FORM 10-K

Annual report pursuant to section 13 and 15(d)

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TENET HEALTHCARE CORP

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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, 1996. [FEE REQUIRED]

OR

/ / Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from to . [NO FEE REQUIRED]

COMMISSION FILE NUMBER: I-7293

TENET HEALTHCARE CORPORATION
(Exact name of Registrant as specified in its charter)

<TABLE>
<S> <C>

NEVADA	95-2557091
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3820 STATE STREET SANTA BARBARA, CALIFORNIA	93105
(Address of principal executive offices)	(Zip Code)

</TABLE>

AREA CODE (805) 563-7000
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

<TABLE>
<CAPTION>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
<S>	<C>
Common Stock	New York Stock Exchange Pacific Stock Exchange
8 5/8% Senior Notes due 2003	New York Stock Exchange
6% Exchangeable Subordinated Notes due 2005	New York Stock Exchange
9 5/8% Senior Notes due 2002	New York Stock Exchange
10 1/8% Senior Subordinated Notes due 2005	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange Pacific Stock Exchange

</TABLE>

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 (Section229.405 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. / /

As of July 31, 1996, there were 216,288,503 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 $4,179,259,051. 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, 1996, have been incorporated by reference into Parts I, II and IV of this Report. Portions of the definitive Proxy Statement for the Registrant's 1996 Annual Meeting of Shareholders have been incorporated by

reference into Part III of this Report.

TABLE OF CONTENTS
FORM 10-K ANNUAL REPORT -- 1996
TENET HEALTHCARE CORPORATION AND SUBSIDIARIES

<TABLE>
<CAPTION>

		PAGE
<S>	<C>	<C>
PART I		
Item 1.	Business	1
Item 2.	Properties	19
Item 3.	Legal Proceedings	19
Item 4.	Submission of Matters to a Vote of Security Holders	20
PART II		
Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	20
Item 6.	Selected Financial Data	20
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 8.	Financial Statements and Supplementary Data	21
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	21
PART III		
Item 10.	Directors and Executive Officers of the Registrant	21
Item 11.	Executive Compensation	21
Item 12.	Security Ownership of Certain Beneficial Owners and Management	21
Item 13.	Certain Relationships and Related Transactions	21
PART IV		
Item 14.	Exhibits, Financial Statements, Schedules and Reports on Form 8-K	21

</TABLE>

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, 1996, or the definitive Proxy Statement for the Registrant's 1996 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 healthcare services company in the United States. Tenet's subsidiaries own or operate general hospitals and related healthcare facilities serving urban and rural communities in 13 states and hold investments in other healthcare companies. At May 31, 1996, Tenet operated 74 domestic general hospitals, with a total of 16,666 licensed beds, located in Alabama, Arkansas, California, Florida, Georgia, Indiana, Louisiana, Missouri, Nebraska, North Carolina, South Carolina, Tennessee and Texas. During fiscal 1996, Tenet acquired five general hospitals, converted one general hospital to a specialty hospital and closed one rehabilitation hospital.

At May 31, 1996, Tenet's subsidiaries also owned or operated various ancillary healthcare operations, discussed in more detail under Other Domestic Operations on page 8 below, and held as investments interests in Vencor, Inc. ("Vencor"), Total Renal Care Holdings, Inc. ("TRC") and Health Care Property Partners ("HCPP"). These investments are discussed in more detail under Investments on page 8 below.

Tenet continues to focus on its core business of building integrated healthcare delivery systems within the communities it serves in the United States. Tenet's focus is reflected in its fiscal 1996 acquisitions and the sales of substantially all of its international operations, as discussed below.

During fiscal 1996, Tenet acquired (i) the Memorial Medical Center (formerly

known as the Mercy+Baptist Medical Center) and related physician practices in New Orleans, Louisiana, (ii) the Providence Memorial Hospital in El Paso, Texas, (iii) the Methodist Hospital of Jonesboro in Jonesboro, Arkansas (iv) a long-term lease of the Medical Center of Manchester and its home health business in central Tennessee, and (v) a one-third interest in St. Clair Hospital (which subsequently was increased to a 50% interest) located outside of Birmingham, Alabama. In addition, during the first quarter of fiscal 1997 Tenet acquired Hialeah Hospital in Hialeah, Florida, and entered into a definitive agreement to purchase Lloyd Noland Hospital in Birmingham, Alabama, which purchase Tenet expects to complete prior to the end of the second quarter of fiscal 1997.

The Company also has been actively pursuing the acquisition and management of physician practices where doing so would enhance the Company's goal of building integrated healthcare delivery systems within the communities it serves. As discussed on page 3 below, during fiscal 1996 the Company acquired or assumed the management of physician practices in many key geographic areas. Tenet also has established the Tenet Physician Services department, based at its Dallas, Texas, Operations Center, to plan Tenet's strategy for and coordinate its efforts towards developing innovative ways of working with physicians.

In fulfillment of management's decision to focus on the Company's core business of operating domestic general hospitals, during fiscal 1996 the Company completed its program of selling substantially all of its international operations. The Company sold its two Singapore hospitals and its interests in Australian Medical Enterprises Limited ("AME"), a hospital in Malaysia and a hospital in Thailand. In addition, in May 1996 Tenet sold its approximately 42% interest in Westminster Health Care Holdings PLC ("Westminster").

During fiscal 1996, Tenet issued $500 million of 8 5/8% Senior Notes due 2003 and $320 million of 6% Exchangeable Subordinated Notes due 2005 (which are described in more detail on page 9 below). Tenet used the net proceeds of those issuances, and the asset sales referred to above, to repay indebtedness under its then-existing term loan and revolving credit agreement. In March 1996, Tenet entered into a new $1.55 billion unsecured revolving credit agreement and repaid amounts then outstanding under its secured term loan and revolving credit agreement. The new revolving credit agreement allows the Company to reborrow amounts repaid prior to its March 1, 2001, maturity date. The Company had approximately $575 million available under its new revolving credit agreement at May 31, 1996.

Under segment reporting criteria, Tenet believes that "healthcare" is its only material business 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 1996 Annual Report to Shareholders.

OPERATIONS

DOMESTIC GENERAL HOSPITALS

All of Tenet's general hospital and other healthcare operations are owned or operated by Tenet HealthSystem Hospitals, Inc. (formerly known as NME Hospitals, Inc.), subsidiaries of Tenet HealthSystem Medical, Inc. (formerly known as American Medical International, Inc.) and various other subsidiaries and affiliates. At May 31, 1996, Tenet's subsidiaries and affiliates operated 74 general hospitals (16,666 beds) serving urban and rural communities in 13 states. Of those hospitals, 57 are owned (including one owned facility that is on leased land) and 17 are owned by and leased from others (including two leased from HCPP, as discussed on page 8 below).

In July 1995, Tenet acquired a one-third interest (which subsequently was increased to a 50% interest) in the 82-bed St. Clair Hospital located outside of Birmingham, Alabama, which formerly was a not-for-profit general hospital. In August 1995, Tenet acquired Memorial Medical Center (formerly known as Mercy+Baptist Medical Center), formerly a not-for-profit system, consisting of two general hospitals with an aggregate of 759 licensed beds located in New Orleans, Louisiana, and related physician practices. In September 1995, Tenet acquired the Providence Memorial Hospital located in El Paso, Texas, which also was a not-for-profit general hospital. Providence is licensed for 471 general hospital beds (34 of which may be used as skilled nursing beds) and is licensed for 30 additional rehabilitation and subacute care beds. In October 1995, Tenet entered into a long-term lease of the 49-bed Medical Center of Manchester and its home health business, in central Tennessee. In November 1995, Tenet acquired the 104-bed not-for-profit Methodist Hospital of Jonesboro, a general hospital located in Jonesboro, Arkansas. That hospital now is owned by a limited liability company of which Tenet owns 95% and is the manager and Tenet's not-for profit partner, St. Vincent TotalHealth Corporation, owns 5%. In addition, in

August 1995, Tenet entered into an agreement with the Cleveland Clinic Florida to develop a new 150-bed general hospital in western Broward County, Florida. Completion of that project is subject to governmental approvals. In the first quarter of fiscal 1997, Tenet acquired the 378-bed Hialeah Hospital in Hialeah, Florida, and entered into a definitive agreement to purchase Lloyd Noland Hospital in Birmingham, Alabama, which purchase Tenet expects to complete prior to the end of the second quarter of fiscal 1997. In the fourth quarter of fiscal 1996, Tenet converted the Jo Ellen Smith general hospital in New Orleans, Louisiana, into a specialty hospital.

The Company also has been actively pursuing the acquisition and management of physician practices where doing so would enhance the Company's goal of building integrated healthcare delivery systems within the communities it serves. During fiscal 1996, the Company acquired or assumed the management of physician practices in many key geographic areas, such as Alabama, Arkansas, Southern California, South Carolina, South Florida, the greater New Orleans, Louisiana, area and Texas. Tenet also has established the Tenet Physician Services department, based at its Dallas Operations Center, to plan Tenet's strategy for and coordinate its efforts towards developing innovative ways of working with physicians. The Company has developed and is continuing to expand information systems for more efficiently managing all aspects of physician practices, including billing, medical records, tracking managed care contracts and accounting.

Each of Tenet's general hospitals offers acute care services and most offer operating and recovery rooms, radiology services, intensive care and coronary care nursing units, pharmacies, clinical laboratories, respiratory therapy services, physical therapy services and outpatient facilities. A number of the hospitals also offer tertiary care services such as open heart surgery, neonatal intensive care, neurosciences, orthopedics services and oncology services. Three of the Company's hospitals, Memorial Medical Center (formerly known as Mercy+Baptist Medical Center), USC University Hospital and Sierra Medical Center, offer quartenary care in such areas as heart, lung, liver and kidney transplants and USC University Hospital and Sierra Medical Center also offer gamma knife brain surgery. With the exception of one general hospital that was acquired in fiscal 1996 and 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 (in the case of rehabilitation hospitals) or another appropriate accreditation agency. With such accreditation, the Company's hospitals are eligible to participate in the Medicare and Medicaid programs.

Technological developments permitting more procedures to be performed on an outpatient basis, in conjunction with pressures to contain healthcare costs, have led to a shift from inpatient care to ambulatory or outpatient care. Tenet has responded to this trend by enhancing its hospitals' outpatient service capabilities, including (i) establishing freestanding outpatient surgery centers at or near certain of its hospital facilities, (ii) reconfiguring certain hospitals to more effectively accommodate outpatient treatment, by, among other things, providing more convenient registration procedures and separate entrances, and (iii) restructuring existing surgical capacity to allow a greater number and range of procedures to be performed on an outpatient basis. Tenet's facilities will continue to emphasize those outpatient services that can be provided on a quality, cost-effective basis and that the Company believes will experience increased demand. 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.

In addition, inpatient care is continuing to move from acute care to sub-acute care, where a less-intensive level of care is provided. Tenet has been proactive in the development of a variety of sub-acute inpatient services to utilize a portion of its unused capacity, thereby retaining a larger share of overall healthcare expenditures. By offering cost-effective ancillary services in appropriate circumstances, Tenet is able to provide a continuum of care where the demand for such services exists. For example, in certain hospitals the Company has developed transitional care, rehabilitation and long-term care sub-acute units. Such units utilize less intensive staffing levels to provide the range of services sought by payors with a lower cost structure.

The following table lists, by state, the general hospitals owned or (if indicated below) leased by Tenet's subsidiaries and operated domestically as of May 31, 1996:

OWNED OR LEASED GENERAL HOSPITALS

NAME OF FACILITY	LOCATION	NUMBER OF LICENSED BEDS
ALABAMA		
Brookwood Medical Center	Birmingham	586
St. Clair Hospital(1)(3)	Birmingham	82
ARKANSAS		
Central Arkansas Hospital	Searcy	193
Methodist Hospital of Jonesboro(2)	Jonesboro	104
National Park Medical Center	Hot Springs	166
St. Mary's Regional Hospital	Russellville	170
CALIFORNIA		
Alvarado Hospital Medical Center	San Diego	231
Century City Hospital(3)	Los Angeles	190
Community Hospital & Rehabilitation Center of Los Gatos(3)	Los Gatos	164
Doctors Hospital of Manteca	Manteca	73
Doctors Hospital of Pinole(3)	Pinole	137
Doctors Medical Center of Modesto	Modesto	433
Encino Hospital(3)(4)	Encino	151
Garden Grove Hospital and Medical Center	Garden Grove	167
Garfield Medical Center	Monterey Park	211
Irvine Medical Center(3)	Irvine	176
John F. Kennedy Memorial Hospital	Indio	130
Lakewood Regional Medical Center	Lakewood	175
Los Alamitos Medical Center	Los Alamitos	173
Medical Center of North Hollywood	North Hollywood	160
Placentia Linda Community Hospital	Placentia	114
Redding Medical Center	Redding	185
San Dimas Community Hospital	San Dimas	99
San Ramon Regional Medical Center	San Ramon	123
Sierra Vista Regional Medical Center	San Luis Obispo	195
South Bay Hospital(3)	Redondo Beach	201
Tarzana Regional Medical Center(3)(4)	Tarzana	231
Twin Cities Community Hospital	Templeton	84
USC University Hospital(5)	Los Angeles	286
FLORIDA		
Delray Community Hospital	Delray Beach	211
Hollywood Medical Center	Hollywood	324
Memorial Hospital of Tampa	Tampa	174
North Ridge Medical Center	Ft. Lauderdale	391

NAME OF FACILITY	LOCATION	NUMBER OF LICENSED BEDS
Palm Beach Gardens Medical Center(3)	Palm Beach Gardens	204
Palmetto General Hospital	Hialeah	360
Palms of Pasadena Hospital	St. Petersburg	310
Seven Rivers Community Hospital	Crystal River	128
Town and Country Hospital	Tampa	201
West Boca Medical Center	Boca Raton	185
GEORGIA		
North Fulton Regional Hospital(3)	Roswell	167
Spalding Regional Hospital	Griffin	160
INDIANA		
Culver Union Hospital	Crawfordsville	120
LOUISIANA		
Doctors Hospital of Jefferson(3)	Metairie	138
Kenner Regional Medical Center	Kenner	300
Meadowcrest Hospital	Gretna	200

Memorial Medical Center Mid-City	New Orleans	272
Memorial Medical Center Uptown	New Orleans	487
Northshore Regional Medical Center(3)	Slidell	174
St. Charles General Hospital	New Orleans	173
MISSOURI		
Columbia Regional Hospital(6)	Columbia	265
Kirksville Osteopathic Medical Center(3)	Kirksville	119
Lucy Lee Hospital(3)	Poplar Bluff	201
Lutheran Medical Center	St. Louis	408
NEBRASKA		
Saint Joseph Hospital	Omaha	374
NORTH CAROLINA		
Central Carolina Hospital	Sanford	137
Frye Regional Medical Center(3)	Hickory	355
SOUTH CAROLINA		
East Cooper Community Hospital	Mount Pleasant	100
Hilton Head Hospital(7)	Hilton Head	68
Piedmont Medical Center	Rock Hill	268
TENNESSEE		
John W. Harton Regional Medical Center	Tullahoma	137
Medical Center of Manchester(3)	Manchester	49
Saint Francis Hospital	Memphis	890
University Medical Center	Lebanon	260

NAME OF FACILITY	LOCATION	NUMBER OF LICENSED BEDS
TEXAS		
Brownsville Medical Center	Brownsville	177
Doctors Hospital	Dallas	268
Mid-Jefferson Hospital	Nederland	138
Nacogdoches Medical Center	Nacogdoches	150
Odessa Regional Hospital(8)	Odessa	100
Park Place Hospital	Port Arthur	236
Park Plaza Hospital(9)	Houston	468
Providence Memorial Hospital	El Paso	471
RHD Memorial Medical Center(3)	Dallas	190
Sierra Medical Center	El Paso	365
Trinity Medical Center(3)	Carrollton	149
Twelve Oaks Hospital	Houston	336

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(1) A Tenet subsidiary owns a 50% interest in the limited liability company that leases this hospital. That hospital's financial results are not consolidated with Tenet's financial results and it is not included in the count of the total number of hospitals owned or leased by Tenet because Tenet does not manage or control the management of this hospital.
(2) Owned by a limited liability company of which Tenet owns 95% and is the managing member.
(3) Leased from a third party.
(4) Leased by a partnership in which Tenet's subsidiaries own a 75% interest.
(5) On leased land.
(6) Excludes the 64-bed Keller Memorial Hospital in Columbia, Missouri, the financial results of which were combined with the Columbia Regional Hospital. The lease for Keller Memorial Hospital was terminated during the first quarter of fiscal year 1996.

(7) Owned by a partnership in which Tenet's subsidiaries own a 70% interest.
(8) Owned by a partnership in which Tenet's subsidiaries own an 83% interest.
(9) Excludes the 38-bed Plaza Specialty Hospital in Houston, Texas, the financial results of which are combined with Park Plaza Hospital.

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

	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Total number of facilities	74	70	35	35	35
Total number of licensed beds	16,666	15,451	6,873	6,818	6,559
Average occupancy during the period	45%	47%	47%	48%	51%

</TABLE>

The above tables do not include rehabilitation hospitals, long-term care facilities, psychiatric facilities, outpatient surgery centers or other ancillary facilities.

INTERNATIONAL HOSPITALS

At May 31, 1996, a subsidiary of the Company continued to operate a 184-bed tertiary-care hospital in Barcelona, Spain. A subsidiary of the Company also is developing a 56-bed hospital in Cham, Canton Zug, Switzerland. The opening of that hospital, which had been scheduled to open in the second quarter of fiscal 1997, has been postponed indefinitely due to a decision by the Cantonal Health Authority. The decision, purportedly made in an effort to limit the number of hospital beds available in the area, has the effect of the government not paying for its portion of the hospital's patients' expenses. The Company is appealing that decision, but is unable to predict at this time the outcome of the appeal. If the hospital opens, ownership is to be transferred to a joint venture of which the Company's subsidiary will own 90% and a local community organization will own 10%.

In fulfillment of management's decision to focus on the Company's core business of operating domestic general hospitals, during fiscal 1996 the Company completed its program of selling substantially all of its international operations, with the sale of (i) its two Singapore hospitals, (ii) its 52% interest in AME, (iii) its 30% interest in and management of a hospital in Malaysia and (iv) its 40% interest in a hospital in Thailand.

OTHER DOMESTIC OPERATIONS

At May 31, 1996, Tenet's subsidiaries owned or operated a small number of rehabilitation hospitals, specialty hospitals, long-term care facilities and psychiatric facilities as well as various ancillary healthcare businesses, including outpatient surgery centers, home healthcare programs, ambulatory, occupational and rural healthcare clinics, a health maintenance organization, a preferred provider organization and a managed care insurance company. Tenet closed one rehabilitation hospital in the first quarter of fiscal 1996 and converted one general hospital into a specialty hospital in the fourth quarter of fiscal 1996.

INVESTMENTS

At May 31, 1996, Tenet held as investments (i) an approximately 11.5% interest in Vencor, which operates nursing homes and other healthcare businesses, (ii) an approximately 11.6% interest in TRC, which operates kidney dialysis units and certain related healthcare businesses and (iii) an approximately 23% interest in HCPP, a partnership originally formed by the Company and Health Care Property Investors, Inc. for the purpose of acquiring from and leasing back to the Company 21 long-term care facilities, two general hospitals and one psychiatric facility. Since that time, the Company has assigned to Vencor (as successor to The Hillhaven Corporation ("Hillhaven")), and other third parties its leasehold interests in the 21 long-term care facilities and the psychiatric hospital, but remains contingently liable for the lease payments on those facilities. The Company continues to lease the two general hospitals from HCPP. HCPP does not own any properties other than those originally purchased from the Company. In May 1996, Tenet sold its approximately 42% interest in Westminster.

In connection with the September 1995 merger transaction in which Vencor acquired Hillhaven, Tenet received 8,301,067 shares of Vencor common stock in exchange for its 8,878,147 shares of Hillhaven common stock. As part of that transaction, Tenet also received approximately $92 million for the redemption of its Hillhaven Series C Preferred Stock and Hillhaven Series D Preferred Stock. In January 1996, Tenet sold $320 million principal amount of its 6% Exchangeable Subordinated Notes due 2005, which Notes are exchangeable into Tenet's 8,301,067 shares of Vencor common stock.

PROPERTIES

In fiscal 1996, Tenet relocated its principal executive offices from an approximately 310,000-square-foot building owned by a Tenet subsidiary in Santa Monica, California to an approximately 31,000-square-foot office building located at 3820 State Street, Santa Barbara, CA 93105. The Santa Barbara building is leased by a Tenet subsidiary under a five-year lease with one five-year renewal option. The Santa Monica building was sold in June 1996. The telephone number of Tenet's Santa Barbara headquarters is (805) 563-7000. Hospital support services for Tenet's subsidiaries are located in space leased by a subsidiary in its operations center in Dallas, Texas. At May 31, 1996, Tenet and its subsidiaries also were leasing space for regional offices in Little Rock, Arkansas; Carlsbad, Encino, San Ramon and Santa Ana, California; Fort Lauderdale, Florida; Atlanta, Georgia; Metairie, Louisiana; and Dallas, Texas.

As of May 31, 1996, Tenet's subsidiaries operated domestically 69 medical office buildings, including 22 that are leased from others, most of which are adjacent to Tenet's general hospitals. These buildings are occupied by approximately 2,500 physicians.

The number of licensed beds and locations of the Company's general hospitals are described on pages 5 through 7 above. As of May 31, 1996, Tenet had approximately $83 million of outstanding loans secured by real property and approximately $33 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 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 the Company recently has begun to purchase more physician practices and, where permitted by law, employ physicians, most of the physicians who practice at the Company's hospitals are not employees of the Company. The Company also has begun to manage more physician practices in states where corporations are not permitted to purchase physician practices. Nurses, therapists, lab technicians, facility maintenance staff and the administrative staff of hospitals, however, normally are employees of the Company.

Tenet's operations are dependent on the efforts, ability and experience of its officers, employees and physicians. Tenet's continued growth depends on its ability to attract and retain skilled employees, on the ability of its officers to manage growth successfully and on Tenet's ability to attract and retain physicians and other healthcare professionals at its hospitals. In addition, the success of Tenet is, in part, dependent upon the quality, number and specialities 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 be able to successfully attract and retain key officers, qualified physicians and other healthcare professionals, the loss of some or all of its key officers or an inability to attract or retain sufficient numbers of qualified physicians and other healthcare professionals could have a material adverse impact on future results of operations.

The number of Tenet employees (of which approximately 30% were part-time employees) at May 31, 1996, was approximately as follows:

<TABLE>

<S>	<C>
General Hospitals and Other Businesses(1)	64,000
Dallas Operations Center and Regional and Support Offices	600
Corporate Headquarters	80
Total	64,680

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(1) Includes employees whose employment relates to the operations of general hospitals, rehabilitation hospitals, psychiatric facilities, specialty hospitals, outpatient surgery centers, the Company's managed services organizations, including physicians whose practices have been acquired by the Company, the Company's print center and debt collection subsidiaries, other domestic healthcare operations, a hospital in Barcelona, Spain, and a hospital under development in Cham, Switzerland.

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. A small percentage of Tenet's employees are represented by labor unions. Although the Company currently is not experiencing a shortage of nursing personnel, the availability of nursing personnel fluctuates from year to year, and the Company cannot predict the degree to which it will be affected by the future availability and cost of nursing personnel.

COMPETITION

Tenet's general hospitals, rehabilitation hospitals, specialty hospitals, long-term care facilities, psychiatric facilities, outpatient surgery centers and other ancillary businesses operate in competitive environments. A facility's competitive position within the geographic area in which it operates is affected by such competitive factors as the quality of care provided, including the number, quality and specialties of the physicians, nurses and other healthcare professionals on staff, the quality of services provided by the hospital to patients and their physicians, its reputation, the number of competitive facilities, the state of its physical plant, the quality and the state of the art of its medical equipment, its location and its charges for services. Tax-exempt competitors may have certain financial advantages such as endowments, charitable contributions, tax-exempt financing and exemption from sales, property and income taxes not available to Tenet facilities. The length of time a facility has been a part of the community and the availability of other healthcare alternatives also are competitive factors.

One factor of ever-increasing importance in the competitive position of Tenet's facilities is the ability of those facilities to obtain managed care contracts. The importance of obtaining managed care contracts has increased over the years and is expected to continue to increase as employers, private and government payors and others turn to the use of managed care in an attempt to control rising healthcare costs. In fact, 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. Under such contracts, healthcare providers agree to provide services on a discounted-fee or capitated basis in exchange for the payors agreeing to send some or all of their members/employees to those providers. With capitated contracts, a healthcare provider such as Tenet receives specific fixed periodic payments from a health maintenance organization, preferred provider organization or employer based on the number of members of such organization being serviced by the provider. In return, the provider agrees to provide healthcare services to such members regardless of the actual costs incurred and services provided. A healthcare provider's ability to compete for such contracts is affected by many factors, such as the competitive factors referred to above, the scope, breadth and quality of services a hospital offers in a given geographic area, its ability to form its own, or to join with other healthcare providers to form,

integrated healthcare delivery systems and the scope, breadth and quality of services offered by competing healthcare providers and/or systems. 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 healthcare delivery systems, such as Tenet South Florida HealthSystem in South Florida, Sierra Providence Health Network in El Paso, Texas, and Tenet Louisiana HealthSystem in the greater New Orleans area, that actively pursue and enter into managed care contracts. Tenet's integrated healthcare delivery systems also compete for traditional fee-for-service patients and contracts with traditional health insurers.

The healthcare industry also has been characterized in recent years by increased competition for patients and staff physicians, significant excess capacity at general hospitals, a shift from inpatient to outpatient treatment settings and increased consolidation. The principal factors contributing to these trends are cost-containment efforts by managed care payors, employers and traditional health insurers, advances in medical technology, changes in regulations and reimbursement policies, increases in the number and type of competing healthcare providers and changes in physician practice patterns. Tenet's future success will depend, in part, on the ability of the Company's hospitals to continue to attract staff physicians, enter into managed care contracts and organize and structure integrated healthcare delivery systems, including those with other healthcare providers and physician practice groups.

The Company's hospitals, and the healthcare industry as a whole, also face the challenge of continuing to provide quality patient care while dealing with strong competition for patients and with pressure on reimbursement rates not only by private payors, but also by government payors. National and state efforts to reform the United States healthcare system may further impact reimbursement rates. Changes in medical technology, existing and future

legislation, regulations and interpretations and competitive contracting for provider services by payors may require changes in the Company's facilities, equipment, personnel, procedures, rates and/or services in the future.

Inpatient admissions, average lengths of stay and average occupancy at general hospitals, including the Company's general hospitals, continue to be adversely affected by payor-required pre-admission authorization and utilization review and payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. Increased competition, admissions constraints and payor pressures are expected to continue. Inpatient acuity and intensity of services continue to increase as less intensive services shift from an inpatient to an outpatient basis or to alternative healthcare delivery services because of technological improvements and as payors continue to limit or reduce payments. Those pressures imposed by government and private payors and the increasing percentage of business negotiated with purchasers of group healthcare services are expected to continue to put pressure on the per-patient revenues received by the Company. To meet these challenges, the Company (i) has expanded or converted many of its general hospitals' facilities to include distinct outpatient centers, (ii) offers discounts to private payor groups, (iii) enters into capitation contracts in some service areas, (iv) upgrades facilities and equipment, (v) offers new programs and services, (vi) has been reducing its costs, for example, through the implementation of a case management system designed to maximize efficiency by identifying cost-per-procedure variables among physicians performing the same procedures, standardizing supplies used and negotiating volume discounts for purchases and (vii) has developed 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. Nevertheless, there can be no assurance that these measures will be successful or, if successful, will serve to compensate for the reduction in inpatient admissions, average lengths of stay and average occupancy, and the consequent reductions in per-patient revenue, resulting from the payor pressures referred to above.

As noted above, the Company also is responding to these changes by forming integrated healthcare delivery systems. Components of these systems include: (i) encouraging physicians practicing at

its hospitals to form independent physician associations ("IPAs"), (ii) having the Company join with those IPAs, physicians and physician group practices to form physician hospital organizations ("PHOs") to contract with managed care and other payors and (iii) forming management services organizations ("MSOs") to (A) purchase physician practices or their assets, as appropriate, (B) provide management and administrative services to physicians, physician group practices and IPAs and (C) enter into managed care contracts both on behalf of those groups and, in certain circumstances, on behalf of PHOs.

In large part, a hospital's revenues, whether from managed care payors, traditional health insurance payors or directly from patients, depends on the quality and scope of practices of physicians on staff. Physicians refer patients to hospitals on the basis of the quality of services provided by the hospital to patients and their physicians, the hospital's location, the quality of the medical staff affiliated with the hospital and the quality and state of the art of the hospital's facilities, equipment and employees. The Company attracts physicians to its hospitals by equipping its hospitals with sophisticated equipment, providing physicians with a large degree of independence in conducting their hospital practices, sponsoring training programs to educate physicians on advanced medical procedures and otherwise creating a healthcare environment within which physicians prefer to practice. 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.

There has been significant consolidation in the hospital industry over the past decade due, in large part, to continuing pressures on payments from government and private payors and increasing shifts away from the provision of traditional in-patient services. Those economic trends have caused many hospitals to close and many to consolidate either through acquisitions or affiliations. Tenet's management believes that these cost-containment pressures will continue and will lead to further consolidation in the hospital industry.

Tenet and its hospitals strive, on terms favorable to the Company, to attract physicians to their staffs, enter into managed care contracts, organize and structure integrated healthcare delivery systems, acquire hospitals or other healthcare facilities and acquire or assume the management of physician practices. Other healthcare companies with greater financial resources, with more facilities in a given geographic area or offering a wider range of services

may be competing in each of these areas. These competitive factors may result in Tenet and its hospitals being less successful than they would hope to be in accomplishing one or more of these goals.

MEDICARE, MEDICAID AND OTHER REVENUES

Tenet receives payments for patient care from private insurance carriers, Federal Medicare programs for elderly and disabled patients, health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), state Medicaid programs for indigent and cash grant patients, the Civilian Health and Medical Program of the Uniformed Services ("CHAMPUS"), employers and patients directly. In general, Medicare payments for general hospital outpatient services, psychiatric care, physical rehabilitation and nursing home care are based on the lower of charges and allowable costs, subject to certain limits. General hospital inpatient services are reimbursed under Medicare based on a prospective payment system, discussed below. Payments from state Medicaid programs are based on reasonable costs or are at fixed rates. Substantially all Medicare and Medicaid payments are below retail rates for Tenet facilities. Payments from other sources usually are based on the hospital's established charges, a percentage discount or all-inclusive per diem rates.

The approximate percentages of Tenet's net patient revenue by payment sources for Tenet's general hospitals are as follows:

<TABLE>
<CAPTION>

	YEARS ENDED MAY 31,				
	1996	1995(1)	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Medicare	39.7%	38.9%	35.9%	33.9%	32.1%
Medicaid	6.7	7.2	8.5	7.5	6.4
Private and Other	53.6	53.9	55.6	58.6	61.5
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

</TABLE>

(1) Fiscal year 1995 includes twelve months of results for general hospitals owned by Tenet prior to its March 1, 1995, acquisition of American Medical Holdings, Inc. (now known as Tenet HealthSystem Holdings, Inc.) ("TH Holdings") (the "Merger") and three months of results for the general hospitals acquired by Tenet in connection with the Merger.

The following table presents the percentage of net patient revenues of the general hospitals acquired by Tenet in connection with the Merger for TH Holding's fiscal years 1994, 1993 and 1992 under each of the following programs:

<TABLE>
<CAPTION>

	YEARS ENDED AUGUST 31,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Medicare	36.2%	32.6%	32.3%
Medicaid	7.5	6.2	4.8
Private and Other	56.3	61.2	62.9
Totals	100.0%	100.0%	100.0%

</TABLE>

Medicare payments for general hospital inpatient care are based on a prospective payment system ("PPS") that generally has been applicable to Tenet's facilities since 1984. Under the PPS, a general hospital receives for each Medicare patient a fixed amount for operating costs based on each Medicare patient's assigned diagnostic related group ("DRG"). DRG payments do not consider a specific hospital's costs, but are adjusted for area wage differentials. As discussed below, DRG payments exclude the reimbursement of (a) capital costs, including depreciation, interest relating to capital expenditures, property tax and lease expenses and (b) outpatient services.

For several years the percentage increases to the DRG rates have been lower than the percentage increases in the cost of goods and services purchased by general hospitals. The index used by the Health Care Financing Administration to adjust the DRG rates gives consideration to the cost of goods and services purchased by hospitals as well as non-hospitals (the "Market Basket"). The

increase in the Market Basket for the year beginning October 1, 1996, currently is projected to be 2.7%. The Omnibus Budget Reconciliation Act of 1993 ("OBRA '93") provides that the DRG rates for urban hospitals will be adjusted by the annual Market Basket percentage change: (1) minus 2.5%, effective October 1, 1994, (2) minus 2.0%, effective October 1, 1995, (3) minus .5%, effective October 1, 1996, and (4) without reduction, effective October 1, 1997 and each year thereafter, unless altered by subsequent legislation (which legislation Tenet believes has become more likely in light of the stated desire of both the current Administration and Congress to balance the Federal budget). Unless changed by subsequent legislation, the result will be an increase of 2.2% in the DRG rates for Federal fiscal year 1997 over what they were for Federal fiscal year 1996. Congress is in the process of establishing the healthcare budget for future periods, including Federal fiscal year 1997. Tenet anticipates that payments to hospitals will be reduced as a result of future legislation but is unable to predict what the amount of the final reduction will be.

Medicare reimburses general hospitals' capital costs separately from DRG payments. Beginning in 1992, a prospective payment system for Medicare reimbursement of general hospitals' inpatient capital costs ("PPS-CC") generally became effective with respect to the Company's general hospitals. During Tenet's fiscal year ended May 31, 1996, Tenet's hospitals in the aggregate received reimbursement for approximately 95% of their actual capital costs under the PPS-CC. Tenet anticipates that future legislation may reduce the aggregate reimbursement received, but is unable to predict what the amount of the final reduction will be.

Outpatient services provided at general hospitals, physical rehabilitation hospitals and psychiatric facilities generally are reimbursed by Medicare at the lower of customary charges or 94.2% of actual cost. Notwithstanding the foregoing, Congress has established additional limits on the reimbursement of the following outpatient services: (i) clinical laboratory services, which are reimbursed based on a fee schedule and (ii) ambulatory surgery procedures and certain imaging and other diagnostic procedures, which are reimbursed based on a blend of the hospital's specific cost and the rate paid by Medicare to non-hospital providers for such services.

Hospitals exempt from the PPS, such as qualified psychiatric facilities and physical rehabilitation hospitals, are reimbursed by Medicare on a cost-based system wherein target rates for each facility are used in applying various limitations and incentives. Tenet's exempt facilities received a Market Basket increase of 3.4% in target rates effective for cost reporting periods commencing in Federal fiscal year 1996. Based on OBRA '93, the target rates for Tenet's hospitals exempt from the PPS are scheduled to be adjusted in cost reporting years 1996 and 1997 by the applicable annual Market Basket percentage change minus 1%. Proposals have been made that would change the method of payment for services provided at these facilities to a prospective payment system. The Omnibus Budget Reconciliation Act of 1990 requires the Department of Health and Human Services ("HHS") to develop a proposal to modify the current target rate system or to replace it with a prospective payment system. It is not known if any such proposals will be implemented.

OBRA '93 provides for certain budget targets through Federal fiscal year 1997, which, if not met, may result in adjustments in payment rates. Both Congress and the current Administration have proposed healthcare budgets that reduce Federal payments to hospitals and other providers. The Company anticipates that payments to hospitals will be reduced as a result of future legislation but is unable to predict what the amount of the final reduction will be.

The Medicare, Medicaid and CHAMPUS 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 for such adjustments. Until final adjustment, however, significant issues remain unresolved and previously determined allowances could become either inadequate or more than ultimately required.

HEALTHCARE REFORM, REGULATION AND LICENSING

CERTAIN BACKGROUND INFORMATION. Healthcare, as one of the largest industries in the United States, continues to attract much legislative interest and public

attention. Medicare, Medicaid, mandatory and other public and private hospital cost-containment programs, proposals to limit healthcare spending, proposals to limit prices and industry competitive factors are highly significant to the healthcare industry. In addition, the healthcare 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 operations and financial results could be materially adversely affected.

There continue to be Federal and state proposals that would, and actions that do, impose more limitations on government and private payments to providers such as Tenet and proposals to increase co-payments and deductibles from program and private patients. Tenet's facilities also are affected by controls imposed by government and private payors designed to reduce admissions and lengths of stay. Such controls, including what is commonly referred to as "utilization review," have resulted in fewer of certain 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 healthcare insurance. Tennessee has implemented a revision to its Medicaid program that covers its Medicaid and uninsured population through a managed care program. Louisiana and Texas also are considering wider use of managed care for their Medicaid populations. California has created a voluntary health insurance purchasing cooperative that seeks to make healthcare coverage more affordable for businesses with five to 50 employees and, effective January 1, 1995, began changing the payment system for participants in its Medicaid program in certain counties from fee-for-service arrangements to managed care plans. Florida limits the amount by which a hospital's net revenues per admission may be increased each year, has enacted a program creating a system of local purchasing cooperatives and has proposed other changes that have not yet been enacted. Florida also has adopted, and other states are considering adopting, legislation imposing a tax on revenues of hospitals to help finance or expand those states' Medicaid systems. 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 presently are uninsured.

There is an initiative that will appear on the ballot in California on November 5, 1996, which, if passed and implemented, would require all general hospitals in California to maintain specified nurse-to-patient ratios. The proposed ratios would require the Company to hire additional nurses. If the proposal is passed and implemented, and the Company is not able to pass on the increased costs of hiring the additional nurses, the Company's financial performance could be materially adversely affected. The Company opposes the ballot measure because it believes the ballot measure would impose staffing levels that are not medically necessary and will result in increased healthcare costs. The Company is unable to predict whether the ballot measure will be passed, or if it is passed, whether it will overcome legal challenges and be implemented.

CERTIFICATE OF NEED REQUIREMENTS. Some states require state approval for construction and expansion of healthcare facilities, including findings of need for additional or expanded healthcare facilities or

services. Certificates of Need, which are issued by governmental agencies with jurisdiction over healthcare 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 healthcare costs. Tenet operates hospitals in eight 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 healthcare 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, 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 healthcare services reimbursable under Medicare and Medicaid, including the payment or receipt of remuneration for the referral of patients whose care will be paid for by Medicare or other government programs. Sanctions for violating the Antikickback Amendments include criminal penalties and civil sanctions, including fines and possible exclusion from government programs such as the Medicare and Medicaid programs. Pursuant to the Medicare and Medicaid Patient and Program Protection Act of 1987, HHS has issued regulations that describe some of the conduct and business relationships permissible under the Antikickback Amendments ("Safe Harbors"). The fact that a given business arrangement does not fall within a Safe Harbor does not render the arrangement per se illegal. Business arrangements of healthcare service providers that fail to satisfy the applicable Safe Harbor criteria, however, risk increased scrutiny by enforcement authorities. Because Tenet may be less willing than some of its competitors to enter into business arrangements that do not clearly satisfy the Safe Harbors, it could be at a competitive disadvantage in entering into certain transactions and arrangements with physicians and other healthcare providers.

In addition, Section 1877 of the Social Security Act, which restricts referrals by physicians of Medicare and other government-program patients to providers of a broad range of designated health services with which they have ownership or certain other financial arrangements, was amended effective January 1, 1995, to significantly broaden the scope of prohibited physician referrals under the Medicare and Medicaid programs to providers with which they have ownership or certain other financial arrangements (the "Self-Referral Prohibitions"). 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. The Company systematically reviews all of its operations to ensure that it complies with the Social Security Act and similar state statutes.

Both Federal and state government agencies have announced heightened and coordinated civil and criminal enforcement efforts. One pilot project, Operation Restore Trust, is focused on investigating healthcare providers in the home health and nursing home industries as well as on medical suppliers to these providers in California, Florida, Texas, Illinois and New York. The Company provides home health and nursing home care in California, Florida and Texas.

Tenet 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 Tenet's financial condition.

ENVIRONMENTAL REGULATIONS. The Company's healthcare 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, are also subject to compliance with various other environmental laws, rules and regulations. Such compliance does not, and the Company anticipates that such compliance will not, materially affect the Company's capital expenditures, earnings or competitive position.

HEALTHCARE FACILITY LICENSING REQUIREMENTS. Tenet's healthcare facilities are subject to extensive Federal, state and local legislation and regulation. In order to maintain their operating licenses, healthcare 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 healthcare facilities hold all required governmental approvals, licenses and permits. With the exception of one general hospital that has not sought to be accredited, each of Tenet's facilities that is eligible for accreditation is fully accredited by the JCAHO, the Commission on Accreditation of Rehabilitation Facilities (in the case of rehabilitation 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.

UTILIZATION REVIEW COMPLIANCE AND HOSPITAL GOVERNANCE. Tenet's healthcare 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 healthcare

facility, are overseen by each healthcare facility's local governing board, comprised of healthcare professionals, community members and hospital representatives, 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 maintains a multi-faceted corporate compliance and ethics program. A portion of the program results from a 1994 settlement between the Company and HHS. The mandated portion of the program, which is in effect until June 1999, provides, in part, that the Company will not own or operate psychiatric facilities (defined for the purposes of the agreement to include residential treatment centers and substance abuse facilities) except as specifically provided for under the terms of the agreement (which permits the Company's subsidiaries to own and operate a small number of psychiatric facilities on the same campus as or nearby certain of Tenet's general hospitals) and requires self-reporting of credible evidence of violations of criminal law or material violations of civil laws, rules or regulations governing federally funded programs. The Company now has in place a program designed to provide annual ethics training to every employee and to encourage all employees to report any ethical violations to a toll-free telephone hotline.

MANAGEMENT

The executive officers of the Company who also are not Directors as of August 22, 1996 are:

<TABLE>
<CAPTION>

NAME	POSITION	AGE
<S>	<C>	<C>
Scott M. Brown	Senior Vice President, General Counsel and Secretary	51
Trevor Fetter	Executive Vice President and Chief Financial Officer	36
Raymond L. Mathiasen	Senior Vice President and Chief Accounting Officer	53

</TABLE>

Scott M. Brown is Senior Vice President, General Counsel and Secretary of the Company. He joined Tenet in 1981. Mr. Brown was elected Secretary in 1984 and Senior Vice President in 1990. He was appointed acting General Counsel in July 1993 and General Counsel in February 1994.

Trevor Fetter is Executive Vice President and Chief Financial Officer of the Company. Mr. Fetter joined Tenet as an Executive Vice President in October 1995. In March 1996, he was appointed to the additional position of Chief Financial Officer. Mr. Fetter served as Executive Vice President and Chief Financial Officer of Metro-Goldwyn-Mayer, Inc. ("MGM") from 1990 to October 1995, and as Senior Vice President of MGM from 1988 to 1990. From 1982 to 1988, Mr. Fetter worked in the investment banking division of Merrill Lynch Capital Markets.

Raymond L. Mathiasen is Senior Vice President and, since March 1996, 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 Arthur Young & Company (now known as Ernst & Young).

PROFESSIONAL AND GENERAL LIABILITY INSURANCE

The Company insures substantially all of its professional and comprehensive general liability risks in excess of self-insured retentions, which vary by hospital and by policy period from $500,000 to $3 million per occurrence, through an insurance company owned by several healthcare companies and in which the Company has a majority equity interest. A significant portion of these risks is, in turn, reinsured with major independent insurance companies. Through May 31, 1994, the Company insured its professional and comprehensive general liability risks related to its psychiatric and physical rehabilitation hospitals through a wholly owned insurance subsidiary that reinsured risks in excess of $500,000 with major independent insurance companies. The Company has reached the policy limits provided by this insurance subsidiary related to the psychiatric hospitals in certain years. In addition, damages, if any, arising from fraud and conspiracy claims in psychiatric malpractice cases (described under Legal Proceedings below) may not be insured. If actual payments of claims materially

exceed projected payments of claims, Tenet's financial condition could be materially adversely affected.

INCOME TAX EXAMINATION

The Internal Revenue Service (the "IRS") currently is examining Tenet's Federal income tax returns for fiscal years 1986 through 1994 and TH Holding's Federal income tax returns for fiscal years 1992 through 1994. The IRS has not yet begun examining any of Tenet's or TH Holding's returns for subsequent years (collectively, the "Open Years"). Various state taxing authorities currently are examining Tenet's and its subsidiaries' income and franchise tax returns for the Open Years. Although the IRS and the states have not proposed any material adjustments to Tenet's returns in the Open Years, there can be no assurance that significant issues will not be raised. While management has no reason to believe that the reserves for tax liabilities it has recorded will be inadequate, if audits of the Open Years or fiscal 1996, for which Tenet has not yet filed a tax return, result in determinations materially in excess of such reserves, Tenet's financial condition could be materially adversely affected. Although, based upon information currently available to it, management believes that additional income tax liabilities, if any, in excess of the recorded reserves for tax liabilities that might be due as a result of any of the foregoing IRS or state examinations cannot reasonably be estimated, management does not believe it is likely that any such additional tax liabilities will have a material adverse effect on the Company's results of operations, liquidity or capital resources.

ITEM 2. PROPERTIES.

The response to this item is included in Item 1.

ITEM 3. LEGAL PROCEEDINGS.

The Company continues to defend a greater than normal level of litigation relating to its subsidiaries' former psychiatric operations. The majority of the lawsuits filed contain allegations of medical malpractice as well as allegations of fraud and conspiracy against the Company and certain of its subsidiaries and former employees. Also named as defendants are numerous doctors and other healthcare professionals. The Company believes that the increase in litigation stems, in whole or in part, from advertisements by certain lawyers seeking former psychiatric patients in order to file claims against the Company and certain of its subsidiaries. The advertisements focus, in many instances, on the Company's settlement of past disputes involving the operations of its psychiatric subsidiaries, including the Company's 1994 resolution of the government's investigation and a corresponding criminal plea agreement involving a psychiatric subsidiary of the Company. As previously reported in the Company's Annual Report on Form 10-K for fiscal year 1995, among the suits filed during fiscal 1995 were two lawsuits in Texas state court with approximately 740 individual plaintiffs at present who purport to have been patients in certain Texas psychiatric facilities. During fiscal 1996, 64 plaintiffs voluntarily withdrew from one of the lawsuits and the Company's motion to recuse the original trial judge in that lawsuit has been granted. In the second lawsuit, the Texas Supreme Court has ruled that lead counsel for the plaintiffs may not continue to represent the plaintiffs due to a conflict of interest as asserted by the defendants. Neither of the two cases currently is set for trial.

During fiscal 1995 and 1996, lawsuits with approximately 210 plaintiffs at present who purport to have been patients in certain Washington, D.C. psychiatric facilities, containing allegations similar to those contained in the Texas cases described above, were filed in the District of Columbia.

In addition to the above, as previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1995, a purported class action was filed in Texas state court in May, 1995, entitled Justin Love vs. National Medical Enterprises, et al. The case contains allegations of fraud and conspiracy similar to those described in the preceding paragraphs. The plaintiff purports to represent all persons who were voluntarily admitted to one of 11 psychiatric hospitals in Texas between January 1, 1981, and December 31, 1991, and who also fit into one or more of eight categories based on such factors as their age at the time of admission, status of their insurance at the time of discharge and whether a certain type of examination was conducted prior to their being admitted. In February 1996, an insurance company that purports to have paid claims on behalf of the potential class intervened in the action and the case was removed to the U.S. District Court in Houston, Texas. A motion by the plaintiffs to remand the case to Texas state court currently is pending. The class has not been certified and the Company believes that the class is not capable of being certified.

The Company expects that additional lawsuits with similar allegations will be filed. The Company believes it has a number of defenses to each of these

actions and will defend the litigation vigorously. Until the lawsuits are resolved, however, the Company will continue to incur substantial legal expenses. Although, based upon information currently available to it, management believes that the amount of damages, if any, in excess of the reserves the Company has recorded for unusual litigation costs that may be awarded in any of the foregoing unresolved legal proceedings cannot reasonably be estimated, management does not believe it is likely that any such damages will have a material adverse effect on the Company's results of operations, liquidity or capital resources. There can be no assurance, however, that the ultimate liability will not exceed such reserves.

