Ltd., LP (15%)

(b)
FMC Medical, Inc.

(b)
Fountain Valley Health Care, Inc.

(b)
Fountain Valley Imaging Center, LP—*ownership—Fountain Valley Imaging Corporation (1%)*
OrNda Hospital Corporation (99%)

(b)
Fountain Valley Outpatient Surgical Center, LP—*ownership—Fountain Valley Imaging Corporation (1%)*
OrNda Hospital Corporation (99%)

(b)
Fountain Valley Imaging Corporation

(b)
Fountain Valley Pharmacy, Inc.

(b)
Fountain Valley Regional Hospital and Medical Center

(b)
GCPG, Inc.

(c)
Garland Community Hospital, Ltd.—*ownership—GCPG, Inc., GP (1%)*
Republic Health Corporation of Mesquite, LP (99%)

(b)
Harbor View Health Systems, Inc.

(c)
Harbor View Health Partners, L.P.—*ownership—Harbor View Health Systems, Inc. GP (50%)*

Republic Heatlh Corporation of San Bernardino, LP (50%)

(b)
Harbor View Medical Center.

(b)
Health Resources Corporation of America—California

(c)
OrNda of South Florida Services Corporation

(d)
San Juan Medical Center, Inc.

(b)
Houston Northwest Medical Center, Inc.

(c)
HNMC, Inc.

(d)
C.T. Joint Venture—*ownership—HNMC, Inc., GP (50%); Doctors Group, LP (50%)*

(d)
Houston Northwest Management Services, Inc.

(d)
Houston Northwest Radiotherapy Center, L.L.C.—*ownership—HNMC, Inc., managing member (6.79%)*
Doctors Group, member (93.21%)

(d)
Houston Rehabilitation Associates—*ownership—HNMC, Inc., GP (20%)*
Doctors Group, LP (80%)

(d)
HNW GP, Inc.

(e)
Houston Northwest Partners, Ltd—*ownership—HNW GP, Inc., GP (1%)*
HNW LP, Inc., LP (99%)

(d)
HNW Holdings, Inc.

(d)
HNW Lessor GP, Inc.

(d)
HNW LP, Inc.

(d)
MRI-North Houston Venture—*ownership—HNMC, Inc., GP (12%); Doctors Group, LP (88%)*

(c)
Houston Northwest Health System, Inc.

(c)
Northwest Houston Providers Alliance, Inc.

(b)
Indianapolis Health Systems, Inc.

(c)
MMC Cardiology Venture—*ownership—Indianapolis Health Systems, Inc., GP (50%)*
Republic Health Corporation of Indianapolis, LP (50%)

(b)
MCF, Inc.

(c)
Bone Marrow/Stem Cell Transplant Institute of Florida, Inc.

(d)
Bone Marrow/Stem Cell Transplant Institute of Florida, Ltd.—*ownership—Bone Marrow/Stem Cell Transplant Institute of Florida, Inc., GP (51%)*

Stem Cell, Inc., LP (49%)

(c)
Florida Medical Center, Ltd.—*ownership—MCF, Inc., GP (50%)*
OrNda Hospital Corporation, LP (50%)

(b)
MCS Administrative Services, Inc.

(b)
MHA IPA, Inc.

(b)
Meridian Regional Hospital, Inc.

(b)
Midway Hospital Medical Center, Inc.

(b)
NAI Community Hospital of Phoenix, Inc.

(b)
North Miami Medical Center, Ltd.—*ownership—OrNda Hospital Corporation. (85.91%)*
Commonwealt h Continental Health Care, Inc. (14.09%)

(c)
Medi-Health of Florida, Inc.

(c)
Parkway Professional Plaza Condominum Association, Inc.

(c)
Parkway Regional Medical Centr Physician Hospital Organization, Inc.

(b)
OrNda Access, Inc.

(c)
Magnolia Ambulatory Surgi-Center, L.P.—*ownership—OrNda Hospital Corporation, GP (71.8%)*
Doctors Group, LP (28.2%)

(c)
Tenet Surgery Center L.P.—*ownership—OrNda Hospital Corporation, GP/LP (75%)*
Metro Outpatient Partners-AZ General Partnership, LP (25%)

(b)
OrNda Health Initiatives, Inc.

(b)
OrNda HealthChoice, Inc.

(c)
Health Choice HMO

(b)
OrNda HealthCorp of Florida, Inc.

(b)
OrNda Healthcorp of Phoenix, Inc.

(c)
Biltmore Surgery Center, Inc.

(d)
Buildmore Surgery Center Limited Partnership—*ownership—Biltmore Surgery Center, Inc., GP*

(c)
CHR Service Corp.

(b)
OrNda HomeCare, Inc.

(b)
OrNda Metro Surgery, Inc.

(b)
OrNda of South Florida, Inc.

(c)

OrNda FMC, Inc.

(c)

TriLink Provider Services Organization, Inc.

(b)

OrNda of South Florida Holdings, Inc.

(b)

OrNda Physicians Services, Inc.

(b)

PoWay Health Systems, Inc.

(b)

Qualicare of Mississippi, Inc.

(c)

Gulf Coast Community Health Care Systems, Inc.

(c)

Gulf Coast Community Hospital, Inc.

(d)

Gulf Coast Outpatient Surgery Center, LLC—*ownership—*
Gulf Coast Community Hospital, Inc. (50%)
11 Physicians (50%)

(d)

Gulf Coast, PHO, LLC—*ownership—Gulf Coast Community Hospital, Inc.*
Medical Center and Coastal IPA, LLC

(b)

Republic Health Corporation of Arizona

(c)

CCC Mesa Medical Plaza MOB—*ownership—Republic Health Corporation of Arizona, LP (25%)*

(b)

Republic Health Corporation of California

(b)

Republic Health Corporation of Central Georgia

(b)

Republic Health Corporation of Hayward

(b)

Republic Health Corporation of Indianapolis

(c)

Indianapolis Physician Services, Inc.