Two additional federal class actions filed in August 1993 and previously reported in the Company's Annual Report on Form 10-K for the fiscal years ended May 31, 1994, and May 31, 1995, were consolidated into one action pending in the U.S. District Court in the Central District of California captioned In re: National Medical Enterprises Securities Litigation II. These consolidated actions are on behalf of a purported class of shareholders who purchased or sold stock of the Company between January 14, 1993 and August 26, 1993, and allege that each of the defendants violated Section 10(b) of the Securities Exchange Act of 1934. Specifically, plaintiffs allege that each defendant knew or recklessly disregarded that the public statements made by the Company and several of its officers and directors in reports to the Securities and Exchange Commission, in press releases, communications with shareholders, and communications with the financial community were false and misleading because the financial data and projections were based upon a number of alleged illegal practices at many of the Company's psychiatric facilities. Plaintiffs claim that each of the defendants was a direct participant in this wrongdoing and conspired with and aided and abetted each of the other defendants in perpetrating the alleged fraudulent scheme. Based on these claims, plaintiffs seek compensatory damages, injunctive relief, attorneys' fees, interest and costs. The parties commenced a voluntary mediation in July, 1994. The mediation efforts were unsuccessful and in May 1995 the parties agreed to proceed with the litigation. On June 23, 1995, the defendants filed a motion to dismiss and to strike plaintiffs' complaint, which motion is still pending. The Company believes it has meritorious defenses to this action and will defend this litigation vigorously.

As previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1995, a total of nine purported class actions, entitled In re: American Medical Holdings, Inc., Shareholders Litigation, C.A. No. 13797, Ruth LeWinter and Raymond Cayuso v. the AMH Directors (with the exception of Harold S. Williams), NME and AMH, Case No. BC-115206, and David F. and Sylvia Goldstein v. O'Leary, NME, AMH, et al., Case No. BC-116104 (the "Merger Class Actions"), were filed challenging the Merger in both Delaware and California. In April 1996, the parties to the Merger Class Actions executed a stipulation of settlement and in August 1996, the court issued an order approving the settlement. Under the terms of that settlement, the Company agreed to pay $350,000 for the plaintiffs' attorneys fees and agreed that for a period of one year following final approval of the settlement it will not engage in any transaction that will be dilutive to existing shareholders without that transaction being approved by a majority of its outside directors.

In its normal course of business the Company also is subject to claims and lawsuits relating to injuries arising from patient treatment. The Company believes that its liability for damages resulting from such claims and lawsuits in its normal course of business is adequately covered by insurance or is adequately provided for in its consolidated financial statements.

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 48 of the Registrant's Annual Report to Shareholders for the year ended May 31, 1996. The required information hereby is incorporated by reference.

ITEM 6. SELECTED FINANCIAL DATA.

The response to this item is included on page 16 of the Registrant's Annual Report to Shareholders for the year ended May 31, 1996. 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 17 through 23 of the Registrant's Annual Report to Shareholders for the year ended May 31, 1996. The required information hereby is incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The response to this item is included on pages 24 through 45 and page 48 of the Registrant's Annual Report to Shareholders for the year ended May 31, 1996. 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 other information required by Items 10 and 11, is included on pages 2 through 6 of the definitive Proxy Statement for Registrant's 1996 Annual Meeting of Shareholders and hereby is incorporated by reference. Similar information regarding executive officers of the Registrant who, except as noted therein, are not Directors is set forth on page 20 above. Information regarding compensation of executive officers and Directors of the Registrant is included on pages 9 through 17 and pages 22 through 27 of the definitive Proxy Statement for the Registrant's 1996 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 and 28 of the definitive Proxy Statement for the Registrant's 1996 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 page 27 of the definitive Proxy Statement for the Registrant's 1996 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 1996 Annual Report to Shareholders. (See Exhibit (13)).

2. FINANCIAL STATEMENT SCHEDULES.

Schedule II -- Valuation and Qualifying Accounts and Reserves (included on page F-1)

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 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 25, 1995, for the fiscal year ended May 31, 1995)

(b) Restated Bylaws of Registrant, as amended July 31, 1996

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

(a) Indenture, dated as of March 1, 1991, between the Registrant and The Bank of New York, as Trustee, relating to Medium Term Notes

(b) Indenture, dated as of March 1, 1995, between Tenet and The Bank of New York, as Trustee, relating to 9 5/8% Senior Notes due 2002 (Incorporated by reference to Exhibit 4(a) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995, for the fiscal quarter ended February 28, 1995)

(c) Indenture, dated as of March 1, 1995, between Tenet and The Bank of New York, as Trustee, relating to 10 1/8% Senior Subordinated Notes due 2005 (Incorporated by reference to Exhibit 4(b) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995, for the fiscal quarter ended February 28, 1995)

(d) 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

(e) 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 (Incorporated by reference to Exhibit 4(a) to Registrant's Quarterly Report on Form 10-Q dated January 15, 1996, for the fiscal quarter ended November 30, 1995)

(f) Escrow Agreement, dated as of January 10, 1996, among the Company, NME Properties, Inc., NME Property Holding Co., Inc. and The Bank of New York, as Escrow Agent (Incorporated by reference to Exhibit 4(b) to Registrant's Quarterly Report on Form 10-Q, dated as of January 15, 1996, for the fiscal quarter ended November 30, 1995)

(10) Material Contracts

(a) Guaranty Reimbursement Agreement, dated as of January 31, 1990, by and between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(e) to Registrant's Annual Report on Form 10-K dated August 21, 1992, for the fiscal year ended May 31, 1992)

(b) First Amendment to Guarantee Reimbursement Agreement, dated as of May 30, 1991, by and between the Registrant and The Hillhaven Corporation

(c) Second Amendment to Guarantee Reimbursement Agreement, dated as of October 2, 1991, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(w) to Registrant's Annual Report on Form 10-K dated August 21, 1992, for the fiscal year ended May 31, 1992)

(d) Third Amendment to Guarantee Reimbursement Agreement, dated as of April 1, 1992, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(dd) to Registrant's Annual Report on Form 10-K dated August 21, 1992, for the fiscal year ended May 31, 1992)

(e) Fourth Amendment to Guarantee Reimbursement Agreement, dated as of November 12, 1992, between the Registrant and Hillhaven (Incorporated by reference to Exhibit 10(pp) to Registrant's Annual Report on Form 10-K dated August 30, 1993, for the fiscal year ended May 31, 1993)

(f) Fifth Amendment to Guarantee Reimbursement Agreement, dated as of February 19, 1993, between the Registrant and Hillhaven (Incorporated by reference to Exhibit 10(qq) to Registrant's Annual Report on Form 10-K dated August 30, 1993, for the fiscal year ended May 31, 1993)

(g) Sixth Amendment to Guarantee Reimbursement Agreement, dated as of May 28, 1993, between the Registrant and Hillhaven (Incorporated by reference to Exhibit 10(RR) to Registrant's Annual Report on Form 10-K dated August 30, 1993, for the fiscal year ended May 31, 1993)

(h) Seventh Amendment to Guarantee Reimbursement Agreement, dated as of May 28, 1993, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(h) the Registrant's Annual Report on Form 10-K dated August 25, 1994, for the fiscal year ended May 31, 1994)

(i) Eighth Amendment to Guarantee Reimbursement Agreement, dated September 2, 1993, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(i) to Registrant's Annual Report on Form 10-K dated August 25, 1994, for the fiscal year ended May

31, 1994)

(j) $91,350,000 Amended and Restated Letter of Credit and Reimbursement Agreement, dated as of February 28, 1995, among the Company, as Account Party, and Bank of America National Trust and Savings Association, The Bank of New York, Bankers Trust Company and Morgan Guaranty Trust Company of New York, as Banks, and The Bank of New York, as Issuing Bank (Incorporated by reference to Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995, for the fiscal quarter ended February 28, 1995)

(k) Amendment to Reimbursement Agreement, dated as of March 1, 1996, among the Company, as Account Party, Bank of America National Trust and Savings Association, The Bank of New York, Bankers Trust Company and Morgan Guaranty Trust Company of New York, as Banks, and The Bank of New York, as the Issuing Bank (Incorporated by reference to Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q, dated as of April 12, 1996, for the fiscal quarter ended February 29, 1996)

(l) Credit Agreement, dated as of March 1, 1996, among the Company, as Borrower, the Lenders and Managing Agents party thereto, Bank of America National Trust and Savings Association, as Documentation Agent, The Bank of New York 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 as of April 12, 1996, for the fiscal quarter ended February 29, 1996)

(m) Agreement, dated August 22, 1995, among the Registrant, The Hillhaven Corporation and Vencor, Inc. (Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K dated August 25, 1995, for the fiscal year ended May 31, 1995)

(n) Asia Stock Purchase Agreement, dated as of May 24, 1995, between the Registrant and Parkway Holdings Limited (Incorporated by reference to Exhibit 10(o) to Registrant's Annual Report on Form 10-K dated August 25, 1995, for the fiscal year ended May 31, 1995)

(o) Australian Stock Purchase Agreement, dated as of July 5, 1995, between the Registrant and Parkway Holdings Limited (Incorporated by reference to Exhibit 10(p) to Registrant's Annual Report on Form 10-K dated August 25, 1995, for the fiscal year ended May 31, 1995)

(p) Amending Agreement to the Australia Stock Purchase Agreement, dated as of August 14, 1995, between the Registrant and Parkway Holdings Limited (Incorporated by reference to Exhibit 10(q) to Registrant's Annual Report on Form 10-K dated August 25, 1995, for the fiscal year ended May 31, 1995)

(q) Letter from the Registrant to Jeffrey C. Barbakow, dated May 26, 1993 (Incorporated by reference to Exhibit 10(l) to Registrant's Annual Report on Form 10-K dated August 30, 1993, for the fiscal year ended May 31, 1993)

(r) Letter from the Registrant to Jeffrey C. Barbakow, dated June 1, 1993 (Incorporated by reference to Exhibit 10(m) to Registrant's Annual Report on Form 10-K dated August 30, 1993, for the fiscal year ended May 31, 1993)

(s) Memorandum from the Registrant to Jeffrey C. Barbakow, dated June 14, 1993 (Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K dated August 30, 1993, for the fiscal year ended May 31, 1993)

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

(u) Memorandum of Understanding, dated May 21, 1996, from Michael H. Focht, Sr. to the Company

(v) Executive Officers Relocation Protection Agreement

(w) Executive Officers Severance Protection Plan

(x) Board of Directors Retirement Plan, effective January 1, 1985

(y) First Amendment to Board of Directors Retirement Plan, effective as of August 18, 1993 (Incorporated by reference to Exhibit 10(xx) to Registrant's Annual Report on Form 10-K dated August 30, 1993, for the fiscal year ended May 31, 1993)

(z) Amendment to Directors Retirement Plan, dated as of April 25, 1994 (Incorporated by reference to Exhibit 10(oo) to Registrant's Annual Report on Form 10-K dated August 25, 1994, for the fiscal year ended May 31, 1994)

(aa) Supplemental Executive Retirement Plan, as amended May 21, 1986 (Incorporated by reference to Exhibit 10(o) to Registrant's Annual Report on Form 10-K dated August 21, 1992, for the fiscal year ended May 31, 1992)

(bb) Amendment to Supplemental Executive Retirement Plan, dated as of April 25, 1994 (Incorporated by reference to Exhibit 10(ss) to Registrant's Annual Report on Form 10-K dated August 25, 1994, for the fiscal year ended May 31, 1994)

(cc) Amendment to Supplemental Executive Retirement Plan, dated as of July 25, 1994 (Incorporated by reference to Exhibit 10(tt) to Registrant's Annual Report on Form 10-K dated August 25, 1994, for the fiscal year ended May 31, 1994)

(dd) 1994 NME Supplemental Executive Retirement Plan Trust Agreement, dated as of May 25, 1994, as amended July 25, 1994, between the Registrant, and United States Trust Company of New York (Incorporated by reference to Exhibit 10(uu) to Registrant's Annual Report on Form 10-K dated August 25, 1994, for the fiscal year ended May 31, 1994)

(ee) Long Term Incentive Plan (Incorporated by reference to Exhibit 10(p) to Registrant's Annual Report on Form 10-K dated August 21, 1992, for the fiscal year ended May 31, 1992)

(ff) 1994 Annual Incentive Plan (Incorporated by reference to Exhibit B to the Definitive Proxy Statement, dated as of August 25, 1994, for the Registrant's 1994 Annual Meeting of Shareholders)

(gg) Deferred Compensation Plan, effective March 23, 1983

(hh) First Amendment to Deferred Compensation Plan, dated as of August 15, 1994 (Incorporated by reference to Exhibit 10(zz) to Registrant's Annual Report on Form 10-K dated August 25, 1994, for the fiscal year ended May 31, 1994)

(ii) 1994 NME Deferred Compensation Plan Trust Agreement, dated as of May 25, 1994, as amended July 25, 1994, between the Registrant and United States Trust Company of New York (Incorporated by reference to Exhibit 10(aaa) to Registrant's Annual Report on Form 10-K dated August 25, 1994, for the fiscal year ended May 31, 1994)

(jj) 1994 Directors Stock Option Plan (Incorporated by reference to Exhibit A to the Definitive Proxy Statement, dated as of August 25, 1994, for the Registrant's 1994 Annual Meeting of Shareholders)

(kk) 1991 Stock Incentive Plan

(ll) 1995 Stock Incentive Plan (Incorporated by reference to Exhibit A to the definitive Proxy Statement, dated as of August 25, 1995, for the Registrant's 1995 Annual Meeting of Shareholders)

(mm) 1995 Employee Stock Purchase Plan (Incorporated by reference to Exhibit B to the definitive Proxy Statement, dated as of August 25, 1995, for the Registrant's 1995 Annual Meeting of Shareholders)

(11) Statement Re: Computation of Per Share Earnings, page 31

(13) 1996 Annual Report to Shareholders of Registrant

(21) Subsidiaries of the Registrant

(23) Consent of Experts

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

(27) Financial Data Schedule (included only in the EDGAR filing)

(B) REPORTS ON FORM 8-K

Tenet filed no reports on Form 8-K during the last quarter of the 1996 fiscal year.

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
(1) STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS
(EXHIBIT 11)

<TABLE>
<CAPTION>

	1996	1995	1994	1993	1992
		(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>	<C>
FOR PRIMARY EARNINGS PER SHARE					
Shares outstanding at beginning of period.....	199,938	166,081	165,898	166,963	174,765
Shares issued in connection with merger.....	--	8,358	--	--	--
Shares issued upon exercise of stock options....	1,015	311	60	27	299
Dilutive effect of outstanding stock options....	2,961	2,068	1,114	172	495
Shares issued as grants of restricted stock, net of cancellations.....	--	(1)	(48)	(52)	75
Shares repurchased as treasury stock.....	--	--	--	(999)	(4,295)
Shares issued upon conversion of notes and debentures.....	5,578	--	--	--	529
Other.....	--	--	--	--	(15)
Weighted average number of shares and share equivalents outstanding.....	209,492	176,817	167,024	166,111	171,853
Income from continuing operations.....	$ 398,330	$ 194,381	$ 215,901	$ 263,644	$ 218,199
Earnings per share from continuing operations...	$ 1.90	$ 1.10	$ 1.29	$ 1.59	$ 1.27
FOR FULLY DILUTED EARNINGS PER SHARE					
Weighted average number of shares used in primary calculation.....	209,492	176,817	167,024	166,111	171,853
Additional dilutive effect of stock options.....	294	203	97	23	1
Assumed conversion of dilutive convertible notes and debentures.....	6,890	13,119	13,966	14,356	20,990
Fully diluted weighted average number of shares.....	216,676	190,139	181,087	180,490	192,844
Income from continuing operations used in primary calculation.....	$ 398,330	$ 194,381	$ 215,901	$ 263,644	$ 218,199
Adjustments:					
Interest expense on convertible debentures.....	9,061	14,596	10,537	8,752	23,040
Reduced reimbursement of above interest expense by Medicare.....	(2,422)	(2,203)	(650)	(974)	(3,029)
Income tax on interest less Medicare reimbursement.....	(2,602)	(4,846)	(3,906)	(3,150)	(7,804)
Adjusted income from continuing operations.....	$ 402,367	$ 201,928	$ 221,882	$ 268,272	$ 230,406
Earnings per share from continuing operations...	$ 1.86	$ 1.06	$ 1.23	$ 1.49	$ 1.19

</TABLE>

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(1) All numbers of shares in these tables are weighted on the basis of the number of days the shares were outstanding or assumed to be outstanding during each period.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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 26, 1996.

<TABLE>
<S>
By: /s/ Trevor Fetter

Trevor Fetter
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Raymond L. Mathiasen

Raymond L. Mathiasen
Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

<C>
By: /s/ Scott M. Brown

Scott M. Brown
Senior Vice President
</TABLE>

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on August 26, 1996, by the following persons on behalf of the registrant and in the capacities indicated:

<TABLE>
<CAPTION>

SIGNATURE	TITLE
/s/ Jeffrey C. Barbakow Jeffrey C. Barbakow	Chairman, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Michael H. Focht, Sr. Michael H. Focht, Sr.	President, Chief Operating Officer and Director

</TABLE>

<TABLE>
<CAPTION>

SIGNATURE	TITLE
/s/ Bernice Bratter Bernice Bratter	Director
/s/ Maurice J. DeWald Maurice J. DeWald	Director
/s/ Peter de Wetter Peter de Wetter	Director
/s/ Edward Egbert, M.D. Edward Egbert, M.D.	Director
/s/ Raymond A. Hay Raymond A. Hay	Director
/s/ Lester B. Korn Lester B. Korn	Director
/s/ James P. Livingston James P. Livingston	Director
/s/ Thomas J. Pritzker Thomas J. Pritzker	Director

</TABLE>

/s/ Richard S. Schweiker
---------- Director
Richard S. Schweiker
</TABLE>

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED MAY 31, 1994, 1995 AND 1996
(IN MILLIONS)

<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO: CONTINUING OPERATIONS (1)	ADDITIONS CHARGED TO: DISCONTINUED OPERATIONS	DEDUCTIONS (2)	OTHER ITEMS (3)	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Allowance for doubtful accounts						
1994	$ 115	$ 111	$ 35	$ (128)	$ (56)	$ 77
1995	$ 77	$ 140	$ 25	$ (153)	$ 95	$ 184
1996	$ 184	$ 290	--	$ (331)	$ 13	$ 156

</TABLE>

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(1) Before considering recoveries on accounts or notes previously written off.
(2) Accounts written off.
(3) Beginning balances of purchased businesses, net of balances of businesses sold.

RESTATED BY-LAWS OF

TENET HEALTHCARE CORPORATION
A NEVADA CORPORATION

AS AMENDED JULY 31, 1996

ARTICLE I

SHAREHOLDERS' MEETINGS

SECTION 1.1 PLACE OF MEETINGS.

All meetings of the shareholders shall be held at the principal office of the Corporation in the State of California, or at any other place within or without the State of Nevada as may be designated for that purpose from time to time by the Board of Directors.

SECTION 1.2 ANNUAL MEETINGS.

The Annual meeting of the shareholders shall be held not later than 210 days after the close of the fiscal year, on the date and at the time set by the Board of Directors, at which time the shareholders shall elect by plurality vote an annual Class of the Board of Directors, consider reports of the affairs of the Corporation, and transact such other business as may properly be brought before the meeting.

SECTION 1.3 SPECIAL MEETINGS.

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

SECTION 1.4 NOTICE OF MEETINGS.

1.4.1. Notice of each meeting of shareholders, whether annual or special, shall be given at least 10 and not more than 60 days prior to the day thereof by the Secretary or any Assistant Secretary causing to be delivered to each shareholder 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 mailed postage prepaid to each shareholder at his address as it appears on the stock books of the Corporation. If any shareholder has failed to supply an address, notice shall be deemed to have been given if mailed to the address of the principal office of the Corporation, or published at least once in a

newspaper having general circulation in the county in which the principal office is located.

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

SECTION 1.5 CONSENT BY SHAREHOLDERS.

Any action which may be taken at a regular meeting of the shareholders, except election of directors, may be taken without a meeting, if authorized by a writing signed by holders of the number of shares required under the law to give their approval for such purpose.

SECTION 1.6 QUORUM.

1.6.1. The presence in person or by proxy of the persons entitled to vote a majority of the 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 voting of them at the meeting has been enjoined or for any reason they cannot be lawfully voted at the meeting.

1.6.2. The shareholders 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 enough shareholders to leave less than a quorum.

1.6.3. 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, but not for a period of more than 30 days at any one time, until a quorum shall attend.

SECTION 1.7 VOTING RIGHTS.

1.7.1. Every shareholder of record of the Corporation shall be entitled at each meeting of the shareholders to one vote for each share of stock standing in his name on the books of the Corporation. Except as otherwise provided by law, or by the Articles of Incorporation or any amendment thereto, or by the By-Laws, if a quorum is present, the majority of votes cast in person or by proxy shall be binding upon all shareholders of the Corporation.

1.7.2. The Board of Directors shall designate a day not more than 60 days prior to any meeting of the shareholders as the day as of which shareholders entitled to notice of and to vote at such meetings shall be

determined.

SECTION 1.8 PROXIES.

Every shareholder entitled to vote or to execute consents may do so either in person or by written proxy executed in accordance with the provisions of Section 78.355 of the Nevada Revised Statutes and filed with the Secretary of the Corporation.

SECTION 1.9 MANNER OF CONDUCTING MEETINGS.

To the extent not in conflict with the provisions of the law relating thereto, the Articles of Incorporation, or express provisions of these By-Laws, meetings shall be conducted pursuant to such rules as may be adopted by the chairman presiding at, or a majority of the shares represented at, the meeting.

ARTICLE II

DIRECTORS - MANAGEMENT

SECTION 2.1 POWERS.

Subject to the limitation of the Articles of Incorporation, of the By-Laws, and of the laws of the State of Nevada as to action to be authorized or approved by the shareholders, all corporate powers shall be exercised by or under authority of, and the business and affairs of this Corporation shall be controlled by, a Board of Directors.

SECTION 2.2 NUMBER AND QUALIFICATION.

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

SECTION 2.3 CLASSIFICATION AND ELECTION.

The Board of Directors shall be classified into three annual Classes, with four directors in Class 1, four directors in Class 2, and five directors in Class 3. Each Class of directors shall be elected for terms of three years. Each term shall continue for the number of years stated and until their successors are elected and have qualified. Their term of office shall begin immediately after election. These By-Laws are being adopted subsequent to the initial classification of directors in 1975. The directors in office as of the date of adoption hereof shall continue to serve the terms for which they have

been previously elected.

SECTION 2.4 INCREASE IN THE NUMBER OF DIRECTORS.

The Board of Directors may change the number of directors from time to time; provided, however, neither the Board of Directors nor the shareholders may ever increase the number of directorships by more than one during any twelve-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 2.5 VACANCIES.

2.5.1. Any vacancies in the Board of Directors, except vacancies first filled by the shareholders, may be filled by the affirmative vote of two-thirds of the remaining directors of each Class, though less than a quorum, or by a sole remaining director. Each director so elected shall hold office for the balance of the term of the resigning director and until his successor is elected. The power to fill vacancies shall in no event be delegated to any committee appointed in accordance with these By-Laws.

2.5.2. The shareholders may at any time elect a director to fill any vacancy not filled by the directors, and may elect the additional directors at the meeting at which an amendment of the By-Laws is voted authorizing an increase in the number of directors.

2.5.3. A vacancy or vacancies shall be deemed to exist in case of the death, resignation, or removal of any director, or if the directors or shareholders shall increase the authorized number of directors but shall fail at a meeting at which such increase is authorized or at an adjournment thereof to elect the additional director so provided for, or in case the shareholders fail at any time to elect the full number of authorized directors.

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

2.5.5. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

SECTION 2.6 REMOVAL OF DIRECTORS.

The entire Board of Directors or any individual director may be removed from office, with or without cause, by the vote or written consent of shareholders representing two-thirds of the issued and outstanding capital stock

entitled to vote.

SECTION 2.7 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 2.8 PLACE OF MEETINGS.

Meetings of the Board of Directors shall be held at the principal office 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 of Directors. Any meeting shall be valid, wherever held, if held by the written consent of all members of the Board of Directors, given before or after the meeting and filed with the Secretary of the Corporation.

SECTION 2.9 MEETINGS AFTER ANNUAL SHAREHOLDERS' MEETING.

The first meeting of the Board of Directors held after the annual shareholders' meeting shall be held at such time and place within or without the State of Nevada as shall be fixed by announcement of the Chief Executive Officer or the President given at the annual shareholders' meeting, and no other notice of such meeting shall be necessary, provided a majority of the whole Board shall be present. Alternatively, such meeting may be held at such time and place as shall be fixed pursuant to notice given under other provisions of these By-Laws.

SECTION 2.10 OTHER REGULAR MEETINGS.

2.10.1. Regular meetings of the Board of Directors 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 the Board.

2.10.2. No notice need be given of regular meetings, except that a written notice shall be given to each director of the resolution establishing specific meeting dates or a regular meeting date, which notice shall set forth the date of the month, the time, and the place of the meetings.

SECTION 2.11 SPECIAL MEETINGS.

Special meetings of the Board of Directors shall be held whenever called by the Chief Executive Officer or the President or by two-thirds of the directors of each Class. Notice of any such meeting shall be mailed to each director not later than three days before the day on which the meeting is to be held, or

shall be sent to him by telegraph, or delivered personally or by telephone, not later than midnight of the day before the day of the meeting. Any meeting of the Board of Directors shall be a legal meeting without any notice thereof having been given, if each director consents to the

holding thereof or waives notice by a writing filed with the Secretary, or is present thereat and their oral consents are entered on the minutes, or they take part in the deliberations thereat without objection. Except as otherwise provided in the By-Laws or as may be indicated in the notice thereof, any and all business may be transacted at any special meeting.

SECTION 2.12 WAIVER OF NOTICE.

Anything herein to the contrary notwithstanding, notice of any meeting of directors shall not be required as to any director who shall waive notice in writing (including telex, facsimile telephonic transmission, telegram, cablegram or radiogram) before or after such meeting.

SECTION 2.13 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 2.14 QUORUM.

A majority of the number of directors as fixed by the Articles of Incorporation or By-Laws 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, 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 2.5 but may not transact any business.

SECTION 2.15 ACTION BY UNANIMOUS WRITTEN CONSENT.

Any action required or permitted to be taken at any meeting of the Board of Directors 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 2.16 COMPENSATION.

The directors may be paid their expenses of attendance at each meeting of the Board of Directors. Additionally, the Board of Directors may from time to time, in its discretion, pay to directors either or both a fixed sum for

attendance at each meeting of the Board of Directors or a stated salary for services as a director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like reimbursement and compensation for attending committee meetings.

SECTION 2.17 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 are in any way interested in, or connected with, any other party to, such contract or transaction or are themselves parties to such contract or transaction, provided that such transaction satisfies Section 78.140 of the Nevada Revised Statutes; and each and every person who may become a director of the Corporation is hereby 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 himself or any person in which he may be in any way interested or with which he may be in any way connected. 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 he is also a stockholder, director or officer of, or has any interest in, such other person.

SECTION 2.18 EMERITUS POSITIONS.

The Board of Directors may authorize parties to serve in an emeritus position with respect to the Board of Directors, included by way of example but not by way of limitation, as an Emeritus Director, as a Chairman Emeritus of the Board of Directors or as a Vice-Chairman Emeritus of the Board of Directors. These positions shall be honorary positions and parties elected to those positions may be asked to attend meetings of the board of directors and meeting of the shareholders from time to time. A party holding an emeritus position shall not be an officer or director of the Company, shall have no vote at a director's meeting, shall receive no fees for service in that position and shall not be given access to material, non-published information pertaining, to the Company. A party filling an emeritus position shall be requested to do so because of his or her experience with and contributions to the Company.

ARTICLE III

OFFICERS

SECTION 3.1 EXECUTIVE OFFICERS.

The executive officers of the Corporation shall be a Chairman, a Vice Chairman, a Chief Executive Officer, a President, one or more Senior Executive

Vice Presidents, one or more Executive Vice Presidents, one or more Group Presidents and Chief Executive Officers, one or more Senior Vice Presidents, one or more Vice Presidents, a Secretary, and a Treasurer. Any person may hold two or more offices. The executive officers of the Corporation shall be elected annually by the Board of Directors and shall hold office for one year or until their respective successors shall be elected and shall qualify.

SECTION 3.2 APPOINTED OFFICERS: TITLES.

3.2.1. The Chief Executive Officer or the Secretary in the case of Assistant Secretaries or the Treasurer in the case of Assistant Treasurers may appoint one or more Assistant Secretaries or one or more Assistant Treasurers, each of whom shall hold such title at the pleasure of the appointing officer, have such authority and perform such duties as are provided in the By-Laws, or as the Chief Executive Officer or the appointing officer may determine from time to time. Any person appointed under this Section 3.2.1 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.

3.2.2. The Chief Executive Officer or a person designated by the Chief Executive Officer may also appoint a president, one or more executive vice presidents, one or more senior vice presidents, one or more vice presidents and one or more assistant vice presidents for each operating group and division of the Corporation and one or more senior vice presidents, one or more vice presidents and one or more assistant vice presidents for each corporate staff function and a corporate controller and one or more assistant controllers. Each of such persons will hold such title at the pleasure of the Chief Executive Officer and have authority to act for and shall perform duties with respect to only the group, division or corporate staff function for which the person is appointed. Any person appointed under this Section 3.2.2 to serve in any of the foregoing positions shall not be deemed by reason of such appointment or service in such capacity to be an "officer" of the Corporation.

SECTION 3.3 REMOVAL AND RESIGNATION.

3.3.1. Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board. Any appointed person may be removed from such position at any time by the person making such appointment or his successor.

3.3.2. Any officer may resign at any time, by giving written notice to the Board of Directors, the Chief Executive Officer, the President or the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice, or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.4 VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the By-Laws for regular appointments to such office.

SECTION 3.5 CHAIRMAN AND VICE CHAIRMAN.

The Chairman shall preside at all meetings of the Board of Directors and shall exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors. The Vice Chairman shall, in the absence of the Chairman, preside at all meetings of the Board of Directors and shall exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors.

SECTION 3.6 CHIEF EXECUTIVE OFFICER.

The Chief Executive Officer shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and affairs of the Corporation. He shall preside at all meetings of the shareholders and, in the absence of the Chairman of the Board and the Vice Chairman of the Board, at all meetings of the Board of Directors. He shall be ex officio a member of the Executive Committee 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 prescribed by the Board of Directors.

SECTION 3.7 PRESIDENT.

In the absence or disability of the Chief Executive Officer, the 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 which the Chief Executive Officer is authorized to perform by the Board of Directors or the By-Laws. The 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 prescribed by the Chief Executive Officer or the Board of Directors.

SECTION 3.8 SENIOR EXECUTIVE VICE PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENT AND VICE PRESIDENT.

In the absence or disability of the Chief Executive Officer and the President, a Senior Executive Vice President, an Executive Vice President or a Group President and Chief Executive Officer, in the order of his rank and seniority shall perform all of the duties of the Chief Executive Officer, and

when so acting shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer, including the power to sign all instruments and to take all actions which the Chief Executive Officer is authorized to perform by the Board of Directors or the By-Laws. The Senior Executive Vice Presidents, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall have the general powers and duties usually vested in the office of a vice president of a corporation; the Group Presidents and Chief Executive Officers shall have the general powers and duties of a principal executive officer of an operating group of a corporation; and each of them shall have such other powers and perform such other duties as from time to time may be prescribed for

them respectively by the Board of Directors, the Executive Committee of the Board of Directors, the Chief Executive Officer or the By-Laws.

SECTION 3.9 SECRETARY AND ASSISTANT SECRETARIES.

3.9.1. The Secretary shall (1) attend all sessions of the Board and all meetings of the shareholders; and (2) record and keep, or cause to be kept, all votes and the minutes of all proceedings in a book to be kept for that purpose at the principal office of the Corporation, or at such other place as the Board of Directors may from time to time determine, specifying therein (i) the time and place of holding, (ii) whether regular or special, and if special, how authorized, (iii) the notice thereof given, (iv) the names of those present at directors' meetings, (v) the number of shares present or represented at shareholders' meetings, and (vi) the proceedings thereof; and (3) perform like duties for the Executive and other standing committees, when required. In addition, he shall keep or cause to be kept, at the principal office of the Corporation in the State of Nevada, those documents required to be kept thereat by Section 5.2 of the By-Laws and Section 78.105 of the Nevada Revised Statutes.

3.9.2. The Secretary shall give, or cause to be given, notice of meetings of the shareholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, under whose supervision he shall be. He shall keep in safe custody the seal of the Corporation, and, when authorized by the Board, affix the same to any instrument requiring it, and when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary. The Secretary is hereby 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 of Directors or the shareholders.

3.9.3. The Assistant Secretaries, in the order of their seniority, shall in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary, and shall perform such other duties as the Chief Executive Officer or the Secretary shall prescribe.

SECTION 3.10 TREASURER AND ASSISTANT TREASURERS.

3.10.1. 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 ordered by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the Chief Executive Officer and directors, whenever they request it, an account of all his transactions as Treasurer, and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the By-Laws.

3.10.2. The Assistant Treasurers, in the order of their seniority, shall in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer, and shall perform such other duties as the Chief Executive Officer or the Treasurer shall prescribe.

SECTION 3.11 ADDITIONAL POWERS, SENIORITY AND SUBSTITUTION OF OFFICERS.

In addition to the foregoing powers and duties specifically prescribed for the respective officers, the Board of Directors may from time to time by resolution (i) impose or confer upon any of the officers such additional duties and powers as the Board of Directors may see fit, (ii) determine the order of seniority among the officers, and/or (iii) except as otherwise provided above, provide that in the absence of any officer or officers, any other officer or officers shall substitute for and assume the duties, powers and authority of the absent officer or officers. Any such resolution may be final, subject only to further action by the Board of Directors, or the resolution may grant such discretion, as the Board of Directors deems appropriate, to the Chairman, the Vice Chairman, the Chief Executive Officer, the President (or in his absence the Senior Executive Vice President or the Executive Vice President serving in his place) 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 3.12 COMPENSATION.

The officers of the Corporation shall receive such compensation as shall be fixed from time to time by the Board of Directors. No officer shall be prohibited from receiving such salary by reason of the fact that he is also a director of the Corporation.

SECTION 3.13 TRANSACTION INVOLVING INTEREST OF 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 are in any way interested in, or connected with, any

other party to such contract or transaction, or are themselves parties to such contract or transaction, provided that such transaction complies with Section 78.140 of the Nevada Revised Statutes; and each and every person who is or may become an officer of the Corporation is hereby 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 himself or any person in which he may be in any way interested or with which he may be in any way connected.

ARTICLE IV

EXECUTIVE AND OTHER COMMITTEES

SECTION 4.1 STANDING COMMITTEES.

The Board of Directors shall appoint an Executive Committee, an Audit Committee and a Compensation and Stock Option Committee, consisting of such number of its members as it may designate, consistent with the Articles of Incorporation, the By-Laws and the laws of the State of Nevada.

4.1.1. The Executive Committee shall have and may exercise, when the Board is not in session, all of the powers of the Board of Directors 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, or to change the membership of or to fill vacancies in the Executive Committee or any other Committee of the Board, or to adopt, amend or repeal the By-Laws, or to declare dividends.

4.1.2. The Audit Committee shall select and engage on behalf of the Corporation, subject to the consent of the shareholders, and fix the compensation of, a firm of certified public accountants whose duty it shall be to audit the books and accounts of the Corporation and its subsidiaries for the fiscal year in which they are appointed, and who shall report to such Committee. The Audit Committee shall confer with the auditors and shall determine, and from time to time shall report to the Board of Directors upon, the scope of the auditing of the books and accounts of the Corporation and its subsidiaries. The Audit Committee shall also be responsible for determining that the business practices and conduct of employees and other representatives of the Corporation and its subsidiaries comply with the policies and procedures of the Corporation. None of the members of the Audit Committee shall be officers or employees of the Corporation.

4.1.3. The Compensation and Stock Option Committee shall establish a general compensation policy for the Corporation and shall have responsibility for the approval of increases in directors' fees and in salaries paid to officers and senior employees earning in excess of an annual salary to be

determined by the Committee. The Compensation and Stock Option Committee shall have all of the powers of administration under all of the Corporation's employee benefit plans, including any stock option plans, long-term incentive plans, bonus plans, retirement plans, stock purchase plans and medical, dental and insurance plans. In connection therewith, the Compensation and Stock Option Committee shall determine, subject to the provisions of the Corporation's 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 and Stock Option Committee shall be officers or employees of the Corporation.

SECTION 4.2 OTHER COMMITTEES.

Subject to the limitations of the Articles of Incorporation, the By-Laws and the laws of the State of Nevada as to action to be authorized or approved by the shareholders, or duties not delegable by the Board of Directors, any or all of the corporate powers may be exercised by or under authority of, and the business and affairs of this Corporation may be controlled by, such other committee or committees as may be appointed by the Board of Directors. The powers to be exercised by any such committee shall be designated by the Board of Directors.

SECTION 4.3 PROCEDURES.

Subject to the limitations of the Articles of Incorporation, the By-Laws and the laws of the State of Nevada regarding the conduct of business by the Board of Directors and its appointed

committees, any committee created under this Article may use any procedures for conducting its business and exercising its powers, including but not limited to actions by the unanimous written consent of its members in the manner set forth in Section 2.15. A majority (but not less than two members) shall constitute a quorum. Notices of meetings may be in any reasonable manner and may be waived as for meetings of directors.

ARTICLE V

CORPORATE RECORDS AND REPORTS - INSPECTION

SECTION 5.1 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 principal place of business in the State of California, as fixed by the Board of Directors from time to time.

SECTION 5.2 ARTICLES, BY-LAWS AND STOCK LEDGER.

The Corporation shall maintain and keep the following documents at its principal place of business in the State of Nevada: (i) a certified copy of the Articles of Incorporation and all amendments thereto; (ii) a certified copy of the By-Laws and all amendments thereto; and (iii) a statement setting forth the following: "The Secretary of the Corporation, whose address is 2700 Colorado Avenue, Santa Monica California 90404, is the custodian of the duplicate stock ledger of the Corporation."

SECTION 5.3 INSPECTION.

Any person who has been a shareholder of record for at least six months immediately preceding his demand, or any person holding, or thereunto authorized in writing by the holders of, at least five percent of all of the Corporation's outstanding shares, upon at least five days' written demand, or any judgment creditor without prior demand, shall have the right to inspect in person or by agent or attorney, during usual business hours, the duplicate stock ledger of the Corporation and to make extracts therefrom; provided, however, that such inspection may be denied to any shareholder or other person upon his refusal to furnish to the Corporation an affidavit that such inspection is not desired for a purpose which is in the interest of a business or object other than the business of the Corporation and that he has not at any time sold or offered for sale any list of shareholders of any corporation or aided or abetted any person in procuring any such record of shareholders for any such purpose.

SECTION 5.4 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 by such person or persons, and in such manner as shall be determined from time to time by resolution of the Board of Directors.

ARTICLE VI

OTHER AUTHORIZATIONS

SECTION 6.1 EXECUTION OF CONTRACTS.

The Board of Directors, except as the By-Laws otherwise provide, may authorize any officer or officers or agent or agents to enter into any contract or execute any 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 of Directors, 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 or to pledge its credit, or to render it liable for any purpose or in any amount.

SECTION 6.2 REPRESENTATION OF OTHER CORPORATIONS.

All shares of any other corporation, standing in the name of the Corporation, shall be voted, represented, and all rights incidental thereto exercised as directed by written consent or resolution of the Board of Directors expressly referring thereto. In general, such rights shall be delegated by the Board of Directors under express instructions from time to time as to each exercise thereof to the Chief Executive Officer, the President, any Senior Executive Vice President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary of this Corporation, or any other person expressly appointed by the Board of Directors. Such authority may be exercised by the designated officers in person, or by any other person authorized so to do by proxy, or power of attorney, duly executed by such officers.

SECTION 6.3 DIVIDENDS.

The Board of Directors may from time to time declare, and the Corporation may pay, dividends 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 of Incorporation, subject to any contractual restrictions to which the Corporation is then subject.

ARTICLE VII

CERTIFICATES FOR AND TRANSFER OF SHARES

SECTION 7.1 CERTIFICATES FOR SHARES.

7.1.1. Certificates for shares shall be of such form and device as the Board of Directors 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.

7.1.2. 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.

7.1.3. 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, 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.

7.1.4. 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 7.2 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 to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

SECTION 7.3 LOST OR DESTROYED CERTIFICATES.

The Board of Directors 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 making of an affidavit of that fact by the person claiming the certificate for shares so lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors or Secretary may, in its or his discretion, and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his 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 7.4 TRANSFER AGENTS AND REGISTRARS.

The Board of Directors 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, or an incorporated bank or trust company, either domestic or foreign, who shall be appointed at such times and places as the requirements of the Corporation may necessitate and the Board of Directors may designate.

SECTION 7.5 FIXING RECORD DATE FOR DIVIDENDS, ETC.

The Board of Directors 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 shareholders 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 shareholders 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 7.6 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, 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 VIII

AMENDMENTS TO BY-LAWS

SECTION 8.1 BY SHAREHOLDERS.

New or restated by-laws may be adopted, or these By-Laws may be repealed or amended, at the annual shareholders' meeting or at any other meeting of the shareholders called for that purpose, by a vote of shareholders entitled to exercise a majority of the voting power of the Corporation.

SECTION 8.2 BY DIRECTORS.

Subject to the right of the shareholders to adopt, amend, or repeal

by-laws, as provided in Section 8.1, the Board of Directors may adopt, amend, or repeal any of these By-Laws by the affirmative vote of two-thirds of the directors of each Class except as otherwise provided in Section 2.4. This power may not be delegated to any committee appointed in accordance with these By-Laws.

SECTION 8.3 RECORD OF AMENDMENTS.

Whenever an amendment or a new By-Law is adopted, it shall be copied in the book of minutes with the original By-Laws, in the appropriate place. If any By-Law 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 IX

INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 9.1 POWER TO INDEMNIFY IN ACTIONS, SUITS OR PROCEEDINGS OTHER THAN THOSE BY OR IN THE RIGHT OF THE CORPORATION.

Subject to Section 9.3 of this Article IX, each person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding") (other than an action by or in the right of the Corporation), by reason of the fact that he, or a person of whom he is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, fiduciary or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action or inaction in an official capacity or in any other capacity while serving as a director, officer, employee, fiduciary or agent shall be

indemnified and held harmless by the Corporation to the fullest extent permitted by the laws of Nevada, as the same exist or may hereafter be amended, against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, employee benefit plan exercise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection with such proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably

believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

SECTION 9.2 POWER TO INDEMNIFY IN ACTIONS, SUITS OR PROCEEDINGS BY OR IN THE RIGHT OF THE CORPORATION.

Subject to Section 9.3 of this Article IX, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he, or a person of whom he is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, fiduciary or agent of enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action or inaction in an official capacity or in any other capacity while serving as a director, officer, employee, fiduciary or agent, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

SECTION 9.3 AUTHORIZATION OF INDEMNIFICATION.

Any indemnification under this Article IX (unless ordered by a court or advanced pursuant to Section 9.6 hereof) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 9.1 or Section 9.2 of this Article IX, as the case may be. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if a majority vote of a quorum consisting of directors who were not parties to the act, suit or proceeding so orders, by independent legal counsel in a written opinion, or (iii) if such a quorum is

not obtainable, by independent legal counsel in a written opinion, or (iv) by the shareholders. To the extent, however, that a director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including

attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

SECTION 9.4 GOOD FAITH DEFINED.

For purposes of any determination under Section 9.3 of this Article IX, a person shall be deemed to have acted in good faith and in a manner he 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 his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him 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 9.4 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 9.4 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 9.1 or 9.2 of this Article IX, as the case may be.

SECTION 9.5 INDEMNIFICATION BY A COURT.

If a claim under Sections 9.1 or 9.2 is not paid in full by the Corporation within thirty 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 expenses 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 its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he has met such standard of conduct, nor an actual determination by the Corporation (including the Board, independent legal counsel, or its shareholders) 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 9.6 EXPENSES PAYABLE IN ADVANCE.

The right to indemnification conferred in this Article IX shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Nevada General Corporation Law required, the payment of such expenses incurred by a director or officer in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to any employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director of officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section 9.6 or otherwise.

SECTION 9.7 NONEXCLUSIVITY OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article IX shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, By-Law, agreement, vote of shareholders or disinterested directors or otherwise.

SECTION 9.8 INSURANCE.

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee, fiduciary or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under Nevada law.

SECTION 9.9 CERTAIN DEFINITIONS.

For purposes of this Article IX, 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 or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation 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 IX with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article IX, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and 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 or officer

with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he 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 IX.

SECTION 9.10 SURVIVAL OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES.

The indemnification and advancement of expenses provided by or granted pursuant to, this Article IX shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee, fiduciary or agent and shall inure to the benefit of his heirs, executors and administrators.

SECTION 9.11 LIMITATION ON INDEMNIFICATION.

Notwithstanding anything contained in this Article IX to the contrary, except as provided in Section 9.3, 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 9.12 INDEMNIFICATION OF EMPLOYEES AND AGENTS.

The Corporation may, by action of the Board, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

SECTION 9.13 INDEMNIFICATION OF WITNESSES.

To the extent that any director, officer, employee, fiduciary or agent of the Corporation is by reason of such position, or a position with another entity at the request of the Corporation, a witness in any action, suit or proceeding, he shall be indemnified against all costs and expenses actually and reasonably incurred by him or on his behalf in connection therewith.

SECTION 9.14 INDEMNIFICATION AGREEMENTS.

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

SECTION 9.15 DEFINITION OF BOARD.

For purposes of this Article IX, the term "Board" shall mean the Board of

Directors 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 IX by any subsidiary, whether or not wholly owned.

SECTION 9.16 ACTIONS PRIOR TO ADOPTION OF ARTICLE IX.

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

SECTION 9.17 SEVERABILITY.

If any provision of this Article IX 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 9.18 APPLICABILITY TO FEDERAL ELECTION CAMPAIGN ACT OF 1971, AS AMENDED.

The rights provided by this Article IX 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 X

CORPORATE SEAL

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

ARTICLE XI

INTERPRETATION

Reference in these By-Laws to any provision of 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.

NATIONAL MEDICAL ENTERPRISES, INC.