(c)

Winona Memorial Hospital Limited Partnership—*ownership—OrNda Healthcorp, LP (.01%)*
Republic Health Corporation of Indianapolis, Inc., GP (99.9%)

(b)

Republic Health Corporation of Meridian

(b)

Republic Health Corporation of Mesquite

(b)

Republic Health Corporation of Rockwall County

(c)

Lake Pointe GP, Inc.

(d)

Lake Pointe Partners, Ltd.—*ownership—Lake Pointe GP, Inc., GP- 1.31%*
Lake Pointe Investments, Inc., LP- 97.82%
Individual Physicians, LP 0.87%

(c)

Lake Pointe Holdings, Inc.

(c)

Lake Pointe Investments, Inc.

(b)

Republic Health Corporation of San Bernardino

(b)

Republic Health Corporation of Texas

(b) Republic Health of North Texas

(b) Republic Health Partners, Inc.

(b) RHC Parkway, Inc.

(b) RHC Texas, Inc.

(b) RHCMS, Inc.

(b) Rio Hondo Health System Inc.

(b) Rio Hondo Memorial Hospital

(b) Ross General Hospital

(b) Ross Hospital, Inc.

(b) S.C. Management, Inc.

(b) Saint Vincent Healthcare System, Inc.

(c) Clini-Tech Laboratories, Inc.

(c) OHM Health Initiatives, Inc.

(c) OHM Services, Inc.

(c) Provident Nursing Homes, Inc.

(c) Saint Vincent Hospital, Inc.

(d) Saint Vincent Hospital, L.L.C.—*ownership—Saint Vincent Hospital, Inc..—managing member Fallon Clinic Inc.*

(b) Santa Ana Hospital Medical Center, Inc.

(b) SHL/O Corp.

(b) South Park Medical Center, Inc.

(b) Southwest Physician Management Services, Inc.

(b) St. Luke Medical Center

(b) Tenet HC, Inc.

(b) Tenet HealthSystem Biltmore, Inc.

(b) Tenet HealthSystem CFMC, Inc.

(b) Tenet HealthSystem CM, Inc.

(b) Tenet HealthSystem QA, Inc.

(c) Commercial Healthcare of California, Inc.

(c) Tenet HealthSystem QA Medical Groups, Inc.

(b)
Tenet HealthSystem MCS-AZ, Inc.
(b)
Tenet HealthSystem Metro G.P., Inc.
(b)
Tenet HealthSystem TGH, Inc.
(b)
Tenet HealthSystem WRF, Inc.
(b)
Tenet MGH, Inc.
(b)
Trinity Valley Medical Center, Ltd.
(b)
UWMC Hospital Corporation
(b)
Valley Community Hospital
(b)
West Los Angeles Health Systems, Inc.

(c)
Brotman Partners, L.P.—*ownership—West Los Angeles Health Systems, Inc. GP (55.75%)*
Republic Health Corporation of San Bernardino., LP (44.25%)

(d)
Foot and Ankle Specialty Institute of Culver City—*ownership—*
Brotman Partners, L.P., GP (50%)
Integrated Healthcare Alliance, Inc., LP (50%)
(d)
Gynecological Specialty Institute of Culver City—*ownership—Brotman Partners, L.P., GP (50%)*
Integrated Healthcare Alliance, Inc., LP (50%)

(b)
Whittier Hospital Medical Center, Inc.

(c)
Head & Neck Specialty Institute of Whittier—*ownership—*
Whittier Hospital Medical Center, Inc. GP (50%)
Integrated Healthcare Alliance, LP (50%)

(a)
Tenet HealthSystem MW, Inc.

(b)
Tenet MetroWest Healthcare System, Limited Partnership

(a)
Tenet HealthSystem Occupational Medicine, Inc.

Tenet I.B.A. Holdings, Inc.

Tenet Ventures, Inc.

(a)
T.I. Edu, Inc.

(b)
DigitalMed, Inc.—*ownership—T.I. Edu, Inc. (75%); E-Vitro Group (25%)*

(a)
T.I. GPO, Inc
(a)
Tenet New Development, Inc.

(b)
Proton Therapy Center of St. Louis, Inc.
(b)
PTCA Investments, Inc.

EXHIBIT 23

ACCOUNTANTS' CONSENT AND REPORT ON CONSOLIDATED SCHEDULE

The Board of Directors
Tenet Healthcare Corporation:

Under date of July 10, 2001, we reported on the consolidated balance sheets of Tenet Healthcare Corporation and subsidiaries as of May 31, 2000 and 2001, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended May 31, 2001, as contained in the 2001 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for fiscal year 2001. Our report refers to a change in the method of accounting for start-up costs during fiscal year 2000.

In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the index of exhibits to the annual report on Form 10-K for fiscal 2001. The consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statement schedule based on our audits. In our opinion, such schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We consent to the incorporation by reference of our reports dated July 10, 2001, in the Company's Registration Statements on Form S-3 (Nos. 33-57801, 33-57057, 33-55285, 33-62591, 33-63451, 333-17907, 333-24955, 333-21867, 333-26621 and 333-41907), Registration Statements on Form S-4 (Nos. 33-57485, 333-18185, 333-64157, and 333-45700) and Registration Statements on Form S-8 (Nos. 2-87611, 33-11478, 33-50182, 33-57375, 333-00709, 333-01183, 333-38299, 333-41903, 333-41476, 333-41478, and 333-48482).

/s/ KPMG LLP

Los Angeles, California
August 20, 2001