TO

THE BANK OF NEW YORK, Trustee

Indenture

Dated as of March 1, 1991

Debt Securities

NATIONAL MEDICAL ENTERPRISES, INC.
Reconciliation and tie between Trust Indenture Act of 1939
and Indenture, dated as of March 1, 1991

TRUST INDENTURE ACT SECTION	INDENTURE SECTION
Section 310(a)(1)	609
(a)(2)	609
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(b)	608,610
Section 311(a)	613(a),(c)
(b)	613(b),(c)

(b)(2)	703(a)(2),703(b)
Section 312(a)	701,702(a)
(b)	702(b)
(c)	702(c)
Section 313(a)	703(a)
(b)(1)	Not Applicable
(b)(2)	703(b)
(c)	703(c)
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	102
(d)	703(d)
Section 314(a)	704
(b)	Not Applicable
(c)(1)	102
(c)(2)	102
Section 315(a)	601(a)
(b)	602,703(a)(6)
(c)	601(b)
(d)	601(c)
(d)(1)	601(a)(1),(c)(1)
(d)(2)	601(c)(2)
(d)(3)	601(c)(3)
(e)	514
Section 316(a)	101
(a)(1)(A)	502,512
(a)(1)(B)	513
(a)(2)	Not Applicable
(b)	508
Section 317(a)(1)	503
(a)(2)	504
(b)	1003
Section 318(a)	108

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

TABLE OF CONTENTS

	PAGE
Parties	1

Recitals. 1

ARTICLE ONE
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. Definitions:

Act 2
Additional Amounts. 2
Affiliate 2
Attributable Debt 2
Authenticating Agent. 2
Authorized Newspaper. 2
Bearer Security 3
Board of Directors. 3
Board Resolution. 3
Business Day. 3
CEDEL S.A.. 3
Commission. 3
Company 3
Company Request; Company Order. 3
Consolidated Net Tangible Assets. 3
Corporate Trust Office. 4
Corporation 4
Coupon. 4
Debt. 4
Defaulted Interest. 4
Depositary. 4
Dollars or $. 4
Euro-clear. 4
Event of Default. 4
Funded Debt 4
Global Exchange Agent 4
Global Exchange Date. 4
Global Security 4
Holder. 4
Indenture 5
Interest. 5
Interest Payment Date 5
Maturity. 5
Mortgages 5
Officers' Certificate 5
Opinion of Counsel. 5
Original Issue Discount Security. 5
Outstanding 5

Paying Agent. 6
Person. 6
Place of Payment. 6
Predecessor Security. 6
Principal Property. 7
Redemption Date 7
Redemption Price. 7
Registered Security 7
Regular Record Date 7
Responsible Officer 7
Restricted Subsidiary 7
Secured Debt. 8
Security or Securities. 8
Security Register; Security Registrar 8
Special Record Date 8
Stated Maturity 8
Subsidiary. 8
Trust Indenture Act 8
Trustee 8
United States 9
United States Alien 9
U.S. Government Obligations 9
Vice President. 9
Voting Stock. 9

Section 102. Compliance Certificates and Opinions. 9
Section 103. Form of Documents Delivered to Trustee. 10
Section 104. Acts of Holders 10
Section 105. Notices, etc. to Trustee and Company. 12
Section 106. Notice to Holders of Securities; Waiver 12
Section 107. Language of Notices, etc. 13
Section 108. Conflict with Trust Indenture Act 14
Section 109. Effect of Headings and Table of Contents 14
Section 110. Successors and Assigns. 14
Section 111. Separability Clause 14
Section 112. Benefits of Indenture 14
Section 113. Governing Law 14
Section 114. Legal Holidays. 14

ARTICLE TWO
SECURITY FORMS

Section 201. Forms Generally 15
Section 202. Form of Trustee's Certificate of Authentication. 15
Section 203. Securities in Global Form 15

ARTICLE THREE
THE SECURITIES

Section 301. Amount Unlimited; Issuable in Series. 16
Section 302. Denominations 19
Section 303. Execution, Authentication, Delivery and Dating. 19

Section 304. Temporary Securities. 21
Section 305. Registration, Transfer and Exchange 24
Section 306. Mutilated, Destroyed, Lost and Stolen Securities. . . . 28
Section 307. Payment of Interest; Interest Rights Preserved. 29
Section 308. Persons Deemed Owners 31
Section 309. Cancellation. 31
Section 310. Computation of Interest 31
Section 311. CUSIP Numbers 31

ARTICLE FOUR
SATISFACTION AND DISCHARGE

Section 401. Satisfaction and Discharge of Indenture 32
Section 402. Application of Trust Money. 33
Section 403. Satisfaction, Discharge and Defeasance of Securities of Any Series 33

ARTICLE FIVE
REMEDIES

Section 501. Events of Default 35
Section 502. Acceleration of Maturity; Rescission and Annulment. . . 36
Section 503. Collection of Indebtedness and Suits for Enforcement by Trustee. 37
Section 504. Trustee May File Proofs of Claim. 38
Section 505. Trustee May Enforce Claims Without Possession of Securities or Coupons 39
Section 506. Application of Money Collected. 39
Section 507. Limitations on Suits. 40
Section 508. Unconditional Right of Holders to Receive Principal, Premium and Interest. 40
Section 509. Restoration of Rights and Remedies. 40
Section 510. Rights and Remedies Cumulative. 41
Section 511. Delay or Omission Not Waiver. 41
Section 512. Control by Holders of Securities. 41
Section 513. Waiver of Past Defaults 41
Section 514. Undertaking for Costs 42
Section 515. Waiver of Stay or Extension Laws. 42

ARTICLE SIX
THE TRUSTEE

Section 601. Certain Duties and Responsibilities 43
Section 602. Notice of Defaults. 44
Section 603. Certain Rights of Trustee 44
Section 604. Not Responsible for Recitals or Issuance of Securities. 45
Section 605. May Hold Securities 45
Section 606. Money Held in Trust 46
Section 607. Compensation and Reimbursement. 46

Section 608. Disqualifications; Conflicting Interests. 47
(a) Elimination of Conflicting Interest or Resignation. 47
(b) Notice of Failure to Eliminate Conflicting Interest or Resign 47
(c) "Conflicting Interest" Defined 47
(d) Definitions of Certain Terms Used in This Section 50
(e) Calculation of Percentages of Securities. 50
Section 609. Corporate Trustee Required; Eligibility. 52
Section 610. Resignation and Removal; Appointment of Successor 52
Section 611. Acceptance of Appointment by Successor. 53
Section 612. Merger, Conversion, Consolidation or Succession to Business 55
Section 613. Preferential Collection of Claims Against Company. 55
(a) Segregation and Apportionment of Certain Collections by Trustee; Certain Exceptions 55
(b) Certain Creditor Relationships Excluded From Segregation and Apportionment. 57
(c) Definitions of Certain Terms Used in this Section 58
Section 614. Appointment of Authenticating Agent 59

ARTICLE SEVEN
HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

Section 701. Company to Furnish Trustee Names and Addresses of Holders 60

Section 702. Preservation of Information; Communications to Holders. 61
Section 703. Reports by Trustee. 62
Section 704. Reports by Company. 64

ARTICLE EIGHT
CONSOLIDATION, MERGER, SALE, LEASE OR CONVEYANCE

Section 801. Consolidations and Mergers of Company and Sales, Leases and Conveyances Permitted Subject to Certain Conditions 64
Section 802. Rights and Duties of Successor Corporation. 65
Section 803. Officers' Certificate and Opinion of Counsel 65

ARTICLE NINE
SUPPLEMENTAL INDENTURES

Section 901. Supplemental Indentures without Consent of Holders 65
Section 902. Supplemental Indentures with Consent of Holders 66
Section 903. Execution of Supplemental Indentures. 67
Section 904. Effect of Supplemental Indentures 68
Section 905. Conformity with Trust Indenture Act 68
Section 906. Reference in Securities to Supplemental Indentures. 68

ARTICLE TEN
COVENANTS

Section 1001. Payment of Principal, Premium, if any, and Interest 68
Section 1002. Maintenance of Office or Agency 69
Section 1003. Money for Securities Payments to be Held in Trust. 70
Section 1004. Additional Amounts. 71
Section 1005. Statement as to Compliance; Notice of Certain Defaults 72
Section 1006. Limitation on Liens 73
Section 1007. Limitation on Sale and Lease-Back Transactions 75
Section 1008. Waiver of Certain Covenants 76

ARTICLE ELEVEN
REDEMPTION OF SECURITIES

Section 1101. Applicability of Article. 76
Section 1102. Election to Redeem; Notice to Trustee 76
Section 1103. Selection by Trustee of Securities to be Redeemed. 76
Section 1104. Notice of Redemption. 77
Section 1105. Deposit of Redemption Price 78
Section 1106. Securities Payable on Redemption Date 78
Section 1107. Securities Redeemed in Part 79

ARTICLE TWELVE
SINKING FUNDS

Section 1201. Applicability of Article. 79
Section 1202. Satisfaction of Sinking Fund Payments with Securities. 80
Section 1203. Redemption of Securities for Sinking Fund 80

ARTICLE THIRTEEN
REPAYMENT AT THE OPTION OF HOLDERS

Section 1301. Applicability of Article. 81

ARTICLE FOURTEEN
MEETINGS OF HOLDERS OF SECURITIES

Section 1401. Purposes for Which Meetings May be Called. 81
Section 1402. Call, Notice and Place of Meetings. 81
Section 1403. Persons Entitled to Vote at Meetings. 82
Section 1404. Quorum; Action. 82
Section 1405. Determination of Voting Rights; Conduct and Adjournment of Meetings. 83
Section 1406. Counting Votes and Recording Action of Meetings 84

ARTICLE FIFTEEN
MISCELLANEOUS PROVISIONS

Section 1501. Securities in Foreign Currencies. 84
Testimonium 85
Signatures and Seals. 85
Acknowledgments 86

Exhibit A Form of Certificate to Be Given by Person Entitled to

Receive Bearer Security A-1

Exhibit B Form of Certificate to Be Given by Euro-clear and CEDEL S.A. in Connection with the Exchange of a Portion of a Temporary Global Security. B-1

Exhibit C Form of Certificate to Be Given by Euro-clear and CEDEL S.A. to Obtain Interest Prior to a Global Exchange Date C-1

Exhibit D Form of Certificate to Be Given by Beneficial Owners to Obtain Interest Prior to a Global Exchange Date D-1

INDENTURE, dated as of March 1, 1991, between NATIONAL MEDICAL ENTERPRISES, INC., a Nevada corporation (hereinafter called the "Company"), having its principal office at 2700 Colorado Avenue, Santa Monica, California 90404 and THE BANK OF NEW YORK, a New York banking corporation, as Trustee (hereinafter called the "Trustee") having its Corporate Trust Office at 101 Barclay Street, New York, New York 10286.

Recitals of The Company

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured and unsubordinated debentures, notes or other evidences of senior indebtedness (hereinafter called the "Securities"), unlimited as to principal amount, to bear such rates of interest, to mature at such time or times, to be issued in one or more series and to have such other provisions as shall be fixed as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the sum of one dollar duly paid by the Company to the Trustee, the receipt of which is hereby acknowledged, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders (as defined in Article One below), as follows:

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of a series thereof, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. DEFINITIONS.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Six, are defined in that Article.

"ACT" when used with respect to any Holder has the meaning specified in Section 104.

"ADDITIONAL AMOUNTS" means any additional amounts which are required by a Security or by or pursuant to a Board Resolution, under circumstances specified therein, to be paid by the Company in respect to certain taxes imposed on certain Holders and which are owing to such Holders.

"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 the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"ATTRIBUTABLE DEBT" means at any date as of which the amount thereof is to be determined (a) as to any capitalized lease obligations, the indebtedness carried on the balance sheet in accordance with generally accepted accounting principles in the United States and (b) as to any operating leases, the total net amount of rent required to be paid under such leases during the remaining term thereof, discounted on a monthly basis from the respective due dates thereof to such date at the rate of 10% per annum. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated. This term does not include any obligation to make payments arising from the transfer of tax benefits under the United States Economic Recovery Tax Act of 1981 to the extent such obligation is conditioned upon receipt of payments from another Person.

"AUTHENTICATING AGENT" means any Person authorized by the Trustee pursuant to Section 614 to act on behalf of the Trustee to authenticate Securities of one or more series.

"AUTHORIZED NEWSPAPER" means a newspaper, in an official language of the country of publication or in the English language, customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, and of general circulation in the place in connection with which the term is used or in the financial community of such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in

different newspapers in the same city meeting the foregoing requirements and in each case on any Business Day.

"BEARER SECURITY" means any Security in the form established pursuant to Section 201 which is payable to bearer.

"BOARD OF DIRECTORS" means either the Board of Directors of the Company or the Executive Committee thereof.

"BOARD RESOLUTION" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"BUSINESS DAY" with respect to any Place of Payment means each Monday,

Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment are authorized or obligated by law to close, except as may otherwise be provided in the form of Securities of any particular series pursuant to the provisions of this Indenture.

"CEDEL S.A." means Centrale de Livraison de Valeurs Mobilieres S.A.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"COMPANY" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"COMPANY REQUEST" and "COMPANY ORDER" mean, respectively, a written request or order signed in the name of the Company by the Chairman of the Board, the President, a Vice President or the Treasurer, and the Secretary, an Assistant Secretary or an Assistant Treasurer, of the Company, and delivered to the Trustee.

"CONSOLIDATED NET TANGIBLE ASSETS" means the total amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (a) all current liabilities as disclosed on the most recent consolidated balance sheet of the Company (excluding any thereof which are by their terms extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed and further excluding any deferred income taxes that are included in current liabilities) and (b) all goodwill, trade names, trademarks, patents and other like intangible assets, all as set forth on the most recent consolidated balance sheet of the Company and computed in accordance with generally accepted accounting principles.

"CORPORATE TRUST OFFICE" means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered.

"CORPORATION" includes corporations, associations, companies and business trusts.

"COUPON" means any interest coupon appertaining to a Bearer Security.

"DEBT" means notes, bonds, debentures or similar evidences of indebtedness.

"DEFAULTED INTEREST" has the meaning specified in Section 307.

"DEPOSITARY" means, with respect to the Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, the Person designated as Depositary by the Company pursuant to Section 301 until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depositary" shall mean or include each Person who is then a Depositary hereunder, and if at any time there is more than one such Person, "Depositary" as used with respect to the Securities of any such series shall mean the Depositary with respect to the Securities of that series.

"DOLLARS" or "$" or any similar reference shall mean the currency of the United States, except as may otherwise be provided in the form of Securities of any particular series pursuant to the provisions of this Indenture.

"EURO-CLEAR" means Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euro-clear System.

"EVENT OF DEFAULT" has the meaning specified in Section 501.

"FUNDED DEBT" means indebtedness ranking senior to or pari passu with the Securities, including (a) commercial paper, short-term promissory notes or bank borrowings classified as long-term debt in accordance with generally accepted accounting principles and (b) the Securities.

"GLOBAL EXCHANGE AGENT" has the meaning specified in Section 304(b)(3).

"GLOBAL EXCHANGE DATE" has the meaning specified in Section 304(b)(3).

"GLOBAL SECURITY" means a Registered or Bearer Security evidencing all or part of a series of Securities, issued to the Depositary for such series in accordance with Section 303, and bearing the legend prescribed in Section 303(c).

"HOLDER", when used with respect to any Security, means in the case of a Registered Security, the Person in whose name the Security is registered in the Security Register and in the case of a Bearer Security, the bearer thereof and, when used with respect to any coupon, means the bearer thereof.

"INDENTURE" means this instrument as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, and shall include each Officers' Certificate delivered to the Trustee pursuant to Section 303.

"INTEREST", when used with respect to an Original Issue Discount Security

which by its terms bears interest only after Maturity, means interest payable after Maturity, and, when used with respect to a Security which provides for the payment of Additional Amounts pursuant to Section 1004, includes such Additional Amounts.

"INTEREST PAYMENT DATE" means the Stated Maturity of an instalment of interest on the applicable Securities.

"MATURITY" when used with respect to any Security means the date on which the principal of such Security or an instalment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, notice of redemption, request for redemption or otherwise.

"MORTGAGES" means mortgages, liens, pledges or other encumbrances.

"OFFICERS' CERTIFICATE" means a certificate signed by the Chairman of the Board, the President, a Vice President or the Treasurer, and the Secretary, an Assistant Secretary or an Assistant Treasurer, of the Company, and delivered to the Trustee.

"OPINION OF COUNSEL" means a written opinion of counsel, who may (except as otherwise expressly provided in this Indenture) be an employee of or counsel for the Company, or other counsel acceptable to the Trustee.

"ORIGINAL ISSUE DISCOUNT SECURITY" means a Security issued pursuant to this Indenture which provides for declaration of an amount less than the principal thereof to be due and payable upon acceleration pursuant to Section 502.

"OUTSTANDING" when used with respect to Securities means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities for which payment or redemption money or U.S. Government Obligations as provided in Section 403 in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities and any coupons thereto appertaining, PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder or are present at a meeting of Holders of Securities for quorum purposes, the principal amount of an Original Issue Discount Security that may be counted in making such determination and that shall be deemed to be Outstanding for such purposes shall be equal to the amount of the principal thereof that could be declared to be due and payable pursuant to the terms of such Original Issue Discount Security at the time the taking of such action by the Holders of such requisite principal amount is evidenced to the Trustee as provided in Section 104(a), and, PROVIDED FURTHER, that Securities owned beneficially by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"PAYING AGENT" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Company.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PLACE OF PAYMENT" when used with respect to the Securities of any series, means the place or places where the principal of (and premium, if any) and interest on the Securities of that series are payable as specified as provided pursuant to Section 301.

"PREDECESSOR SECURITY" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a lost, destroyed, mutilated or stolen Security or a Security to which a mutilated, destroyed, lost or stolen coupon appertains shall be deemed to evidence the same debt as the lost, destroyed, mutilated or stolen Security or

the Security to which a mutilated, destroyed, lost or stolen coupon appertains.

"PRINCIPAL PROPERTY" means any acute care, psychiatric or rehabilitation hospital or long-term care facility and related equipment owned or leased by, and related to the general business of, the Company or any Restricted Subsidiary, and located in the United States having a net book value (after deductions of any applicable depreciation and amortization reserves) on the date as of which the determination is being made of more than 1.0% of Consolidated Net Tangible Assets as of such date, except a facility, and related equipment, which, in the opinion of the Board of Directors, is not of material importance to a line of business of the Company and its Restricted Subsidiaries (as reflected in the Company's most recent annual report under the Securities Exchange Act of 1934 as of the time of any determination) in which such property or equipment is used.

"REDEMPTION DATE" when used with respect to any Security to be redeemed means the date fixed for such redemption by or pursuant to this Indenture.

"REDEMPTION PRICE" when used with respect to any Security to be redeemed means the price at which it is to be redeemed as determined pursuant to the provisions of this Indenture.

"REGISTERED SECURITY" means any Security established pursuant to Section 201 which is registered in the Security Register.

"REGULAR RECORD DATE" for the interest payable on a Registered Security on any Interest Payment Date means the date, if any, specified as contemplated by Section 301 as the "Regular Record Date".

"RESPONSIBLE OFFICER" when used with respect to the Trustee means the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president (whether or not designated by a number or a word or words added before or after the title "vice president"), the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, 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 SUBSIDIARY" means any Subsidiary organized and existing under the laws of one of the States of the United States of America (or the District of Columbia) and the greater portion of the business of which is transacted within the United States of America (other than its territories or possessions),

which shall at the time, directly or indirectly through one or more Subsidiaries or in combination with one or more other Subsidiaries, own or lease a Principal Property. A Subsidiary shall be considered not to be a Restricted Subsidiary if (a) it is acquired or organized after the date hereof, provided, however, that it is not a successor directly or indirectly, to any Restricted Subsidiary; (b) it is primarily engaged in the business of finance, banking, credit, leasing, insurance, financial services or other similar operation, or any combination thereof; (c) it is principally engaged in leasing or in financing installment receivables or it is principally engaged in financing

the Company's operations outside the continental United States of America; (d) substantially all the assets of it consist of the capital stock or debt capital of one or more of the Subsidiaries of the Company engaged in the operations described in the preceding clauses (b) or (c) or any combination thereof; or (e) a majority of the voting stock of it shall at the time be owned directly or indirectly by one or more Subsidiaries not Restricted Subsidiaries; unless and until any such Subsidiary considered not to be a Restricted Subsidiary shall have been designated by the Company (by certified resolution of the Board of Directors delivered to the Trustee) to be a Restricted Subsidiary.

"SECURED DEBT" shall mean Debt of the Company or a Restricted Subsidiary (other than Debt owed by a Restricted Subsidiary to the Company, by a Restricted Subsidiary to another Restricted Subsidiary or by the Company to a Restricted Subsidiary), which in any such case is secured by a Mortgage on any Principal Property of the Company or a Restricted Subsidiary.

"SECURITY" or "SECURITIES" means any Security or Securities, as the case may be, authenticated and delivered under this Indenture.

"SECURITY REGISTER" and "SECURITY REGISTRAR" have the respective meanings specified in Section 305.

"SPECIAL RECORD DATE" for the payment of any Defaulted Interest on the Registered Securities of any series means a date fixed by the Trustee pursuant to Section 307.

"STATED MATURITY" when used with respect to any Security or any installment of principal thereof or interest thereon means the date specified in such Security or a coupon representing such installment of interest as the fixed date on which the principal of such Security or such instalment of principal or interest is due and payable.

"SUBSIDIARY" means any corporation of which at the time of determination the Company and/or one or more Subsidiaries owns or controls directly or indirectly more than 50% of the shares of Voting Stock. "Wholly-owned", when used with reference to a Subsidiary, means a Subsidiary of which all of the

outstanding capital stock (except for qualifying shares) is owned by the Company or by one or more wholly-owned Subsidiaries.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed, except as provided in Section 905.

"TRUSTEE" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such with respect to one or more series of Securities pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to the Securities of that series.

"UNITED STATES" means the United States of America (including States and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction.

"UNITED STATES ALIEN" means any Person who, for United States Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United Stated Federal income tax purposes, a foreign corporation, non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

"U.S. GOVERNMENT OBLIGATIONS" means securities which are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt; PROVIDED that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"VICE PRESIDENT" when used with respect to the Company shall mean any Vice President of the Company whether or not designated by a number or a word or

words added before or after the title "Vice President."

"VOTING STOCK" means stock of the class or classes having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such corporation provided that, for the purposes hereof, stock which carries only the right to vote conditionally on the happening of an event shall not be considered voting stock whether or not such event shall have happened.

SECTION 102. COMPLIANCE CERTIFICATES AND OPINIONS.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;

(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 each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 103. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such

Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. ACTS OF HOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing. If, but only if, Securities of a

series are issuable as Bearer Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of Securities of such series may, alternatively, be embodied in and evidenced by the record of Holders of Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly called and held in accordance with the provisions of Article Fourteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a

Security, shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company and any agent of the Trustee or the Company, if made in the manner provided in this Section. The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 1406.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient and in accordance with such reasonable rules as the Trustee may determine; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

(c) The ownership of Registered Securities and the principal amount and serial numbers of Registered Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) The principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may be proved by the production of such Bearer Securities or by a certificate executed, as depositary, by any trust company, bank, banker or other depositary reasonably acceptable to the Company, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced to the Trustee by some other Person, or (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding. The principal amount and serial numbers of Bearer Securities held by the Person so executing such instrument or writing and the date of holding the same may also be proved in any other manner which the Trustee deems sufficient.

(e) If the Company shall solicit from the Holders of any Registered Securities, any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by Board Resolution, fix in advance a record date for the determination of Holders of Registered Securities entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of Registered Securities of record at the close of business on such record date shall be deemed to be Holders for the purposes of

determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders of Registered Securities on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee, Security Registrar, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 105. NOTICES ETC. TO TRUSTEE AND COMPANY.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to the attention of its Treasurer at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. NOTICE TO HOLDERS OF SECURITIES; WAIVER.

Except as otherwise expressly provided herein or in the form of Securities of any particular series pursuant to the provisions of this Indenture, where this Indenture provides for notice to Holders of Securities of any event,

(1) such notice shall be sufficiently given to Holders of Registered Securities if in writing and mailed, first-class postage prepaid, to each Holder of a Registered Security affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such Notice; and

(2) such notice shall be sufficiently given to Holders of Bearer Securities, if any, if published in an Authorized Newspaper in The City of New York and, if the Securities of such series are then listed on any stock exchange outside the United States, in an Authorized Newspaper in such city as the Company shall advise the Trustee that such stock exchange so requires, on a Business Day at least twice, the first such publication to be not earlier than the earliest date and not later than the latest date prescribed for the giving of such notice.

In any case where notice to Holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of a Registered Security shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. Neither failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice mailed to Holders of Registered Securities as provided above.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Securities shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 107. LANGUAGE OF NOTICES, ETC.

Any request, demand, authorization, direction, notice, consent, election or waiver required or permitted under this Indenture shall be in the English language, except that, if the Company so elects, any published notice may be in an official language of the country of publication.

SECTION 108. CONFLICT WITH TRUST INDENTURE ACT.

If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this Indenture by any of the provisions of the Trust Indenture Act, such required provisions shall control.

SECTION 109. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 110. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 111. SEPARABILITY CLAUSE.

In case any provision in this Indenture or in the Securities or coupons 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.

SECTION 112. BENEFITS OF INDENTURE.

Nothing in this Indenture or in the Securities or coupons, express or implied, shall give to any Person, other than the parties hereto, any Security Registrar, any Paying Agent and their successors hereunder and the Holders of Securities or coupons, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 113. GOVERNING LAW.

This Indenture and the Securities and coupons shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 114. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or the Securities or coupons other than a provision in the Securities which specifically states that such provision shall apply in lieu of this Section) payment of interest or any Additional Amounts or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

ARTICLE TWO

SECURITY FORMS

SECTION 201. FORMS GENERALLY.

The Registered Securities, if any, of each series and the Bearer Securities, if any, of each series, related coupons, if any, and temporary Global Securities, if any, shall be in the form established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, shall have appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture or any indenture supplemental hereto and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of such Securities, and shall be satisfactory to the Trustee.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, the Securities of each series shall be issuable in registered form without coupons. If so provided as contemplated by Section 301, the Securities of a series also shall be issuable in bearer form, with or without interest coupons attached.

The definitive Securities and coupons shall be printed, lithographed or engraved or produced by any combination of these methods on a steel engraved border or steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities or coupons.

SECTION 202. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK,
as Trustee

By: _____
Authorized Signatory

SECTION 203. SECURITIES IN GLOBAL FORM.

If Securities of a series are issuable in whole or in part in global form, as specified as contemplated by Section 301, then, notwithstanding clause (10)

of Section 301 and the provisions of Section 302, such Global Security shall represent such of the Outstanding Securities of such series as shall be specified therein and may provide that the aggregate amount of

Outstanding Securities represented thereby may from time to time be changed to reflect exchanges. Any endorsement of a Global Security to reflect the amount, or any increase or decrease in the amount or changes in the rights of Holders of Outstanding Securities represented thereby shall be made in such manner and upon instructions given by such Person or Persons as shall be specified therein or in the Company Order to be delivered to the Trustee pursuant to Section 303 or Section 304.

The provisions of the last sentence of Section 303(h) shall apply to any Securities represented by a Security in global form if such Security was never issued and sold by the Company and the Company delivers to the Trustee the Security in global form together with written instructions (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last sentence of Section 303(h).

Global Securities may be issued in either registered or bearer form and in either temporary or permanent form.

ARTICLE THREE

THE SECURITIES

SECTION 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution, and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto:

(1) the title of the Securities and the series in which such Securities shall be included;

(2) any limit upon the aggregate principal amount of the Securities of such title or the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 304, 305, 306, 906,

or 1107);

(3) whether Securities of the series are to be issuable as Registered Securities, Bearer Securities (with or without coupons) or both, any restrictions applicable to the offer, sale or delivery of Bearer Securities and the terms upon which Bearer Securities of the series may be exchanged for Registered Securities of the series and vice versa;

(4) the date as of which any Bearer Securities of the series and any temporary Global Security representing Outstanding Securities

of the series shall be dated if other than the date of original issuance of the first Security of the series to be issued;

(5) the date or dates on which the principal of such Securities is payable or the method of determination thereof;

(6) the rate or rates at which such Securities shall bear interest, if any, or any method by which such rate or rates shall be determined, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date for the interest payable on Registered Securities on any Interest Payment Date, whether and under what circumstances Additional Amounts on such securities shall be payable in respect of specified taxes, assessments or other governmental charges withheld or deducted and, if so, whether the Company has the option to redeem the affected Securities rather than pay such Additional Amounts, and the basis upon which interest shall be calculated if other than that of a 360 day year of twelve 30 day months;

(7) the place or places, if any, in addition to or other than the Borough of Manhattan, The City of New York, where the principal of (and premium, if any) and interest on or Additional Amounts, if any, payable in respect of such Securities shall be payable;

(8) the period or periods within which, the price or prices at which and the terms and conditions upon which such Securities may be redeemed, in whole or in part, at the option of the Company;

(9) the obligation, if any, of the Company to redeem or purchase such Securities pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which such Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation, and any provisions for the remarketing of such Securities;

(10) the denominations in which Registered Securities of the series,

if any, shall be issuable if other than denominations of $1,000 and any integral multiple thereof, and the denominations in which Bearer Securities of the series, if any, shall be issuable if other than the denomination of $5,000;

(11) if other than the principal amount thereof, the portion of the principal amount of such Securities which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502;

(12) if other than such coin or currency of the United States of America as at the time of payment is legal tender for payment of public or private debts, the coin or currency, including composite currencies, in which payment of the principal of (and premium, if any) and interest, if any, on, and Additional Amounts in respect of such Securities shall be payable;

(13) if the principal of (and premium, if any) or interest, if any, on, and Additional Amounts in respect of, such Securities are to be payable, at the election of the Company or a Holder thereof, in a coin or currency, including composite currencies, other than that in which the Securities are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made;

(14) if the amount of payments of principal of (and premium, if any) or interest, if any, on, and Additional Amounts in respect of, such Securities may be determined with reference to an index, formula or other method or based on a coin or currency other than that in which the Securities are stated to be payable, the manner in which such amounts shall be determined;

(15) if the Securities of such series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, then the form and terms of such certificates, documents or conditions; and

(16) whether the Securities of such series shall be issued in whole or in part in the form of one or more Global Securities and, in such case, the Depositary and Global Exchange Agent, if any, for such Global Security or Securities; and whether such global form shall be permanent or temporary and, if applicable, the Global Exchange Date;

(17) if Securities of such series are to be issuable initially in the form of a temporary Global Security, the circumstances under which the temporary Global Security can be exchanged for definitive Securities, the Global Exchange Agent, if any, for such Global Security and whether the

definitive Securities of such series will be Registered and/or Bearer Securities and will be in global form and whether interest in respect of any portion of such Global Security payable in respect of an Interest Payment Date prior to the Global Exchange Date shall be paid to any clearing organization with respect to a portion of such Global Security held for its account and, in such event, the terms and conditions (including any certification requirements) upon which any such interest payment received by a clearing organization will be credited to the Persons entitled to interest payable on such Interest Payment Date if other than as provided in this Article;

(18) any other terms of such Securities (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series and the coupons appertaining to Bearer Securities of such series, if any, shall be substantially identical except as to denomination and the rate or rates of interest, if any, and Stated Maturity, the date from which interest, if any, shall accrue and except as may otherwise be provided in or pursuant to such Board Resolution and set forth in such Officers' Certificate or in any such indenture supplemental hereto. All Securities of any one series need not be issued

at the same time, and unless otherwise provided, a series may be reopened for issuances of additional Securities of such series.

If any of the terms of the Securities of any series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of such series.

SECTION 302. DENOMINATIONS.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, the Registered Securities of each series, if any, shall be issuable in registered form without coupons in denominations of $1,000 and any integral multiple thereof and the Bearer Securities of each series, if any, shall be issuable in the denomination of $5,000, or in such other denominations and amounts as may from time to time be fixed by or pursuant to a Board Resolution.

SECTION 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

(a) The Securities shall be executed on behalf of the Company by its Chairman of the Board, President, Vice President serving as Chief Financial Officer or its Treasurer under its corporate seal reproduced thereon and

attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile. Coupons shall bear the facsimile signature of the Treasurer or any Assistant Treasurer of the Company.

Securities and coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

(b) At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series, together with any coupons appertaining thereto, executed by the Company to the Trustee for authentication, together with the Board Resolution and Officers' Certificate or supplemental indenture with respect to such Securities referred to in Section 301 and a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order and subject to the provisions hereof shall authenticate and make available for delivery such Securities; PROVIDED, HOWEVER, in connection with its original issuance, a Bearer Security may be delivered only outside the United States and if the Company or its agent shall have received from the person entitled to delivery of such Bearer Security a certificate substantially in the form set forth in Exhibit A hereto. In authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating,

(i) the form and terms of such Securities and coupons, if any, have been established in conformity with the provisions of this Indenture;

(ii) that all conditions precedent to the authentication and delivery of such Securities, together with the coupons, if any, appertaining thereto, have been complied with and that such Securities and coupons, when authenticated and made available for delivery by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles;

(iii) that all laws and requirements in respect of the execution and delivery by the Company of such Securities and coupons, if any, have been complied with; and

(iv) as to such other matters as the Trustee may reasonably request.

(c) If the Company shall establish pursuant to Section 301 that the Securities of a series are to be issued in whole or in part in the form of one or more Global Securities, then the Company shall execute and the Trustee shall, in accordance with this Section and the Company Order with respect to such series of Securities, authenticate and make available for delivery one or more Global Securities in temporary or permanent form that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of the Outstanding Securities of such series to be represented by one or more Global Securities, (ii) shall be registered, if in registered form, in the name of the Depositary for such Global Security or Securities or the nominee of such Depositary, (iii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instruction and (iv) shall bear a legend substantially to the following effect: "Unless and until it is exchanged in whole or in part for Securities in definitive form, this Security may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary."

(d) Each Depositary designated pursuant to Section 301 for a Global Security in registered form must, at the time of its designation and all times while it serves as a Depositary, be a clearing agency registered under the Securities Exchange Act of 1934, as amended and any other applicable statute or regulation or be a Depositary which is a common depositary for Euro-clear and CEDEL S.A.

(e) The Trustee shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities or this Indenture or otherwise in a manner which is not reasonably

acceptable to the Trustee or if the Trustee being advised by counsel determines that such action may not lawfully be taken.

(f) If all the Securities of any series are not to be issued at one time, it shall not be necessary to deliver an Opinion of Counsel at the time of issuance of each Security, but such Opinion of Counsel, with appropriate modifications, may instead be delivered at or prior to the time of the first issuance of Securities of such series.

(g) Each Registered Security shall be dated the date of its authentication. Each Bearer Security and any temporary Bearer Security in global form shall be dated as of the date specified as contemplated by

Section 301.

(h) No Security or coupon appertaining thereto shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for in Section 202 or 614 executed by or on behalf of the Trustee by the manual signature of one of its authorized signers, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Except as permitted by Section 306 or 307, the Trustee shall not authenticate and make available for delivery any Bearer Security unless all appurtenant coupons for interest then matured have been detached and cancelled. Notwithstanding the foregoing, if any Security or portion thereof shall have been duly authenticated and made available for delivery hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) stating that such Security or portion thereof has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and made available for delivery hereunder and shall never be entitled to the benefits of this Indenture.

SECTION 304. TEMPORARY SECURITIES.

(a) Pending the preparation of a permanent Global Security or definitive Securities of any series, the Company may execute and deliver to the Trustee, and upon Company Order the Trustee shall authenticate and make available for delivery, in the manner provided in Section 303, temporary Securities of such series which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form, or, if authorized, in bearer form with one or more coupons or without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities. In the case of Bearer Securities of any series, such temporary Securities may be in global form, representing all of the Outstanding Bearer Securities of such series.

(b) Under otherwise provided pursuant to Section 301:

(i) Except in the case of temporary Securities in global form, which shall be exchanged in accordance with the provisions thereof, if temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary

Securities of such series shall be exchangeable for definitive Securities of such series containing identical terms and provisions upon surrender of the temporary Securities of such series at an office or agency of the Company maintained for such purpose pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured coupons appertaining thereto) the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a like principal amount of definitive Securities of authorized denominations of the same series containing identical terms and provisions; PROVIDED, HOWEVER, that no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security; and PROVIDED, FURTHER, that (A) no definitive Bearer Security shall be delivered in exchange for a temporary Security unless the Company or its agent shall have received from the person entitled to receive the definitive Bearer Security a certificate substantially in the form set forth in Exhibit A hereto; (B) delivery of a Bearer Security shall occur only outside the United States; and (C) neither a beneficial interest in a permanent Global Security nor a definitive Bearer Security shall be issued if the Company has reason to know that such certificate is false. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series except as otherwise specified as contemplated by Section 301 with respect to the payment of interest on Securities in temporary form.

(ii) If Securities of any series are issued in temporary global form, any such temporary Global Security shall, unless otherwise provided pursuant to Section 301, be delivered to the Depositary for the benefit of Euro-clear and CEDEL S.A., for credit to the respective accounts of the beneficial owners of such Securities (or to such other accounts as they may direct).

(iii) Without unnecessary delay but in any event not later than the date specified in, or determined pursuant to the terms of, any such temporary Global Security (the "Global Exchange Date"), the Company shall deliver definitive Securities to the Trustee or the agent appointed by the Company pursuant to Section 301 to effect the exchange of the temporary Global Security for definitive Debt Securities (the "Global Exchange Agent"), in an aggregate principal amount equal to the principal amount of such temporary Global Security, executed by the Company. On or after the Global Exchange Date, such temporary Global Security shall be surrendered by the Depositary to the Global Exchange Agent, to be exchanged, in whole or from time to time in part, for definitive Securities without charge and the Trustee or the Global Exchange Agent, if authorized by the Trustee pursuant to Section 614, shall authenticate and make available for delivery, in exchange for each portion of such

temporary Global Security, an equal aggregate principal amount of definitive Securities of the temporary Global Security to be exchanged. Upon any exchange of a part of such temporary Global Security for definitive Securities, the portion of the principal amount and any interest thereon so exchanged shall be endorsed by the Global Exchange Agent on a schedule to such temporary Global Security, whereupon the principal amount and interest payable with respect to such temporary Global Security shall be reduced for all purposes by the amount so exchanged and endorsed. The definitive Securities to be delivered in exchange for any such temporary Global Security shall be in bearer form, registered form, global bearer form or global registered form, or any combination thereof, as specified as contemplated by Section 301, and, if any combination thereof is so specified, as requested by the beneficial owner thereof; PROVIDED, HOWEVER, that unless otherwise specified in such temporary Global Security, upon such presentation by the Depositary, such temporary Global Security shall be accompanied by a certificate dated the Global Exchange Date or a subsequent date and signed by Euro-clear as to the portion of such temporary Global Security held for its account then to be exchanged and a certificate dated the Global Exchange Date or a subsequent date and signed by CEDEL S.A. as to the portion of such temporary Global Security held for its account then to be exchanged, each in the form set forth in Exhibit B to this Indenture; and PROVIDED, FURTHER, that definitive Bearer Securities (including a definitive global Bearer Security) shall be delivered in exchange for a portion of a temporary Global Security only in compliance with the requirements of Section 303.

(iv) The interest of a beneficial owner of Securities of a series in a temporary Global Security shall be exchanged for definitive Securities of the same series and of like tenor and terms following the Global Exchange Date when the account holder instructs Euro-clear or CEDEL S.A., as the case may be, to request such exchange on his behalf and delivers to Euro-clear or CEDEL S.A., as the case may be, a certificate in the form set forth in Exhibit A to this Indenture dated no earlier than 15 days prior to the Global Exchange Date, copies of which certificate shall be available from the offices of Euro-clear and CEDEL S.A., the Global Exchange Agent, any Authenticating Agent appointed for such series of Securities and each Paying Agent. Unless otherwise specified in such temporary Global Security, any such exchange shall be made free of charge to the beneficial owners of such temporary Global Security, except that a Person receiving definitive Securities must bear the cost of insurance, postage, transportation and the like in the event that such Person does not take delivery of such definitive Securities in person at the offices of Euro-clear and CEDEL S.A. Definitive Securities in bearer form to be delivered in exchange for any portion of a temporary Global Security shall be delivered only outside the United States.

(v) Until exchanged in full as hereinabove provided, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and of like tenor and terms authenticated and delivered hereunder,

except that, unless otherwise specified as

contemplated by Section 301, interest payable on a temporary Global Security on an Interest Payment Date for Debt Securities of such series occurring prior to the applicable Global Exchange Date shall be payable to Euro-clear and CEDEL S.A. on such Interest Payment Date upon delivery by Euro-clear and CEDEL S.A. to the Global Exchange Agent of a certificate or certificates in the form set forth in Exhibit C to this Indenture, for credit without further interest on or after such Interest Payment Date to the respective accounts of the Persons who are the beneficial owners of such temporary Global Security on such Interest Payment Date and who have each delivered to Euro-clear or CEDEL S.A., as the case may be, a certificate in the form set forth in Exhibit D to this Indenture. Any interest so received by Euro-clear and CEDEL S.A. and not paid as herein provided prior to the Global Exchange Date shall be returned to the Global Exchange Agent which, upon expiration of two years after such Interest Payment Date shall repay such interest to the Company in accordance with Section 1003.

SECTION 305. REGISTRATION, TRANSFER AND EXCHANGE.

With respect to the Registered Securities of each series, if any, the Company shall cause to be kept at an office or agency of the Company maintained pursuant to Section 1002, a register (herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of the Registered Securities of each series and of transfers of the Registered Securities of each series. Such office or agency shall be the "Security Registrar" for the Registered Securities, if any, of each series of Securities. In the event that the Trustee shall not be the Security Registrar, it shall have the right to examine the Security Register at all reasonable times.

Upon surrender for registration of transfer of any Registered Security of any series at any office or agency of the Company maintained for that series pursuant to Section 1002, the Company shall execute, and the Trustee shall authenticate and make available for delivery, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series, of any authorized denominations, of a like aggregate principal amount bearing a number not contemporaneously outstanding and containing identical terms and provisions.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series containing identical terms and provisions, in any authorized denominations, and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at any such office or agency. Whenever any Registered Securities are so

surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Registered Securities which the Holder making the exchange is entitled to receive.

If expressly provided with respect to Securities of a series, at the option of the Holder, except as otherwise specified as contemplated by Section 301 with respect to a Global Security issued in bearer form, Bearer Securities of any series may be exchanged for Registered Securities of the same series (if the Securities of such series are issuable as Registered

Securities) containing identical terms and provisions, of any authorized denominations and aggregate principal amount, upon surrender of the Bearer Securities to be exchanged at any such office or agency, with all unmatured coupons and all matured coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured coupon or coupons or matured coupon or coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company and the Trustee in an amount equal to the face amount of such missing coupon or coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; PROVIDED, HOWEVER, that, except as otherwise provided in Section 1002, interest represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such office or agency in exchange of a Registered Security of the same series and like tenor after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the coupon relating to such Interest Payment Date or proposed date of payment, as the case may be (or, if such coupon is so surrendered with such Bearer Security, such coupon shall be returned to the Person so surrendering the Bearer Security), and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon when due in accordance with the provisions of this Indenture.

Notwithstanding any other provision of this Section, unless and until it is exchanged in whole or in part for Securities in definitive form, a Global

Security representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such Nominee to a successor Depositary for such series or a nominee of such successor Depositary.

Unless otherwise specified in an Officers' Certificate delivered pursuant to Section 301, at the option of the Holder, Registered Securities of any series (except a Global Security representing all or a portion of the Securities of a series) may be exchanged for other Registered Securities of the same series of any authorized denomination or denominations, of a like aggregate principal amount, bearing a number not contemporaneously outstanding and containing identical terms and provisions, upon surrender of the Registered Securities to be exchanged at such office or agency.

Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Holder making the exchange is entitled to receive.

If at any time the Depositary for the Securities of a series notifies the Company that it is unwilling or unable to continue as Depositary for the Debt Securities of such series of if at any time such Depositary shall no longer be eligible under Section 303(d), the Company shall appoint a successor Depositary with respect to the Securities of such series. If a successor Depositary for the Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election pursuant to Section 301(16) shall no longer be effective with respect to the Securities of such series and the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Securities of such series, will authenticate and make available for delivery Securities of such series in certificated form in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such series in exchange for such Global Security or Securities.

The Company may at any time and in its sole discretion determine that the Securities of any series issued in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Securities of such series, will authenticate and make available for delivery, Securities of such series in certificated form and in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such series in exchange for such Global Security or Securities.

If specified by the Company pursuant to Section 301 with respect to a

series of Securities, the Depositary for such series of Securities may surrender a Global Security for such series of Securities in exchange in whole or in part for Securities of such series in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon, the Company shall execute, and the Trustee shall authenticate and make available for delivery, without service charge,

(i) to each Person specified by such Depositary a new Security or Securities of the same series, of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security; and

(ii) to such Depositary a new Global Security of like tenor and terms in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Securities delivered to Holders thereof.

In any exchange provided for in any of the preceding three paragraphs, the Company will execute and the Trustee will authenticate and

make available for delivery Securities (a) in definitive registered form in authorized denominations, if the Securities of such series are issuable as Registered Securities, (b) in definitive bearer form in authorized denominations, with coupons attached, if the Securities of such series are issuable as Bearer Securities or (c) as either Registered or Bearer Securities, if the Securities of such series are issuable in either form; PROVIDED, HOWEVER, that no definitive Bearer Security shall be delivered in exchange for a temporary Global Security unless the Company or its agent shall have received from the person entitled to receive the definitive Bearer Security a certificate substantially in the form set forth in Exhibit A hereto; and PROVIDED, FURTHER, that delivery of a Bearer Security shall occur only outside the United States and no definitive Bearer Security will be issued if the Company has reason to know that such certificate is false.

Upon the exchange of a Global Security for Securities in certificated form, such Global Security shall be cancelled by the Trustee. Registered Securities issued in exchange for a Global Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Registered Securities issued in exchange for a Global Security pursuant to this Section to the persons, and in such authorized denominations, as the Depositary for such Global Security, pursuant to the instructions from its direct or indirect participants or otherwise, shall instruct the Trustee; PROVIDED, HOWEVER, that no definitive Bearer Security shall be delivered in exchange for a temporary Global Security unless the Company or its agent shall

have received from the person entitled to receive the definitive Bearer Security a certificate substantially in the form set forth in Exhibit A hereto; and PROVIDED, FURTHER, that delivery of a Bearer Security shall occur only outside the United States and no definitive Bearer Security will be issued if the Company has reason to know that such certificate is false.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer, or for exchange or redemption shall (if so required by the Company or the Security Registrar for such series of Security presented) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and such Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange, or redemption of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1107 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange any Securities of any series during a period beginning at

the opening of business 15 days before the day of the mailing of a notice of redemption of Securities of the series selected for redemption under Section 1103 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption in whole or in part, except, in the case of any Security to be redeemed in part, the portion thereof not to be redeemed, or (iii) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series, provided that such Registered Security shall be immediately surrendered for redemption with written instruction for payment consistent with the provisions of this Indenture.

Notwithstanding anything herein to the contrary, the exchange of Bearer Securities into Registered Securities shall be subject to applicable laws and regulations in effect at the time of exchange; neither the Company, the Trustee nor the Security Registrar shall exchange any Bearer Securities into Registered Securities if it has received an Opinion of Counsel that as a result of such exchanges the Company would suffer adverse consequences under the United States federal income tax laws and regulations then in effect and the Company has

delivered to the Trustee a Company Order directing the Trustee not to make such exchanges thereafter unless and until the Trustee receives a subsequent Company Order to the contrary.

SECTION 306. MUTILATED, DESTROYED, LOST AND STOLEN SECURITIES.

If any mutilated Security or a Security with a mutilated coupon appertaining to it is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a new Security of the same series containing identical terms and of like principal amount and bearing a number not contemporaneously outstanding, with coupons corresponding to the coupons, if any, appertaining to the surrendered Security.

If there be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or coupon, and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security or coupon has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Security or in exchange for the Security to which a destroyed, lost or stolen coupon appertains (with all appurtenant coupons not destroyed, lost or stolen), a new Security of the same series containing identical terms and of like principal amount and bearing a number not contemporaneously outstanding, with coupons corresponding to the coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen coupon appertains.

In case any such mutilated, destroyed, lost or stolen Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security or coupon; provided, however, that payment of principal of (and premium, if any) and any interest on Bearer Securities shall, except as otherwise

provided in Section 1002, be payable only at an office or agency located outside the United States and, unless otherwise specified as contemplated by Section 301, any interest on Bearer Securities shall be payable only upon presentation and surrender of the coupons appertaining thereto.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series, with its coupons, if any, issued pursuant

to this Section in lieu of any destroyed, lost or stolen Security, or in exchange for a Security to which a destroyed, lost or stolen coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security and its coupons, if any, or the destroyed, lost or stolen coupon shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series and their coupons, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons.

SECTION 307. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Interest on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall, if so provided in such Security, be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest. In case a Bearer Security of any series is surrendered in exchange for a Registered Security of such series after the close of business (at an office or agency in a Place of Payment for such series) on any Regular Record Date and before the opening of business (at such office or agency) on the next succeeding Interest Payment Date, such Bearer Security shall be surrendered without the coupon relating to such Interest Payment Date and interest will not be payable on such Interest Payment Date in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon when due in accordance with the provisions of this Indenture.

Any interest on any Registered Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date for such Registered Security (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder; and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities affected (or their respective Predecessor Securities) are registered

at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Registered Security and the date of the proposed payment, and at the same time the Company shall deposit

with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of such Registered Securities at his address as it appears in the Security Registrar not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, cause a similar notice to be published at least once in a newspaper, customarily published in the English language on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Registered Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2). In case a Bearer Security of any series is surrendered at the office or agency in a Place of Payment for such series in exchange for a Registered Security of such series after the close of business at such office or agency on any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the coupon relating to such proposed date of payment and Defaulted Interest will not be payable on such proposed date of payment in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon when due in accordance with the provisions of this Indenture.

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such payment shall be deemed practicable by the Trustee.

At the option of the Company, interest on Registered Securities of any

series that bear interest may be paid by mailing a check to the address of the Person entitled thereto as such address shall appear in the Security Register or, for Holders of Securities with a face amount in excess of $1,000,000, by wire transfer to an account designated by such Person in writing not later than 15 days prior to the related date of payment.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 308. PERSONS DEEMED OWNERS.

Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of (and premium, if any), and (subject to Sections 305 and 307) interest on and Additional Amounts with respect to, such Registered Security and for all other purposes whatsoever, whether or not such Registered Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security and the bearer of any coupon as the absolute owner of such Security or coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Security or coupon be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

SECTION 309. CANCELLATION.

All Securities and coupons surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and coupons and Securities and coupons surrendered directly to the Trustee for any such purpose shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities

and coupons held by the Trustee may be destroyed by it unless by a Company Order the Company directs their return to it.

SECTION 310. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360 day year of twelve 30 day months.

SECTION 311. CUSIP NUMBERS.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; PROVIDED that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401. SATISFACTION AND DISCHARGE OF INDENTURE.

Upon the direction of the Company by a Company Order this Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for and any right to receive Additional Amounts, as provided in Section 1004), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered and all coupons appertaining thereto (other than (i) coupons appertaining to Bearer Securities surrendered for exchange for Registered Securities and maturing after such exchange, whose surrender is not required or has been waived as provided in Section 305, (ii) Securities and coupons which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306, (iii) coupons appertaining to Securities called for redemption and maturing after the relevant Redemption Date, whose surrender has been

waived as provided in Section 1107, and (iv) Securities and coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all such Securities and, in the case of (i) or (ii) below, any such coupons appertaining thereto not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities and coupons not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest, and any Additional Amounts with respect thereto, to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

In the event there are Securities of two or more series hereunder, the Trustee shall be required to execute an instrument acknowledging satisfaction and discharge of this Indenture only if requested to do so with respect to Securities of all series as to which it is Trustee and if the other conditions thereto are met. In the event there are two or more Trustees hereunder, then the effectiveness of any such instrument shall be conditioned upon receipt of

such instruments from all Trustees hereunder.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of Clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. APPLICATION OF TRUST MONEY.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities, the coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying

Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and any interest and Additional Amounts for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

SECTION 403. SATISFACTION, DISCHARGE AND DEFEASANCE OF SECURITIES OF ANY SERIES.

The Company shall be deemed to have paid and discharged the entire indebtedness on all the Outstanding Securities of any series and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of such indebtedness, when

(1) either

(A) with respect to all Outstanding Securities of such series,

(i) the Company has deposited or caused to be deposited with the Trustee, as trust funds in trust for such purpose, an amount sufficient to pay and discharge the entire indebtedness on all Outstanding Securities of such series for principal (and premium, if any), any Additional Amounts, and interest to the Stated Maturity or any Redemption Date as contemplated by the penultimate paragraph of this Section 403, as the case may be; or

(ii) with respect to any such series of Securities which are denominated in United States dollars, the Company has deposited or caused to be deposited with the Trustee, as

obligations in trust for such purpose, such amount of U.S. Government Obligations as will, together with the income to accrue thereon without consideration of any reinvestment thereof, be sufficient to pay and discharge the entire indebtedness on all Outstanding Securities of such series for principal (and premium, if any), any Additional Amounts, and interest to the Stated Maturity or any Redemption Date as contemplated by the penultimate paragraph of this Section 403; or

(B) the Company has properly fulfilled such other means of satisfaction and discharge as is specified, as contemplated by Section 401, to be applicable to the Securities of such series; and

(2) the Company has paid or caused to be paid all other sums payable hereunder with respect to the Outstanding Securities of such series; and

(3) the Company has delivered to the Trustee a certificate signed by a nationally recognized firm of independent public accountants (who may be the independent public accountants regularly retained by the Company or who may be other independent public

accountants) certifying as to the sufficiency of the amounts deposited pursuant to subsections (A)(i) or (ii) of this Section for payment of the principal (and premium, if any) and interest on the dates such payments are due, an Officers' Certificate and an Opinion of Counsel, each such Certificate and Opinion stating that all conditions precedent herein provided for relating to the satisfaction and discharge of the entire indebtedness on all Outstanding Securities of any such series have been complied with; and

(4) the Company has delivered to the Trustee

(A) an opinion of independent counsel that the Holders of the Securities of such series will have no federal income tax consequences as a result of such deposit and termination; and

(B) if the Securities of such series are then listed on any securities exchange, an Opinion of Counsel that the Securities of such series will not be delisted as a result of the exercise of this option.

Any deposits with the Trustee referred to in Section 403(1)(A) above shall be irrevocable and shall be made under the terms of an escrow trust agreement in form and substance satisfactory to the Trustee. If any Outstanding Securities of such series are to be redeemed prior to their Stated Maturity, whether pursuant to any optional redemption provisions or in accordance with any

mandatory sinking fund requirement, the Company shall make such arrangements as are satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

Upon the satisfaction of the conditions set forth in this Section 403 with respect to all the Outstanding Securities of any series, the terms and conditions of such series, including the terms and conditions with respect thereto set forth in this Indenture, other than the provisions of Sections 305, 306 and 1002 and other than the right of Holders of Securities of such series to receive, from the trust fund described in this Section, payment of the principal (and premium, if any) of, the interest on and any Additional Amounts with respect to such Securities when such payments are due, and the rights, powers, duties and immunities of the Trustee hereunder, shall no longer be binding upon, or applicable to, the Company.

ARTICLE FIVE

REMEDIES

SECTION 501. EVENTS OF DEFAULT.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon or any Additional Amounts payable in respect of any Security of that series when such interest or Additional Amounts becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of (and premium, if any, on) any Security of that series when it becomes due and payable at Maturity; or

(3) default in the deposit of any sinking fund payment, when and as due by the terms of a Security of that series; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has been expressly included in this Indenture solely for the benefit of series of Securities other than that series), and continuance of such default or breach for a period of 60

days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 10% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(6) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Company or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of any of the foregoing; or

(7) any other Event of Default provided with respect to Securities of that series.

SECTION 502. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal of all the

Securities of that series, or such lesser amount as may be provided for in the Securities of that series, to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by the Holders), and upon any such declaration such principal or such lesser amount shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this

Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue installments of interest on and any Additional Amounts payable in respect of all Securities of that series,

(B) the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates borne by or provided for in such Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue installments of interest and Additional Amounts at the rate or rates borne by or provided for in such Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(2) all Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series which has become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

The Company covenants that if

(1) default is made in the payment of any installment of interest on or any Additional Amounts payable in respect of any Security when such interest or Additional Amounts shall have become due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at its Maturity or in the deposit of a sinking fund payment, if any, when the same shall have become payable,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities and coupons, the whole amount then due and payable on such Securities and coupons for principal (and premium, if any) and interest and Additional Amounts, if any, with interest upon the overdue principal (and premium, if any) and, to the extent that payment of such interest shall be legally enforceable, upon overdue installments of interest or any Additional Amounts, at the rate or rates borne by or provided for in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series and any related coupons by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company, any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount, or such lesser amount as may be provided for in the Securities of that series, of principal (and premium, if any) and interest and any Additional Amounts owing and unpaid in respect of the Securities and to file such 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 or counsel) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder of Securities and coupons 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 of Securities and coupons, 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 607.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of a Security or coupon any plan of reorganization, arrangement, adjustment or composition affecting the Securities or coupons or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder of a Security or coupon in any such proceeding.

SECTION 505. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES OR COUPONS.

All rights of action and claims under this Indenture or any of the Securities or coupons may be prosecuted and enforced by the Trustee without the possession of any of the Securities or coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery or judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities and coupons in respect of which such judgment has been recovered.

SECTION 506. APPLICATION OF MONEY COLLECTED.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (and premium, if any), interest or any Additional Amounts, upon presentation of the Securities or coupons, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607;

SECOND: To the payment of the amounts then due and unpaid upon the Securities and coupons for principal (and premium, if any) and interest and any Additional Amounts payable in respect of which or for the benefit of

which such money has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Securities and coupons for

principal (and premium, if any), interest and Additional Amounts, respectively;

THIRD: The balance, if any, to the Person or Persons entitled thereto.

SECTION 507. LIMITATIONS ON SUITS.

No Holder of any Security of any series or any related coupons shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other such Holders or Holders of any other series, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

SECTION 508. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Indenture, the Holder of any Security or coupon shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Sections 305 and 307) interest on any Additional Amounts in respect of such Security or payment of such coupon on the respective Stated Maturity or Maturities expressed in such Security or coupon (or, in the case of redemption, on the Redemption Date) and to institute suit for

the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

SECTION 509. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder of a Security or coupon has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders of Securities and coupons shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Securities or coupons is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder of any Security or coupon to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders of Securities or coupons may

be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders of Securities or coupons, as the case may be.

SECTION 512. CONTROL BY HOLDERS OF SECURITIES.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to 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 the Trustee with respect to the Securities of such series, PROVIDED that

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) such direction is not unduly prejudicial to the rights of other Holders of Securities of such series.

SECTION 513. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series and any related coupons waive any past default hereunder with respect to such series and its consequences, except a default

(1) in the payment of the principal of (and premium, if any) or interest on or Additional Amounts payable in respect of any Security of such series, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

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 514. UNDERTAKING FOR COSTS.

All parties to this Indenture agree, and each Holder of any Security or coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, 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, suffered or omitted by it as Trustee, the filing by any party litigant in such suit, other than the Trustee, of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, including the Trustee, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, the Trustee or by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder of any Security or coupon for the enforcement of the payment of the principal of (and premium, if any) or interest on or any Additional Amounts in respect of any Security or the payment of any coupon on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date) or interest on any overdue principal of any Security.

SECTION 515. WAIVER OF STAY OR EXTENSION LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which 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 will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

SECTION 601. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties, and only such duties, as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) 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; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case 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.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, EXCEPT that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

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

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any series, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 602. NOTICE OF DEFAULTS.

Within 90 days after the occurrence of any default hereunder with respect

to the Securities of any series, the Trustee shall transmit by mail to all Holders of Securities of such series entitled to receive reports pursuant to Section 703(c), notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; PROVIDED, HOWEVER, that, except in the case of a default in the payment of the principal of (and premium, if any) or interest on, or any Additional Amounts with respect to, any Security of such series or in the payment of any sinking fund installment with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Securities and coupons of such series; and PROVIDED, FURTHER, that in the case of any default of the character specified in Section 501(4) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

SECTION 603. CERTAIN RIGHTS OF TRUSTEE.

Except as otherwise provided in Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order (other than delivery of any Security to the Trustee for authentication and delivery pursuant to Section 303 which shall be sufficiently evidenced as provided therein) and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) 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 in respect of any action taken, suffered or

omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities of any series or any related coupons pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) the Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

SECTION 604. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.

The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, and in any coupons shall be taken as the statements of the Company, and the Trustee or any Authenticating Agent assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities or coupons. The Trustee or any Authenticating Agent shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 605. MAY HOLD SECURITIES.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and coupons and, subject

to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 606. MONEY HELD IN TRUST.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 607. COMPENSATION AND REIMBURSEMENT.

The Company agrees

(1) to pay to the Trustee from time to time such compensation as shall be agreed to by the Company and the Trustee for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursements or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee and its agents for, and to hold them harmless against, any and all reasonable loss, damage, claim, liability or expense, including taxes (other than taxes based on the income of the Trustee) incurred without negligence or bad faith on their part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section the Trustee shall have a lien prior to the Securities of any series upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (or premium, if any) or interest on Securities.

The provisions of this Section shall survive the termination of this Indenture.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 501(5) or Section 501(6), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of

administration under any applicable federal or state bankruptcy, insolvency or other similar law.

SECTION 608. DISQUALIFICATIONS; CONFLICTING INTERESTS.

(a) If the Trustee has or shall acquire any conflicting interest, as defined in this Section, with respect to the Securities of any series, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign with respect to the Securities of that series in the manner and with the effect hereinafter specified in this Article.

(b) In the event that the Trustee shall fail to comply with the provisions of Subsection (a) of this Section with respect to the Securities of any series, the Trustee shall, within 10 days after the expiration of such 90-day period, transmit, in the manner and to the extent provided in Section 703(c) to all Holders of Securities of that series notice of such failure.

(c) For the purposes of this Section, the Trustee shall be deemed to have a conflicting interest with respect to the Securities of any series, if

(1) the Trustee is trustee under this Indenture with respect to the Outstanding Securities of any series other than that series or is trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the Company are outstanding, unless such other indenture is a collateral trust indenture under which the only collateral consists of Securities issued under this Indenture, PROVIDED THAT there shall be excluded from the operation of this paragraph (A) this Indenture with respect to the Securities of any series other than that series, (B) the Indenture dated as of April 1, 1985, between the Company and the Trustee relating to the Company's 12 1/8% Notes due April 1, 1995, and (C) any indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Company are outstanding, if

(i) this Indenture and such other indenture or indentures are wholly unsecured and such other indenture or indentures are hereafter qualified under the Trust Indenture Act, unless the Commission shall have found and declared by order pursuant to Section 305(b) or Section 307(c) of the Trust Indenture Act that differences exist between the provisions of this Indenture with respect to Securities of that series and one or more other series or the provisions of such other indenture or indentures which are so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to

the Securities of that series and such other series or under such other indenture or indentures, or

(ii) the Company shall have sustained the burden of proving, on application to the Commission and after opportunity for hearing thereon, that trusteeship under this Indenture with respect to the Securities of that series and such other series or such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to the Securities of that series and such other series under such other indenture or indentures;

(2) the Trustee or any of its directors or executive officers is an obligor upon the Securities or an underwriter for the Company;

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with the Company or an underwriter for the Company;

(4) the Trustee or any of its directors or executive officers is a director, officer, partner, employee, appointee or representative of the Company, or of an underwriter (other than the Trustee itself) for the Company who is currently engaged in the business of underwriting, except that (i) one individual may be a director or an executive officer, or both, of the Trustee and a director or an executive officer, or both, of the Company but may not be at the same time an executive officer of both the Trustee and the Company; (ii) if and so long as the number of directors of the Trustee in office is more than nine, one additional individual may be a director or an executive officer, or both, of the Trustee and a director of the Company; and (iii) the Trustee may be designated by the Company or by any underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent, or depositary, or in any other similar capacity, or, subject to the provisions of paragraph (1) of this Subsection, to act as trustee, whether under an indenture or otherwise;

(5) 10% or more of the voting securities of the Trustee is beneficially owned either by the Company or by any director, partner, or executive officer thereof, or 20% or more of such voting securities is beneficially owned, collectively, by any two or more of such persons; or 10% or more of the voting securities of the Trustee is beneficially owned either by an underwriter for the Company or by any director, partner or executive officer thereof, or is beneficially owned, collectively, by any two or more such persons;

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this Subsection defined), (i) 5% or more of the voting securities, or 10% or more of any other class of security, of the Company not including the Securities issued under this Indenture and securities issued under any other indenture under which the Trustee is also trustee, or (ii) 10% or more of any class of security of an underwriter for the Company.

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this Subsection defined), 5% or more of the voting securities of any person who, to the knowledge of the Trustee, owns 10% or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company;

(8) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this Subsection defined), 10% or more of any class of security of any person who, to the knowledge of the Trustee, owns 50% or more of the voting securities of the Company;

(9) the Trustee owns, on May 15 in any calendar year, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of 25% or more of the voting securities, or of any class of security, of any person, the beneficial ownership of a specific percentage of which would have constituted a conflicting interest under paragraph (6), (7) or (8) of this Subsection. As to any such securities of which the Trustee acquired ownership through becoming executor, administrator, or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply, for a period of two years from the date of such acquisition, to the extent that such securities included in such estate do not exceed 25% of such voting securities or 25% of any such class of security. Promptly after May 15 in each calendar year, the Trustee shall make a check of its holdings of such securities in any of the above-mentioned capacities as of such May 15. If the Company fails to make payment in full of the principal of (or premium, if any) or interest on any of the Securities when and as the same becomes due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this paragraph, all such securities so held by the Trustee, with sole or joint control over such securities vested in it, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the

Trustee for the purposes of paragraphs (6), (7) and (8) of this Subsection; or

(10) except under the circumstances described in paragraphs (1), (3), (4), (5) or (6) of Section 613(b) hereof, the Trustee shall be or shall become a creditor of the Company.

The specification of percentages in paragraphs (5) to (9), inclusive, of this Subsection shall not be construed as indicating that the ownership of such percentages of the securities of a person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) of this Subsection.

For the purposes of paragraphs (6), (7), (8) and (9) of this Subsection only, (i) the terms "security" and "securities" shall include

only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence of indebtedness; (ii) an obligation shall be deemed to be "in default" when a default in payment of principal shall have continued for 30 days or more and shall not have been cured; and (iii) the Trustee shall not be deemed to be the owner or holder of (A) any security which it holds as collateral security, as trustee or otherwise, for an obligation which is not in default as defined in clause (ii) above, or (B) any security which it holds as collateral security under this Indenture, irrespective of any default hereunder, or (C) any security which it holds as agent for collection, or as custodian, escrow agent, or depositary, or in any similar representative capacity.

(d) For the purposes of this Section:

(1) The term "underwriter", when used with reference to the Company, means every person who, within three years prior to the time as of which the determination is made, has purchased from the Company with a view to, or has offered or sold for the Company in connection with, the distribution of any security of the Company outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

(2) The term "director" means any director of a corporation, or any individual performing similar functions with respect to any organization,

whether incorporated or unincorporated.

(3) The term "person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, or a government or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(4) The term "voting security" means any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a person.

(5) The term "Company" means any obligor upon the Securities.

(6) The term "executive officer" means the president, every vice president, every trust officer, the cashier, the secretary, and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether

incorporated or unincorporated, but shall not include the chairman of the board of directors.

(e) The percentages of voting securities and other securities specified in this Section shall be calculated in accordance with the following provisions:

(1) A specified percentage of the voting securities of the Trustee, the Company or any other person referred to in this Section (each of whom is referred to as a "person" in this paragraph) means such amount of the outstanding voting securities of such person as entitles the holder or holders thereof to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such person are entitled to cast in the direction or management of the affairs of such person.

(2) A specified percentage of a class of securities of a person means such percentage of the aggregate amount of securities of the class outstanding.

(3) The term "amount", when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares, and the number of units if relating to any other kind of security.

(4) The term "outstanding" means issued and not held by or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

(i) securities of an issuer held in a sinking fund relating to securities of the issuer of the same class;

(ii) securities of an issuer held in a sinking fund relating to an other class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise;

(iii) securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise; and

(iv) securities held in escrow if placed in escrow by the issuer thereof;

PROVIDED, HOWEVER, that any voting securities of an issuer shall be deemed outstanding if any person other than the issuer is entitled to exercise the voting rights thereof.

(5) A security shall be deemed to be of the same class as another security if both securities confer upon the holder or holders thereof substantially the same rights and privileges; PROVIDED, HOWEVER, that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series different classes; and

PROVIDED, FURTHER, that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute the securities of different classes, whether or not they are issued under a single indenture.

SECTION 609. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

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, any State or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $5,000,000 and subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or

examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 611 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608(a) after written request therefor by the Company or by any Holder of a Security who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder of a Security, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of

its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee with respect to all Securities, or (ii) subject to Section 514, any Holder of a Security who has been a bona fide Holder of a Security of any series

for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities of such series and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders of Securities and accepted appointment in the manner required by Section 611, any Holder of a Security who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Registered Securities, if any, of such series as their names and addresses appear in the Security Register and, if Securities of such series are issued as Bearer Securities, by publishing notice of such event once in an Authorized Newspaper in each Place of Payment located outside the United States. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 611. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring

Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust, that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and that no Trustee shall be responsible for any notice given to, or received by, or any act or failure to act on the part of any other Trustee hereunder, and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein, such retiring Trustee shall with respect to the Securities of that or those series to which the appointment of such successor Trustee relates have no further responsibility for the exercise of rights and powers or for the performance of the duties and obligations vested in the Trustee under this Indenture other than as hereinafter expressly set forth, and each such successor Trustee without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee, to the extent contemplated by such supplemental indenture, the property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute

any and all instruments for more fully and certainly vesting in and

confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 613. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

(a) Subject to Subsection (b) of this Section, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company within three months prior to a default, as defined in Subsection (c) of this Section, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in special account for the benefit of the Trustee individually, the Holders of the Securities and coupons and the holders of other indenture securities (as defined in Subsection (c) of this Section):

(1) an amount equal to any and all reduction in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such three months' period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this Subsection, or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

(2) all property received by the Trustee in respect of any claim as such creditor, either as security therefore, or in satisfaction or

composition thereof, or otherwise, after the beginning of such three months' period, or an amount equal to the proceeds of any such property, if disposed of, SUBJECT, HOWEVER, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee:

(A) to retain for its own account (i) payments made on account of any such claim by any Person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third Person, and (iii) distributions made in cash, securities or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Code or applicable State law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such three months' period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such three months' period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default, as defined in Subsection (c) of this Section, would occur within three months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C) and (D), property substituted after the beginning of such three months' period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned between the Trustee, the Holders of Securities and the holders of other indenture securities in such manner that the Trustee, the Holders of Securities and the holders of

other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Code or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee and the Holders of Securities and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Code or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective

claims from all sources other than from such dividends and from funds and property so held in such special account. As used in this paragraph, with respect to such claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or proceedings for reorganization pursuant to the Federal Bankruptcy Code or applicable State law, whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceedings for reorganization is pending shall have jurisdiction (i) to apportion between the Trustee and the Holders of Securities and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distribution to be made to the Trustee and the Holders of Securities and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee which has resigned or been removed after the beginning of such three months' period shall be subject to the provisions of this Subsection as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such three months' period, it shall be subject to the provisions of this Subsection if and only if the following conditions exist:

(i) the receipt of property or reduction of claim, which would have given rise to the obligation to account, if such Trustee had continued as Trustee, occurred after the beginning of such three months' period; and

(ii) such receipt of property or reduction of claim occurred within three months after such resignation or removal.

(b) There shall be excluded from the operation of Subsection (a) of this Section a creditor relationship arising from:

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advances and of the circumstances surrounding the making thereof is given to the Holders of Securities at the time and in the manner provided in this Indenture.

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction, as defined in subsection (c) of this Section;

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper as defined in Subsection (c) of this Section.

(c) For the purpose of this Section only:

(1) the term "default" means any failure to make payment in full of the principal of or interest on any of the Securities or upon the other indenture securities when and as such principal or interest becomes due and payable;

(2) the term "other indenture securities" means securities upon which

the Company is an obligor outstanding under any other indenture (i) under which indenture and as to which securities the Trustee is also trustee, (ii) which contains provisions substantially similar to the provisions of this Section, and (iii) under which a default exists at the time of the apportionment of the funds and property held in such special account;

(3) the term "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand;

(4) the term "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacture, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring the draft, bill of exchange, acceptance or obligation; and

(5) the term "Company" means any obligor upon the Securities.

SECTION 614. APPOINTMENT OF AUTHENTICATING AGENT.

The Trustee, with the written consent of the Company, may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue or exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $5,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant

to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall (i) mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Registered Securities, if any, of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register, and (ii) if Securities of the series are issued as Bearer Securities, publish notice of such appointment at least once in an Authorized Newspaper in the place where

such successor Authenticating Agent has its principal office if such office is located outside the United States. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay each Authenticating Agent from time to time reasonable compensation for its services under this Section.

The provisions of Sections 308, 604 and 605 shall be applicable to each Authenticating Agent.

If an appointment with respect to one or more series is made pursuant to

this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

_____
As Trustee

By _____
As Authenticating Agent

By _____
Authorized Signatory

If all of the Securities of any series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested in writing (which writing need not comply with Section 102) by the Company, shall appoint in accordance with this Section 614 an Authenticating Agent having an office in Place of Payment designated by the Company with respect to such series of Securities.

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS.

The Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not later than fifteen days after the Regular Record Date for interest for each series of Securities a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of Registered Securities of such series as of such Regular Record Date, or if there is no Regular Record Date for interest for such series of Securities, semi-annually, upon such dates as are set forth in the Board Resolution or indenture supplemental hereto authorizing such series, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of

similar form and content as of a date not more than 15 days prior to the time such list is furnished,

PROVIDED, HOWEVER, that, so long as the Trustee is the Security Registrar, no such list shall be required to be furnished.

SECTION 702. PRESERVATION OF INFORMATION; COMMUNICATIONS TO HOLDERS.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders of Securities (i) contained in the most recent list furnished to the Trustee for each series as provided in Section 701, (ii) received by the Trustee for each series in the capacity of Security Registrar if the Trustee is then acting in such capacity and (iii) filed with it within the two preceding years pursuant to Section 703(c)(2). The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished, and destroy not earlier than two years after filing, any information filed with it pursuant to Section 703(c)(2).

(b) If three or more Holders of Securities of any series (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Security of such series for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders of Securities of such series with respect to their rights under this Indenture or under the Securities and is accompanied by a copy of the form or proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five Business Days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 702(a), or

(ii) inform such applicants as to the approximate number of Holders of Securities whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 702(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such

applicants, mail to each Holder of Securities whose name and address appears in the information preserved at the time by the Trustee in accordance with Section 702(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the

reasonable expenses of mailing, unless within five days after such tender the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders of Securities or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after the opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Holders of Securities with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Securities or coupons, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any Paying Agent nor any Security Registrar shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Securities in accordance with Section 702(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 702(b).

SECTION 703. REPORTS BY TRUSTEE.

(a) Within 60 days after December 31 of each year commencing with the year 1991, the Trustee shall transmit by mail to all Holders of Securities, as their names and addresses appear in the Security Register, a brief report dated as of such December 31 with respect to any of the following events which may have occurred within the previous twelve months (but if no such event has occurred within such period no report need be transmitted):

(1) any changes to its eligibility under Section 609 and its qualifications under Section 608;

(2) the creation of any material changes to a relationship specified in paragraphs (1) through (10) of Section 608(c) hereof;

(3) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances

if such advances so remaining unpaid aggregate not more than 1/2 of 1% of the principal amount of the Securities Outstanding on the date of such report;

(4) the amount, interest rate and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Securities) to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in any manner described in Section 613(b)(2), (3), (4) or (6);

(5) the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;

(6) any additional issue of securities which the Trustee has not previously reported; and

(7) any action taken by the Trustee in the performance of its duties hereunder which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by the Trustee in accordance with Section 602.

(b) The Trustee shall transmit by mail to all Holders of Securities, as provided in Subsection (c) of this Section, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to Subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of execution of this instrument) for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on property or funds collected by it as Trustee, and which it has not previously reported pursuant to this Subsection, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of the Securities Outstanding at such time, such report to the transmitted within 90 days after such time.

(c) Reports pursuant to this Section shall be transmitted by mail:

(1) to all Holders of Registered Securities, as the names and address of such Holders appear in the Security Register;

(2) to such Holders of Bearer Securities as have, within the two years preceding such transmission, filed their names and addresses with the Trustee for that purpose; and

(3) except in the case of reports pursuant to Subsection (b) of this Section, to each Holder of a Security whose name and address is preserved at the time by the Trustee, as provided in Section 702(a).

(d) A copy of each such report shall, at the time of such transmission to Holders of Securities, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission and with the Company. The Company will promptly notify the Trustee when any Securities are listed on any stock exchange.

SECTION 704. REPORTS BY COMPANY.

The Company shall:

(1) file with the Trustee, within 30 days after the Company is required to file the same 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 from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations;

(3) transmit within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in Section 703(c) with respect to reports pursuant to Section 703(a), such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission; and

(4) furnish to the Trustee the written statement required by Section 1005.

ARTICLE EIGHT

SECTION 801. CONSOLIDATIONS AND MERGERS OF COMPANY AND SALES, LEASES AND CONVEYANCES PERMITTED SUBJECT TO CERTAIN CONDITIONS.

The Company may consolidate with, or sell, lease or convey all or substantially all of its assets to, or merge with or into any other

corporation, PROVIDED that in any such case, (i) either the Company shall be the continuing corporation, or the successor corporation shall be a corporation organized and existing under the laws of the United States of America or a State thereof and such successor corporation shall expressly assume the due and punctual payment of the principal of (and premium, if any), any interest on, and any Additional Amounts payable pursuant to Section 1004 with respect to, all the Securities, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed by the Company by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by such corporation, and (ii) the Company or such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale, lease or conveyance, be in default in the performance of any such covenant or condition.

SECTION 802. RIGHTS AND DUTIES OF SUCCESSOR CORPORATION.

In case of any such consolidation, merger, sale, lease or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if had been named herein as the party of the first part, and the predecessor corporation, except in the event of a lease, shall be relieved of any further obligation under this Indenture and the Securities and coupons. Such successor corporation thereupon may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities and coupons issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation, instead of the Company, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall make available for delivery any Securities and coupons which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Securities or coupons which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Securities and coupons so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities and coupons theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities and coupons had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, lease or conveyance, such changes in phraseology and form (but not in substance) may be made in the Securities and coupons thereafter to be issued as may be appropriate.

SECTION 803. OFFICERS' CERTIFICATE AND OPINION OF COUNSEL.

The Trustee, subject to the provisions of Sections 601 and 603, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, lease or conveyance, and any such assumption, complies with the provisions of this Article.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders of Securities or coupons, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any 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 and in the Securities contained; or

(2) to add to the covenants of the Company, for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal (or premium, if any) on Registered Securities or of principal (or premium, if any) or any interest on Bearer Securities, to permit Registered Securities to be exchanged for Bearer Securities or to permit the issuance of Securities in uncertificated form, PROVIDED any such action shall not adversely affect the interests of the Holders of Securities of any series or any related coupons in any material respect; or

(4) to establish the form or terms of Securities of any series as permitted by Sections 201 and 301; or

(5) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611(b); or

(6) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture and which shall not adversely affect the interests of the Holders of Securities of any series or any related coupons in any material respect; or

(7) to add to, delete from or revise the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Securities, as herein set forth; or

(8) to secure the Securities pursuant to Section 1005.

SECTION 902. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS.

With the consent of the Holders of not less than 66 2/3% in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or any instalment of interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any Additional Amounts payable in respect thereof, or any premium payable upon the redemption thereof, or change the obligation of the Company to pay Additional Amounts pursuant to Section 1004 (except as contemplated by Section 801(i) and permitted by Section 901(1)), or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502, or change any Place of Payment where, or the coin or currency in which, any Security or any premium or the interest thereon is payable, or impair the right to

institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or reduce the requirements of Section 1404 for quorum or voting, or

(3) modify any of the provisions of this Section, or Section 513, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders of Securities under this Section to approve the particular form of any proposed supplemental

indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. EXECUTION OF SUPPLEMENTAL INDENTURES.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder

of Securities theretofore or thereafter authenticated and delivered hereunder and of any coupons appertaining thereto shall be bound thereby.

SECTION 905. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 906. REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

ARTICLE TEN

COVENANTS

SECTION 1001. PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST.

The Company covenants and agrees for the benefit of the Holders of each series of Securities that it will duly and punctually pay the principal of (and premium, if any), interest on and any Additional Amounts payable in respect of the Securities of that series in accordance with the terms of such series of Securities, any coupons appertaining thereto and this Indenture. Any interest due on and any Additional Amounts payable in respect of Bearer Securities on or before Maturity, other than Additional

Amounts, if any, payable as provided in Section 1004 in respect of principal of (or premium, if any, on) such a Security, shall be payable only upon presentation and surrender of the several coupons for such interest installments as are evidenced thereby as they severally mature.

SECTION 1002. MAINTENANCE OF OFFICE OR AGENCY.

The Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series (but not Bearer Securities, except as otherwise provided below, unless such Place of Payment is located outside the United States) may be presented or surrendered for payment,

where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company will maintain, subject to any laws or regulations applicable thereto, an office or agency in a Place of Payment for such series which is located outside the United States where Securities of such series and the related coupons may be presented and surrendered for payment (including payment of any Additional Amounts payable on Securities of such series pursuant to Section 1004); PROVIDED, HOWEVER, that if the Securities of such series are listed on The Stock Exchange of the United Kingdom and the Republic of Ireland or the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent in London, Luxembourg or any other required city located outside the United States, as the case may be, so long as the Securities of such series are listed on such exchange. The Company will 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, except that Bearer Securities of that series and the related coupons may be presented and surrendered for payment (including payment of any Additional Amounts payable on Bearer Securities of that series pursuant to Section 1004) at the place specified for the purpose pursuant to Section 301, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

Except as otherwise provided in the form of Bearer Security of any particular series pursuant to the provisions of this Indenture, no payment of principal, premium or interest on Bearer Securities shall be made at any office or agency of the Company in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States; PROVIDED, HOWEVER, payment of principal of and any premium and interest in U.S. dollars (including Additional Amounts payable in respect thereof) on any Bearer Security may be made at the Corporate Trust Office of the Trustee in the Borough of Manhattan, The City of New York if (but only if) payment of the full amount of such principal, premium, interest or Additional Amounts at all offices outside the United States maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series 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 each Place of Payment for Securities of any series for such purposes. The Company will 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. Unless otherwise set forth in a Board Resolution or indenture supplemental hereto with respect to a series of Securities, the Company hereby designates as the Place of Payment for each series of Securities the Borough of Manhattan, The City of New York, and initially appoints the Trustee at its Corporate Trust Office as the Company's office or agency for each of such purposes in such city.

The Company agrees that there shall at all times be a Calculation Agent in respect of the Securities for the purposes set forth in the Securities, and such Calculation Agent shall be a financial institution or investment bank and shall not control, be controlled by, or be under common control with, the Company. In the event that any Calculation Agent is unwilling or unable to act as such Calculation Agent or shall fail to perform, or is otherwise no longer serving as Calculation Agent, the Company shall promptly appoint a Calculation Agent (qualified as aforesaid) to act in its place. The Company initially appoints The Bank of New York as Calculation Agent for such purpose.

SECTION 1003. MONEY FOR SECURITIES PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any), or interest on, any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it will, on or prior to each due date of the principal of (and premium, if any), or interest on, any Securities of that series, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums

shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment of principal (and premium, if any) or interest on the Securities of that series; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or of any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Except as otherwise provided in the form of Securities of any particular series pursuant to the provisions of this Indenture, 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 (and premium, if any) or interest on any Security of any series and remaining unclaimed for three years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security or any coupon appertaining thereto 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 an Authorized Newspaper in each Place of Payment or to be mailed to Holders of Registered Securities, or both, 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 publication or mailing, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 1004. ADDITIONAL AMOUNTS.

If the Securities of a series provide for the payment of Additional Amounts, the Company will pay to the Holder of any Security of any series or any coupon appertaining thereto Additional Amounts as provided therein. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of (or premium, if any) or interest on, or in respect of, any Security of any series or any related coupon or the net proceeds received on the sale or

exchange of any Security of any series, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this Section to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section and express mention of the

payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

If the Securities of a series provide for the payment of Additional Amounts, at least 10 days prior to the first Interest Payment Date with respect to that series of Securities (or if the Securities of that series will not bear interest prior to Maturity, the first day on which a payment of principal (and premium, if any) is made), and at least 10 days prior to each date of payment of principal (and premium, if any) or interest if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company will furnish the Trustee and the Company's principal Paying Agent or Paying Agents, if other than the Trustee, with an Officers' Certificate instructing the Trustee and such Paying Agent or Paying Agents whether such payment of principal (and premium, if any) or interest on the Securities of that series shall be made to Holders of Securities of that series or the related coupons who are United States Aliens without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of that series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the amount, if any, required to be withheld on such payments to such Holders of Securities or coupons and the Company will pay to the Trustee or such Paying Agent the Additional Amounts required by this Section. The Company covenants to indemnify the Trustee and any Paying Agent for, and to hold them harmless against, any loss, liability or expense reasonably incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section.

SECTION 1005. STATEMENT AS TO COMPLIANCE; NOTICE OF CERTAIN DEFAULTS.

(a) The Company will deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement, which need not comply with Section 102, signed by the principal executive officer, principal financial officer or principal accounting officer stating that

(1) a review of the activities of the Company during such year and of performance under this Indenture has been made under his supervision, and

(2) to the best of his knowledge, based on such review, (a) the Company has fulfilled all of its obligations under this Indenture

throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him and the nature and status thereof, and (b) no event has occurred and is continuing which is, or after notice or lapse of time or both would become, an Event of Default, or, if such an event has occurred and is continuing, specifying each such event known to him and the nature and status thereof.

(b) The Company will deliver to the Trustee within five days after the occurrence thereof, written notice of any event which after notice or lapse of time or both would become an Event of Default pursuant to Clause (4) of Section 501.

SECTION 1006. LIMITATION ON LIENS.

The Company covenants and agrees that neither it nor any Restricted Subsidiary will issue, assume or guarantee any Secured Debt, without effectively providing that the Securities then outstanding and thereafter created (together with, if the Company so determines, any other indebtedness or obligation then existing and any other indebtedness or obligation thereafter created ranking equally with the Securities) shall be secured equally and ratably with (or prior to) such Secured Debt as long as such Secured Debt shall be so secured, except that the foregoing provisions shall not apply to:

(a) Mortgages to secure all or any part of the purchase price or the cost of construction of property or equipment acquired by the Company or a Restricted Subsidiary, provided such Secured Debt and related Mortgage are incurred within one year after acquisition, or completion of construction and full operation, whichever is later;

(b) Mortgages on property owned by the Company or a Restricted Subsidiary required to secure debts incurred to construct additions, substantial repairs or alterations or substantial improvements to such properties, provided the amount of such Secured Debt does not exceed the expense incurred to construct such additions, substantial repairs or alterations or substantial improvements and provided further that such Secured Debt and related Mortgages are incurred within one year after the completion of construction and full operation;

(c) Mortgages existing on property at the time of acquisition of such property by the Company or a Restricted Subsidiary, or on the property of a corporation at the time of the acquisition of such corporation by the Company or a Restricted Subsidiary (including acquisitions through merger or consolidation);

(d) Mechanics', materialmen's, carriers', landlords' or other like Mortgages imposed by law, and pledges or deposits made in the ordinary course of business to obtain the release of any such liens or the release of property in

the possession of a common carrier; good faith deposits to secure performance in connection with tenders, leases of real property or bids or contracts (other than contracts for the borrowing of money); pledges or deposits to secure public or statutory obligations; deposits to secure (or in lieu of) surety, stay, appeal or customs bonds; and deposits to secure the payment of taxes, assessments, customs duties or other similar charges;

(e) Mortgages for taxes or assessments not at the time due, or Mortgages for taxes or assessments already due but the validity of which is being contested in good faith and by appropriate proceedings and against which adequate reserves have been set aside on the books of the Company or a Restricted Subsidiary in accordance with generally accepted accounting principles;

(f) Mortgages to secure Debt on which the interest payments to bondholders are exempt from Federal income tax under Section 103 of the Internal Revenue Code of 1986, as amended;

(g) In the case of a Restricted Subsidiary, Mortgages in favor or the Company or another Restricted Subsidiary;

(h) Mortgages existing on the date of this Indenture;

(i) Attachment, judgment or other similar Mortgages arising in connection with court proceedings; provided that the execution or other enforcement of such Mortgages are effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(j) Mortgages in favor of a government or governmental entity;

(k) Mortgages incurred in connection with the borrowing of funds if within one year after entering into such Mortgages, such funds are used to repay Secured Debt in the same principal amount secured by a Principal Property with a fair market value at least equal to the fair market value of the Principal Property which secures the new Mortgages, in each case based on the determination of the Company's Board of Directors;

(l) Mortgages or deposits in connection with workmen's compensation, unemployment insurance or social security legislation;

(m) Mortgages or deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, public or statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature;

(n) Leases or similar Mortgages entered into by the Company or any

Restricted Subsidiary as lessor in the ordinary course of business;

(o) Landlord's Mortgages imposed by law;

(p) Mortgages consisting of zoning restrictions, easements, restrictions on the use of real property of the Company or any Restricted Subsidiary and minor irregularities in title to such real property, none of which encumbrances materially impairs the use of any property by the Company, or any of its Restricted Subsidiaries or the operation of their respective businesses;

(q) Mortgages or deposits securing (or in lieu of) surety, stay appeal or customs bonds, and securing payment of taxes, assessments, customs duties or other similar charges;

(r) Mortgages arising in connection with the transfer of tax benefits in accordance with Section 168(f)(8) of the Internal Revenue Code of 1954, as amended as it existed immediately prior to the enactment of the Tax Reform Act of 1986 (or any similar provision of law from time to time in effect); provided that such Mortgages (i) are incurred within one year after the acquisition of the property or equipment subject to said Mortgages, (ii) do not extend to any other property or equipment and (iii) are solely for the purpose of said transfer of tax benefits or otherwise permitted by this Section 1006; or

(s) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part, of any Mortgage referred to in the foregoing clauses (a) to (r) inclusive or of any Secured Debt secured thereby provided that the principal amount of Secured Debt secured thereby shall not exceed the principal amount of Secured Debt so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement Mortgage shall be limited to all or part of substantially the same property which secured the Mortgage extended, renewed or replaced (plus improvements on such property).

Notwithstanding the foregoing provisions of this Section 1006, the Company or any Restricted Subsidiary may issue, assume or guarantee Secured Debt which together with the aggregate outstanding principal amount of all other Debt of the Company and its Subsidiaries which would otherwise be subject to the foregoing provisions (not including Debt permitted to be secured under clauses (a) to (s) inclusive above) and with the aggregate Attributable Debt in respect of Sale and Lease-Back Transactions does not at any one time exceed 10% of Consolidated Net Tangible Assets. For purposes of calculating such 10%, Secured Debt permitted under clauses (a) to (s) above and Sale and Lease-Back Transactions as to which the Company has complied with Section 1007 shall not be included as Secured Debt or Attributable Debt in such calculation.

SECTION 1007. LIMITATION ON SALE AND LEASE-BACK TRANSACTIONS.

The Company covenants and agrees that neither it nor any Restricted Subsidiary will enter into any arrangement with any Person (other than the Company or a Restricted Subsidiary), or to which such Person is a party, providing for the leasing to the Company or a Restricted Subsidiary for a period of more than three years of any Principal Property which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person (other than the Company or a Restricted Subsidiary), to which funds have been or are to be advanced by such Person on the security of the leased property (in this Article Ten called "Sale and Lease-Back Transactions") unless either:

(a) the Company or such Restricted Subsidiary would be entitled, pursuant to any provision of Section 1006, to incur Secured Debt in a principal amount equal to or exceeding the Attributable Debt or such Sale and Lease-Back Transaction, secured by a Mortgage on the property to be leased, without equally and ratably securing the Securities; or

(b) the Company (and in any such case the Company covenants and agrees that it will do so) within 120 days after the effective date of such Sale and Lease-Back Transaction (whether made by the Company or a Restricted Subsidiary) applies an amount equal to the Value of such Sale and Lease-Back Transaction, less the principal amount of notes delivered, to the repayment of Funded Debt of the Company or a Restricted Subsidiary and/or to the acquisition or construction of Principal Property.

For purposes of this Section 1007, the term "Value" shall mean, with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale or transfer of the property leased pursuant to such Sale and Lease-Back Transaction or (ii) the fair value in the opinion of the chief financial

officer of the Company of such property at the time of entering into such Sale and Lease-Back Transaction, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease.

SECTION 1008. WAIVER OF CERTAIN COVENANTS.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Sections 1004 to 1007, inclusive, with respect to the Securities of any series if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term,

provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

ARTICLE ELEVEN

REDEMPTION OF SECURITIES

SECTION 1101. APPLICABILITY OF ARTICLE.

Redemption of Securities of any series at the option of the Company as permitted or required by the terms of such Securities shall be made in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 301 for Securities of any series) this Article.

SECTION 1102. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Securities shall be evidenced by a Company Order. In case of any redemption at the election of the Company of less than all of the Securities of any series with the same issue date, interest rate and Stated Maturity, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed.

SECTION 1103. SELECTION BY TRUSTEE OF SECURITIES TO BE REDEEMED.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, if less than all the Securities of any series with the same issue date, interest rate and Stated Maturity are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal amount of Registered Securities of such series; provided, however, that no such partial redemption shall reduce the portion of the principal amount

of a Registered Security of such series not redeemed to less than the minimum denomination for a Security of that series established pursuant to Section 302.

The Trustee shall promptly notify the Company and the Security Registrar (if other than itself) in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal

amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal of such Securities which has been or is to be redeemed.

SECTION 1104. NOTICE OF REDEMPTION.

Notice of redemption shall be given in the manner provided in Section 106, not less than 30 or more than 60 days prior to the Redemption Date, unless a shorter period is specified in the Securities to be redeemed, to the Holders of Securities to be redeemed. Failure to give notice by mailing in the manner herein provided to the Holder of any Registered Securities designated for redemption as a whole or in part, or any defect in the notice to any such Holder, shall not affect the validity of the proceedings for the redemption of any other Securities or portion thereof.

Any notice that is mailed to the Holder of any Registered Securities in the manner herein provided shall be conclusively presumed to have been duly given, whether or not such Holder receives the notice.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amount) of the particular Securities to be redeemed, including, if applicable, the CUSIP Number thereof,

(4) in case any Registered Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the Holder of such Security will receive, without charge, a new Registered Security or Registered Securities of authorized denominations for the principal amount thereof remaining unredeemed,

(5) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed, and, if applicable, that interest thereon shall cease to accrue on and after said date,

(6) the place or places where such Securities, together in the case of Bearer Securities with all coupons appertaining thereto, if

any, maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price, and

(7) that the redemption is for a sinking fund, if such is the case.

A notice of redemption published as contemplated by Section 106 need not identify particular Registered Securities to be redeemed.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1105. DEPOSIT OF REDEMPTION PRICE.

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on and any Additional Amounts with respect thereto, all the Securities or portions thereof which are to be redeemed on that date.

SECTION 1106. SECURITIES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the coupons for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. Upon surrender of any such Security for redemption in accordance with said notice, together with all coupons, if any, appertaining thereto maturing after the Redemption Date, such Security shall be paid by the Company at the Redemption Price, together with accrued interest (and any Additional Amounts) to the Redemption Date; PROVIDED, HOWEVER, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only upon presentation and surrender of coupons for such interest (at an office or agency located outside the United States except as otherwise provided in Section 1002), and PROVIDED, FURTHER, that installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant coupons maturing after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to

them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustee

or any Paying Agent any such missing coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; PROVIDED, HOWEVER, that interest (and any Additional Amounts) represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency located outside of the United States except as otherwise provided in Section 1002.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

SECTION 1107. SECURITIES REDEEMED IN PART.

Any Registered Security which is to be redeemed only in part shall be surrendered at any office or agency of the Company maintained for that purpose pursuant to Section 1002 (with, if the Company of the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and make available for delivery to the Holder of such Security without service charge, a new Registered Security or Securities of the same series, containing identical terms and provisions, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered, except that if a Global Security is so surrendered, the Company shall execute and the Trustee shall authenticate and make available for delivery to the Depositary for such Global Security, without service charge, a new Global Security in a denomination equal to and in exchange for the unredeemed portion of the principal of the Global Security so surrendered.

ARTICLE TWELVE

SINKING FUNDS

SECTION 1201. APPLICABILITY OF ARTICLE.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series, except as otherwise permitted or required by any form of Security of such series issued pursuant to this Indenture.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of such series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

SECTION 1202. SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES.

The Company may, in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series to be made pursuant to the terms of such Securities as provided for by the terms of such series (1) deliver Outstanding Securities of such series (other than any of such Securities previously called for redemption or any of such Securities in respect of which cash shall have been released to the Company), together in the case of any Bearer Securities of such series with all unmatured coupons appertaining thereto, and (2) apply as a credit Securities of such series which have been redeemed either at the election of the Company pursuant to the terms of such series of Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, PROVIDED that such series of Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly. If as a result of the delivery or credit of Securities of any series in lieu of cash payments pursuant to this Section 1202, the principal amount of Securities of such series to be redeemed in order to exhaust the aforesaid cash payment shall be less than $100,000, the Trustee need not call Securities of such series for redemption, except upon Company Request, and such cash payment shall be held by the Trustee or a Paying Agent and applied to the next succeeding sinking fund payment, PROVIDED, HOWEVER, that the Trustee or such Paying Agent shall at the request of the Company from time to time pay over and deliver to the Company any cash payment so being held by the Trustee or such Paying Agent upon delivery by the Company to the Trustee of Securities of that series purchased by the Company having an unpaid principal amount equal to the cash payment requested to be released to the Company.

All Securities of a series providing for a sinking fund in accordance with this Article, shall be of a different series than (i) Securities of a series that does not require a sinking fund; and (ii) Securities of a series that requires a sinking fund with different sinking fund provisions.

SECTION 1203. REDEMPTION OF SECURITIES FOR SINKING FUND.

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will delivery to the Trustee an Officers' Certificate specifying the amount of the next ensuing mandatory sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting of Securities of that series pursuant to Section 1202, and the optional amount, if any, to be added in cash to the next ensuing mandatory sinking fund payment, and will also deliver to the Trustee any Securities to be so credited and not theretofore delivered. If such Officers' Certificate shall specify an optional amount to be added in cash to the next ensuing mandatory sinking fund payment, the Company shall thereupon be obligated to pay the amount therein specified. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be

given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE THIRTEEN

REPAYMENT AT THE OPTION OF HOLDERS

SECTION 1301. APPLICABILITY OF ARTICLE.

Securities of any series which are repayable at the option of the Holders thereof before their Stated Maturity shall be repaid in accordance with the terms of the Securities of such series. The repayment of any principal amount of Securities pursuant to such option of the Holder to require repayment of Securities before their Stated Maturity, for purposes of Section 309, shall not operate as a payment, redemption or satisfaction of the indebtedness represented by such Securities unless and until the Company, at its option, shall deliver or surrender the same to the Trustee with a directive that such Securities be cancelled. Notwithstanding anything to the contrary contained in this Article Thirteen, in connection with any repayment of Securities, the Company may arrange for the purchase of any Securities by an agreement with one or more investment bankers or other purchasers to purchase such Securities by paying to the Holders of such Securities on or before the close of business on the repayment date an amount not less than the repayment price payable by the Company on repayment of such Securities, and the obligation of the Company to

pay the repayment price of such Securities shall be satisfied and discharged to the extent such payment is so paid by such purchasers.

ARTICLE FOURTEEN

MEETINGS OF HOLDERS OF SECURITIES

SECTION 1401. PURPOSES FOR WHICH MEETINGS MAY BE CALLED.

If Securities of a series are issuable as Bearer Securities, a meeting of Holders of Securities of such series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

SECTION 1402. CALL, NOTICE AND PLACE OF MEETINGS.

(a) The Trustee may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 1401, to be held at such time and at such place in the Borough of Manhattan, The City of New York, or in London as the Trustee shall determine. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section

106, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% in principal amount of the Outstanding Securities of any series shall have requested the Trustee to call a meeting of the Holders of Securities of such series for any purpose specified in Section 1401, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or in London for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

SECTION 1403. PERSONS ENTITLED TO VOTE AT MEETINGS.

To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Securities of such series, or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1404. QUORUM; ACTION.

The Persons entitled to vote a majority in principal amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series; PROVIDED, HOWEVER, that if any action is to be taken at such meeting with respect to a consent or waiver which this Indenture expressly provides may be given by the Holders of not less than 66 2/3% in principal amount of the Outstanding Securities of a series, the Persons entitled to vote 66 2/3% in principal amount of the Outstanding Securities of such series shall constitute a quorum. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 1402(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series which shall constitute a quorum.

Except as limited by the proviso to Section 902, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Securities of that series; PROVIDED, HOWEVER, that, except as limited by the proviso to Section 902, any resolution with respect to any consent or waiver which this Indenture expressly provides may be given by the Holders of not less than 66 2/3% in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid only by the affirmative vote of the Holders of 66 2/3% in principal amount of the Outstanding Securities of that series; and PROVIDED, FURTHER, that, except as limited by the proviso to Section 902, any resolution with respect to any

request, demand, authorization, direction, notice, consent, waiver or other action which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of that series.

Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Securities of such series and the related coupons, whether or not present or represented at the meeting.

SECTION 1405. DETERMINATION OF VOTING RIGHTS; CONDUCT AND ADJOURNMENT OF MEETINGS.

(a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities of such series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 104 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 1402(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled

to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting.

(c) At any meeting each Holder of a Security of such series or proxy shall be entitled to one vote for each $1,000 principal amount of Securities of such series held or represented by him; PROVIDED, HOWEVER, that no vote shall be cast

or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security of such series or proxy.

(d) Any meeting of Holders of Securities of any series duly called pursuant to Section 1402 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

SECTION 1406. COUNTING VOTES AND RECORDING ACTION OF MEETINGS.

The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of such series or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record, at least in triplicate, of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1402 and, if applicable, Section 1404. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE FIFTEEN

MISCELLANEOUS PROVISIONS

SECTION 1501. SECURITIES IN FOREIGN CURRENCIES.

Whenever this Indenture provides for (i) any action by, or the determination of any rights of, Holders of Securities of any series in which not all of such Securities are denominated in the same currency, or (ii) any distribution to Holders of Securities, in the absence of any provision to the contrary in the form of Security of any particular series, any amount in respect of any Security denominated in a currency other than

United States dollars shall be treated for any such action or distribution as that amount of United States dollars that could be obtained for such amount on such reasonable basis of exchange and as of the record date with respect to Registered Securities of such series (if any) for such action, determination of rights or distribution (or, if there shall be no applicable record date, such other date reasonably proximate to the date of such action, determination of rights or distribution) as the Company may specify in a written notice to the Trustee or, in the absence of such written notice, as the Trustee may determine.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture, dated as of October 15, 1987, to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

NATIONAL MEDICAL ENTERPRISES, INC.

[Corporate Seal]

By /s/ Maris Andersons

Senior Vice President
and Treasurer

Attest:

/s/ Scott M. Brown

Secretary

THE BANK OF NEW YORK

[Corporate Seal]

By /s/ Assistant Vice President

Assistant Vice President

Attest:

/s/ Secretary

STATE OF CALIFORNIA)
) SS:
COUNTY OF LOS ANGELES)

On the 19th day of March, 1991, before me personally came Maris Andersons, to me known, who, being by me duly sworn, did depose and say that he is Senior Vice President and Treasurer of NATIONAL MEDICAL ENTERPRISES, INC., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

_____
Notary Public

[Notarial Seal]

STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

On the 15th day of March, 1991, before me personally came Walter N. Gitlin, to me known, who, being by me duly sworn, did depose and say that he is an Assistant Vice President of THE BANK OF NEW YORK, one of the corporations described in and which executed the foregoing instrument; that he knows that seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

_____
Notary Public

[Notarial Seal]

FORM OF CERTIFICATE TO BE GIVEN BY
PERSON ENTITLED TO RECEIVE BEARER SECURITY

This is to certify that the above-captioned Security is not being acquired by or on behalf of a United States person, or for offer to resell or for resale to a United States person, or, if a beneficial interest in the Security is being acquired by a United States person, that such person is a financial institution or is acquiring through a financial institution and that the Security is held by a financial institution that has agreed in writing to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder. If this certificate is being provided by a clearing organization, it is based on statements provided to it by its member organizations. As used herein, "United States" means the United States of America (including the States thereof and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction, and "United States person" means any citizen or resident of the United States, any corporation, partnership or other entry created or organized in or under the laws of the United States or any political subdivision thereof and any estate or trust the income of which is subject to United States federal income taxation regardless of it source. If the undersigned is a dealer, the undersigned agrees to obtain a similar certificate from each person entitled to delivery of any of the above-captioned Securities in bearer form purchased from it; provided, however, that, if the undersigned has actual knowledge that the information contained in such a certificate is false, the undersigned will not deliver a Security in temporary or definitive bearer form and any warrants attached thereto, to the person who signed such certificate notwithstanding the delivery of such certificate to the undersigned.

We undertake to advise you by telex if the above statement as to beneficial ownership is not correct on the date of delivery of the above-captioned Securities in bearer form as to all such Securities.

We understand that this certificate is required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocable authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated: _____ , 19__.

Exhibit B

FORM OF CERTIFICATE TO BE GIVEN BY EURO-CLEAR AND CEDEL S.A.

IN CONNECTION WITH THE EXCHANGE OF A PORTION OF
A TEMPORARY GLOBAL SECURITY

NATIONAL MEDICAL ENTERPRISES, INC.

[Insert title or sufficient description of
Securities to be Delivered]

We refer to that portion, _____ , of the Global Security representing the above-captioned issue which is herewith submitted to be exchanged for definitive Securities (the "Submitted Portion"). This is to certify, pursuant to the indenture dated as of _____, 1990 (the "Indenture) between National Medical Enterprises, Inc. and _____, as each of the persons appearing in our records as being entitled to a beneficial interest in the Submitted Portion a Certificate of Beneficial Ownership by a Non-United States Person or by a Qualifying Foreign Branch of a United States Financial Institution (and in some cases, a Certificate of Status as a Qualifying Foreign Branch of a United States Financial Institution) * substantially in the form of Exhibit A to the Indenture.

We hereby request that you deliver to the office of _____ in _____ definitive Bearer Securities in the denominations on the attached Schedule A.

We further certify that as of the date hereof we have not received any notification from any of the persons giving such certificates to the effect that the statements made by them with respect to any part of the Submitted Portion are no longer true and cannot be relied on as of the date hereof.

Dated: _____, 19__
[To be dated no earlier than the
Global Exchange Date]

[Morgan Guaranty Trust Company
of New York, Brussels Office,
as Operator of the Euro-clear
system]
[CEDEL S.A.]

By _____

_____
* Delete if inapplicable

[FORM OF CERTIFICATE TO BE GIVEN BY EURO-CLEAR
AND CEDEL S.A. TO OBTAIN INTEREST
PRIOR TO A GLOBAL EXCHANGE DATE]

NATIONAL MEDICAL ENTERPRISES, INC

[Insert title or sufficient description of
Securities to be Delivered]

We confirm that the interest payable on the above-captioned Securities on the Interest Payment Date [insert date] will be paid only to those persons appearing in our records as being entitled to interest payable on the such date from whom we have received a written certification, dated not earlier than such Interest Payment date, substantially in the form attached hereto. We undertake to retain certificates received from our member organizations in connection herewith for four years from the end of the calendar year in which such certificates are received.

We undertake that any interest received by us and not paid as provided above on or prior to _____ (the "Global Exchange Date") shall be returned to the [Trustee] [Global Exchange Agent] for the above Debt Securities promptly after the Global Exchange Date.

Dated: _____, 19__
[To be dated on or after the relevant
Interest Payment Date]

[Morgan Guaranty Trust Company
of New York, Brussels Office,
as Operator of the Euro-clear
system]
[CEDEL S.A.]

By _____

Exhibit D

[FORM OF CERTIFICATE TO BE GIVEN BY BENEFICIAL
OWNERS TO OBTAIN INTEREST PRIOR

TO A GLOBAL EXCHANGE DATE]

NATIONAL MEDICAL ENTERPRISES, INC.

[Insert title or sufficient description of Securities]

This is to certify that as of the Interest Payment Date on [Interest Date] [and except as provided in the third paragraph hereof,]* none of the above-captioned Securities held by you for your account was beneficially owned by a United States Person or a person who has purchased its interest in such Debt Securities held by you for our account were beneficially owned by a United States Person or a person who has purchased its interest in such Debt Securities for resale to any United States Person, such United States Person is a Qualifying Foreign Branch of a United States Financial Institution.

As used herein, "United States Person" means any citizen or resident of the United States, any corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision there of and any estate or trust that is subject to United States federal income taxation regardless of the source of its income and "United States" means the United States of America (including the States thereof and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction. A "Qualified Foreign Branch of a United States Financial Institution" means a branch located outside the United States of a United States securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business that agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) or the United States Internal Revenue Code of 1986, as amended, and the regulations thereunder and that is not purchasing for offer to resell or for resale inside the United States.

[This certificate excepts and does not relate to _____ principal amount of the above-captioned Securities appearing in your books as being held for our account as to which we are not yet able to certify and as to which we understand interest cannot be credited unless and until we are able to so to certify.]*

_____

*Delete if inapplicable.

We understand that this certificate is required in connection with the United States tax laws. We irrevocably authorize you to produce this certificate or a copy hereof to any interested party in any administrative or legal proceedings with respect to matters covered by this certificate.

Dated: _____ , 19___
[To be dated on or after the relevant Interest Payment Date]

[Name of Person Entitled to Receive Bearer Security]

By _____
(Authorized Signatory)

Name: _____

Title: _____

_____
*Delete if inapplicable.

[EXECUTION COPY]

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

Page

ARTICLE 1
DEFINITIONS AND INCORPORATION
BY REFERENCE

Section 1.01. Definitions..... 1
Section 1.02. Other Definitions..... 16
Section 1.03. Incorporation by Reference of TIA..... 16
Section 1.04. Rules of Construction..... 17

ARTICLE 2
THE SECURITIES; OFFER TO PURCHASE PROCEDURES

Section 2.01. Form and Dating..... 17
Section 2.02. Execution and Authentication..... 18
Section 2.03. Registrar and Paying Agent..... 18
Section 2.04. Paying Agent to Hold Money in Trust..... 19
Section 2.05. Holder Lists..... 19
Section 2.06. Transfer and Exchange..... 20
Section 2.07. Replacement Securities..... 20
Section 2.08. Outstanding Securities..... 21
Section 2.09. Treasury Securities..... 21
Section 2.10. Temporary Securities..... 21
Section 2.11. Cancellation..... 22
Section 2.12. Defaulted Interest..... 22
Section 2.13. Record Date..... 22
Section 2.14. CUSIP Number..... 23
Section 2.15. Offer to Purchase By Application of Excess Proceeds..... 23

ARTICLE 3
COVENANTS

Section 3.01. Payment of Securities..... 26
Section 3.02. Maintenance of Office or Agency..... 26
Section 3.03. Commission Reports..... 27
Section 3.04. Compliance Certificate..... 28
Section 3.05. Taxes..... 29
Section 3.06. Stay, Extension and Usury Laws..... 29
Section 3.07. Limitations on Restricted Payments..... 30

Section 3.08. Limitations on Dividend and Other Payment Restrictions Affecting Subsidiaries..... 33
Section 3.09. Limitations on Incurrence of Indebtedness and Issuance of Preferred Stock..... 34
Section 3.10. Asset Sales..... 36

Section 3.11. Limitations on Transactions with Affiliates..... 38
Section 3.12. Limitations on Liens..... 39
Section 3.13. Change of Control..... 39
Section 3.14. Corporate Existence..... 41
Section 3.15. Line of Business..... 42
Section 3.16. Limitations on Issuances of Guarantees of Indebtedness by Subsidiaries..... 42
Section 3.17. No Amendment To Subordination Provisions Of Senior Subordinated Notes Indenture..... 42

ARTICLE 4
SUCCESSORS

Section 4.01. Limitations On Mergers, Consolidations or Sales of Assets..... 43
Section 4.02. Successor Corporation Substituted..... 44

ARTICLE 5
DEFAULTS AND REMEDIES

Section 5.01. Events of Default..... 44
Section 5.02. Acceleration..... 47
Section 5.03. Other Remedies..... 48
Section 5.04. Waiver of Past Defaults..... 48
Section 5.05. Control by Majority..... 48
Section 5.06. Limitation on Suits..... 49
Section 5.07. Rights of Holders to Receive Payment..... 49
Section 5.08. Collection Suit by Trustee..... 50
Section 5.09. Trustee May File Proofs of Claim..... 50
Section 5.10. Priorities..... 51
Section 5.11. Undertaking for Costs..... 51

ARTICLE 6
TRUSTEE

Section 6.01. Duties of Trustee..... 51
Section 6.02. Rights of Trustee..... 53
Section 6.03. Individual Rights of Trustee..... 54
Section 6.04. Trustee's Disclaimer..... 54
Section 6.05. Notice of Defaults..... 54

Page

Section 6.06. Reports by Trustee to Holders..... 54
Section 6.07. Compensation and Indemnity..... 55
Section 6.08. Replacement of Trustee..... 56

Section 6.09. Successor Trustee or Agent by Merger, etc..... 57
Section 6.10. Eligibility; Disqualification..... 57
Section 6.11. Preferential Collection of Claims Against Company..... 57

ARTICLE 7
DISCHARGE OF INDENTURE

Section 7.01. Defeasance and Discharge of this Indenture and the Securities..... 58
Section 7.02. Legal Defeasance and Discharge..... 58
Section 7.03. Covenant Defeasance..... 58
Section 7.04. Conditions to Legal or Covenant Defeasance..... 59
Section 7.05. Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions..... 61
Section 7.06. Repayment to Company..... 62
Section 7.07. Reinstatement..... 62

ARTICLE 8
AMENDMENT, SUPPLEMENT AND WAIVER

Section 8.01. Without Consent of Holders..... 63
Section 8.02. With Consent of Holders..... 63
Section 8.03. Compliance with TIA..... 65
Section 8.04. Revocation and Effect of Consents..... 65
Section 8.05. Notation on or Exchange of Securities..... 65
Section 8.06. Trustee to Sign Amendments, etc..... 66

ARTICLE 9
MISCELLANEOUS

Section 9.01. TIA Controls..... 66
Section 9.02. Notices..... 66
Section 9.03. Communication by Holders with Other Holders..... 68
Section 9.04. Certificate and Opinion as to Conditions Precedent..... 68
Section 9.05. Statements Required in Certificate or Opinion..... 68
Section 9.06. Rules by Trustee and Agents..... 69
Section 9.07. Legal Holidays..... 69
Section 9.08. No Personal Liability of Directors, Officers, Employees and Shareholders..... 69
Section 9.09. Duplicate Originals..... 69

Section 9.10. Governing Law..... 69
Section 9.11. No Adverse Interpretation of Other Agreements..... 70
Section 9.12. Successors..... 70
Section 9.13. Severability..... 70

Section 9.14. Counterpart Originals..... 70
Section 9.15. Table of Contents, Headings, etc..... 70

EXHIBITS

Exhibit A FORM OF SECURITY..... A
Exhibit B FORM OF SUPPLEMENTAL INDENTURE..... B

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. Section 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 Section 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 Section 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 Section 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 Section 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 Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b). The Trustee shall also transmit by mail all reports as required by TIA Section 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 Section 310(a)(1), (2) and (5). The Trustee is subject to TIA Section 310(b).

SECTION 6.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 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/ Secretary (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

(Back of Security)

8 5/8% SENIOR NOTE
due December 1, 2003

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 8 5/8%. The Company shall pay interest semiannually in arrears on June 1 and December 1 of each year, commencing December 1, 1995 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 October 16, 1995 (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 $300,000,000 in aggregate principal amount.

5. MANDATORY REDEMPTION. Subject to the Company's obligation to make an offer to repurchase Securities under certain circumstances pursuant to Sections 3.10 and 3.13 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.

6. REPURCHASE AT OPTION OF HOLDER. (i) 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 101% 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.

(ii) If the Company or a Subsidiary consummates an Asset Sale, within 365 days after the receipt of any Net Proceeds from such Asset Sale, the Company may apply such Net Proceeds (a) 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, (b) 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 of the Indenture, (c) to permanently reduce Senior Term Debt or Existing Indebtedness of a Subsidiary or (d) 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 of the Indenture 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 Indenture. Any Net Proceeds from any Asset Sale 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 in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to the date of purchase in accordance with the terms of the Indenture. 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 the Company's 10 1/8% Senior Subordinated Notes due 2005 (the "Senior Subordinated Notes") pursuant to the provisions 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. Holders that are the subject of an offer to purchase shall receive a Senior Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Securities purchased by completing the form entitled "Option of Holder to Elect Purchase" appearing below.

7. 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.

8. 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.

9. 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) 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 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 (vii) 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 any supplemental indenture required pursuant to Section 3.16 of the Indenture, 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.

10. 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 covenants "Limitations on Restricted Payments," "Limitations on Incurrence of Indebtedness and Issuance of Preferred Stock," "Asset Sales," and "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 or the Securities; (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; and (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries. 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.

11. RESTRICTIVE COVENANTS. The Indenture imposes certain limitations on the ability of the Company and its Subsidiaries to incur additional indebtedness and issue preferred stock, pay dividends or make other distributions, repurchase Equity Interests or subordinated indebtedness, create certain liens, enter into certain transactions with affiliates, sell assets of the Company or its Subsidiaries, issue or sell Equity Interests of the Company's Subsidiaries, issue Guarantees of Indebtedness by the Company's Subsidiaries and enter into certain mergers and consolidations.

12. 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.

13. 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.

14. AUTHENTICATION. This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

15. 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).

16. 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 3.10 or Section 3.13 of the Indenture, check the appropriate box:

/ / Section 3.10 (Asset Sale)

/ / Section 3.13 (Change of Control)

If you want to have only part of the Security purchased by the Company pursuant to Section 3.10 or Section 3.13 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).

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:

FIRST AMENDMENT TO GUARANTEE REIMBURSEMENT AGREEMENT

This First Amendment to Guarantee Reimbursement Agreement ("Amendment") dated as of May 30, 1991, is entered into by and between National Medical Enterprises, Inc., a Nevada corporation ("NME") and The Hillhaven Corporation, a Nevada corporation ("New Hillhaven").

RECITALS

A. New Hillhaven and NME entered into that certain Guarantee Reimbursement Agreement, dated as of January 31, 1990 (as the same may be amended, restated, modified, supplemented, renewed or replaced from time to time, the "Reimbursement Agreement"). Unless otherwise defined herein, the terms defined in the Reimbursement Agreement are used herein as therein defined. The Reimbursement Agreement provides, among other things, for the reimbursement by New Hillhaven of all Obligations paid by NME after the Distribution Date.

B. New Hillhaven and certain of its Subsidiaries have entered into that certain Master Loan Agreement, dated as of the date hereof (the "Master Loan Agreement"), with THC Facilities Corp. (the "Lender") pursuant to which New Hillhaven and such Subsidiaries (collectively, the "Borrowers") may borrow from time to time amounts up to a total principal sum of $200,000,000 (the "THC Facilities Loans").

C. The THC Facilities Loans may be used by the Borrowers as follows: (i) approximately $117,000,000 for the refinance of certain obligations described in Appendix A to the Reimbursement Agreement, consisting of (a) the spinoff MP Funding Loans, and (b) the Cardinal Put Option MP Funding Loans (collectively referred to herein as the "MP Funding Loans" to the extent not refinanced with THC Facilities Loans and "Refinance Loans" to the extent refinanced with THC Facilities Loans), and (ii) approximately $83,000,000 to finance Parcels and Projects (each as defined in the Master Loan Agreement) (collectively, the "New THC Loans").

D. The Lender has entered into a Credit Agreement with Swiss Bank Corporation and certain other banks (the "Banks"). It is necessary for the Lender to enter into such Credit Agreement in order for the Lender to make the THC Facilities Loans to the Borrowers. As an inducement to Swiss Bank Corporation and the Banks to enter into the Credit Agreement with the Lender, NME has agreed to guaranty the Lender's obligations under the Credit Agreement up to the principal sum of $200,000,000, pursuant to that certain Guaranty, dated as of the date hereof, in favor of Swiss Bank Corporation and the Banks.

E. New Hillhaven and NME desire to amend the Reimbursement Agreement (i) to add the THC Facilities Loans as Obligations under the Reimbursement Agreement, (ii) to provide for a special guarantee fee applicable to the New THC Loans, and (iii) to modify the guarantee fee charged for the Refinance Loans

during the Interim Period (defined herein).

NOW THEREFORE, in consideration of the foregoing Recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree to amend, modify and supplement the Reimbursement Agreement as follows:

AGREEMENT

1. THC FACILITIES LOAN OBLIGATIONS.

The obligations of the Borrowers pursuant to the Master Loan Agreement, including, without limitation, the THC Facilities Loans (collectively, the "THC Facilities Loan Obligations") hereby are added as, and shall be deemed to be, "Obligations" under (and as defined in) in the Reimbursement Agreement, and all terms, covenants, and conditions of the Reimbursement Agreement, except as expressly provided herein, shall apply to the THC Facilities Loan Obligations.

2. GUARANTEE FEE.

(a) NEW THC LOANS. The guarantee fee provisions of Section 2 of the Reimbursement Agreement shall not apply to the New THC Loans. Instead, New Hillhaven shall pay to NME a guarantee fee equal to 1% per annum of the daily outstanding balance of said New THC Loans. Such guarantee fee shall be paid in quarterly installments on the last business day of each fiscal quarter, with the first installment due August 30, 1991. The principal amount of the New THC Loans shall not be included as part of the outstanding Obligations under Section 2(c)(i) of the Reimbursement Agreement for purposes of calculating the guarantee fee referred to in Section 2 of the Reimbursement Agreement.

(b) REFINANCE LOANS. For the period commencing on the date of the Master Loan Agreement and continuing through May 31, 1995 (the "Interim Period"), New Hillhaven shall pay NME a guarantee fee equal to 1% per annum on the daily outstanding balance of the Refinance Loans rather than the guarantee fee otherwise applicable to such Refinance Loan pursuant to the provisions of Section 2 of the Reimbursement Agreement. In the event that any or all of the Refinance Loans are refinanced with THC Facilities Loans after the date of the Master Loan Agreement, the foregoing 1% guarantee fee shall be effective for each Refinance Loan as of the date of such refinancing. Such guarantee fee shall be paid in quarterly installments on the last business day of each fiscal quarter, with the first installment due August 30, 1991. Commencing June 1, 1995, the guarantee fee charged for the Refinance Loans shall revert back to the guarantee fee applicable to such Refinance Loans and all other Obligations (other than the New THC Loans) pursuant to the provisions of Section 2 of the Reimbursement Agreement. During the Interim Period, the principal amount of the Refinance Loans shall not be included as part of the outstanding Obligations under Section 2(c)(i) of the Reimbursement Agreement for purposes of calculating the guarantee fee referred to in Section 2 of the Reimbursement Agreement. From

and after May 31, 1995, the principal amount of the Refinance Loans shall be included as part of the outstanding Obligations under Section 2(c)(i) of the Reimbursement Agreement for purposes of calculating the guarantee fee referred to in Section 2 of the Reimbursement Agreement.

(c) MP FUNDING LOANS. To the extent not refinanced by Refinance Loans, the Obligations consisting of MP Funding Loans shall continue to be Obligations and shall be included as part of the outstanding Obligations under Section 2(c)(i) of the Reimbursement Agreement for purposes of calculating the guarantee fee referred to in Section 2 of the Reimbursement Agreement. The guarantee fee payable with respect thereto shall be governed by the terms of the Reimbursement Agreement.

3. EFFECT ON REIMBURSEMENT AGREEMENT.

Except as expressly amended by this Amendment, all of the terms and conditions of the Reimbursement Agreement shall remain in full force and effect.

4. CAPTIONS.

The captions and headings used herein are for the convenience of reference and shall not be construed in any manner to limit or modify any of the terms hereof.

5. GOVERNING LAW.

This Amendment shall be governed by and construed in accordance with the laws of the State of California.

6. COUNTERPARTS.

This Amendment may be executed in counterparts, each of which shall be an original, but all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed on its behalf as of the date first set forth above.

NATIONAL MEDICAL ENTERPRISES, INC.

By: \s\ Raymond L. Mathiasen
Title: Senior Vice President

THE HILLHAVEN CORPORATION

By: /s/ R.K. Schneider
Title: Vice President Treasury

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

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 President and Chief Operating 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 450,000 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 450,000 stock options. I further understand that Tenet does not intend to grant any additional options to me during fiscal 1997 and fiscal 1998.

/s/ Michael H. Focht — Date: May 21, 1996

MICHAEL H. FOCHT, SR.

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.

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.

NATIONAL MEDICAL ENTERPRISES, INC.

BOARD OF DIRECTORS RETIREMENT PLAN

Effective January 1, 1985

Section 1

STATEMENT OF PURPOSE

The Board of Directors Retirement Plan (the "Plan") of National Medical Enterprises, Inc. ("NME") has been adopted by the members of the Board of Directors of NME who are employees of the Company to attract, retain, motivate and provide financial security to members of the Board of Directors who are not employees of the Company (the "Participants").

Section 2

DEFINITIONS

2.1 AGREEMENT. "Agreement" means a written agreement substantially in the form of Exhibit A between NME and a Participant.

2.2 ANNUAL BOARD RETAINER. "Annual Board Retainer" means the total annual retainer paid to the Director by NME for Service on NME's Board of Directors, excluding any separate fees paid for meeting attendance or service on any committees of the Board of Directors.

2.3 COMMITTEE. "Committee" means the members of the Executive Committee of the Board of Directors of NME who are employees of the Company.

2.4 COMPANY. "Company" means National Medical Enterprises and its Subsidiaries.

2.5 CHANGE OF CONTROL. "Change of Control" shall be deemed to have occurred if (a) any person as such term is used in Sections 13(c) and 14(d)(2) of the Securities Exchange Act of 1934, or as amended, is or becomes the beneficial owner directly or indirectly of securities of NME representing thirty percent or more of the combined voting power of NME's then outstanding securities, or (b) during any two-year period after January 1, 1985, individuals who at the beginning

of such period constitute the Board of Directors of NME cease for any reason other than death or disability to constitute a majority of the Board.

2.6 DIRECTOR. A "Director" is any member of the board of Directors of NME who is not an employee of the Company who enters into an Agreement to participate in this Plan.

2.7 ELIGIBLE CHILDREN. "Eligible Children" means all natural or adopted children of a Participant under the age of 21, including any child conceived prior to the death of a Participant.

2.8 FINAL ANNUAL BOARD RETAINER. "Final Annual Board Retainer" means the Annual Board Retainer being paid to a Director at the time of his Termination of Service on the Board of Directors of NME.

2.9 NORMAL RETIREMENT. "Normal Retirement" means any Termination of Service during the life of a Participant on or after the date on which the Participant attains age 65 and completes ten Years of Service as a Director, including service before and after January 1, 1985.

2.10 PARTICIPANT. "Participant" shall include any Director who is not a participant in the NME Supplemental Executive Retirement Plan and who, with the permission of the Committee, enters into an Agreement to participate in this Plan.

2.11 SERVICE. "Service" refers to service as a Director of NME.

2.12 SUBSIDIARY. A "Subsidiary" of the Company is any corporation, partnership, venture or other entity in which the Company owns 50% of the capital stock or otherwise has a controlling interest as determined by the Committee, in its sole and absolute discretion.

2.13 SURVIVING SPOUSE. "Surviving Spouse" means the person legally married to the Participant for at least one year prior to the Participant's death or Termination of Service.

2.14 TERMINATION OF SERVICE. "Termination of Service" means the ceasing of the Participant's service as a Director of NME any reason whatsoever, whether voluntarily or involuntarily.

2.15 YEAR. A "Year" is a period of twelve consecutive calendar months.

2.16 YEAR OF SERVICE. "Year of Service" means each complete year of Service as a Director of NME. Years of Service shall be deemed to have begun as of the first day of the calendar month of service and to have ceased on the last day of the calendar month of service.

Section 3

RETIREMENT BENEFITS

3.1 NORMAL RETIREMENT BENEFIT.

(a) Upon a Participant's Normal Retirement, NME agrees to pay to the Participant an annual Normal Retirement Benefit for ten years in an amount equal to his Final Annual Board Retainer, provided the Normal Retirement Benefit shall not exceed $25,000 (Annual Board Retainer in 1985) increased by a compounded rate of six percent per year from 1985 to the year of the Participant's Termination of Service.

(b) If a Participant who is receiving a Normal Retirement Benefit dies, his Surviving Spouse or Eligible Children shall be entitled to receive (in accordance with Sections 3.4 and 3.5) the installments of the Participant's Normal Retirement Benefit for the remainder of the ten year period.

(c) If a Participant dies while serving as a Director of NME, his Surviving Spouse or Eligible Children shall be entitled at Participant's death to receive (in accordance with Section 3.4 and 3.5) the installments of the Normal Retirement Benefit which would have been payable to the Participant in accordance with Section 3.1(a) for a period of ten years.

3.2 VESTING OF RETIREMENT BENEFIT. A Participant's interest in his Retirement Benefit shall, subject to Section 5.5, vest in accordance with the following schedule:

Years of Service After 1/1/85	Vested Benefit
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

Years of Service shall only include Service after January 1, 1985. Notwithstanding the foregoing, a Participant who is at least 65 years old and who has completed at least ten Years of Service (including Service before and after January 1, 1985) will, subject to Section 5.5, be fully vested in his Retirement Benefit.

3.3 TERMINATION BENEFIT. Upon any Termination of Service of the Participant before Normal Retirement for any reason other than death after the Participant has completed at least five Years of Service subsequent to January 1, 1985, NME shall pay to the Participant, commencing upon Termination of Service or at age 65, whichever is later, a Retirement Benefit determined under Sections 3.1 and 3.2, but with the following adjustments:

(a) Only the Participant's actual Years of Service (excluding Service before January 1, 1985) as of the date of his Termination of Service shall be

used.

(b) For purposes of determining the Final Annual Board Retainer, as used in Section 3.1, the Annual Board Retainer in effect on the date of the Participant's Termination of Service shall be used, and the maximum Retirement Benefit shall be determined based on the year of the Participant's Termination of Service.

(c) (i) If a Participant dies after commencement of payment of his Retirement Benefit under this Section 3.3, the Surviving Spouse or Eligible Children shall be entitled at Participant's death to receive (in accordance with Sections 3.4 and 3.5) the Participant's Retirement Benefit for the remainder of the ten year period.

(ii) If a Participant, who has a vested interest under Section 3.2, dies after Termination of Service but at death is not receiving any Retirement Benefits under this Plan, the Surviving Spouse or Eligible Children shall be entitled at Participant's death to receive (in accordance with Sections 3.4 and 3.5) the installments of the Retirement Benefit which would have been payable to the Participant if he had retired on the day before he died based on his vested interest under Section 3.2.

3.4 DURATION OF BENEFIT PAYMENT. Retirement Benefits shall be paid monthly over a period of ten years.

Surviving Spouse payments shall be paid monthly over the remainder of the ten year period.

Eligible Children Benefit payments shall be paid monthly over the remainder of the ten year period, but not beyond the date when the youngest of the Eligible Children reaches age 21.

3.5 RECIPIENTS OF BENEFIT PAYMENTS. If a Participant dies without a Surviving Spouse but is survived by any Eligible Children, then benefits will be paid to the Eligible Children or their legal guardian, if applicable. The total monthly benefit payment will be equal to the monthly benefit that a Surviving Spouse would have received, which will be paid in equal shares to each of the Eligible Children until the youngest of the Eligible Children attains age 21.

If the Surviving Spouse dies after the death of the Participant but is survived by Eligible Children, then the total monthly benefit previously paid to the Surviving Spouse will be paid in equal shares to each of the Eligible Children until the youngest of the Eligible Children attains age 21. When any of the Eligible Children reaches age 21, his share will be reallocated equally to the remaining Eligible Children.

3.6 CHANGE OF CONTROL. In the event of a Change of Control of NME while this Plan remains in effect which results in a Participant's Termination of Service as a Director of NME or a Participant's failure to be reelected as a Director of NME when his term of office expires, (i) a Participants Retirement Benefit hereunder will be fully vested in the Participant without regard to his Years of Service with NME and (ii) notwithstanding any other provisions of this Plan, a Participant will be entitled to receive the full Normal Retirement Benefit commencing at age 65.

Section 4

PAYMENT

4.1 COMMENCEMENT OF PAYMENTS. Payments under this Plan shall begin not later than the first day of the calendar month following the occurrence of an event which entitles a Participant (or his Surviving Spouse or Eligible Children) to payments under this Plan.

4.2 WITHHOLDING; UNEMPLOYMENT TAXES. To the extent required by the law in effect at the time payments are made, NME shall report all payments hereunder and shall withhold therefrom any taxes required to be withheld by the Federal or any state or local government.

4.3 RECIPIENTS OF PAYMENTS. All payments to be made by NME under this Plan shall be made to the Participant during his lifetime. All subsequent payments under the Plan shall be made by NME to the Participant's Surviving Spouse, Eligible Children or their guardian, if applicable.

4.4 NO OTHER BENEFITS. NME shall pay no benefits hereunder to the Participant, his Surviving Spouse, Eligible Children or their legal guardian, if applicable, by reason of Termination of Service or otherwise, except as specifically provided herein.

Section 5

CONDITIONS RELATED TO BENEFITS

5.1 ADMINISTRATION OF PLAN. The Committee has been authorized to administer the Plan and to interpret, construe and apply its provisions in accordance with its terms. The Committee shall administer the Plan and shall establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Committee shall be by vote or written consent of the majority of its members and shall be final and binding.

5.2 NO RIGHT TO ASSETS. Neither a Participant nor any other person shall acquire by reason of the Plan any rights in or title to any assets, funds or property of NME and its subsidiaries whatsoever including, without limiting the generality of the foregoing, any specific funds or assets which NME, in its sole

discretion, may set aside in anticipation of a liability hereunder. No trust shall be created in accordance with or by the execution or adoption of this Plan or any Agreement with a Participant, and any benefits which become payable hereunder shall be paid from the general assets of NME. A Participant shall have only an unsecured contractual right to the amounts, if any, payable hereunder.

5.3 NO TENURE RIGHTS. Nothing herein shall constitute a contract of continuing service or in any manner obligate NME to continue the Service of a Director, or obligate a Director to continue in the Service of NME, and nothing herein shall be construed as fixing or regulating the compensation paid to a Director.

5.4 RIGHT TO TERMINATE OR AMEND. Except during any two year period after any Change of Control of NME, NME reserves the sole right to terminate the Plan at any time and to terminate an Agreement with any Participant at any time. In the event of termination of the Plan or of a Participant's Agreement, a Participant shall be entitled only to the vested portion of his accrued benefits under Section 3 of the Plan as of the time of the termination of the Plan or his Agreement. All further vesting and benefit accrual shall cease on the date of termination of the Plan or his

Agreement. Benefits will be paid in the amounts specified and will commence at the time specified in Section 3 as appropriate. NME further reserves the right in its sole discretion to amend the Plan in any respect except that Plan benefits cannot be reduced during any two year period after any Change of Control of NME. No amendment of the Plan (whether there has or has not been a Change of Control of NME) that reduces the value of the benefit theretofore accrued and vested by the Participant shall be effective.

5.5 ELIGIBILITY. Eligibility to participate in the Plan is expressly conditional upon a Director's furnishing to NME certain information and taking physical examinations and such other relevant action as may be reasonably requested by NME. Any Participant who refuses to provide such information or to take such action shall not be enrolled as or shall thereupon cease to be a Participant under the Plan. Any Participant who commits suicide during the two-year period beginning on the date of his Agreement, or who makes any material misstatement of information or non-disclosure of medical history, will not receive any benefits hereunder unless, in the sole discretion of the Committee, benefits in a reduced amount are awarded.

5.6 OFFSET. If at the time payments or installments of payments are to be made hereunder, any Participant or his Surviving Spouse or both are indebted to NME or its Subsidiaries, then the payments remaining to be made to the Participant or his Surviving Spouse or both may, at the discretion of the Committee, be reduced by the amount of such indebtedness; provided, however, that an election by the Committee not to reduce any such payment or payments shall not constitute a waiver of any claim for such indebtedness.

5.7 CONDITIONS PRECEDENT. No Retirement Benefits will be payable hereunder to any Participant (i) whose Service with NME is terminated because of his willful misconduct or gross negligence in the performance of his duties or (ii) who within three years after Termination of Service becomes an employee, director or consultant to any third party engaged in any line of business in competition with the Company that accounts for more than ten percent of the gross revenues of the Company taken as a whole.

Section 6

MISCELLANEOUS

6.1 NONASSIGNABILITY. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any person's bankruptcy or insolvency.

6.2 GENDER AND NUMBER. Wherever appropriate herein, the masculine may mean the feminine and the singular may mean the plural or vice versa.

6.3 NOTICE. Any notice required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of NME, directed to the attention of the Secretary of the Committee. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification.

6.4 VALIDITY. In the event any provision of this Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

6.5 APPLICABLE LAW. This Plan shall be governed and construed in accordance with the laws of the State of California.

6.6 SUCCESSORS IN INTEREST. This Plan shall inure to the benefit of, be binding upon, and be enforceable by, any corporate successor to NME or successor to substantially all of the assets of NME.

6.7 NO REPRESENTATION ON TAX MATTERS. NME makes no representation to Participants regarding current or future income tax ramifications of the Plan.

NATIONAL MEDICAL ENTERPRISES, INC.

BOARD OF DIRECTORS RETIREMENT PLAN AGREEMENT

THIS AGREEMENT is made and entered into at Los Angeles, California, as of the first day of January, 1985, by and between National Medical Enterprises, Inc. ("NME") and _____

("Director").

WHEREAS, NME has adopted a Board of Directors Retirement Plan (the "Plan"); and

WHEREAS, since he presently serves as a member of the Board of Directors of NME and is not an employee of the Company, the Director is eligible to participate in the Plan; and

WHEREAS, the Plan requires that an agreement be entered into between NME and Director setting out certain terms and benefits of the plan as they apply to the Director;

NOW, THEREFORE, NME and the Director hereby agree as follows:

1. The Plan, a copy of which is attached, is hereby incorporated into and made a part of this Agreement as though set forth in full herein. The parties shall be bound by, and have the benefit of, each and every provision of the Plan, including but not limited to the non-assignability provisions of Section 6.1 of the Plan.

2. The Director was born on _____, 19___, and his or her present service as a member of the Board of Directors of NME began on _____, 19___.

3. This Agreement shall inure to the benefit of, and be binding upon, NME, its successors and assigns, and the Director and his or her Surviving Spouse and Eligible Children.

IN WITNESS WHEREOF, the parties hereto have signed and entered into this Agreement on and as of the date first above written.

NATIONAL MEDICAL ENTERPRISES, INC.

By

Its

Director

NATIONAL MEDICAL ENTERPRISES, INC.

DEFERRED COMPENSATION PLAN

1. ELIGIBILITY. Each Director and Officer of National Medical Enterprises, Inc. (the "Company") and any full-time employee of the Company and its subsidiaries designated by the Compensation and Stock Option Committee (the "Committee") of the Board of Directors of the Company shall be eligible to participate in this Deferred Compensation Plan of the Company (the "Plan"), pursuant to the terms and conditions described herein.

2. PARTICIPATION.

(a) On the date of adoption of the Plan and at any time thereafter, a Director, Officer or full-time employee designated by the Committee (the "Participant") may elect to participate in the Plan by directing that $5,000 or more of the compensation which may thereafter be earned annually by him for services as a Director (including fees payable for services as a member of a committee of the Board) or Officer or full-time employee of the Company or any subsidiary thereof be credited to a deferred compensation account subject to the terms of the Plan.

(b) An election to participate in the Plan shall be in the form of a document executed by a person who is eligible to become a Participant and filed with the Company, and such election shall continue in effect until the Participant ceases to be eliible for the Plan, or until the Participant terminates such election, in whole or in part, by written notice filed with the Company. Any such termination, in whole or in part, shall become effective at the close of the fiscal quarter ending immediately following the date on which the Company received such notice, or at the end of such later fiscal quarter as may be designated in the notice of termination. "Fiscal quarter" shall mean any quarter of the fiscal year adopted by the Company for reporting its financial condition and operating results.

(c) A Participant who has filed a termination of election may thereafter file an election to participate for any future fiscal quarters with respect to any future compensation earned by him for services to the Company or any subsidiary thereof. Such election shall be made in writing as provided in Section 2(b) hereof.

3. DEFERRED COMPENSATION ACCOUNTS.

(a) All deferred amounts shall be held with the general funds of the

Company, shall be credited to an account in the name of the individual Participant and shall bear interest, as described herein.

(b) Based on the Participant's deferred compensation account balanced at the beginning of the fiscal quarter, the account shall be credited at the end of the fiscal quarter with an interest equivalent to be calculated quarterly on the basis of one quarter of the percentage rate which is equal to one point below the prime interest rate charged by Manufacturers Hanover Trust Company on the last day of the fiscal quarter (or such other rate as is set from time to time by the Committee).

4. EVENTS CAUSING DISTRIBUTION. A Participant's deferred compensation shall become distributable upon the first to occur of any of the following events:

(a) The retirement of the Participant from active service with the Company or any subsidiary thereof.

(b) The termination of the Participant's employment by the Company or any subsidiary thereof for any reason, whether voluntary or involuntary;

(c) The death of the Participant;

(d) The total and permanent incapacity of the Participant, due to physical impairment or legally established mental incompetence, to perform the usual duties of his employment with the Company or any subsidiary thereof, which disability shall be determined on the basis of (i) medical evidence by a licensed physician designated by the Company 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 the date of such disability;

(e) The occurrence of an unforeseeable emergency caused by accident, illness or other causes beyond the control of the Participant which results, in the sole judgment of the Committee, in substantial hardship to the Participant. Any distribution pursuant to this Section 4(e) shall be in an amount not greater than the amount necessary, in the sole judgment of the Committee, to alleviate any hardship caused to the Participant by reason of such emergency; or

(f) Such earlier date as may be specified by the Participant at the time he elects to participate in the Plan.

5. FORM OF DISTRIBUTION. Compensation that has been deferred, together with accumulated interest, will be distributed to the Participant in 120 approximately equal monthly payments, unless the Committee, in its sole discretion, determines, upon written request of the employee, that payment shall be made over a shorter period or in a lump sum.

Payment shall commence 30 days after the occurrence of the event causing distribution, with interest continuing to accrue pursuant to Section 3(b) hereof until the full amount of deferred compensation is paid.

6. DESIGNATION OF BENEFICIARY. Each Participant may designate a beneficiary to receive distribution of the such Participant's deferred compensation if the Participant is not living when any portion of such compensation become distributable. If the Participant fails to designate a beneficiary, or if the Participant's designated beneficiary does not survive until the time when any portion of the Participant's deferred compensation become distributable, such portion of the Participant's deferred compensation shall be paid in a lump sum to the Participant's estate 120 days immediately following the date of the Participant's death.

7. MISCELLANEOUS.

(a) The Participant's deferred compensation account under this Plan shall not be assignable by the Participant and shall not be subject to attachment, lien, levy, or other creditors' rights under state or Federal law.

(b) All funds or assets, together with all interest, accumulations and increments thereon, of the deferred compensation of all Participants shall remain the funds and assets of the Company, and shall be subject to the Company's absolute ownership and control until the time when such funds or assets are distributed in accordance herewith. The obligation of the Company to Participants hereunder is a contractual obligation only, and the Participants shall have no preferred or specific interest, by way of trust, escrow, annuity or otherwise, in and to any specific assets or funds of the Company.

(c) Copies of the Plan and any and all amendments thereto shall be made available to eligible Participants of all reasonable times at the office of the Director of Compensation of the Company to all Directors, Officers and each other eligible full-time employee of the Company and its subsidiaries. All notices to the Company hereunder shall be filed with the Director of

Compensation of the Company.

(d) The Plan may be amended prospectively, from time to time, by the Committee, and the interest rate applicable hereunder may be increased or decreased prospectively by the Committee as provided in Section 3 hereof, but no amendment shall, in any event, be made to the Plan which would reduce the amounts already earned by any Participant or change the date or provisions for distribution of such amounts, unless each Participant personally approves such amendments insofar as the amendments affect him.

The foregoing Plan is approved by the Board of Directors of the Company on

behalf of the Company on March 23, 1983, and shall be applicable to any Director, Officer or full-time employee who is designated by the Committee as eligible for the Plan and who elects to participate in the Plan.

\s\ Richard K. Eamer

Richard K. Eamer, Chairman

Attest: \s\ Marcus E. Powers

Marcus E. Powers
Secretary

NATIONAL MEDICAL ENTERPRISES, INC.
NOTICE OF ELECTION TO DEFER COMPENSATION

Pursuant to the terms of the deferred Compensation Plan of National Medical Enterprises, Inc. (hereafter referred to as the "Company") adopted at a meeting of the Board of Directors held on March 23, 1983, at which a quorum was present and at all times acting, I hereby elect to defer _____(specify amount to be deferred per fiscal year - the amount must equal or exceed $5,000) of my compensation that will be payable to and receivable by me in consideration for service I will perform for the Company. Said deferral is to be accomplished by withholding $_____ per pay period beginning on _____(date) and withholding $_____ from my annual incentive award which is normally paid following the close of each fiscal year (enter dollar amount or zero, as appropriate).

Such election shall continue in effect each succeeding fiscal year until such time as I file written notice of termination (or a change in the amount of compensation to be deferred) with the Director of Compensation of the Company, or such time as I cease to be eligible to participate in the Plan.

I understand that in the event of my death, and I am not survived by a named beneficiary, all amounts deferred pursuant to this Plan, together with accumulated interest, less any amounts paid out from my account, shall be payable in full to my estate 120 days immediately following the date of my death.

Date

Signature of Director, Officer or Full-time Employee

Printed Name of Director, Officer or Full-time Employee

Date

Spouse's Signature

Printed Name of Spouse

Received:

John A. Lynn
Director of Compensation

Date

NOTE: If the Director, Officer or full-time employee electing to defer compensation is a party to an employment contract with the Company, this election will not be valid until said employment contract is amended to reflect the election by this notice.

NATIONAL MEDICAL ENTERPRISES, INC.
BENEFICIARY DESIGNATION
DEFERRED COMPENSATION PLAN

I designate the following beneficiary or beneficiaries to receive payment, in the even of my death, of my interest in any Deferred Compensation heretofore or hereafter payable to me pursuant to the National Medical Enterprises Deferred Compensation Plan (please see "Instructions for Naming the Beneficiary" on the reverse side of this form):

PRIMARY BENEFICIARY OR BENEFICIARIES	AGE	RELATIONSHIP	ADDRESS

In the event that the Primary Beneficiary or Beneficiaries herein named is (are) deceased, I elect to name a Successor Beneficiary.

SUCCESSOR BENEFICIARY OR BENEFICIARIES	AGE	RELATIONSHIP	ADDRESS

I reserve the right to change any beneficiary from time to time by filing with the Company a copy of this form.

I agree that the last designation received by the Company prior to my death shall control any testamentary or other disposition I may make; however, if a former spouse is one of the beneficiaries named above but is not my spouse at the time of my death, such designation shall be deemed revoked. I acknowledge that this designation is subject to laws in the state of my residence. I further agree that the Company may make a lump sum payment to the legal representative of my estate if there is any questions as to the right of any beneficiary to take hereunder, the Company, its directors, the Compensation Committee and any member thereof, and any employee of the Company, shall have no further liability with respect hereto.

Date

Signature of Director, Officer or Full-time Employee

Printed Name of Director, Officer or Full-time Employee

Date

Spouse's Signature

Printed Name of Spouse

INSTRUCTIONS FOR NAMING THE BENEFICIARY:

It is important that your beneficiary designation be clear so that there will be no question as to your meaning. If you need assistance, contact your company representative.

The following are the most common designations:

- Mary J. Doe, Wife (NOT Mrs. John J. Doe).
- Mary J. Doe, Wife, if living, otherwise to Joseph W. Doe, Son.
- Mary J. Doe, Wife, if living, otherwise to Jane Doe, Daughter, and Joseph W. Doe, Son, in equal shares or to the survivor.
- Estate of Insured.

If you name more than one beneficiary with unequal shares, please show the amount of the distribution to be paid to each beneficiary to fractional parts; for example "1/3 to Mary Jones, Mother, and 2/3 to Edith Jones, Wife."

Please state age and relationship of each beneficiary. If the beneficiary is not related to you either by blood or marriage, insert the words "Not Related," and state address of beneficiary.

The signature on this form must be in ink. Do not erase. If corrections are necessary, line out the error and initial the correction.

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.

TENET WILL DISTINGUISH ITSELF AS A LEADER IN REDEFINING HEALTHCARE DELIVERY AND WILL BE RECOGNIZED FOR THE PASSION OF ITS PEOPLE AND PARTNERS IN PROVIDING QUALITY, INNOVATIVE CARE TO THE PATIENTS IT SERVES IN EACH COMMUNITY.

[LOGO] TENET 1996 ANNUAL REPORT

[Front cover]

TENET HEALTHCARE CORPORATION 3820 State Street, Santa Barbara, California 93105

TENET IS...

75 hospitals, specialty care facilities, outpatient centers, home health agencies and many other related businesses

65,000 dedicated people --including physicians, nurses and support staff-- providing quality, cost-effective medical care to their local communities

TENET IS REDEFINING HEALTHCARE

Our Tenets

Meet the needs of each and every patient, whose care is our primary purpose and MISSION

Maintain and enhance cooperative RELATIONSHIPS with physicians to better serve the healthcare needs of our communities

Forge strong partnerships with those who share our VALUES

Achieve standards of EXCELLENCE which become the benchmark of industry practices

Use INNOVATION and creativity to identify and solve problems

Apply quality management and LEADERSHIP principles to foster continued employee development

Treat each other, our patients and our partners with RESPECT and dignity

Hold INTEGRITY and honesty as our most important principles and perform at all times at the highest ethical standards

ACHIEVE a competitive return for our investors

STRIVE for improvement day in and day out in everything we do

[Background is floor tiles.]

[Front inside cover.]

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES

[LOGO] LETTER TO OUR SHAREHOLDERS

[Photo of Chairman & CEO, Jeffrey C. Barbakow and President and COO, Michael H. Focht, Sr.]

In fiscal 1996 Tenet Healthcare Corporation established itself as a dynamic and respected force in healthcare. In the space of just 12 months, we compiled a list of accomplishments that, we believe, lays a firm foundation on which to build the future of this company.

Consider what we have achieved. In fiscal 1996 we successfully merged the cultures of two large, disparate corporations to create what, in many ways, amounts to a brand-new company with its own distinct identity, culture and values.

Tenet today has a proven track record of solid financial results that affirm the effectiveness of our business and operating strategies. We have strengthened our integrated delivery networks in key areas through strategically sound acquisitions, partnerships and internal development. We have completed the monetization of most of Tenet's non-core assets, which enabled us to reduce our debt and gives us the financial flexibility to further expand our business. We

have negotiated a new bank agreement that will provide us with the additional financial resources we need to achieve steady, long-term growth. At the same time, we have made substantial progress in our cost-reduction and cost-containment programs, which is critical to maintaining Tenet's competitive position in the communities we serve.

We have accomplished much in other areas, too. For example, Tenet today has a clear mission--guided by the principles defined in our new Vision Statement that appears on the front cover of this publication and in Our Tenets printed on the inside front cover. We are particularly proud of the independent recognition Tenet won in fiscal 1996 for its achievements, as seen in the results of a March 1996 Fortune magazine survey that rated our company as one of the most-admired healthcare companies in the nation.

With all those accomplishments in mind, our goal in this year's annual report is to define for you exactly who we are and how we are redefining healthcare in the communities we serve. The most effective way to do this, we believe, is by highlighting the achievements of our hospitals, physicians, nurses and support staff over the last year as they--individually and together--met the daily challenge of delivering quality, innovative healthcare to our most important constituents--our patients.

FISCAL 1996 RESULTS

For the fiscal year ended May 31, 1996, Tenet reported earnings per share from continuing operations--excluding gains on sales of assets and unusual charges--of $1.27. That's compared with $1.09 fully diluted in the prior year, a gain of 17 percent.

Providing a strong finish to what has been a very successful fiscal year, the company reported a 25 percent increase in earnings per share from continuing operations in the fourth quarter of fiscal 1996, excluding gains and unusual charges. Earnings per share for the quarter were $0.35, compared with $0.28 fully diluted in the prior-year quarter.

Net operating revenues for the 1996 fiscal year were $5,559,000,000, compared with $3,318,000,000 in fiscal 1995. Revenues for the prior year reflect the acquisition of American Medical Holdings Inc. (AMH) for only the fourth quarter. Net income from continuing operations in the 1996 fiscal year was

$271,000,000, compared with $200,000,000 in the 1995 fiscal year, excluding gains on sales of assets and unusual charges in both years.

[EARNINGS GROWTH CHART]

Earnings per Share		Net Income ($ millions)	
1995	$1.09	1995	200
1996	$1.27	1996	271

From Continuing Operations Excluding Gains and Unusual Charges.

Same-facility patient revenues increased 3.8 percent over the prior fiscal year on a 2.2 percent increase in same-facility admissions and a 23.5 percent increase in same-facility outpatient visits.

EBITDA margins in the 1996 fiscal year increased to 19.8 percent, up from 18.8 percent in the prior year. EBITDA margins are a useful measure of operating efficiency. Operating margins for the year were 14 percent, compared to 12.9 percent in the prior year, excluding unusual charges in both years.

A more complete discussion of our financial results can be found in the Financial Statements and the Management's Discussion and Analysis section later in this report.

UNLOCKING OUR ASSETS

Crucial to our success in fiscal 1996 was the completion of our ambitious plan to monetize this company's extensive non-core assets and refocus on our core domestic operations.

It had been clear to us for some time that our company had a powerful balance sheet and enormous financial strength. Much of it, however, was locked up in non-core assets. The challenge we faced was to realize the best value for those assets, giving us the funds to pursue the aggressive growth strategy we

needed to be competitive in the U.S. healthcare marketplace. In fiscal 1996 we successfully completed that strategic restructuring by selling substantially all of our international operations and monetizing most of our other non-core assets for an amount that exceeded our initial estimates of their worth. All told, we have generated almost $1 billion through monetization.

In the first quarter of fiscal 1996 we sold our two Singapore hospitals for $243.3 million in cash and the assumption by the buyer of $78.3 million in debt. In October 1995 we sold our 30 percent interest in a Malaysian hospital for $12 million and our 52 percent interest in Australian Medical Enterprises, Ltd., a Western Australia-based healthcare company, for $68.3 million. In February 1996 we sold our 40 percent interest in a hospital in Thailand for $20.6 million. And in May 1996 the sale of our approximately 42 percent interest in Westminster Health Care Holdings PLC, a British nursing home operator, brought us $120.2 million.

Closer to home, we received $91.8 million in September 1995 from the sale of our preferred stock holdings in The Hillhaven Corporation to Vencor Inc., a Louisville, Ky.-based provider of long-term-care services. In January 1996 we sold $320 million in exchangeable subordinated notes due 2005 that can be exchanged after Nov. 6, 1997 for Tenet's 8.3 million shares of Vencor common stock, at a price of $38.55 per Vencor share. Tenet received those shares in exchange for its Hillhaven shares when Vencor acquired Hillhaven. We are very pleased to have realized such attractive proceeds from our Hillhaven investment, which was valued at only $225 million in July 1994.

In fiscal 1995 we received $75.5 million in connection with the sale of 75 percent of our dialysis business to a venture capital firm. That former subsidiary, now known as Total Renal Care, has since gone public and our remaining investment had a market value of $107

"WE FIRMLY BELIEVE THAT PROVIDING QUALITY, COST-EFFECTIVE HEALTHCARE TO OUR PATIENTS IS THE KEY TO PROTECTING AND ADDING VALUE TO OUR SHAREHOLDERS' INVESTMENT."

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million at July 31, 1996. With the sale of our former corporate headquarters in Santa Monica, Calif., in June 1996, our program to divest non-core assets is essentially complete.

[BALANCE SHEET IMPROVEMENT GRAPH]

March 1, 1995	1.85 - 1
May 31, 1995	1.65 - 1
Aug. 31, 1995	1.53 - 1
Nov. 30, 1995	1.38 - 1
Feb. 29, 1996	1.23 - 1
May 31, 1996	1.27 - 1

LONG-TERM DEBT-TO-EQUITY RATIO

In fiscal 1996 we also achieved our stated goal of cutting $60 million in costs after the merger with AMH. We did that by various means, including renegotiating supply contracts to obtain better pricing, increasing our hospitals' compliance with the company's national purchasing contracts, lowering overhead costs through reductions in headquarters staffing, decreasing bad debt expense and reducing information system costs through consolidation and outsourcing.

As a result of all these measures, we have seen a dramatic improvement in our balance sheet. Our long-term debt-to-equity ratio was approximately 1.21-to-1 at May 31, 1996--down from 1.85-to-1 at March 1, 1995, the date of the AMH merger.

As part of our strategy of creating a more integrated and responsive overhead structure for Tenet in fiscal 1996, we completed a top-level corporate staff reorganization designed to integrate the company's financial departments. Trevor Fetter, who joined Tenet in October 1995 as an executive vice president responsible for corporate development and strategy, was named to the additional position of chief financial officer. As such, he oversees the previously separate functions of accounting, treasury and investor relations, as well as broad areas of corporate strategy. Formerly an investment banker and then chief financial officer of Metro-Goldwyn-Mayer Inc., Trevor is committed to enhancing the value of our shareholders' investment.

ACQUISITIONS AND PARTNERSHIPS

One of the things we believe distinguishes us from our competitors and

truly defines us as a company is our approach to acquisitions. At Tenet, our interest is in acquiring strategic long-term assets that will substantially strengthen our integrated delivery networks and enhance our ability to care for our patients. Moreover, we look for partners who share our goals and values and our commitment to providing quality, cost-effective healthcare.

Our acquisition of Mercy+Baptist Medical Center--now known as Memorial Medical Center--in New Orleans, a 759-bed, two-hospital system that we purchased in August 1995, and 471-bed Providence Memorial Hospital in El Paso, Texas, which we purchased in September 1995, affirmed the effectiveness of that strategy. Shortly after fiscal 1996 ended, we acquired Hialeah Hospital, a 378-bed hospital in another of our strong markets--South Florida. All three of these hospitals brought a wide range of additional services and programs to help strengthen our existing networks in those areas.

We have also made it clear that we are not in business simply to own bricks and mortar. We believe partner-

ships--as opposed to outright acquisitions--with others who share our beliefs offer additional ways to build our integrated delivery systems.

[FOCUSING ON OUR CORE BUSINESS - PIECHARTS]

- 1993 -

Other Operations	5.6%
Rehabilitation Hospitals	15.9%
Psychiatric Hospitals	15.9%
International Operations	4.3%
General Hospitals	58.2%

- 1996 -

General Hospitals	96.0%
Other Operations	3.1%
International Operations	0.9%

NET OPERATING REVENUES BY LINE OF BUSINESS

In fiscal 1996 we entered into a number of partnerships that enabled us to add to our patient care services and expand our business. For example, in July 1995, we acquired a one-third interest--which subsequently was increased to a 50 percent interest--in St. Clair Hospital, an 82-bed nonprofit hospital just outside of Birmingham, Ala. In October 1995 we negotiated a long-term lease of the Medical Center of Manchester, a 49-bed hospital in Manchester, Tenn. In November 1995 we acquired the 104-bed nonprofit Methodist Hospital of Jonesboro in Jonesboro, Ark., 5 percent of which is now owned by a nonprofit partner.

We also believe physicians are an indispensable component of our integrated healthcare delivery systems. During fiscal 1996, we continued to invest additional funds in acquiring or assuming the management of physician practices. Tenet currently owns or manages the practices of over 600 physicians affiliated with our hospitals.

GROWING RECOGNITION, GROWING STRENGTH

Reflecting the growing strength of our balance sheet, in March 1996 we negotiated a new five-year $1.55 billion unsecured revolving credit agreement with our banks. Our previous secured bank credit facility included a term loan and a $500 million revolving credit line. The existing balance under the term loan was rolled into a new five-year $1.55 billion unsecured revolver, eliminating mandatory term loan payments of $45 million per quarter. At July 26, 1996 we had $561 million available under this agreement.

Because it offers lower interest spreads and contains less restrictive covenants than the previous bank agreement, the new bank agreement will contribute significantly to our company's future growth by providing greater financial flexibility for acquisitions and partnerships. The agreement also enhances the credit quality of our publicly traded debt through elimination of the secured position of our bank debt.

Shortly after the new bank agreement was concluded, the two major ratings agencies--Standard & Poor's Ratings Services and Moody's Investors Services, Inc.--both upgraded Tenet's credit rating. The rating on Tenet's senior unsecured notes was upgraded to Ba1 from Ba2 by Moody's and to BB from BB minus by Standard & Poor's. At the same time, Standard & Poor's affirmed

its BB corporate credit rating and B plus rating on $1.2 billion of Tenet's subordinated debt.

When we launched our new identity in March 1995, we chose the name Tenet to reflect the importance we place on maintaining high standards of integrity, ethics and responsibility in our dealings with our patients, physicians, payors, employees and the communities we serve.

Clearly, our message has been heard. We are particularly proud of how Tenet was rated in a survey of corporate reputations that appeared in the March 4, 1996 issue of Fortune, one of the nation's top business mag-

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"JUST 12 MONTHS AFTER WE LAUNCHED OUR NEW IDENTITY AND NAME, TENET WAS RANKED AS ONE OF THE MOST-ADMIRED HEALTHCARE COMPANIES IN THE COUNTRY BY PARTICIPATING INDUSTRY EXECUTIVES AND ANALYSTS."

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azines. Just 12 months after we launched our new identity and name, Tenet was ranked as one of the most-admired healthcare companies in the country by participating industry executives and analysts. Overall, Tenet ranked in the top 20 percent--better than 80 percent of the 414 companies in the survey.

VISION AND VALUES

On the cover of this year's Annual Report you will find a very important statement, one that we feel truly captures the character and culture of Tenet. This is our VISION STATEMENT--our declaration of what makes this company truly distinctive. On the inside front cover we have printed OUR TENETS--10 guiding principles that support the VISION STATEMENT.

The purpose of these two documents is simple: They stand as an unequivocal reminder to everyone who works for Tenet--physicians, nurses, administrators, executives and other employees--of how we expect them to conduct themselves whenever and wherever they are engaged in the daily business of this company.

We thought long and hard about the wording of both of these documents before committing them to the page. The emphasis on quality is deliberate. We firmly believe that providing quality, cost-effective healthcare to our patients is the key to protecting and adding value to our shareholders' investment. Moreover, we are convinced that emphasizing quality in everything we do will help position our company for long-term growth, profitability and stability well into the future.

WHAT THE FUTURE HOLDS

Clearly, we have accomplished much since we first introduced Tenet Healthcare Corporation to you 17 months or so ago.

As we consider the future, it is also clear that much remains to be accomplished. Pressures from managed care pricing and the prospect of eventual changes in Medicare reimbursement remain a concern to all of us in this rapidly changing industry. However, we believe the record of accomplishments that we have compiled in fiscal 1996--our first year as Tenet--is an important first step in our march toward future success.

As we indicate in OUR TENETS, and as we have demonstrated throughout fiscal 1996, we are committed as a company to using innovation and creativity to solve problems. We believe it is innovation and creativity that will spell the difference between success and failure.

We appreciate the confidence you have shown in Tenet and we look forward to the opportunity you have given us to build the healthcare company of tomorrow.

/s/ Jeffrey C. Barbakow

JEFFREY C. BARBAKOW
Chairman and Chief Executive Officer

/s/ Michael H. Focht, Sr.

MICHAEL H. FOCHT SR.
President and Chief Operating Officer

AUGUST 5, 1996

[LOGO] QUALITY THAT MEASURES UP

When Ann Dechairo, Chief Nursing Officer and Associate Administrator at USC University Hospital in Los Angeles, wants to learn how other Tenet hospitals across the country are working to improve the results of their hip replacement surgery programs, all she has to do is switch on her computer.

Designed to enhance quality patient care as it helps control costs, Tenet's innovative computerized Outcomes Management System allows users to identify "best practices" within the Tenet network for specific diagnostic-related groups (DRGs). The system, containing clinical and demographic information from Tenet hospitals and physicians, tracks the performance of individual hospitals--and even individual physicians' practice patterns--according to resource consumption, length of stay and complications. Tenet's system offers more information than the basic financial and demographic data contained in a standard hospital discharge bill. By grouping patients according to the severity of their illness, more accurate comparisons of hospital and physician performance are possible. Developed by our Medical Affairs department, the system has been implemented in most Tenet hospitals.

We believe one of the things that defines Tenet as a company is our commitment to providing quality, innovative care. In fiscal 1996 we continued our companywide push to control costs and eliminate resource overuse at our hospitals, while at the same time holding quality of service paramount. Eliminating inefficiencies in treatment gives us additional resources to improve outcomes through consistent, effective patient care. At Tenet we are focused not only on providing quality, cost-effective healthcare, but also on accurately measuring the value of our services.

[Picture of a hospital worker at a hospital computer.]

As part of our effort to promote quality and cost-efficiency throughout the Tenet system, Medical Affairs is working to provide physicians and hospital staff with the information they need to achieve the best results for their patients. The Outcomes Management System is just one step in that process. Medical Affairs also conducts conferences and seminars to educate Tenet-affiliated physicians and hospital executives about new clinical advances and the use of outcomes management techniques to improve the quality and cost-effectiveness of clinical care. Some of our best educators are at the hospitals themselves. Brookwood Medical Center in Birmingham, Ala., holds training sessions for physicians and staff from other Tenet facilities on case management, a system designed to deliver care in a more planned and integrated fashion.

[Picture of measuring tubes.]

REDUCING COSTS, MEASURING QUALITY

Tenet's case management program, a companywide system to maximize efficiency by identifying cost-per-procedure variables among physicians, resulted in more than $12 million annualized savings in fiscal 1996. Nacogdoches Medical Center in Nacogdoches, Texas, recently applied the case management model to its cardiac catheterization lab. By standardizing supplies used in the lab, the hospital expects to realize annualized savings of more than $300,000 in fiscal 1997 while maintaining standards of quality patient care. Regionally, our integrated delivery networks have developed additional cost-reduction programs. For example, Tenet South Florida HealthSystem uses volume-purchasing leverage in the marketplace to negotiate lower prices for medical equipment, supplies and services. The Florida region's implantable prosthetics program is expected to exceed its annualized savings goal of $1.85 million in fiscal 1996.

Lower cost is just one part of the value equation. The more important part is quality. One of the most effective ways of measuring quality, we believe, is to ask our patients. Our comprehensive patient satisfaction monitoring system regularly conducts surveys to help us improve both quality of care and patient satisfaction. Reflecting the importance our company places on quality, a portion of the compensa-

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AT TENET WE ARE FOCUSED NOT ONLY ON PROVIDING QUALITY, COST-EFFECTIVE HEALTHCARE, BUT ALSO ON ACCURATELY MEASURING THE VALUE OF OUR SERVICES.

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tion that our hospital executives and managers receive is directly related to their hospitals' performance in the surveys.

Tenet also performs annual quality/risk surveys of our hospitals to monitor quality of care. We work with hospital department managers and staff to review quality issues raised by the hospitals' quality improvement committees and the actions that have been taken to address these issues.

OUR INNOVATIVE PATIENT CARE

[Picture of doctors in an operating room.]

Innovation is another important aspect of quality care. Many Tenet hospitals have taken a lead in their communities in providing innovative treatment programs. In Houston, Park Plaza Hospital operates the Plaza Empowerment Center which provides the hospital's HIV/AIDS patients with free counseling and support services. The on-campus center and the expertise of the hospital's physicians in treating HIV/AIDS has established Park Plaza as a major provider of medical services to HIV/AIDS patients in the Houston area. In Fort Lauderdale, Fla., North Ridge Medical Center was recently selected as one of 25 sites in the country to conduct clinical trials on patients with tremors. North Ridge neurologists and neurosurgeons will surgically implant stimulators in the thalamus region of the brain for the purpose of tremor control. USC University Hospital recently conducted its first liver transplant. The procedure was performed by two surgeons recruited to USC School of Medicine last year from the University of Pittsburgh Liver Transplantation Institute. Tenet's Rehabilitation Institute of New Orleans offers paraplegics an electrical device that makes it possible for them to stand upright and walk. Redding Specialty Hospital in Redding, Calif., also plans to offer this treatment.

[LOGO] LOOKING AHEAD -- WE BELIEVE THE USE OF OUTCOMES MANAGEMENT TO IMPROVE QUALITY AND COST-EFFICIENCY IS ONE OF THE MOST SIGNIFICANT DEVELOPMENTS IN HEALTHCARE TODAY. AS A RESULT, WE ARE COMMITTED TO MAKING OUR COMPANY A LEADER IN THIS AREA. PART OF THAT COMMITMENT INCLUDES THE DEVELOPMENT OF NEW, SOPHISTICATED INFORMATION SYSTEMS DESIGNED TO HELP OUR PHYSICIANS AND NURSING STAFF MONITOR PATIENT OUTCOMES. FOR EXAMPLE, WE RECENTLY TESTED THE QUALITY RISK SAFETY COMPUTER SYSTEM IN FOUR TENET HOSPITALS. THIS SYSTEM, WHICH SUPPLEMENTS THE OUTCOMES MANAGEMENT SYSTEM DATABASE, IS DESIGNED TO GIVE PHYSICIANS SPECIFIC MEANS OF MEASURING THE EFFECTIVENESS OF THEIR TREATMENTS BY RECORDING ADVERSE EVENTS THAT CAN SOMETIMES AFFECT PATIENTS DURING HOSPITALIZATION. WE ARE ALSO DEVELOPING INNOVATIVE LONGITUDINAL DATABASES THAT TRACK PATIENT OUTCOMES OVER TIME, FOLLOWING DISCHARGE FROM THE HOSPITAL.

[Picture of a blood presure meter.]

"I've had two angioplasties at Redding Medical Center. I chose to come back here this year for cardiac rehab after having emergency bypass surgery at another hospital. I wouldn't go anywhere else. The nurses and the doctors here are just great. They're very friendly, very caring. They make every individual patient feel special. The care that I've gotten here has been excellent. I've never felt better."

[Photo of a patient.]

Joe Manzanares
PATIENT AT REDDING MEDICAL CENTER, REDDING, CALIF.

[LOGO] BUILDING INTEGRATED DELIVERY NETWORKS

[Map of South Florida facilities.]

If you come to Tenet's Hollywood Medical Center suffering from chest pains, you're only a short distance away from one of South Florida's leading open heart surgery programs.

In an arrangement that is typical of the "seamless" healthcare delivery systems being developed by our multihospital networks, cardiac patients requiring invasive treatment are first stabilized at Hollywood and then transferred to North Ridge Medical Center, a Tenetowned tertiary hospital about 15 miles away in Fort Lauderdale. After surgery at North Ridge's Heart Institute, patients may return to Hollywood for rehabilitation if they wish. Throughout the treatment, a designated Hollywood staff member serves as liaison between physicians at the two Tenet South Florida HealthSystem hospitals to ensure continuity of care for the patient.

The successful integration of our healthcare delivery networks within South Florida, Greater New Orleans and El Paso, Texas, is one of Tenet's major achievements in fiscal1996. The strength of the networks was evident in the growth of patient admissions during fiscal1996, as well as in our ability to obtain managed care contracts in all three markets. The integration of the

networks also allowed for substantial cost savings through consolidation of management, staff and services.

Above all, the three networks' success demonstrated the effectiveness of our companywide strategy of pursuing quality acquisitions and affiliations in our key markets.

GAINING STRENGTH IN SOUTH FLORIDA

For example, the acquisition of 378-bed Hialeah Hospital in June1996 expanded the Tenet South Florida HealthSystem covering Dade, Broward and Palm Beach counties to 49 facilities. Hialeah is the seventh acute care hospital in our 2,400-bed South Florida system, which also includes physical rehabilitation, psychiatric and skilled nursing facilities, as well as outpatient surgery, home healthcare, diagnostic, worker's compensation and occupational therapy centers.

South Florida also showed that affiliations with the right partners--as opposed to outright acquisitions--offer additional opportunities to serve our patients. In October 1995 the South Florida system joined forces with Intracoastal Health System, a large nonprofit West Palm Beach healthcare provider, to create the most extensive network of hospitals and affiliated physicians in Palm Beach County. The joint venture, which links three Tenet hospitals with two Intracoastal hospitals, calls for both parties to share the financial risk of managed care contracting. The partnership also will improve our provision of cardiology and open heart services in this area.

GROWING RECOGNITION IN NEW ORLEANS

Launched in October 1995, Tenet Louisiana HealthSystem, an integrated network of seven acute care hospitals and 24 other free-standing healthcare facilities with a total of1,81 beds, is the largest investor-owned healthcare services provider in New Orleans. The network employs or contracts with more than100 physicians. Our affiliated independent practice associations (IPAs)--a physician hospital organization called the Peoples Health Network--include 682 primary care physicians and specialists.

A key factor in the network's success was Tenet's purchase in August 1995 of Mercy+Baptist Medical Center--now known as Memorial Medical Center--one of New Orleans' premier acute care facilities. The two-hospital system added tertiary services--including an active oncology program--to the network, as well as Mercy+Baptist Health, a physician hospital organization (PHO) representing 350 physicians and caring for100,000 New Orleans residents who are members of its medical plan.

Independent recognition of the Louisiana network's success came in April 1996 when the system--through the

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[U.S. map with stars on South Florida, Greater New Orleans and El Paso, Texas.]

THE SUCCESSFUL INTEGRATION OF OUR HEALTHCARE DELIVERY NETWORKS WITHIN SOUTH FLORIDA, GREATER NEW ORLEANS AND EL PASO, TEXAS IS ONE OF TENET'S MAJOR ACHIEVEMENTS IN FISCAL 1996.

Peoples Health Network--was selected as a finalist for the Health Care Financing Administration's Medicare Choices demonstration project. Nationwide, only 25 providers were chosen from among 372 applicants to participate in the program, which is designed to test costeffective ways for the government to move Medicare patients into managed care. Tenet, the only investor-owned hospital company selected for the project, will offer a three-tiered point-of-service program consisting of a health maintenance organization (HMO), a preferred provider organization (PPO) and an out-of-network benefit.

OUR EL PASO NETWORK

Sierra Providence Health Network was created in October 1995 with the purchase by Tenet of 41-bed Providence Memorial Hospital, El Paso's largest nonprofit, acute care hospital. The network--composed of Sierra Medical Center, Providence Memorial, two rehabilitation hospitals and11 other ancillary facilities--has 680 affiliated physicians and over 900 beds, more beds than any other healthcare system in El Paso. Through their health plans, approximately 305,000 El Paso residents choose the Tenet network for their healthcare, as do another 50,000 residents of Mexico.

In June 1996 the network broke ground on a new "bedless" hospital on the East Side of the city, which will expand the system's outpatient services in that area. Recognizing the particular healthcare needs of the community, Tenet and Sierra Providence have created a $300,000 endowment-in collaboration with the University of Texas at El Paso--to fund healthcare services for residents of

El Paso's colonias, underdeveloped settlements lacking basic services such as healthcare facilities, potable water and sewage disposal.

[LOGO] LOOKING AHEAD -- THE SUCCESS OF OUR SOUTH FLORIDA AND NEW ORLEANS NETWORKS HAS PROVIDED NEW OPPORTUNITIES FOR ACQUISITIONS AND PARTNERSHIPS IN BOTH OF THOSE AREAS. WE ARE ACTIVELY NEGOTIATING TO ADD FACILITIES IN SOUTH FLORIDA. WE ALSO ARE PREPARING TO EXPAND TENET LOUISIANA HEALTHSYSTEM OUTSIDE METROPOLITAN NEW ORLEANS. IN EL PASO, SIERRA PROVIDENCE IS WELL PLACED TO CONTRACT WITH THE STATE IF TEXAS CHANGES TO A MANAGED CARE MODEL FOR ITS MEDICAID POPULATION. WE HAVE BEGUN CONSOLIDATING OUR EXTENSIVE LOS ANGELES-AREA FACILITIES INTO A FULLY INTEGRATED REGIONAL SYSTEM BY SEEKING OUT OTHER NETWORK PARTNERS, EXPANDING OUR REGIONAL MANAGEMENT SERVICES ORGANIZATION (MSO) AND ADDING ADDITIONAL SERVICES, SUCH AS HOME HEALTHCARE AND INFUSION PROGRAMS. WE BELIEVE OUR ABILITY TO WORK COLLABORATIVELY WITH BOTH NONPROFIT PARTNERS AND GOVERNMENTAL AGENCIES UNIQUELY POSITIONS US TO FIND CREATIVE SOLUTIONS FOR THE CHALLENGES FACING HEALTHCARE.

[Picture of a teddy bear]

"I had my baby at Palm Beach Gardens Medical Center because I heard they offer new mothers an extra day for recovery if they need it. This is my first baby, so I knew I'd need all the training and help I could get! It was wonderful having that extra time for myself. The nurses were so helpful. They showed me how to hold the baby for breast feeding, how to wash him--all the little things you don't even think about. I would definitely go back."

[Photo of mother and child patients.]

BRIGITTE AND MIKHAIL HAY
PATIENTS AT PALM BEACH GARDENS MEDICAL CENTER, PALM BEACH GARDENS, FLA.

[LOGO] DIFFERENT COMMUNITIES, SPECIALIZED STRATEGIES

[Picture of Redding Hospital.]
[Picture of patient with a therapist.]
[Picture of a child patient.]
[Picture of a patient with a doctor.]
[Picture of patient with family.]
[Picture of an eye doctor.]
[Picture of patient with a therapist.]
[Picture of a newborn.]

Redding Medical Center faces a unique challenge.

Unlike our South Florida, New Orleans and El Paso networks, all of which serve more densely populated urban areas with larger concentrations of healthcare facilities, Redding's service area covers almost 40,000 square miles and nine rural Northern California counties, stretching from the Pacific Coast to Nevada, from the Oregon border south into the Sacramento Valley.

To succeed in this environment, the 185-bed Tenet hospital and its 84-bed psychiatric and rehabilitation facility, Redding Specialty Hospital, have had to move beyond the traditional model of a hospital. Instead of acting as a stand-alone facility serving only its immediate geographic area, Redding has created its own regional integrated delivery system by affiliating with seven smaller, non-Tenet hospitals and five outlying primary care and Indian health clinics, all of which serve as referral sources for the hospital's tertiary programs. In fiscal 1996, the hospital added a home healthcare agency, a physical therapy and wellness center, an industrial and occupational medicine clinic and two primary care clinics to the network. The facilities are complemented by an affiliated IPA--the first in the area--and Tenet's own HMO, Modesto-based National Health Plans, the only federally qualified HMO in the Redding area.

Similar success stories can be found at Tenet hospitals throughout the country. From San Luis Obispo, Calif., to Hickory, N.C., to Nederland, Texas, Tenet hospitals in our smaller, less-populated markets are using creative and innovative ways to redefine healthcare delivery in their local communities.

In these regional integrated delivery networks, the acute care hospitals serve as the hub of the system. The other links in the network are created by forging alliances with quality non-Tenet facilities, contracting and affiliating with primary care physician practices and developing additional ancillary services--such as senior centers, home healthcare agencies and occupational health clinics --to increase the geographic reach of the system and to meet growing demand for outpatient services.

In many areas we are expanding our networks by forming joint ventures with nonprofit hospitals. In September 1995, for example, two Southeast Texas Tenet hospitals--138-bed Mid-Jefferson Hospital in Nederland and 236-bed Park Place Medical Center in Port Arthur--joined forces with three Baptist Healthcare System hospitals to form Five Star Health Network, a regional integrated healthcare delivery system. The network offers patients greater geographic access to services than any other system in the immediate area.

Frye Regional Medical Center in Hickory, N.C., pursues a broad-based regional network development strategy in the central Piedmont area of North Carolina, in part by affiliating with primary care physician practices in outlying areas either in solo practices or as part of multipurpose facilities that include diagnostic services. These physicians refer patients to the hospital's tertiary care programs when such services are needed. In fiscal 1996, Frye expanded its four-county network through a partnership with two nonprofit hospitals. The three-hospital system's PHO includes 300 physicians.

In Modesto, Calif., our large regional hospital, 433-bed Doctors Medical Center of

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TENET HOSPITALS IN LESS-POPULATED MARKETS ARE USING CREATIVE AND INNOVATIVE WAYS TO REDEFINE HEALTHCARE DELIVERY IN THEIR LOCAL COMMUNITIES.

Modesto, serves as the "flagship" hospital for its local Tenet network. In fiscal 1996, Modesto was selected by the U.S. Department of the Interior to be the exclusive provider of medical services to Yosemite National Park. Two physicians with 15 support staff are based in the park at a clinic that the hospital inaugurated on Jan. 1, 1996.

[Picture of patient with a doctor.]

Piedmont Healthcare System in Rock Hill, S.C., is another example of an emerging integrated delivery system with a single Tenet hospital serving as the hub. The "spokes" of the Piedmont network include a pain clinic, home care service, ambulatory surgical center, women's diagnostic center, ambulance service and nine primary care physician practices owned and operated by the hospital. In fiscal 1996 Piedmont successfully negotiated a 50-year extension to its contract with York County to provide hospital and healthcare services in the area.

[Picture of patient doing rehab.]

As the above examples demonstrate, at Tenet we tailor the healthcare delivery system to the particular needs and characteristics of the communities we serve.

[LOGO] LOOKING AHEAD -- TO FURTHER STRENGTHEN OUR POSITION IN OUR SMALLER MARKETS, WE WILL CONTINUE TO EXPAND SERVICES, EITHER BY ADDING ANCILLARY SERVICES LIKE HOME HEALTHCARE AND OUTPATIENT SERVICES, OR THROUGH STRATEGIC AFFILIATIONS WITH OTHER QUALITY PARTNERS, INCLUDING NONPROFIT HEALTHCARE PROVIDERS SUCH AS RELIGIOUS AND EDUCATIONAL INSTITUTIONS. IN SELECTED MARKETS WE MAY INTRODUCE HMOS ENABLING US TO APPROACH EMPLOYERS DIRECTLY TO SEEK NEW BUSINESS. SUCH A STRATEGY MAY BE EMPLOYED ALONE, AS IN NORTHERN CALIFORNIA WHERE WE OWN NATIONAL HEALTH PLANS, A MODESTO-BASED HMO, OR IN CONCERT WITH LOCAL PARTNERS, AS IN BIRMINGHAM, ALA., WHERE TENET'S BROOKWOOD MEDICAL CENTER OWNS AND OPERATES AN HMO IN A JOINT VENTURE WITH TWO NONPROFIT HOSPITALS. INTENSIVE SPECIALIZED SERVICES, SUCH AS ONCOLOGY, CARDIOVASCULAR AND NEUROSURGERY PROGRAMS, REPRESENT ANOTHER MEANS TO STRATEGICALLY POSITION FOR THE FUTURE. BECAUSE LESS-INTENSIVE MEDICAL PROCEDURES INCREASINGLY ARE BEING OFFERED IN OUTPATIENT SETTINGS, WE BELIEVE IT IS IMPORTANT FOR OUR HOSPITALS TO BE ABLE TO OFFER MORE SPECIALIZED SERVICES FOR THOSE PATIENTS REQUIRING INPATIENT CARE. MANY OF OUR HOSPITALS ARE ALREADY BUILDING STRONG PROGRAMS IN THESE AREAS.

[Picture of maternity floor sign at Garfield Medical Center.]

"This is a very challenging and exciting place to work. Garfield is unique because of the cultural and ethnic diversity of our patients. We have doctors and nurses who speak all the different languages and dialects of our patients. Our staff is very committed. We see the struggle our patients go through every day and we grow very close tothem and their families. Tenet has given us an increased focus on ethics and on being a role model in healthcare."

[Photo of a nurse at Garfield Medical Center.]

SHIRLEY TANG, R.N.
DIRECTOR OF REHABILITATION AND THE PEDIATRIC UNIT AT GARFIELD MEDICAL CENTER IN MONTEREY PARK, CALIF.

[LOGO] THE TENET ADVANTAGE

Piedmont Healthcare System in Rock Hill, S.C. launched a $22 million expansion program in fiscal 1996 that will add a new open heart surgery program to the 268-bed Tenet hospital's growing list of services, as well as a new emergency room. When completed, the project will expand the hospital's current diagnostic cardiology services, give area residents more extensive treatment options closer to home and attract new business to the hospital.

[Picture of a doctor's office.]

The funds for the Piedmont project were part of $370 million that Tenet invested to enhance patient care at its hospitals and other facilities in fiscal 1996. The money went for design and construction of new buildings, expansion and renovation of existing facilities, equipment additions and replacement, introduction of new medical technologies and various other capital improvements. Another $352 million went for the acquisition of five new acute care hospitals to strengthen our existing networks and better position our hospitals. Approximately $58 million more was used for the acquisition of physician practices connected to our hospitals.

Part of what defines Tenet as a company is our management philosophy of "guided autonomy." Guided autonomy means that we set overall company direction and provide appropriate resources for our hospitals, while each hospital --in consultation with its governing board of physicians and local residents--determines how best to meet its community's healthcare needs. Among the resources we provide are extensive expertise in managed care contracting, group purchasing discounts for medical and other supplies, assistance in identifying and implementing new clinical developments and emerging medical technology, and regional marketing programs. All support services, most of which are now housed in our centrally located Dallas Operations Center, are intended to provide individual Tenet hospitals and medical groups with opportunities to improve patient care, expand their businesses and realize cost savings and other benefits they could not obtain on their own.

OUR NATIONAL RESOURCES

[Picture of Tenet's Dallas Operations Center.]

Our success in managed care contracting in fiscal 1996 affirmed the effectiveness of this strategy. In California, for example, we negotiated to include all 26 of our hospitals in the new Blue Cross contract for that state, and all but two of our hospitals are signed up as healthcare providers to the Blue Shield network. In some areas--such as North and South Carolina, New Orleans and South Florida--we have successfully sought exclusivity agreements in our managed care contracts to give our hospitals a competitive edge in their markets. For example, the strength of the Louisiana network was reflected by the exclusive contract we signed with Community Health Network (United Healthcare) under which Tenet will provide all inpatient services for Community Health's Medicare HMO in the West Bank, Uptown and North Shore areas of New Orleans. Companywide we signed more than 400 new managed care contracts in fiscal 1996.

Contributing to the success of our multihospital integrated healthcare delivery systems in South Florida and New Orleans were the regionwide Tenet marketing campaigns that launched the two networks. Extensive multimedia campaigns, including print, direct mail, radio and TV--a company first--were implemented in both South Florida and Louisiana.

[Picture of ad for Tenet South Florida HealthSystem.]

In fiscal 1996 our group purchasing program, BuyPower, increased its estimated annual purchasing volume to more than $1.6 billion with the addition of Universal Health Services Inc., a large Pennsylvania-based healthcare

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ALL OF OUR SUPPORT SERVICES ARE INTENDED TO PROVIDE OUR HOSPITALS AND MEDICAL GROUPS WITH OPPORTUNITIES

company, and Coram Healthcare, a national home care company. BuyPower's membership now represents more than 1,800 hospitals and other healthcare facilities, giving us additional volume-purchasing strength to reduce the cost of the supplies and equipment we need to best serve our patients. By the end of fiscal 1996 we had renegotiated over 400 supply contracts for total estimated annualized price-reduction savings of $36 million. We realized $23 million of those savings in fiscal 1996.

Other savings came from expanded participation by our hospitals in our company's equipment maintenance program, improvements in our internal collection agency's efforts at reducing bad debt and consolidation of management, staff and services among some of our network hospitals.

[LOGO] LOOKING AHEAD -- ADDITIONAL PRESSURES FROM MANAGED CARE PRICING AND THE PROSPECT OF REDUCTIONS IN THE LEVEL OF MEDICARE REIMBURSEMENT IN THE FUTURE MAKE IT IMPERATIVE THAT OUR COST-CONTAINMENT EFFORTS CONTINUE IN FISCAL 1997 AND BEYOND. MANY OF THE COST-CUTTING INITIATIVES WE UNDERTOOK IN FISCAL 1996 ARE DESIGNED TO REAP SIGNIFICANT LONG-TERM BENEFITS. FOR EXAMPLE, IN JULY 1995 WE SIGNED A SEVEN-YEAR CONTRACT WITH PEROT SYSTEMS FOR CONSULTING AND TECHNOLOGY SERVICES THAT ARE EXPECTED TO RESULT IN SIGNIFICANT SAVINGS FOR TENET OVER THE COURSE OF THE CONTRACT. WE WILL CONTINUE TO USE OUR SIZE AND SCOPE TO LOOK FOR AND DEVELOP WAYS TO GIVE OUR HOSPITALS, NETWORKS AND PHYSICIANS A COMPETITIVE ADVANTAGE IN THE MARKETPLACE, PARTICULARLY IN THE AREA OF INFORMATION SYSTEMS AND NEW TECHNOLOGIES. FOR EXAMPLE, IN FISCAL 1997 WE WILL LAUNCH A NEW INTERACTIVE SERVICE ON THE WORLD WIDE WEB PORTION OF THE INTERNET. THE SERVICE WILL INCLUDE TENET'S OWN WEB SITE AS WELL AS INDIVIDUAL SITES FOR MANY OF OUR HOSPITALS. EVENTUALLY ALL TENET HOSPITALS WILL BE ONLINE. THE WEB OFFERS A NEW MEDIUM THROUGH WHICH WE WILL BE ABLE TO MARKET THE WIDE RANGE OF SERVICES OFFERED AT OUR HOSPITALS.

[Picture of Creighton University.]

"Saint Joseph Hospital and Saint Joseph Center for Mental Health are the primary teaching hospitals for Creighton University School of Medicine. Our medical students and residents have been receiving training there since 1892. We've had a very good relationship with Tenet since they became the majority owners of the hospitals. The company has been very supportive of our academic emphasis, in addition to making the hospitals available for teaching purposes. We look forward to a long, productive relationship with Tenet."

[Photo of The Reverence Michael Morrison, S.J.
President of Creighton University, Omaha, Neb.]

THE REVEREND MICHAEL MORRISON, S.J.
PRESIDENT OF CREIGHTON UNIVERSITY,
OMAHA, NEB.

[LOGO] DEVELOPING PARTNERSHIPS WITH PHYSICIANS

Graham Bolton, M.D., Medical Director of the Senior Clinic at Tenet's RHD Memorial Hospital in Dallas, is the sixth member of his family to practice medicine in a line stretching back to Civil War times. Dr. Bolton has one major advantage over his forebears, however: He spends less time worrying about day-to-day management of his practice.

Because of the crucial role they play at the heart of our integrated healthcare delivery networks, Tenet is committed to continuing its strong relationships with physicians by providing them with the resources they need to do what they do best--practice medicine. As part of that effort, we offer physicians a variety of support services, from management of their practices to assistance with managed care contracting and training in new clinical developments and emerging medical technologies.

During fiscal 1996 we enhanced our delivery networks by acquiring or assuming the management of physician practices in many key geographic areas, including Greater New Orleans, Florida, Southern California, Alabama, Georgia, Arkansas, Missouri, North Carolina, South Carolina and Texas. In the Greater New Orleans area alone, we own or manage the practices of over 100 physicians.

[Picture of patient with a doctor.]

As part of our efforts to increase efficiency and reduce costs for the over 600 physicians whose practices Tenet owns or manages nationwide, we established Dallas-based Tenet Physician Services to support the business needs of those

practices. In fiscal 1996, Tenet Physician Services began consolidating the management of these physician practices into five regional management services organizations (MSOs)--in California, Florida, Louisiana, Texas and Atlanta--under the guidance of regional managers with experience in physician practice management. The purpose of the consolidation is to achieve consistency and improve the efficiency of the practices while providing them with all the resources available under the Tenet corporate umbrella, including access to sophisticated computer and information systems. Because of the expense, these systems may not be financially feasible for small, independent practices. By the end of fiscal 1996 the department had installed the Medic computerized practice management system in 176 Tenet-owned or managed practices. We plan to add another 175 to the system over the next 12 months

[Picture of monitors.]

ACCESS TO MANAGED CARE

One of the most difficult issues facing the individual physician in today's healthcare market is providing quality care in the face of pressures to maintain or reduce healthcare costs. One solution is having greater access to managed care contracts. In fiscal 1996 we continued to provide cooperative venture opportunities for Tenet-affiliated physicians--including membership in IPAs and PHOs--under which they can share managed care risk and negotiate contracts together. Tenet offers physicians the opportunity to become partners with a large, financially stable company with extensive corporate resources.

As part of our efforts to help our hospitals and physician practices negotiate financially and operationally sound managed care contracts, our Managed Care Business Development department in Dallas is developing a computer system that tracks contract information. The department also compiles actuarial data on patients at all Tenet hospitals in order to provide highly detailed cost estimates for specific treatments and patient populations. This data will allow our hospitals and physician practices to more accurately project costs of delivering patient care under any proposed capitated-risk contract.

TENET IS COMMITTED TO CONTINUING ITS STRONG RELATIONSHIP WITH PHYSICIANS BY PROVIDING THEM WITH THE RESOURCES THEY NEED TO DO WHAT THEY DO BEST--PRACTICE MEDICINE

[Picture of two doctors.]

PROVIDING EDUCATIONAL SUPPORT

Tenet further supports its physicians by sponsoring continuing education programs and seminars. In fiscal 1996 our Medical Affairs department conducted training seminars for physicians in such areas as quality improvement and new medical technologies, including endoscopic minimally invasive cardiac and thoracic surgery. In December 1995 Tenet received provisional national accreditation from the Accreditation Council for Continuing Medical Education allowing the company to offer physicians Category I CME credits for ACCME-approved continuing education courses it sponsors through its Medical Affairs department.

Our company also is committed to helping educate new physicians. Several of our hospitals have agreements with university medical schools to act as graduate training sites for physicians. In Los Angeles, Tenet owns and operates USC University Hospital, a quarternary-care referral center and a teaching hospital for the University of Southern California School of Medicine. Tenet also operates Saint Joseph Hospital, the primary teaching hospital for Creighton University School of Medicine in Omaha, Neb. In Houston, Tenet's Park Plaza Hospital has developed a family practice outpatient center staffed by Baylor College of Medicine physicians and residents. Tenet's Spalding Regional Hospital in Griffin, Ga., serves as a continuing medical education center for Emory University School of Medicine in Atlanta. Tenet's St. Francis Hospital in Memphis, Tenn., is a training site for family practice residents at the University of Tennessee Medical School, and Palmetto General Hospital, a Tenet facility in Hialeah, Fla., serves as a training site for family practice residents at Nova Southeastern University. Tenet recently signed an affiliation agreement with Louisiana State University Medical School under which two Tenet hospitals--Memorial Medical Center (formerly Mercy+Baptist Medical Center) in New Orleans and Kenner Regional Medical Center in Kenner, La.--will become teaching hospitals for the university.

[LOGO] LOOKING AHEAD -- USING OUR EXTENSIVE EXPERIENCE IN STATES WITH HEAVY MANAGED CARE PENETRATION, SUCH AS CALIFORNIA AND FLORIDA, TENET WILL HELP ITS AFFILIATED PHYSICIANS BETTER POSITION THEMSELVES IN AREAS LIKE THE SOUTHEAST, WHERE MANAGED CARE IS STILL EVOLVING. FURTHER, OUR COMPANY'S

INVOLVEMENT IN THE MEDICARE CHOICES DEMONSTRATION PROJECT IN NEW ORLEANS WILL GIVE PHYSICIANS THROUGHOUT THE TENET SYSTEM ACCESS TO THE EXPERTISE WE DEVELOP AS A RESULT OF THAT PROJECT--EXPERTISE WHICH, WE BELIEVE, WILL PROVE INVALUABLE IF MEDICARE CHANGES TO A MANAGED CARE MODEL FOR REIMBURSEMENT. IN FISCAL 1997 AND BEYOND, WE WILL FOCUS ON EXPANDING OUR STRONG BASE OF PRIMARY CARE PHYSICIANS TO SERVE AS "GATEKEEPERS" FOR MANAGED HEALTHCARE DELIVERY.

[Picture of doctor treating a patient.]

"I've been in practice for 44 years and I still look forward to coming to work every day. In part, I think that's because there's someone managing my practice whom I can rely on and trust to do what's right for my patients. Most of us are too busy taking care of the medical part of our practice to interject ourselves into the business part. Tenet has the expertise, the track record and the integrity to assume that responsibility. I've had a very good working relationship with them. "Tenet is committed to continuing its strong relationships with physicians by providing them with the resources they need to do what they do best--practice medicine.

[Picture of Graham Bolton, M.D.
Medical Director of the Senior Clinic at RHD Memorial Hospital in Dallas]

GRAHAM BOLTON, M.D.
MEDICAL DIRECTOR OF THE SENIOR CLINIC AT RHD MEMORIAL HOSPITAL IN DALLAS

[LOGO] FINANCIAL SUMMARY

<TABLE>
<CAPTION>

SELECTED FINANCIAL DATA
CONTINUING OPERATIONS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	YEARS ENDED MAY 31, 1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING RESULTS:					
Net operating revenues	$ 5,559	$ 3,318	$ 2,943	$ 3,178	$ 2,934
Operating expenses:					
Salaries and benefits	(2,194)	(1,367)	(1,293)	(1,465)	(1,328)
Supplies	(764)	(432)	(339)	(349)	(319)
Provision for doubtful accounts	(290)	(137)	(107)	(115)	(123)
Other operating expenses	(1,212)	(759)	(667)	(689)	(616)
Depreciation	(240)	(164)	(143)	(142)	(122)
Amortization	(81)	(31)	(18)	(18)	(19)
Impairment losses	(86)	-	-	-	-
Restructuring charges	-	(37)	(77)	(52)	(18)
Operating income	692	391	299	348	389
Interest expense, net of capitalized portion	(312)	(138)	(70)	(75)	(89)
Investment earnings	22	27	28	21	29
Equity in earnings of unconsolidated affiliates	20	28	23	13	6
Minority interests in income of consolidated subsidiaries	(22)	(9)	(8)	(10)	(7)
Net gains on disposals of facilities and long-term investments and sales of subsidiaries' common stock	346	30	88	122	31
Income from continuing operations before income taxes	746	329	360	419	359
Taxes on income	(348)	(135)	(144)	(155)	(141)
Income from continuing operations	$ 398	$ 194	$ 216	$ 264	$ 218
Earnings per share from continuing operations, fully-diluted	$ 1.86	$ 1.06	$ 1.23	$ 1.49	$ 1.19
Cash dividends per common share	$ --	$ --	$ 0.12	$ 0.48	$ 0.46
BALANCE SHEET DATA:					
Working capital (deficit)	$ 411	$ 268	$ (196)	$ 156	$ 224
Total assets	8,332	7,918	3,697	4,173	4,236
Long-term debt, excluding current portion	3,191	3,273	223	892	1,066
Shareholders' equity	2,636	1,986	1,320	1,752	1,674
Book value per common share	$ 12.21	$ 9.93	$ 7.95	$ 10.56	$ 10.03

</TABLE>

ON MARCH 1, 1995, THE COMPANY ACQUIRED ALL THE OUTSTANDING COMMON STOCK OF AMERICAN MEDICAL HOLDINGS, INC. FOR $1.5 BILLION IN CASH AND 33.2 MILLION SHARES OF THE COMPANY'S COMMON STOCK VALUED AT $488 MILLION. SEE NOTE 2 IN THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity for the year ended May 31, 1996 was derived principally from the cash proceeds from operating activities, disposals of assets and investments, realization of tax benefits associated with losses from its discontinued psychiatric business, proceeds from the exercises of performance investment plan options and borrowings under the Company's secured and unsecured bank credit agreements. Net cash provided by operating activities for the year ended May 31, 1996 was $195 million after net expenditures of $97 million for discontinued operations and restructuring charges. During 1995 it was a negative $7 million, principally due to net expenditures of $427 million for discontinued operations and restructuring charges. Net cash provided by operating activities in 1994 was $147 million. Management believes that future cash flows from operations will continue to be positive. This liquidity, along with the availability of credit under the Company's unsecured credit agreement, should be adequate to meet debt service requirements and to finance planned capital expenditures and other known operating needs over the short-term (up to 18 months) and the long-term (18 months to three years).

The Company's cash and cash equivalents at May 31, 1996 were $89 million, a decrease of $66 million from May 31, 1995. Working capital at May 31, 1996 was $411 million, compared to $268 million at May 31, 1995 and a working capital deficit of $196 million at May 31, 1994. The increase in working capital at May 31, 1996 is primarily attributable to a decrease in the current portion of long-term debt as a new March 1996 credit agreement, described below, eliminated previously required quarterly payments of debt.

Net proceeds from the sales of facilities, investments and other assets were $548 million during 1996, compared to $172 million during 1995 and $569 million in 1994. During 1996 the Company sold its two hospitals and related businesses in Singapore, its 30% interest in a hospital in Malaysia, its 40% interest in a hospital in Thailand, and its 52% interest in a company owning nine hospitals and a pathology business in Australia. The net cash proceeds from all of these sales aggregated approximately $324 million. In May 1996 the Company sold its 42% interest in Westminster Health Care Holdings PLC (-Westminster') in England for approximately $120 million. Also during 1996, the Company received approximately $92 million for its Hillhaven preferred stock in connection with the acquisition of The Hillhaven Corporation (-Hillhaven') by Vencor, Inc. (-Vencor'). In June 1996 the Company sold its former corporate headquarters building in Santa Monica, California. The proceeds from all of these transactions were used to repay bank loans. The Company's previously announced plan to divest itself of its non-core assets is now substantially complete.

In March 1996 the Company entered into a new, five-year $1.55 billion unsecured revolving credit agreement. This agreement replaced the Company's $2.3 billion secured bank term loan and revolving credit agreement dated February 28, 1995. Borrowings under the new agreement are unsecured and will mature on March 1, 2001. The Company generally may repay or prepay loans made under the agreement and may reborrow at any time prior to such maturity date. The new agreement provides lower interest margins, generally has less restrictive covenants than the former agreement and, as mentioned above, eliminates previously required quarterly repayments of principal. The credit agreement, among other requirements, has limitations on other borrowings, liens, investments, the sale of all or substantially all assets and prepayment of subordinated debt, a prohibition against the Company declaring

or paying a dividend or purchasing its stock unless its senior long-term unsecured debt securities are rated BBB or higher by Standard and Poors' Ratings Services and Baa3 or higher by Moody's Investors Services, Inc., and covenants regarding maintenance of net worth, debt ratios and fixed charge coverages. Current debt ratings on the Company's senior debt securities are BB by Standard and Poors and Ba1 by Moody's.

Gross proceeds from borrowings amounted to $3.0 billion during the year ended May 31, 1996, consisting primarily of borrowings of $2.1 billion under the Company's bank credit agreements, $487 million in net proceeds from the sale of 8 5/8% senior notes, and $311 million in net proceeds from the sale of 6% exchangeable subordinated notes. Borrowings in the prior year amounted to $3.4 billion. Loan repayments were $3.2 billion in 1996 and $2.1 billion during 1995.

Cash payments for property and equipment were $370 million in 1996, compared to $264 million in 1995. Capital expenditures for the Company, before any significant acquisitions of facilities and other healthcare operations, are expected to be approximately $300 million to $400 million annually. Such capital expenditures relate primarily to the development of healthcare services networks in selected geographic markets, design and construction of new buildings, expansion and renovation of existing facilities, equipment additions and replacement, introduction of new medical technologies and various other capital improvements.

During fiscal 1996 the Company spent $410 million for purchases of new businesses, net of cash acquired. These include five general hospitals and a number of physician practices. These acquisitions were financed primarily by borrowings under the Company's credit agreements.

The Company's strategy includes the pursuit of growth through the development of integrated healthcare systems in certain strategic markets, including joint ventures, hospital acquisitions and physician practice acquisitions. All or portions of this growth may be financed through available loans under the Company's revolving credit agreement or,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 revolving credit agreement was $575 million at May 31, 1996.

THE AMH MERGER

On March 1, 1995, in a transaction accounted for as a purchase, the Company acquired American Medical Holdings, Inc., (together with its subsidiaries, "AMH") for $1.5 billion in cash and 33.2 million shares of the Company's common stock valued at $488 million. In connection with the acquisition, the Company also repaid $1.8 billion of debt. The acquisition and debt retirements were financed by borrowings under the February 28, 1995 credit agreement and the public issuance of $1.2 billion in new debt securities.

Prior to the merger, the Company operated 33 domestic general hospitals with 6,620 licensed beds in six states and a small number of skilled nursing facilities, rehabilitation hospitals and psychiatric hospitals located on or near general hospital campuses. With the merger, the Company acquired 37 domestic general hospitals with 8,831 beds, bringing its domestic general hospital complement at that time to 70 hospitals with 15,451 licensed

beds in 13 states. The acquisition also included ancillary facilities at or nearby many of AMH's hospitals, including outpatient surgery centers, rehabilitation units, long-term-care facilities, a psychiatric hospital, home healthcare programs and ambulatory, occupational and rural healthcare clinics.

Management believes that the transaction has strengthened the Company in its existing markets and enhanced its ability to deliver quality, cost-effective healthcare services in new markets. The consolidation of the two companies has resulted in certain cost savings, estimated to be at least $60 million in the fiscal year ended May 31, 1996. These savings are before any severance or other costs of implementing certain efficiencies and have been realized through (i) the elimination of duplicate corporate overhead expenses, (ii) reduced supplies expense through the incorporation of the acquired facilities into the Company's existing group-purchasing program, (iii) the achievement of lower information system costs through consolidation and outsourcing and (iv) improved collection of the acquired AMH facilities' accounts receivable.

RESULTS OF OPERATIONS

Income from continuing operations before income taxes was $746 million in 1996, compared with $329 million and $360 million in 1995 and 1994, respectively. The most significant transactions affecting the results of continuing operations were (i) the acquisition of AMH, (ii) the financing of the acquisition, which added more than $250 million annually in interest expense and (iii) a series of divestitures during fiscal 1996, 1995 and 1994.

Fiscal 1996 includes the sales of the Company's interests in its hospitals and related healthcare businesses in Singapore, Australia, Malaysia and Thailand, its interest in Westminster, the sale of the Company's investment in preferred stock of Hillhaven, and the exchange of its interest in the common

stock of Hillhaven for 8,301,067 shares of common stock of Vencor. Fiscal 1995 includes the sale of a 75% interest in Total Renal Care Holdings, Inc.(-TRC'). Fiscal 1994 includes the sale of all but six of the Company's rehabilitation hospitals and related outpatient clinics and the sale to Hillhaven of all but seven of the Company's long-term-care facilities, all of which had been leased to Hillhaven. These transactions and other unusual pretax items relating to impairment losses and restructuring charges are shown below:

(IN MILLIONS)	1996	1995	1994
Gain (loss) on sales of facilities and long-term investments	$ 329	$ (2)	$ 88
Gains on sales of subsidiary's common stock	17	32	-
Impairment losses	(86)	-	-
Restructuring charges	-	(37)	(77)
Net unusual pretax items (after tax-$0.59 fully diluted per share in 1996, ($0.03) in 1995 and $0.04 in 1994)	$ 260	$ (7)	$ 11

Income from continuing operations before income taxes, excluding the unusual items in the table above, was $486 million in 1996, $336 million in 1995 and $349 million in 1994 and fully-diluted earnings per share from continuing operations was $1.27, $1.09 and $1.19, respectively.

The following is a summary of continuing operations for the past three fiscal years:

	1996	1995	1994	1996	1995	1994
	(DOLLARS IN MILLIONS)			(PERCENTAGE OF NET OPERATING REVENUES)		
Net operating revenues:						
Domestic general hospitals	$ 5,133	$ 2,777	$ 2,133	92.3%	83.7%	72.5%
Other domestic operations (1)	375	310	275	6.8%	9.3%	9.4%
International operations	51	214	175	0.9%	6.5%	5.9%
Divested operations (2)	-	17	360	-	0.5%	12.2%
	5,559	3,318	2,943	100.0%	100.0%	100.0%
Operating expenses:						
Salaries and benefits	(2,194)	(1,367)	(1,293)	39.5%	41.2%	43.9%
Supplies	(764)	(432)	(339)	13.7%	13.0%	11.5%
Provision for doubtful accounts	(290)	(137)	(107)	5.2%	4.1%	3.6%
Other operating expenses	(1,212)	(759)	(667)	21.8%	22.9%	22.7%
Depreciation	(240)	(164)	(143)	4.3%	5.0%	4.9%
Amortization	(81)	(31)	(18)	1.5%	0.9%	0.6%
Impairment losses	(86)	-	-	1.6%	-	-
Restructuring charges	-	(37)	(77)	-	1.1%	2.6%
Operating income	$ 692	$ 391	$ 299	12.4%	11.8%	10.2%

(1) Net operating revenues of other domestic operations consist primarily of revenues from (i) the Company's rehabilitation hospitals, long-term-care facilities and psychiatric hospitals which have not been divested; (ii) healthcare joint ventures operated by the Company; (iii) subsidiaries of the Company offering health maintenance organizations, preferred provider organizations and indemnity products; and (iv) revenues earned by the Company in consideration of the guarantees of certain indebtedness and leases of Vencor and other third parties.

(2) Net operating revenues of divested operations consist of revenues from (i) TRC prior to the August 1994 sale of the Company's approximately 75% equity interest; (ii) 29 rehabilitation hospitals and 45 related satellite outpatient clinics prior to their sales to HealthSouth in January and March of 1994; (iii)

and lease income from long-term-care facilities prior to their sales to Hillhaven in fiscal 1994.

Net operating revenues were $5.6 billion in 1996, compared with $3.3 billion in 1995 and $2.9 billion in 1994. The current year includes revenues attributable to facilities acquired in the AMH merger for the entire fiscal year. The prior year includes three months of revenues attributable to the facilities acquired in the AMH merger.

Operating income before impairment losses and restructuring charges increased 81.8% to $778 million in 1996 from $428 million in 1995 and $376 million in 1994. The operating margin on this basis increased to 14.0% from 12.9% in 1995 and 12.8% in 1994. The increase in the operating margin is due primarily to effective cost-control programs in the hospitals and the implementation of overhead reduction plans.

The table below sets forth certain selected historical operating statistics for the Company's domestic general hospitals:

	1996	1995	1994	INCREASE (DECREASE) 1995 TO 1996
Domestic general hospitals operating data:				
Number of hospitals (at end of period)	74	70	35	4
Licensed beds (at end of period)	16,666	15,622	6,873	6.7%
Net inpatient revenues (in millions)	$3,440	$1,938	$1,568.0	77.5%
Net outpatient revenues (in millions)	$1,572	$786	$557.0	100.0%
Admissions	487,601	267,868	207,868	82.0%
Equivalent admissions	689,619	358,664	271,004	92.3%
Average length of stay (days)	5.6	5.6	5.6	-
Patient days	2,710,062	1,507,865	1,154,030	79.7%
Equivalent patient days	3,796,184	1,997,508	1,493,314	90.0%
Net inpatient revenues per patient day	$1,269	$1,285	$1,359	(1.2)%
Utilization of licensed beds	44.9%	46.4%	46.8%	(1.5)%*
Outpatient visits	5,609,550	2,293,586	1,472,258	144.6%

* The % change is the difference between the 1996 and 1995 percentages shown.

The table below sets forth certain selected operating statistics for the Company's domestic general hospitals, including those facilities acquired from AMH, on a same-store basis:

	1996	1995	INCREASE(DECREASE)
Number of hospitals	68	68	-
Average licensed beds	15,218	15,227	(0.1)%
Patient days	2,506,668	2,533,785	(1.1)%
Net inpatient revenues per patient day	$1,282	$1,245	3.0%
Admissions	451,134	441,310	2.2%
Net inpatient revenues per admission	$7,125	$ 7,149	(0.3)%
Outpatient visits	5,225,621	4,231,726	23.5%
Average length of stay (days)	5.6	5.7	(0.1)*

* THE % CHANGE IS THE DIFFERENCE BETWEEN THE 1996 AND 1995 PERCENTAGES SHOWN.

There continue to be increases in inpatient acuity and intensity of services as less-intensive services shift from an inpatient to an outpatient basis or to alternative healthcare delivery services because of technological improvements and continued pressures by payors to reduce admissions and lengths of stay.

The Company continues to experience an increase in Medicare revenues as a percentage of total patient revenues. The Medicare program accounted for approximately 40% of the net patient revenues of the domestic general hospitals in 1996 and 39% and 36% in 1995 and 1994, respectively. Historically, rates paid under Medicare's prospective payment system for inpatient services have increased, but such increases have been less than cost increases. Payments for Medicare outpatient services are presently cost-reimbursed, but there are certain proposals pending that would convert Medicare reimbursement for outpatient services to a prospective payment system which, if implemented, may

result in reduced payments. Medicaid programs in certain states in which the Company operates also are undergoing changes that will result in reduced payments to hospitals.

The Company has implemented hospital cost-control programs and overhead reductions and is forming integrated healthcare delivery systems to address the reduced payments. Pressures to control healthcare costs have resulted in an increase in the percentage of revenues attributable to managed care payors. The percentage of the Company's net operating revenues attributable to managed care was approximately 28.6% in 1996, 26.7% in 1995, and 23.9% in 1994. The Company anticipates that its managed care business will continue to increase in the future.

The general hospital industry in the United States and the Company's general hospitals continue to have significant unused capacity, and thus there is substantial competition for patients. Inpatient utilization continues to be negatively affected by payor-required pre-admission authorization and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. Increased competition, admission constraints and payor pressures are expected to continue. The Company's general hospitals have been improving operating margins in a very competitive environment, due in large part to enhanced cost controls and efficiencies being achieved throughout the Company.

Net operating revenues from the Company's other domestic operations increased 21.0% to $375 million in 1996, compared with $310 million in 1995 and $275 million in 1994. This increase primarily reflects continued growth of National Health Plans, the Company's HMO and health insurance subsidiary, and the growth of joint ventures and physician practices.

The $163 million decrease in net operating revenues from the Company's international operations for the current fiscal year compared to the prior fiscal year is attributable to the sales of the Company's hospitals and related healthcare businesses in Singapore and Australia. Net operating revenues and operating profits of the sold international facilities for the period from June 1, 1995 through the dates of sales were $51 million and $7 million, respectively.

Operating expenses, which include salaries and benefits, supplies, provision for doubtful accounts, depreciation and amortization, impairment losses, restructuring charges and other operating expenses, were $4.9 billion in 1996, $2.9 billion in 1995 and $2.6 billion in 1994. Operating expenses for the current year include 12 months of operating expenses from the facilities acquired in the AMH merger and the prior year includes three months of operating expenses from the facilities acquired in the AMH merger, and to that extent, the current and prior-year periods are not comparable. Fiscal 1995 and 1994 also include the operating expenses of the international and other divested operations discussed above.

Salaries and benefits expense as a percentage of net operating revenues was 39.5% in 1996, 41.2% in 1995 and 43.9% in 1994. The improvement in 1996 is attributable primarily to reductions in staffing levels in the hospitals and corporate offices, implemented following the AMH merger.

Supplies expense as a percentage of net operating revenues was 13.7% in 1996, 13.0% in 1995 and 11.5% in 1994. The increase over the prior year is attributable primarily to a higher supplies expense in the facilities acquired in the AMH merger and subsequent thereto. The increase is also attributable to the sales of the Company's international operations. Supplies expense as a percentage of net operating revenues at the international facilities were substantially less than supplies expense as a percentage of net operating revenues at the domestic general hospital operations. The Company expects to continue to reduce supplies expense through incorporating acquired facilities into the Company's existing group-purchasing program.

The provision for doubtful accounts as a percentage of net operating revenues was 5.2% in 1996, 4.1% in 1995 and 3.6% in 1994. The increase is attributable primarily to higher bad debt experience at the facilities acquired in the AMH merger and subsequent thereto. The Company, through its collection subsidiary, Syndicated Office

Systems, has been establishing improved follow-up collection systems by

consolidating the collection of accounts receivable in all the Company's facilities.

Other operating expenses as a percentage of net operating revenues were 21.8% in 1996, 22.9% in 1995 and 22.7% in 1994. The improvement in 1996 reflects the effects of the cost-control programs and overhead-reduction plans mentioned herein.

Depreciation and amortization expense increased from 1995 and 1994 primarily due to the AMH merger. Goodwill amortization associated with the AMH merger is approximately $64 million annually.

Impairment losses representing non cash charges of $86 million were recorded in fiscal 1996 in accordance with Statement of Financial Accounting Standards No. 121, under which the carrying value of property, plant and equipment and intangible assets at four general hospitals and three rehabilitation hospitals and the cost of one undeveloped parcel of land have been written down to their fair values.

Restructuring charges of $37 million in fiscal 1995 were recorded in connection with the AMH merger. These charges included severance payments and outplacement services for involuntary terminations of approximately 890 former employees of the Company and other costs related to consolidating the operations of the two companies. Restructuring charges of $77 million in fiscal 1994 were recorded in connection with a plan to significantly decrease overhead costs through a reduction in corporate and divisional staffing levels and to review the resulting office space needs of all corporate operations.

Interest expense, net of capitalized interest, was $312 million in 1996, compared with $138 million in 1995 and $70 million in 1994. The increase between 1995 and 1996 was due primarily to the acquisition of AMH and the senior notes and bank loans used to finance the acquisition and to retire debt in connection with the merger.

Investment earnings were $22 million in 1996, $27 million in 1995 and $28 million in 1994, and were derived primarily from notes receivable and investments in debt and equity securities.

Equity in earnings of unconsolidated affiliates was $20 million in 1996, $28 million in 1995 and $23 million in 1994. Substantially all of the decrease between 1995 and 1996 is due to the exchange of the Company's investment in Hillhaven for common stock in Vencor. During 1995 the Company's equity in the earnings of Hillhaven was $16 million. In 1996 it was $7 million through the date of the exchange and nothing thereafter. The Company's equity in the earnings of Westminster was $6 million in 1995 and $7 million in 1996. The Company sold its investment in Westminster in May 1996.

Minority interest in income of consolidated subsidiaries increased in the current year due to improved operating results at consolidated, but not wholly-owned facilities and to the effects of minority interests recorded at facilities acquired in the AMH merger. Minority interest expense was $22 million in 1996, $9 million in 1995 and $8 million in 1994.

Taxes on income as a percentage of pretax income from continuing operations were 47% in 1996, 41% in 1995 and 40% in 1994. The Company's effective tax-rate increase in 1996 is primarily due to (i) additional amortization of goodwill resulting from the AMH merger and (ii) gains from the sales of international operations. The amortization expense arising from the merger is a noncash charge but provides no income tax benefits.

BUSINESS OUTLOOK

The challenge facing the Company and the healthcare industry is to continue to provide quality patient care in an environment of rising costs, strong competition for patients, and a general reduction of reimbursement by both private and government payors. Because of national, state and private industry efforts to reform healthcare delivery and payment systems, the healthcare industry as a whole faces increased uncertainty. The Company is unable to predict whether any healthcare legislation at the federal and/or state level will be passed in the future, but it continues to monitor all proposed legislation and analyze its potential impact in order to formulate the Company's future business strategies.

CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	YEARS ENDED MAY 31

(DOLLAR AMOUNTS, EXCEPT PER SHARE AMOUNTS, ARE EXPRESSED IN MILLIONS)	1996	1995	1994
<S>	<C>	<C>	<C>
Net operating revenues	$ 5,559	$ 3,318	$ 2,943
Operating expenses:			
Salaries and benefits	(2,194)	(1,367)	(1,293)
Supplies	(764)	(432)	(339)
Provision for doubtful accounts	(290)	(137)	(107)
Other operating expenses	(1,212)	(759)	(667)
Depreciation	(240)	(164)	(143)
Amortization	(81)	(31)	(18)
Impairment losses	(86)	--	--
Restructuring charges	--	(37)	(77)
Operating income	692	391	299
Interest expense, net of capitalized portion	(312)	(138)	(70)
Investment earnings	22	27	28
Equity in earnings of unconsolidated affiliates	20	28	23
Minority interests in income of consolidated subsidiaries	(22)	(9)	(8)
Net gain (loss) on disposals of facilities and long-term investments	329	(2)	88
Gains on sales of subsidiary's common stock	17	32	--
Income from continuing operations before income taxes	746	329	360
Taxes on income	(348)	(135)	(144)
Income from continuing operations	398	194	216
Discontinued operations	(25)	(9)	(701)
Extraordinary charges from early extinguishment of debt	(23)	(20)	--
Cumulative effect of a change in accounting principle	--	--	60
Net income (loss)	$ 350	$ 165	$ (425)
Earnings (loss) per share:			
Primary:			
Continuing operations	$ 1.90	$ 1.10	$ 1.29
Discontinued operations	(0.12)	(0.06)	(4.19)
Extraordinary charge	(0.11)	(0.11)	--
Cumulative effect of a change in accounting principle	--	--	0.36
	$ 1.67	$ 0.93	$ (2.54)
Fully diluted:			
Continuing operations	$ 1.86	$ 1.06	$ 1.23
Discontinued operations	(0.12)	(0.05)	(4.10)
Extraordinary charges	(0.11)	(0.10)	--
Cumulative effect of a change in accounting principle	--	--	0.33
	$ 1.63	$ 0.91	$ (2.54)
Weighted average shares and share equivalents outstanding (in thousands):			
Primary	209,492	176,817	167,024
Fully diluted	216,676	190,139	181,087

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	MAY 31	
(DOLLAR AMOUNTS ARE EXPRESSED IN MILLIONS)	1996	1995
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 89	$ 155
Short-term investments in debt securities	112	139
Accounts and notes receivable, less allowance for doubtful accounts ($156 in 1996 and $184 in 1995)	838	565

Inventories of supplies, at cost	128	116
Deferred income taxes	279	410
Assets held for sale	39	184
Prepaid expenses and other current assets	60	55
Total current assets	1,545	1,624
Investments and other assets	518	362
Property, plant and equipment, net	3,648	3,319
Costs in excess of net assets acquired, less accumulated amortization ($86 in 1996 and $21 in 1995)	2,574	2,511
Other intangible assets, at cost, less accumulated amortization ($37 in 1996 and in 1995)	47	102
	$ 8,332	$ 7,918
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 60	$ 252
Accounts payable	380	359
Employee compensation and benefits	120	162
Accrued interest payable	68	57
Income taxes payable	33	2
Other current liabilities	473	524
Total current liabilities	1,134	1,356
Long-term debt, net of current portion	3,191	3,273
Other long-term liabilities and minority interests	977	1,002
Deferred income taxes	394	301
Commitments and contingencies		
Shareholders' equity:		
Common stock, $0.075 par value; authorized 450,000,000 shares; 218,713,406 shares issued at May 31, 1996 and May 31, 1995	16	16
Additional paid-in capital	1,542	1,502
Unrealized gains on investments in debt and equity securities	28	--
Retained earnings	1,090	740
Less common stock in treasury, at cost, 2,790,967 at May 31, 1996 and 18,775,274 shares at May 31, 1995	(40)	(272)
Total shareholders' equity	2,636	1,986
	$ 8,332	$ 7,918

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. 25

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

(DOLLAR AMOUNTS ARE EXPRESSED IN MILLIONS)	YEARS ENDED MAY 31 1996	1995	1994
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 350	$ 165	$ (425)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	321	195	198
Deferred income taxes	243	95	(253)
Gains on sales of facilities and long-term investments	(346)	(30)	(88)
Additions to reserves for discontinued operations, impairment losses and restructuring charges	127	51	1,175
Extraordinary charges from early extinguishment of debt	23	20	--
Other items	12	(6)	(22)
Increase (decrease) in cash from changes in operating assets and liabilities, net of effects from purchases of new businesses:			
Accounts and notes receivable, net	(256)	(47)	(65)
Inventories, prepaid expenses and other current assets	(12)	1	(21)
Accounts payable, accrued expenses and income taxes payable	(64)	(28)	(31)
Noncurrent accrued expenses and other liabilities	(106)	4	(2)
Net expenditures for discontinued operations and restructuring charges	(97)	(427)	(319)

Net cash provided by (used in) operating activities	195	(7)	147
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(370)	(264)	(185)
Purchases of new businesses, net of cash acquired	(410)	(1,429)	(5)
Proceeds from sales of facilities, long-term investments and other assets	548	172	569
Other items	(36)	8	7
Net cash provided by (used in) investing activities	(268)	(1,513)	386

(CONTINUED)

</TABLE>

<TABLE>
<CAPTION>

	YEARS ENDED MAY 31,		
(DOLLAR AMOUNTS ARE EXPRESSED IN MILLIONS)	1996	1995	1994
<S>	<C>	<C>	<C>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	2,961	3,445	91
Loan Payments	(3,187)	(2,091)	(428)
Proceeds from exercises of performance investment plan options	203	--	--
Proceeds from exercises of stock options	30	3	1
Cash dividends paid to shareholders	--	--	(40)
Other items	--	5	15
Net cash provided by (used in) financing activities	7	1,362	(361)
Net increase (decrease) in cash and cash equivalents	(66)	(158)	172
Cash and cash equivalents at beginning of year	155	313	141
Cash and cash equivalents at end of year	$ 89	$ 155	$ 313

</TABLE>

SUPPLEMENTAL DISCLOSURES

The Company paid interest (net of amounts capitalized) of $279 million, $113 million, and $62 million for the years ended May 31, 1996, 1995, and 1994, respectively. Income taxes paid during the same years amounted to $28 million, $45 million and $30 million, respectively.

The fair value of the assets acquired in connection with the AMH merger in 1995 was approximately $4.6 billion, including goodwill of approximately $2.5 billion. Liabilities assumed were approximately $2.6 billion.

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	COMMON STOCK					
(DOLLAR AMOUNTS ARE EXPRESSED IN MILLIONS, SHARE AMOUNTS IN THOUSANDS)	OUTSTANDING SHARES	ISSUED AMOUNT	ADDITIONAL PAID-IN CAPITAL	UNREALIZED GAINS	RETAINED EARNINGS	TREASURY STOCK
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCES, MAY 31, 1993	165,898	$ 14	$ 1,005	$ --	$ 1,019	$ (286)

Net loss					(425)	
Cash dividends ($0.12 per share)					(19)	
Stock options exercised	293		(1)			4
Restricted share cancellations	(110)		9			
BALANCES, MAY 31, 1994	166,081	14	1,013	--	575	(282)
Net income					165	
Shares issued in connection with merger	33,156	2	486			
Stock options exercised	705		(1)			10
Restricted share cancellations	(4)		4			
BALANCES, MAY 31, 1995	199,938	16	1,502	--	740	(272)
Net income					350	
Performance investment plan options exercised	13,499		39			196
Stock options exercised	2,485		1			36
Unrealized gains from changes in market value of investments in debt and equity securities, net of income taxes				28		
BALANCES, MAY 31, 1996	215,922	$ 16	$ 1,542	$ 28	$ 1,090	$ (40)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

</TABLE>

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. THE COMPANY

Tenet Healthcare Corporation is an investor-owned healthcare services company that owns or operates, through its subsidiaries and affiliates, general hospitals and related healthcare facilities serving urban and rural communities in 13 states and holds investments in other healthcare companies. At May 31, 1996, the Company's subsidiaries operated 74 domestic general hospitals, with a total of 16,666 licensed beds, located in Alabama, Arkansas, California, Florida, Georgia, Indiana, Louisiana, Missouri, Nebraska, North Carolina, South Carolina, Tennessee and Texas. The largest concentrations of hospitals are in California, Florida, Louisiana and Texas. At May 31, 1996, the Company's subsidiaries also owned or operated a small number of rehabilitation hospitals, long-term-care facilities and psychiatric facilities located on the same campus as, or nearby, the Company's general hospitals, in addition to numerous other ancillary healthcare operations.

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Tenet Healthcare Corporation and its wholly-owned and majority-owned subsidiaries. Significant investments in other affiliated companies generally are accounted for by the equity method. Intercompany accounts and transactions are eliminated in consolidation.

C. USE OF ESTIMATES

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.

D. NET OPERATING REVENUES

Net operating revenues consist primarily of net patient-service revenues, which are based on the hospitals' established billing rates less allowances and discounts principally for patients covered by Medicare, Medicaid and other contractual programs. These allowances and discounts were $6.2 billion, $3.4 billion and $2.7 billion for the years ended May 31, 1996, 1995 and 1994, respectively. Payments under these programs are based on either predetermined rates or the costs of services. Settlements for retrospectively determined rates are estimated in the period the related services are rendered and are adjusted in future periods as final settlements are determined. Management believes that adequate provision has been made for adjustments that may result from final determination of amounts earned under these programs. These contractual allowances and discounts are deducted from accounts receivable in the accompanying consolidated balance sheets. Approximately 43% of fiscal 1996

consolidated net operating revenues is from participation of the Company's hospitals in Medicare and Medicaid programs. In 1995 and 1994 it was approximately 40%.

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 as gross revenue and are not included in deductions from revenue or in operating and administrative expenses.

E. CASH EQUIVALENTS

The Company treats highly liquid investments with an original maturity of three months or less as cash equivalents.

F. INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities are classified as available-for-sale, held-to-maturity or as part of a trading portfolio. The Company has 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 and their unrealized gains and losses, net of tax, are reported as an adjustment to shareholders' equity. Restricted securities are carried at cost, adjusted for dividends in excess of earnings subsequent to the date of investment and for decreases in value that are other than temporary. Realized gains or losses are included in net income on the specific identification method, and are immaterial for all years presented.

G. LONG-LIVED ASSETS

PROPERTY, PLANT AND EQUIPMENT: The Company uses the straight-line method of depreciation for buildings, building improvements and equipment over their estimated useful lives as follows: buildings and improvements -- generally 25 to 40 years; equipment -- five to 15 years.

INTANGIBLE ASSETS: Preopening costs are amortized over one year. Costs in excess of the fair value of the net assets of purchased businesses (goodwill) generally are amortized over 40 years. The straight-line method is used to amortize these intangible assets. Deferred financing costs are amortized over the lives of the related loans using the interest method.

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 recoverable. 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 use and ultimate disposition of the asset.

H. LEASES

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 are amortized over the shorter of the lease term or their useful life.

I. INTEREST RATE SWAP AGREEMENTS

The differentials to be paid or received under interest rate swap agreements are accrued as the interest rates change and are recognized over the lives of the agreements as adjustments to interest expense.

J. SALES OF COMMON STOCK OF SUBSIDIARIES

At the time a subsidiary or equity affiliate sells existing or newly issued common stock to unrelated parties at a price in excess of its book value, the Company records a gain reflecting its share of the change in the subsidiary's shareholders' equity resulting from the sale.

K. EARNINGS PER SHARE

Primary earnings per share of common stock is based on after-tax income applicable to common stock and the weighted average number of shares of common stock and common stock equivalents outstanding during each period as appropriate. Fully diluted earnings-per-share calculations are based on the assumption that all dilutive convertible debentures are converted into shares of common stock as of the beginning of the year, or as of the issue date if later, and (i) that those shares are added to the weighted average number of common shares and share equivalents outstanding used in the calculation of primary

earnings per share, and (ii) that after-tax income is adjusted accordingly.

L. TRANSLATION OF FOREIGN CURRENCIES

The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52. Exchange gains and losses on forward exchange contracts designated as hedges of foreign net investments are reported as an adjustment to shareholders' equity. Currency translation adjustments and the effect of transaction gains and losses and exchange gains and losses on forward exchange contracts are insignificant for all years presented. At May 31, 1996, the Company had sold substantially all of its foreign operations.

Note 2. Acquisitions and Disposals of Facilities

DOMESTIC:

In July 1995, the Company acquired a one-third interest (which subsequently has been increased to a 50% interest) in the leased 82-bed St. Clair Hospital located outside Birmingham, Alabama. In August 1995, the Company acquired Memorial Medical Center (formerly known as Mercy+Baptist Medical Center), a system of two general hospitals with an aggregate of 759 licensed beds located in New Orleans, Louisiana, and a related physician practice. In September 1995, the Company acquired Providence Memorial Hospital, a general hospital located in El Paso, Texas. Providence is licensed for 471 general hospital beds (34 of which may be used as skilled nursing beds) and is licensed for 30 additional rehabilitation and sub-acute care beds. In October 1995, the Company entered into a long-term lease of the 49-bed Medical Center of Manchester in central Tennessee. In November 1995, the Company acquired the 104-bed Methodist Hospital of Jonesboro, a general hospital located in Jonesboro, Arkansas. That hospital is now owned by a limited liability company of which Tenet owns 95% and is the manager. In fiscal 1996 the Company also acquired several other physician practices and other healthcare operations. These acquisitions were all accounted for as purchases. On June 1, 1996, the Company acquired Hialeah Hospital, a 378-bed acute care hospital in Hialeah, Florida. The Company also has entered into a definitive agreement to purchase Lloyd Noland Hospital in Birmingham, Alabama, which purchase the Company expects to complete prior to the end of the second quarter of fiscal 1997.

In March 1995, in a transaction accounted for as a purchase, the Company acquired all the outstanding common stock of American Medical Holdings, Inc. ("AMH") for $1.5 billion in cash and 33,156,614 shares of the Company's common stock valued at $488 million. The total purchase price was allocated to the assets and liabilities of AMH based on their estimated fair values. The total purchase price exceeded the fair value of the net assets acquired by approximately $2.5 billion.

INTERNATIONAL:

In June 1995, the Company sold two hospitals and related healthcare businesses in Singapore for approximately $243 million, net of $78 million in debt assumed by the buyer. In October 1995, the Company sold its interest in Australian Medical Enterprises, Limited ("AME") for a net cash consideration of approximately $68 million, and the Company sold its interest in a hospital in Malaysia for net cash consideration of approximately $12 million. In February 1996, the Company also sold its 40% interest in a hospital in Thailand for net cash consideration of approximately $21 million. These transactions resulted in gains of approximately $158 million. The net proceeds from these sales were used to repay secured bank loans under the Company's February 28, 1995 credit agreement. Net operating revenues of the sold facilities were $51 million in 1996 and $202 million in 1995. Operating profits before general corporate overhead costs were $7 million in 1996 and $39 million in 1995.

In May 1996, the Company also sold its approximately 42% interest in Westminster for a gain of $34 million. Pretax cash proceeds from this transaction were approximately $120 million and were used to repay bank loans.

NOTE 3. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, short-term borrowings and notes, current portion of long-term debt, accounts payable and 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), long-term receivables and long-term debt are not materially different from the estimated fair values of these instruments. The estimated fair values of interest rate swap agreements are not material to the Company's financial position.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and consists of the following:

(IN MILLIONS)	1996	1995
Land	$ 266	$ 238
Buildings and improvements	2,863	2,593
Construction in progress	118	97
Equipment	1,351	1,215
	4,598	4,143
Less accumulated depreciation and amortization	950	824
Net property, plant and equipment	$ 3,648	$ 3,319

NOTE 5. LONG-TERM DEBT AND LEASE OBLIGATIONS

A. LONG-TERM DEBT

Long-term debt consists of the following:

<TABLE>
<CAPTION>

(IN MILLIONS)	1996	1995
<S>	<C>	<C>
Unsecured loans payable to banks	$ 975	$ --
Secured loans payable to banks	--	1,731
9 5/8% Senior Notes due 2002, $300 million face value, net of $5.9 million unamortized discount	294	293
10 1/8% Senior Subordinated Notes due 2005, $900 million face value, net of $21.8 million unamortized discount	878	877
8 5/8% Senior Subordinated Notes due 2003, $500 million face value, net of $11.9 million unamortized discount	488	--
6% Exchangeable Subordinated Notes due 2005, $320 million face value, net of $9.0 million unamortized discount	311	--
13 1/2% Senior Subordinated Notes due 2001	16	16
15% Junior Subordinated Notes due 2005	--	26
6 1/2% Swiss franc/dollar dual currency debentures due 1997	16	16
5% Swiss franc bonds due 1996	--	18
Zero-coupon guaranteed bonds due 1997 and 2002, $130.6 million face value, net of $28.9 million unamortized discount	102	96
Notes and capital lease obligations secured by property, plant and equipment, weighted average interest rate of approximately 11.2% in 1996 and 9.6% in 1995, payable in installments to 2009	116	153
Convertible floating-rate debentures	--	219
Unsecured medium-term notes due 1997	36	73
Other notes, primarily unsecured	19	7
	3,251	3,525
Less current portion	60	252
	$ 3,191	$ 3,273

</TABLE>

LOANS PAYABLE TO BANKS -- In March 1996, a syndicate of banks entered into a new, five-year $1.55 billion unsecured revolving credit agreement with the Company. The agreement replaced the Company's $2.3 billion secured bank term loan and revolving credit agreement dated February 28, 1995. Unamortized costs of issuance written off in connection with the refinancing were $36 million. The write-off is reflected as an extraordinary charge from early extinguishment of debt in the quarter ended May 31, 1996 in the amount of $23 million, which is net of tax benefits of $13 million. The $2.3 billion in secured bank loans was used to finance the AMH merger and repay existing indebtedness. The early extinguishment of debt in 1995 resulted in an extraordinary loss of $20 million, net of tax benefits of $12 million.

Borrowings under the new agreement are unsecured and will mature on March 1, 2001. The Company generally may repay or prepay loans made under the agreement and may reborrow at any time prior to such maturity date. The Company's unused borrowing capacity under the new agreement was $575 million as of May 31, 1996.

Loans under the new credit agreement generally bear interest at a base rate equal to the prime rate or, if higher, the federal funds rate plus 0.50%, plus an interest margin ranging from zero to 25 basis points, or, at the option of the Company, an adjusted London interbank offered rate ("LIBOR") for one-, two-, three- or six-month periods plus an interest margin of from 30 to 87.5 basis points. The Company has agreed to pay the lenders under the new credit agreement a facility fee on the total loan commitment at rates ranging from 15 to 37.5 basis points. The interest margins and facility fee rates are based on the ratios of the Company's consolidated net earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest expense and the ratio of the Company's consolidated total debt to EBITDA. During the three months ended May 31, 1996 the weighted average interest rates on these borrowings was 6.1%.

SENIOR NOTES AND SENIOR SUBORDINATED NOTES -- In connection with the AMH merger and related refinancing, the Company sold, on March 1, 1995, $300 million of 9 5/8% Senior Notes due September 1, 2002 and $900 million of 10 1/8% Senior Subordinated Notes due March 1, 2005. The proceeds to the Company were $1.17 billion, after underwriting discounts and commissions. The senior notes are not redeemable by the Company prior to maturity. The senior subordinated notes are redeemable at the option of the Company, in whole or from time to time in part, at any time after March 1, 2000, at redemption prices ranging from 105.063% in 2000 to 100% in 2003 and thereafter.

The senior notes are unsecured obligations of the Company ranking senior to all subordinated indebtedness of the Company, including the senior subordinated notes, and pari passu in right of payment with all other indebtedness of the Company, including borrowings under the new credit facility described above. The senior subordinated notes also are unsecured obligations of the Company subordinated in right of payment to all existing and future senior debt, including the senior notes and borrowings under the new credit facility.

In October 1995, the Company sold $500 million of Senior Notes due December 2003. The notes have a coupon of 8 5/8% and were priced at 99.666% of par to yield 8.68%. In January 1996, the Company issued $320 million of 6% Exchangeable Subordinated Notes due 2005 that will be exchangeable at the option of the holder for shares of common stock of Vencor (see Note 12) at any time on or after November 6, 1997 at an exchange rate of 25.9403 shares 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 Vencor common stock in lieu of delivery of such shares. The notes will be redeemable at the option of the Company at any time on or after January 15, 1999 at the redemption prices set forth in the indenture, plus accrued and unpaid interest. The net proceeds from the notes sold in October 1995 and January 1996 were applied to repay secured bank loans under the Company's February 28, 1995 credit agreement.

If the fair market value of the Company's investment in common stock of Vencor ever exceeds the carrying value of the notes, the Company will adjust the carrying value of the notes to the fair market value of the investment through a charge or credit to earnings. Corresponding adjustments to the carrying value of the investment in Vencor will be credited or charged directly to shareholders' equity as unrealized gains or losses.

CONVERTIBLE FLOATING-RATE DEBENTURES -- All of the Company's Convertible Floating-Rate Debentures due in April 1996 were redeemed or converted prior to that date into shares of the Company's common stock

through the exercise of performance investment plan options purchased by key employees of the Company. The performance investment plan options permitted the holder to purchase debentures at 95% of their $105,264 face value. The debentures were convertible into preferred stock, which, in turn, was convertible into common stock at an exercise price equivalent to $15.83 per share. The proceeds from the conversions during the year were used to repay bank loans under the Company's credit agreements.

During 1996, the Company reduced taxable income by the excess of the fair market value of the stock obtained at the date of exercise over the principal amount of the debentures redeemed. The resulting tax benefit of $20 million, was credited to additional paid-in capital.

As a result of the redemption and/or conversions of all of the Company's convertible floating-rate debentures during fiscal 1996, at May 31, 1996 there are no potentially dilutive securities except for employee stock options, which are common stock equivalents for purposes of calculating earnings per share.

UNSECURED MEDIUM-TERM NOTES -- The weighted average interest rates on the medium-term notes were 9.0% in 1996, 8.3% during 1995 and 8.1% during 1994.

LOAN COVENANTS -- The new credit facility and the indentures governing the senior notes and the senior subordinated notes have, among other requirements, limitations on borrowings by, and liens on the assets of, the Company and its subsidiaries, investments, the sale of all or substantially all assets and prepayment of subordinated debt, a prohibition against the Company declaring or paying dividends on or purchasing its stock unless its senior long-term unsecured debt securities are rated BBB- or higher by Standard and Poors' Rating Services and Baa3 or higher by Moody's Investors Service, Inc., and covenants regarding maintenance of specified levels of net worth, debt ratios and fixed-charge coverage ratios. Because of dividend restrictions, all of the Company's retained earnings are restricted. The Company is in compliance with its loan covenants. There are no compensating balance requirements for any credit line or borrowing.

B. LONG-TERM DEBT MATURITIES AND LEASE OBLIGATIONS
Future long-term debt cash maturities and minimum operating lease payments are as follows:

<TABLE>
<CAPTION>

(IN MILLIONS)	1997	1998	1999	2000	2001	LATER YEARS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Long-term debt	$ 62	$ 101	$ 11	$ 30	$ 982	$ 2,145
Long-term leases	146	138	123	88	78	255

</TABLE>

Rental expense under operating leases, including short-term leases, was approximately $177 million in 1996, $111 million in 1995, and $98 million in 1994.

C. NOTE REDEMPTION -- On July 15, 1996, the Company announced that it will redeem all its 13 1/2% Senior Subordinated Notes due 2001 for $1,038.60 per $1,000 original principal amount, on August 15, 1996, and will pay accrued interest of $67.50 per $1,000 original principal amount through the redemption date.

Note 6. Income Taxes

Taxes on income from continuing operations consist of the following amounts:

(IN MILLIONS)	1996	1995	1994
Currently payable:			
Federal	$ 194	$ 101	$ 159
State	35	18	31
Foreign	5	9	6
	234	128	196
Deferred:			
Federal	80	--	(46)
State	11	2	(6)
	91	2	(52)
Other	23	5	--
	$ 348	$ 135	$ 144

The difference between the Company's effective income tax rate and the statutory federal income tax rate is shown below:

<TABLE>
<CAPTION>

	1996		1995		1994	
(IN MILLIONS OF DOLLARS AND AS A PERCENT OF PRETAX INCOME)	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Tax provision at statutory federal rate	$ 261	35.0%	$ 115	35.0%	$ 126	35.0%
State income taxes, net of federal income tax benefit	29	3.9%	14	4.2%	17	4.6%

Goodwill amortization	23	3.0%	5	1.5%	--	--
Gain on sale of foreign operations	30	4.1%	--	--	--	--
Other	5	0.6%	1	0.3%	1	0.4%
Taxes on income from continuing operations and effective tax rates	$ 348	46.6%	$ 135	41.0%	$ 144	40.0%

</TABLE>

The Company recognized $60 million as income in the fiscal year ended May 31, 1994 for the cumulative effect on prior years of adopting Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

Deferred tax assets and liabilities as of May 31, 1996 and 1995 relate to the following:

<TABLE>
<CAPTION>

	1996		1995	
(IN MILLIONS)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
<S>	<S>	<S>	<C>	<C>
Depreciation and fixed-asset basis differences	$ --	$ 546	$ --	$ 566
Reserves related to discontinued operations & restructuring charges	87	--	81	--
Receivables-doubtful accounts and adjustments	118	--	112	--
Cash-basis accounting change	--	8	--	16
Accruals for insurance risks	92	--	81	--
Intangible assets	4	--	--	2
Other long-term liabilities	82	--	121	--
Benefit plans	78	--	99	--
Other accrued liabilities	58	--	53	--
Investments and other assets	--	87	17	--
Federal and state net operating loss carryforwards	--	--	137	--
Other items	7	--	--	8
	$ 526	$ 641	$ 701	$ 592

</TABLE>

Management believes that realization of the deferred tax assets at May 31, 1996 will occur as temporary differences reverse against future taxable income. Accordingly, no valuation alllowance has been established.

NOTE 7. CLAIMS AND LAWSUITS

A. PROFESSIONAL AND GENERAL LIABILITY INSURANCE

In the normal course of business the Company is subject to claims and lawsuits relating to injuries arising from patient treatment. 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.

The Company insures substantially all of its professional and comprehensive general liability risks in excess of self-insured retentions, which vary by hospital and by policy period from $500,000 to $3 million per occurrence, through an insurance company owned by several healthcare companies and in which the Company has a majority equity interest. A significant portion of these risks is, in turn, reinsured with major independent insurance companies. Through May 31, 1994, the Company insured its professional and comprehensive general liability risks related to its psychiatric and rehabilitation hospitals through a wholly-owned insurance subsidiary, which reinsured risks in excess of $500,000 with major independent insurance companies. The Company has reached the policy limits provided by this insurance subsidiary related to the psychiatric hospitals in certain years. In addition, damages, if any, arising from fraud and conspiracy claims in psychiatric malpractice cases may not be insured.

In addition to the reserves recorded by the above insurance subsidiaries, 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 weighted average discount rate of approximately 9%. Adjustments to the reserves are included in results of operations.

B. SIGNIFICANT LEGAL PROCEEDINGS

The Company has been involved in significant legal proceedings of an unusual nature related principally to its psychiatric business. During the years ended May 31, 1996, 1995 and 1994, the Company recorded provisions to estimate the cost of the ultimate disposition of all of these proceedings and to estimate the legal fees that it expected to incur. The Company has settled the most significant of these matters. The remaining reserves for unusual litigation costs that relate to matters that had not been settled as of May 31, 1996 and an estimate of the legal fees to be incurred subsequent to May 31, 1996 represent management's estimate of the remaining net costs of the ultimate disposition of these matters. There can be no assurance, however, that the ultimate liability will not exceed such estimates. Although, based upon information currently available to it, management believes that the amount of damages, if any, in excess of the reserves for unusual litigation costs that may be awarded in any of the following unresolved legal proceedings cannot reasonably be estimated, management does not believe it is likely that any such damages will have a material adverse effect on the Company's results of operations, liquidity or capital resources. All of the costs associated with these legal proceedings except those relating to the AMH merger are classified in discontinued operations.

PSYCHIATRIC MALPRACTICE CASES -- The Company continues to defend a greater than normal level of litigation relating to certain of its subsidiaries' former psychiatric operations. The majority of the lawsuits filed contain allegations of medical malpractice as well as allegations of fraud and conspiracy against the Company and certain of its subsidiaries and former employees. Also named as defendants are numerous doctors and other healthcare professionals. The Company believes that the increase in litigation stems, in whole or in part, from advertisements by certain lawyers seeking former psychiatric patients in order to file claims against the Company and certain of its subsidiaries. The advertisements focus, in many instances, on the Company's settlement of past disputes involving the operations of its psychiatric subsidiaries, including the Company's 1994 resolution of the government's investigation and a corresponding criminal plea agreement involving a psychiatric subsidiary of the Company. Among the suits filed during fiscal 1995 were two lawsuits in Texas state court with approximately 740 individual plaintiffs at present who purport to have been patients in certain Texas psychiatric facilities. During fiscal 1996, 64 plaintiffs voluntarily withdrew from one of the lawsuits, and the Company's motion to recuse the original trial judge in that lawsuit has been granted. In the second lawsuit, the Texas Supreme Court has ruled that lead counsel for the plaintiffs may not continue to represent the plaintiffs due to a conflict of interest as asserted by the defendants. Neither of the two cases currently is set for trial.

During fiscal 1995 and 1996 lawsuits with approximately 210 individual plaintiffs at present who purport to have been patients in certain Washington, D.C. psychiatric facilities, containing allegations similar to those in the Texas cases described above, were filed in the District of Columbia.

In addition to the above, a purported class action was filed in Texas state court in May 1995 also containing allegations of fraud and conspiracy similar to those described in the preceding paragraphs. The plaintiff purports to represent all persons who were voluntarily admitted to one of 11 psychiatric hospitals in Texas between January 1, 1981, and December 31, 1991, and who also fit into one or more of eight categories based on such factors as their age at the time of admission, status of their insurance at the time of discharge and whether a certain type of examination was conducted prior to their being admitted. In February 1996, an insurance company that purports to have paid claims on behalf of the potential class intervened in the action and the case was removed to the U.S. District Court in Houston, Texas. A motion by the plaintiffs to remand the case to Texas state court currently is pending. The class has not been certified and the Company believes that the class is not capable of being certified.

The Company expects that additional lawsuits with similar allegations will be filed. The Company believes it has a number of defenses to each of these actions and will defend the litigation vigorously. Until the lawsuits are resolved, however, the Company will continue to incur substantial legal expenses. At May 31, 1996, the reserves for unusual litigation costs related to these actions primarily represent the estimated costs of defending the actions.

SHAREHOLDER LAWSUITS -- As a result of mediation, the parties in the shareholder derivative and class action suits filed against the Company in 1991 agreed to a global settlement of all plaintiffs' claims. Pursuant to the settlement, which was approved by the court in January 1996, a total of $63.75 million plus interest was paid by or on behalf of the defendants. Of this amount, Tenet's

directors' and officers' liability insurance ("D&O") carriers paid a total of $32.5 million plus interest on behalf of the individual defendants. In addition, one of the D&O carriers reimbursed the Company for $5.5 million in attorneys' fees expended on the litigation.

Two additional federal class actions filed in August 1993 were consolidated into one action. This consolidated action is on behalf of a purported class of shareholders who purchased or sold stock of the Company between January 14, 1993 and August 26, 1993, and alleges violations of securities laws by the Company and certain of its executive officers. After unsuccessful mediation, the parties agreed in May 1995 to proceed with the litigation. In June 1995, the defendants filed a motion to dismiss and to strike plaintiffs' complaint, which motion is still pending.

C. LITIGATION RELATING TO THE AMH MERGER

A total of nine purported class actions were filed challenging the merger in both Delaware and California. In April 1996, the parties to the class actions executed a stipulation of settlement, and the court has issued an order approving the settlement. Under the terms of that settlement, the Company agreed to pay $350,000 for the plaintiffs' attorneys fees and agreed that for a period of one year following final approval of the settlement it will not engage in any transaction that will be dilutive to existing shareholders without that transaction being approved by a majority of its outside directors.

NOTE 8. PREFERRED STOCK PURCHASE RIGHTS AND PREFERRED STOCK

In 1988 the Company distributed Preferred Stock Purchase Rights to holders of the Company's common stock and authorized the issuance of additional rights for common stock issued after that date. The rights expire in December 1998 unless previously exercised or redeemed and do not entitle the holders thereof to vote as shareholders or receive dividends.

The Company may redeem the rights at $.025 per right at any time up to the 10th business day after a public announcement that a person has acquired 20% or more of the Company's common stock in a transaction or transactions not approved by the Board of Directors. The rights are not exercisable until after the date on which the Company's right to redeem the rights has expired. When exercisable, each right entitles the holder thereof to purchase from the Company one two-thousandth of a share of Series A Junior Participating Preferred Stock ("Series A Preferred Stock") at a price of $40.61, subject to adjustment.

Subject to the foregoing, in the event the Company is acquired in a merger or other business combination transaction in which shares of the Company's common stock are exchanged for shares of another company or more than 50% of the Company's assets are sold, each holder of a right generally will be entitled upon exercise to purchase, for the then-current exercise price of the right, common stock of the surviving company having a market value equal to two times the exercise price of the rights. The plan also provides that, in the event of certain other mergers or business combinations, certain self-dealing transactions or the acquisition by a person of stock having 30% or more of the Company's general voting power, each holder of a right generally

will be entitled upon exercise to purchase, for the then-current exercise price of the right, the number of shares of Series A Preferred Stock having a market value equal to two times the exercise price of the rights.

The Series A Junior Participating Preferred Stock for which the Preferred Stock Purchase Rights may be exchanged is nonredeemable and has a par value of $0.15 per share. None of the 225,000 authorized shares are outstanding.

NOTE 9. STOCK BENEFIT PLANS

Under the Company's 1983, 1991 and 1995 stock incentive plans, stock options and incentive stock awards have been made to certain officers and other key employees. Stock options generally are granted at an exercise price equal to the fair market value of the Company's shares on the date of grant and 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 incentive stock awards have been granted since 1994.

All awards granted under the 1983, 1991 and 1995 plans will vest under circumstances defined in the plans or under certain employment arrangements, including, with the consent of the Compensation and Stock Option Committee of the Board of Directors, upon a change in control of the Company.

Charges to continuing operations associated with these stock benefit plans were $2 million in fiscal 1996, $4 million in 1995, and $12 million in 1994.

New stock awards may be made only under the 1991 and 1995 plans. At May 31, 1996, there were 295,647 shares of common stock available under the 1991 plan

and 9,137,472 shares available under the 1995 plan for future awards. The table below summarizes the transactions in all stock option plans in which employees participate:

<TABLE>
<CAPTION>

(SHARES OF COMMON STOCK)	1996	1995
<S>	<C>	<C>
Outstanding at beginning of year (1983 and 1991 plans)	19,617,125	15,426,593
Granted ($13.875 to $20.875 per share in 1996 and 1995)	3,619,346	6,241,700
Exercised ($4.405 to $17.50 per share in 1996 and 1995)	(2,459,664)	(705,022)
Canceled and other adjustments	(1,812,579)	(1,346,146)
Outstanding at end of year ($4.405 to $22.438 per share at May 31, 1996)	18,964,228	19,617,125
Exercisable at end of year	9,800,152	8,967,874

</TABLE>

In September 1994 a new 1994 Directors Stock Option Plan replaced a 1991 Director Restricted Share Plan which replaces a 1985 Director Stock Option Plan. Awards previously made under the 1985 and 1991 plans remain outstanding, but new awards are made only under the 1994 plan. The plan makes available for issuance to nonemployee directors options to purchase 500,000 shares of common stock. Under the plan each nonemployee director will receive a stock option for 5,000 common shares upon initially being elected to the Board of Directors and on each January thereafter. Awards will have an excercise price equal to the fair market value of the Company's shares on the date of grant, will vest one year after the date of grant and will expire 10 years after the date of grant. At May 31, 1996, there were options outstanding under the Directors plans for 322,820 shares of common stock at exercise prices of $8.67 to $21.50 per share.

In November 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 -- "Accounting for Stock-Based Compensation," which establishes a new accounting standard for the measurement and recognition of stock-based awards to employees and others. This standard permits entities to continue to account

for stock-based awards using present standards prescribed by APB Opinion No. 25 -- "Accounting for Stock Issued to Employees." The Company has elected to continue using the provisions of APB Opinion No. 25 in accounting for its stock-based awards. Under this option, however, the Company will be required to disclose the pro forma effect of stock-based awards on net income and earnings per share as if SFAS No. 123 had been adopted. The disclosure requirements of SFAS No. 123 are effective for fiscal years beginning after December 15, 1995. The pro forma disclosures will include the effect of all awards granted in fiscal years that began after December 15, 1994.

NOTE 10. EMPLOYEE STOCK PURCHASE PLAN

On September 27, 1995, the Company's shareholders approved its 1995 Stock Purchase Plan under which the Company is authorized to issue up to 2,000,000 shares of common stock to eligible employees of the Company or its designated subsidiaries who customarily work at least 20 hours per week and six months per year. Under the terms of the plan, employees can 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. The plan commenced on April 1, 1996. Under the plan, the Company sold 114,876 shares to 3,666 employees on June 30, 1996 at a price of $17.85 per share.

NOTE 11. EMPLOYEE RETIREMENT PLANS

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 make contributions of from 1% to 16% of their eligible compensation, and the Company matches such contributions up to a maximum of 3% of eligible compensation. Company contributions to the plans for fiscal 1996 were approximately $27 million, they were $17 million in each of 1995 and 1994.

Substantially all employees who were employed by AMI prior to the merger were eligible to participate in one of AMI's defined benefit pension plans (the "AMI Plans"). The benefits under the plans are based on years of service and the employee's base compensation as defined in the AMI Plans. The Company's policy is to fund pension costs accrued within the limits allowed under federal income

tax regulations. Contributions are intended to provide not only for benefits attributed to credited service to date, but also for those expected to be earned in the future. Effective December 31, 1995, the AMI Plans were frozen. As of that date, participants under the AMI Plans ceased accruing new benefits and the AMI Plans ceased accepting new participants. The Company continues to fund benefits accrued prior to that date.

The following table sets forth the funded status of the AMI Plans and amounts recognized in the consolidated financial statements as of May 31, 1996 and 1995:

<TABLE>
<CAPTION>

(IN MILLIONS)	1996	1995
<S>	<C>	<C>
Actuarial present value of accumulated benefit obligation:		
Vested	$ 249	$ 271
Accumulated	264	282
Projected benefit obligation	264	285
Plan assets at fair value, primarily listed stocks and corporate bonds	(296)	(223)
Shortfall/(excess) of plan assets compared to projected benefit obligation	(32)	62
Unrecognized net gain	80	13
Pension liability	$ 48	$ 75

</TABLE>

Net pension cost for the AMI Plans was $4 million and $2 million for the year ended May 31, 1996 and for the three months ended May 31, 1995, respectively. The discount rate used in determining the actuarial present value of the projected benefit obligation for the AMI Plans approximated 8.0% at May 31, 1996 and 7.0% as of May 31, 1995. The Company does not have a plan that provides any postretirement benefits other than pensions to retired employees.

NOTE 12. INVESTMENTS

In September 1995, Vencor acquired all of the outstanding common stock of Hillhaven. As a result of the transaction, the shares of Hillhaven common stock that had been owned by the Company were exchanged for 8,301,067 shares of Vencor common stock. In addition, the Company received approximately $92 million in cash for its Hillhaven Series C and Series D preferred stock. The exchange and sale of preferred stock resulted in a gain of approximately $176 million. The Company's investment in Hillhaven previously had been accounted for under the equity method. Following the exchange, the Company owned less than 20% of Vencor's common stock and began to account for its investment in Vencor common stock in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." The Company classifies such securities as "available for sale" whereby the carrying value of the unrestricted Vencor shares will be adjusted to market value at the end of each accounting period through a credit or charge, net of income taxes, to shareholders' equity. At May 31, 1996, the market value of the investment was approximately $263 million. (See Note 5)

The Company is contingently liable under various guarantees for $146 million of Vencor's obligations to third parties, including $139 million of lease obligations and $7 million of long-term debt obligations. The Company is also contingently liable for approximately $75 million in lease obligations relating to certain rehabilitation facilities sold in 1994.

In August 1994, the Company completed the sale of a controlling interest in TRC, an operator of outpatient renal dialysis centers. This transaction resulted in a $32 million gain to the Company. As part of the transaction, the Company also received a $75 million cash distribution from TRC prior to the sale and retained an approximate 25% minority interest. In October 1995, TRC completed an initial public offering of 6,000,000 shares of its common stock, which resulted in an additional gain to the Company of approximately $17 million in fiscal 1996. The Company's ownership interest was reduced to approximately 11.6% as a result of a secondary offering by TRC in April 1996.

Because the Company owned less than 20% of the common shares after the October 1995 stock sale by TRC, and does not exercise significant influence over TRC, the Company began accounting for its investment in accordance with SFAS No. 115. At May 31, 1996, the Company's carrying value in its investment in TRC was $49 million and the market value of this investment was approximately $124 million.

NOTE 13. IMPAIRMENT LOSSES

In March 1995, the FASB issued SFAS No. 121 -- "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The statement is effective for fiscal years beginning after December

15, 1995, but the Company has elected to adopt it for the year ended May 31, 1996. Accordingly, the Company recorded, in the fourth quarter of fiscal 1996, an impairment loss of approximately $86 million, before tax benefits of approximately $32 million ($0.25 per fully diluted share). The assets deemed to be impaired consist of three rehabilitation hospitals, four general hospitals and a parcel of undeveloped land. Two of the seven facilities are being held for sale. In the case of the rehabilitation hospitals, the principal facts and circumstances leading to the impairment include recent and forecast reductions in hospital admissions and payment rates caused by payor-driven shifts in care from traditional rehabilitation services to skilled nursing facilities. The impairment of the general hospitals is the result of (i) a change in the use of one of the facilities from acute care to less-intense specialty care, (ii) lower patient volumes, and (iii) adverse changes in payor mix.

In determining the amount of the impairment loss, the assets' fair values were determined by specific market appraisals, reference to recent sales prices of comparable facilities, either on a per-bed or earnings multiple basis, or by the present values of discounted expected future cash flows. The two facilities held for sale had operating losses aggregating $5 million in fiscal 1996, have carrying amounts totaling $34 million as of May 31, 1996 and are expected to be sold by December 31, 1996.

NOTE 14. RESTRUCTURING CHARGES

In connection with the AMH merger, the Company relocated substantially all of its hospital support activities previously located in Southern California and Florida to the former corporate headquarters of AMH located in Dallas, Texas. Severance payments and outplacement services for involuntary terminations of approximately 890 former employees and other related costs in connection with this move were estimated to be $37 million ($0.12 per fully diluted share) and were classified as restructuring charges in the accompanying consolidated statements of operations for the year ended May 31, 1995.

During the fourth quarter of fiscal 1994, the Company initiated a plan to significantly decrease overhead costs through a reduction in corporate and division staffing levels and to review the resulting office space needs of all corporate operations. The Company decided to sell its Santa Monica, California, corporate headquarters building and to lease substantially less office space in that building or at an alternative site. Costs of the write-down of the building, employee severance benefits for approximately 110 employees and other expenses directly related to the overhead reduction plan were estimated to be approximately $77 million. The Company's corporate headquarters were moved to new leased office space in Santa Barbara, California, in May 1996 and the former headquarters building was sold the following month.

Actual costs incurred and charged against the restructuring reserves were approximately $32 million in 1996, $23 million in 1995 and $35 million on 1994. The balances of the reserves are included in other current liabilities or other long-term liabilities in the Company's consolidated balance sheets at May 31, 1996 and 1995.

NOTE 15. DISCONTINUED OPERATIONS -- PSYCHIATRIC HOSPITAL BUSINESS

In November 1993, the Company decided to discontinue its psychiatric hospital business and adopted a plan to dispose of its psychiatric hospitals and substance abuse recovery facilities. The consolidated statements of operations reflect the operating results of the discontinued business separately from continuing operations. All operating results and gains or losses on disposals of facilities for the discontinued business for periods subsequent to November 30, 1993, have been charged to the reserve for estimated losses during the phase-out period, except

for the following: (i) in the fourth quarter of fiscal 1995, the Company recorded an additional $16 million of estimated litigation costs (less income tax benefits of $7 million) and (ii) in the fourth quarter of fiscal 1996, the Company recorded $16 million (less income tax benefits of $6 million) for additional estimated legal costs and $25 million (less tax benefits of $10 million) to increase the reserves of the Company's wholly-owned insurance subsidiary for professional liability claims, all of which related to the former psychiatric hospitals.

Net operating revenues for the discontinued operations for fiscal 1994 were $476 million. Losses from operations during the year were $266 million, before income tax benefits of $111 million. In fiscal 1994, the Company recognized a charge for estimated losses upon disposal amounting to $414 million, including $379 million of costs to settle federal and state investigations and other unusual legal costs related to the psychiatric hospital business, along with $433 million of estimated operating losses during the phase-out period, less tax benefits of $301 million. By May 31, 1995, substantially all of the assets of the discontinued operations had been sold.

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. These derivatives are nonleveraged and involve little complexity. They are used to manage well-defined interest risks. The notional amounts of derivatives in the tables below do not represent amounts exchanged by the parties and, thus, are not a measure of the exposure of the Company through its use of derivatives. There are no cash or collateral requirements in connection with these agreements.

INTEREST RATE SWAPS -- These derivative financial instruments allow the Company to make long-term borrowings at floating rates and then swap them into fixed rates that are lower than those available to the Company if fixed-rate borrowings were made directly. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. Cross-currency interest rate swaps allow borrowings to be made in foreign currencies, gaining access to additional sources of financing while limiting foreign exchange risk. The Company's exposure to credit loss under these agreements is limited to the interest rate spread in the event of nonperformance by the other parties. Because the other parties are creditworthy financial institutions, generally commercial banks, the Company does not expect nonperformance.

The following table shows the Company's interest rate swaps and their weighted average interest rates as of the end of the most recent two fiscal years. Variable interest rates may change significantly, affecting future cash flows.

<TABLE>
<CAPTION>

(IN MILLIONS)	1996	1995
<S>	<C>	<C>
Notional amount for agreements under which the Company receives fixed rates	$ 29	$ 29
Average receive rate	7.0%	7.0%
Average pay rate	6.0%	5.7%
Contract duration	1 YEAR	2 YEARS
Notional amount for agreements under which the Company pays fixed rates	$ 69	$ 120
Average pay rate	8.7%	8.5%
Average receive rate	5.8%	5.6%
Contract duration	3--4 YEARS	1--5 YEARS

</TABLE>

REPORT OF INDEPENDENT AUDITORS

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, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended May 31, 1996. 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 generally accepted auditing standards. 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, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended May 31, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for income taxes effective June 1, 1993.

/s/ KPMG Peat Marwick LLP

Los Angeles, California
July 25, 1996

DIRECTORS AND MANAGEMENT

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AMERICAN COUNCIL OF LIFE INSURANCE

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2. AUDIT COMMITTEE
3. COMPENSATION AND
STOCK OPTION COMMITTEE
4. NOMINATING COMMITTEE
5. ETHICS AND QUALITY
ASSURANCE COMMITTEE
6. PENSION COMMITTEE

CORPORATE AND
OPERATING MANAGEMENT

[PHOTO OF SENIOR MANAGEMENT]

Jeffrey C. Barbakow
CHAIRMAN AND CHIEF
EXECUTIVE OFFICER

[PHOTO OF SENIOR MANAGEMENT]

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PRESIDENT AND CHIEF
OPERATING OFFICER

[PHOTO OF SENIOR MANAGEMENT]

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EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

[PHOTO OF SENIOR MANAGEMENT]

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OPERATIONS

[PHOTO OF SENIOR MANAGEMENT]

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EXECUTIVE VICE PRESIDENT,
WESTERN OPERATIONS

[PHOTO OF SENIOR MANAGEMENT]

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EXECUTIVE VICE PRESIDENT,
EASTERN OPERATIONS

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SENIOR VICE PRESIDENT,
GENERAL COUNSEL AND
CORPORATE SECRETARY

Stephen F. Brown
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CHIEF INFORMATION OFFICER

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DEVELOPMENT

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VENTURE DEVELOPMENT AND SUPPORT

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TEXAS REGION

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CENTRAL STATES REGION

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WESTERN DIVISION

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EASTERN DIVISION

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G. Michael Sheley
CHIEF EXECUTIVE OFFICER,
NATIONAL HEALTH PLANS

SUPPLEMENTARY FINANCIAL INFORMATION

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(IN MILLIONS, EXCEPT PER SHARE DATA)	FISCAL 1996 QUARTERS FIRST	SECOND	THIRD	FOURTH	FISCAL 1995 QUARTERS FIRST	SECOND	THIRD	FOURTH
Net operating revenues	$1,284	$1,371	$1,432	$1,472	$ 663	$ 639	$ 660	$1,356
Income from continuing operations	$ 118	$ 183	$ 71	$ 26	$ 64	$ 46	$ 49	$ 35
Net income (loss)	$ 118	$ 183	$ 71	$ (22)	$ 64	$ 46	$ 49	$ 6
Earnings per share from continuing operations:								
Primary	$ 0.59	$ 0.90	$ 0.33	$ 0.12	$ 0.38	$ 0.27	$ 0.29	$ 0.17
Fully diluted	$ 0.56	$ 0.85	$ 0.33	$ 0.12	$ 0.36	$ 0.27	$ 0.28	$ 0.17

Quarterly operating results are not necessarily representative of operations for a full year. Net operating revenues, amortization and interest expense, for example, increased significantly in the quarters following the acquisition of AMH on March 1, 1995. Income from continuing operations and net income in the first quarter of 1995 includes the effects of a $32 million gain from the sale of a subsidiary's common stock. The fourth quarter of 1995 was impacted by a restructuring charge of $37 million, a $9 million charge for discontinued operations and a $20 million extraordinary charge from early extinguishment of debt. Unusual items in 1996 include a $124 million gain on asset disposals in the first quarter, a $171 million gain on asset disposals in the second quarter, a $17 million gain from the sale of a subsidiary's common stock in the second quarter, impairment losses of $86 million and asset disposal gains of $34 million in the fourth quarter, as well as a $25 million net charge to discontinued operations and a $23 million extraordinary charge from early extinguishment of debt in the fourth quarter.

COMMON STOCK INFORMATION (UNAUDITED)

	FISCAL 1996 QUARTERS FIRST	SECOND	THIRD	FOURTH	FISCAL 1995 QUARTERS FIRST	SECOND	THIRD	FOURTH
Price range:								
High	17	18 1/2	22 1/2	22 1/2	19	19 1/2	16	17 7/8
Low	13 3/8	15 5/8	17 7/8	18 1/8	14 3/4	13 1/8	12 1/2	14 1/2

At May 31, 1996, there were approximately 18,700 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. The Company's credit facility currently prohibits the payment of dividends.

CORPORATE INFORMATION

COMMON STOCK TRANSFER AGENT AND REGISTRAR

For information on stock certificates or for change of address, please contact:

THE BANK OF NEW YORK
101 Barclay St., New York, NY 10286
(800) 524-4458

National Medical Enterprises, Inc. (NME) stock certificates remain valid and do not need to be exchanged for Tenet certificates. Former shareholders of American Medical Holdings, Inc. (AMI) who have not yet redeemed their AMI stock

for cash and Tenet stock, should contact The Bank of New York at (800) 507-9357. For all other shareholder inquiries, contact Paul J. Russell, Vice President, Investor Relations, at (805) 563-7188.

CORPORATE HEADQUARTERS

TENET HEALTHCARE CORPORATION
3820 State St., Santa Barbara, CA 93105
(805) 563-7000

COMMON STOCK LISTING

The company's common stock is listed under the symbol THC on the New York and Pacific stock exchanges.

Debt securities listed on the New York Stock Exchange:
9 5/8% Senior Notes due 20028
8 5/8% Senior Notes due 2003
10 1/8% Senior Subordinated Notes due 2005
6% Exchangeable Subordinated Notes due 2005

Trustee/Registrar

THE BANK OF NEW YORK
101 Barclay St., New York, NY 10286(800) 524-4458

ANNUAL MEETING

The annual meeting of the shareholders of Tenet Healthcare Corporation will be held at 10 a.m., Wednesday, Sept. 25, 1996,
at Loews, Santa Monica Beach Hotel, 1700 Ocean Ave.,
Santa Monica, Calif.

FORM 10-K
The company reports annually to the Securities and Exchange Commission on Form 10-K. You may obtain a copy at no charge by writing to Tenet Investor Relations or by telephoning (805) 563-6969.

Report Design by Silverander Communications,
Executive Photographs by Glenn Derbyshire

[Back inside cover.]

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GLOSSARY OF HEALTHCARE TERMINOLOGY

CAPITATION: A payment method under which a health plan, hospital or physician is paid a fixed amount per enrolled member, regardless of amount or type of services delivered.

DIAGNOSTIC-RELATED GROUP (DRG): A classification of patients by diagnosis or surgical procedure into major diagnostic categories for the purpose of determining payment of hospitalization charges by Medicare.

FEE-FOR-SERVICE CARE: This is traditional cash-for-service payments and indemnity insurance coverage, under which patients have the freedom to choose their own doctor or hospital. Patients usually pay a deductible and co-payment and the providers are reimbursed the remainder of their usual and customary charges by the indemnity carrier.

HEALTH CARE FINANCING ADMINISTRATION (HCFA): The federal agency responsible for administering Medicare and Medicaid.

HEALTH MAINTENANCE ORGANIZATION (HMO): A comprehensive prepaid healthcare system with emphasis on managed care. HMO patients receive services only through the doctors, hospitals and other providers approved by the HMO. Providers are paid either a capitated amount or a discount from their usual and customary charges.

INDEPENDENT PRACTICE ASSOCIATION (IPA): A group of physicians who have joined together to negotiate for managed care contracts.

INTEGRATED DELIVERY SYSTEM (IDS): An integrated network designed to streamline healthcare delivery by coordinating the efforts of hospitals, physician practices and other facilities in order to provide a full spectrum of care.

MANAGED CARE: An umbrella term for prepaid health insurance plans designed to cut costs by monitoring access, quality and frequency of medical care. HMOs and PPOs are the most common managed care plans.

MANAGEMENT SERVICES ORGANIZATION (MSO): An organization formed to provide administrative and contract management services for physicians.

MEDICAID: A state and federal health insurance program for the poor.

MEDICARE: A federal health insurance program for people 65 and older and for disabled people under 65.

PHYSICIAN HOSPITAL ORGANIZATION (PHO): A collaborative venture uniting physicians and hospitals for managed care contracting purposes.

PREFERRED PROVIDER ORGANIZATION (PPO): A health plan in which members may seek care from a set list of providers, who agree to furnish services for a predetermined fee.

POINT-OF-SERVICE HMO: The same as an HMO plan, but with one exception: Patients may use doctors or hospitals outside the network, if they pay more out of pocket.

PROVIDER SERVICE NETWORK (PSN): A network of healthcare providers that contracts directly with the Health Care Financing Administration to provide capitated care for Medicare recipients.

[Inside of foldout flap.]

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www.TenetHealth.com

WE'RE

ADDING

A NEW

ENTRANCE

TO OUR

HOSPITALS

[PICTURE OF A COMPUTER]

As this year's Annual Report goes to press, we are putting the finishing touches to Tenet's first site on the World Wide Web portion of the Internet. When Launched, the Tenet site will provide information about our hospitals and physicians, financial news about the company and the services we offer, and health and wellness information. We are also building Web sites for all Tenet hospitals to help them better serve the health information needs of their local communities.

Look for us soon on the Internet

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www.TenetHealth.com

[Outside of foldout flap.]

[Back Outside Cover]

[Picture of floor tiles from lobby of corporate headquarters.]

TENET HEALTHCARE CORPORATION
3820 State St., Santa Barbara, CA 93105

TENET HEALTHCARE CORPORATION ("TENET")
SUBSIDIARY CORPORATIONS
REVISED AUGUST 6, 1996

Note: All subsidiaries are 100% owned by "Tenet" unless otherwise indicated.

<TABLE>
<CAPTION>

<S><C>

Tenet HealthSystem Holdings, Inc.
(a) Tenet HealthSystem Medical, Inc.
(b) Tenet Management Services, Inc.
(c) Tenet Health Integrated Services, Inc.
(c) Quality Medical Management, Inc.
(c) Mid-Orange Medical Management, Inc.
(c) Alexa Integrated Medical Management, Inc.
(b) Alabama Health Connection, Inc.
(b) Alabama Medical Group, Inc.
(b) American Medical (Central), Inc.
(c) Amisub (Heights), Inc.
(c) Tenet Texas Employment, Inc.
(c) Amisub of Texas, Inc. - OWNERSHIP - LIFEMARK HOSPITALS, 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) Amisub (Twelve Oaks), Inc.
(c) Lifemark Hospitals, Inc.
(d) Tenet Healthcare, Ltd. - OWNERSHIP - LIFEMARK HOSPITALS, INC., GP (1%);
AMISUB OF TEXAS, INC., LP (70.1%);
AMISUB (HEIGHTS), INC., LP (10.3%);
AMISUB (TWELVE OAKS), INC., LP(18.6%)
(e) Odessa Hospital, Ltd. - OWNERSHIP - TENET HEALTHCARE, LTD., GP (78.125%)
INDIVIDUAL PHYSICIANS, LP (21.875%)
(e) Texas Healthcare Physician Services, Inc.
(d) Amisub (Brownsville MRI), Inc.
(d) Lifemark Hospitals of Florida, Inc.
(e) Palmetto Medical Plan, Inc.
(e) Pain Management Center of Tampa, Inc.
(e) T&C and USF Ob/Gyn Center, Inc.
(d) Lifemark Hospitals of Louisiana, Inc.
(e) Kenner Regional Clinical Services, Inc.
(d) Lifemark Hospitals of Missouri, Inc.
(e) Lifemark RMP Joint Venture - OWNERSHIP - LIFEMARK HOSPITALS OF MISSOURI, INC.(50%)
RMP, L.L.C. (50%)
(d) Regional Alternative Health Services, Inc.
(d) Houston Specialty Hospital, Inc.
(d) Memphis Specialty Hospital, Inc.
(d) Tenet Investments-Kenner, Inc.
(c) Texas Southwest Healthservices, Inc.
(b) American Medical Finance Company
(b) American Medical Home Care, Inc.
(b) American Purchasing Services, Inc.
(b) AMI Ambulatory Centres, Inc.
(c) Surgical Services, Inc. - OWNERSHIP - AMI AMBULATORY CENTRES, INC. (80%);
RANDY PHILLIPS (20%)
(d) Ambulatory Care - Broward Development Corp.
(d) Surgical Services of South Lauderdale, Inc.
(d) Surgical Services of West Dade, Inc.
(b) AMI Arkansas, Inc.

(c) Healthstar Properties Limited Partnership - OWNERSHIP - AMI ARKANSAS, INC., GP (1%), LP (49%)
ST. VINCENT TOTALHEALTH CORPORATION, GP (1%), LP (49%)

(d) Healthstar Ultima, LLC - 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 Brokerage Services, Inc.
(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) Tenet System Services, Inc.
(b) Amisub (American Hospital), Inc.
(b) Amisub (Culver Union Hospital), Inc.
(c) Choice Care Network, Inc.
(b) Amisub Development of South Carolina, Inc.
(c) Hilton Head Clinics, Inc.
(b) Amisub (Florida Ventures), Inc.
(c) PBG Outpatient Services, Inc.
(c) Brookwood Diagnostic Center of Tampa, Inc.
(c) Lauderdale Clinical Services, Inc.
(c) Ft. Lauderdale Surgery Center, Inc.
(c) Tampa MOB 107, Inc.
(c) Tampa MOB 104, Inc.
(c) Tampa 8313 West Hillsborough, Inc.
(c) Tampa 4802 Gunn Highway, Inc.
(c) Center for Quality Care, Inc.
(c) Tampa 418 W. Platt St., Inc.
(b) Amisub (GTS), Inc.
(b) Amisub (Hilton Head), Inc.
(b) Amisub (Irvine Medical Center), Inc.
(b) Tenet HealthSystem Spalding, Inc.
(c) Health International, Inc.
(c) Tenet Primary Care Clinic, Inc.
(b) Amisub (North Ridge Hospital), Inc.
(c) FL Health Complex, Inc.
(c) North Ridge Carenet, Inc.
(c) North Ridge Partners, Inc.
(c) North Ridge Physician-Hospital Organization, Inc. - OWNERSHIP - AMISUB (NORTH RIDGE HOSPITAL), INC.(50%); PHYSICIANS (50%)
(b) Amisub of California, Inc.
(c) Valley Doctors' Hospital
(d) Family Medical Services
(c) Physician Practice Management Corporation
(c) Park Plaza Retail Pharmacy, Inc.
(b) Amisub of North Carolina, Inc.
(b) Central Carolina Management Services Organization, Inc.
(b) Amisub (SMHS), Inc.
(b) Amisub of South Carolina, Inc.
(c) Piedmont Medical Services Company
(c) Piedmont One, Inc.
(c) Piedmont Two, Inc.

(c) Piedmont Three, Inc.
(c) Piedmont Four, Inc.
(c) Piedmont Five, Inc.
(c) Piedmont Six, Inc.
(c) Piedmont Seven, Inc.
(c) Piedmont Eight, Inc.
(c) Piedmont Nine, Inc.
(b) Amisub (PSL), Inc.
(b) Amisub (Saint Joseph Hospital), Inc.
(c) Creighton Saint Joseph Regional HealthCare System, L.L.C. - OWNERSHIP - AMISUB (SAINT JOSEPH HOSPITAL), INC. (73.82%)
CREIGHTON HEALTHCARE, INC. (26.18%)
(c) Saint Joseph Mental Health Plans, Inc.

(c) Home-Based Psychiatric Services, Inc. - OWNERSHIP -CREIGHTON SAINT JOSEPH REGIONAL HEALTHCARE SYSTEM, L.L.C. (75%)
JAMES T. WHITE, PH.D. (25%)
(c) Saint Joseph Mental Health Physicians, Inc.
(b) Amisub (SFH), Inc.
(b) Amisub (Sierra Vista), Inc.
(b) Amisub TGDA, Inc.
(b) Arkansas Healthcare Services, Inc.
(b) Brookwood Center Development Corporation
(c) Hoover Doctors Group, Inc.
(c) Medplex Outpatient Medical Centers, Inc.
(b) Brookwood Development, Inc.
(c) Alabama Health Services, Inc. - OWNERSHIP - BROOKWOOD DEVELOPMENT, INC. (33-1/3%); EASTERN HEALTH SYSTEM, INC. (33-1/3%); ST. VINCENT'S HOSPITAL (33-1/3%)
(c) Alabama Health Services (St. Clair), L.L.C. - OWNERSHIP - BROOKWOOD DEVELOPMENT, INC. (50%); HEALTH SERVICES, INC. (50%)
(c) Group Administrators, Inc. - OWNERSHIP - BROOKWOOD DEVELOPMENT, INC. (33-1/3%); EASTSIDE VENTURES, INC. (33-1/3%); LLOYD NOLAND FOUNDATION, INC. (33-1/3%)
(b) Brookwood Health Services, Inc.
(c) Brookwood Medical Center of Tampa, Inc.
(c) Brookwood - Riverchase Primary Care Center, Inc.
(c) Estes Health Care Centers, Inc.
(b) Central Arkansas Hospital, Inc.
(c) Amisub (Central Arkansas), Inc.
(b) Columbia Land Development, Inc.
(b) Cumming Medical Ventures, Inc.
(b) East Cooper Community Hospital, Inc.
(c) Charleston Health Services Organization, 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) Frye Home Care Services, Inc.
(c) Tenet Claims Processing, Inc.
(b) Georgia Health Services, Inc.
(b) Heartland Corporation
(c) Prairie Medical Clinic, Inc.
(c) Heartland Physicians, Inc.
(b) Inhalation Therapy Services, Inc.
(b) Kenner Regional Medical Center, Inc.

(b) Lucy Lee Hospital, Inc.
(b) Medical Center of Garden Grove
(b) Medical Collections, Inc.
(b) Mid-Continent Medical Practices, Inc.
(b) Missouri Health Services, Inc.
(b) National Park Medical Center, 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.
(d) AMI West Alabama, Inc.
(c) Amiwoodbroke, Inc.
(b) North Carolina Health Services, Inc.
(b) North Fulton Imaging Ventures, Inc.
(b) North Fulton Medical Center, Inc.
(c) North Fulton Health Care Associates, Inc.
(c) North Fulton Regional Cancer Center, Inc.
(c) North Fulton 001, Inc.
(c) North Fulton 002, Inc.
(c) North Fulton 003, Inc.
(c) North Fulton 004, Inc.
(c) North Fulton 005, Inc.
(c) North Fulton 006, Inc.

(c) North Fulton 007, Inc.
(c) North Fulton 008, Inc.
(c) North Fulton 009, Inc.
(c) North Fulton 010, Inc.
(c) North Fulton 011, Inc.
(c) North Fulton 012, Inc.
(b) North Fulton MOB Ventures, Inc.
(b) Occupational Health Medical Services of Florida, Inc.
(b) Palm Beach Gardens Community Hospital, Inc.
(b) Partners in Service, Inc.
(b) Physicians Development, Inc.
(b) Piedmont Home Health, Inc.
(b) Piedmont Rehab Center, Inc.
(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) SEMO Medical Management Company, Inc.
(b) Sierra Vista Hospital, Inc.
(b) South Carolina Health Services, Inc.
(b) St. Mary's Regional Medical Center, Inc.
(c) Amisub (St. Mary's), Inc.
(c) St. Mary's Medical Group, Inc.
(b) Tenet (Brookwood Development), Inc.
(c) Health Advantage Plans, Inc. - OWNERSHIP - TENET (BROOKWOOD DEVELOPMENT), INC. (33-1/3%)
EASTSIDE VENTURES, INC. (33-1/3%)
LLOYD NOLAND FOUNDATION, INC. (33-1/3%)
(b) Tennessee Health Services, Inc.
(b) Texas Healthcare Services, Inc.
(b) Texas Professional Properties, Inc.
(b) Tenet East Cooper Spine Center, Inc.
(b) Tenet Physician Services of the Southeast, Inc.

HUG Services, Inc. (77%)
Assured Investors Life Company
(a) Stanislaus Life Insurance Company
H.F.I.C. Management Company, Inc.
(a) Health Facilities Insurance Corp., Ltd. - Bermuda
International-NME, Inc.
(a) LEIR Canada, Inc.
(a) N.M.E. International (Cayman) Limited - Cayman Islands, B.W.I.
(b) B.V. Hospital Management - Netherlands
(b) Pacific Medical Enterprises Sdn. Bhd. - Malaysia
(c) Hyacinth Sdn. Bhd.
(a) Medicalia International, B.V. - Netherlands
(a) NME Spain, S.A.
(a) NME UK Properties Limited
Tenet Healthcare (Australia) Pty., Limited
NME Headquarters, Inc.
Tenet HealthSystem Hospitals, Inc.
(a) Brookhaven Hospital, Inc.
(b) Brookhaven Pavilion, Inc.
(a) Manteca Medical Management, Inc.
(a) Tenetsub Texas, Inc.
(a) Tenet Hospitals Limited - OWNERSHIP - TENET HEALTHSYSTEM HOSPITALS, INC., G.P. (1%)
TENETSUB TEXAS, INC., L.P. (99%)
(b) Providence Community Care Network
(a) National Managed Med, Inc.
(a) National Med, Inc.
(a) National Medical Hospital of Tullahoma, Inc.
(b) Harton Medical Group, Inc.
(a) National Medical Hospital of Wilson County, Inc.
(b) Wilson County Management Services, Inc.
(a) National Medical Services, Inc.
(b) Barron, Barron & Roth, Inc.
(a) National Medical Ventures, Inc.
(b) Litho I - LP
(b) McHenry Surgery Center Partners, Ltd - LP

(b) Redding Surgicenter - LP
(b) Alvarado Outpatient Surgery Center - LP
(a) NM Ventures - California, Inc.
(a) NM Ventures of North County, Inc.
(b) North County Outpatient Surgery Center, Ltd.
(a) Tenet HealthSystem Hospitals Dallas, Inc.
(a) NME Medical de Mexico, S.A. de C.V.
(a) NMV Hollywood, Inc.
(b) Hollywood Medical Center - LP
(a) NMV-Tennessee, Inc.
(a) Physician Network Corporation of Louisiana
(a) NMV-II, Inc.
(a) Preferred Medical Systems of California, Inc.
(a) Rehabilitative Driving Resources, Inc.
(a) West Coast PT Clinic, Inc.
(a) Teneet HealthSystem Memorial Medical Center, Inc.
(a) Tenet Healthcare-Florida, Inc.
(a) Tenet Beaumont Healthsystem, Inc.
(a) South Bay Practice Administrators, Inc.
(a) Sierra Vista Sub One, Inc.
(a) Sierra Vista Sub Two, Inc.
(a) Tenet Missouri JV, Inc.
(a) Tenet Birmingham Management, Inc.

(a) Practice Partners, Inc.
(a) MHJ, Inc.
(b) Jonesboro Health Services, L.L.C. - OWNERSHIP - MHJ, INC. (95%)
ST. VINCENT TOTALHEALTH CORPORATION (5%)
(c) Healthstar Ultima of Jonesboro, Inc.
(a) NPMC Healthcenter - The Heart Clinic, Inc.
(a) NPMC Healthcenter - National Park Surgery Clinic, Inc.
(a) NPMC Healthcenter - Cardiology Services, Inc.
(a) NPMC Healthcenter - Physicians for Women, Inc.
(a) NPMC Healthcenter - Cardiology Care Center, Inc.
(a) Tenet California Medical Ventures I, Inc.
(a) LMC Physician Clinics, Inc.
(a) Diagnostic Imaging Services, Inc.
(a) Metro Physicians Management Organization, Inc.
(a) Tenet Louisiana Medical Ventures I, Inc.
(a) Northeast Texas Healthcare Enterprises
(a) Tenet Hialeah HealthSystem, Inc.
(b) Tenet Hialeah (H.H.A.) HealthSystem, Inc.
(b) Tenet Hialeah (ASC) HealthSystem, Inc.
(b) Hialeah Real Properties, Inc.
(a) Mid-Tennesse Health Partners, L.L.C. - OWNERSHIP - TENET HEALTHSYSTEM HOSPITALS, INC. (50%)
SMITHVILLE HEALTHCARE VENTURES, L.P. (50%)
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.
NME Rehabilitation Properties, Inc.
(a) R.H.S.C. Prosthetics, Inc.
(a) Rehabilitation Facility at San Ramon, Inc.
(a) Rehabilitation Facility at San Diego, Inc.
(a) R.H.S.C. Modesto, Inc.
(a) Pinecrest Rehabilitation Hospital, Inc.
(a) R.H.S.C. El Paso, Inc.
NME Specialty Hospitals, Inc.
(a) National Medical Specialty Hospital of Redding
(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 Institutes Investments, Inc.
(b) NME New Beginnings-Western, Inc.
(c) Norquest/RCA-W Bitter Lake Partnership

(a) NME Partial Hospital Services Corporation
(a) NME Psychiatric Hospitals, Inc.
(b) The Huron Corporation
(a) NME Rehabilitation Hospitals, Inc.
(a) Psychiatric Management Services Company

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%) AND RALPH MOLLYCHECK, M.D. (2.125%)
(a) Lakewood Psychiatric Hospitals, Inc.
(a) Laurel Oaks Residential Treatment Center, 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 Hospitals, Inc.
(a) Modesto Psychiatric Realty, 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. Educational Institute, Inc.
(a) P.I.A. of Fort Worth, Inc.
(a) P.I.A. Green Bay, Inc.
(a) P.I.A. Highland, Inc.
(b) Highland Psychiatric Associates - OWNERSHIP-P.I.A. HIGHLAND, INC.(50%) AND PSYCHIATRIC FACILITY AT ASHEVILLE, INC.(50%)
(a) P.I.A. Highland Realty, Inc.
(b) Highland Realty Associates - OWNERSHIP-(LIMITED PARTNERSHIP)-P.I.A. HIGHLAND REALTY, INC.(49%) PSYCHIATRIC FACILITY AT ASHEVILLE, INC. (49%) (GENERAL PARTNERSHIP) - P.I.A. HIGHLAND REALTY, INC.(1%) PSYCHIATRIC FACILITY AT ASHEVILLE, INC.(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. Panama City, Inc.
(a) P.I.A. Randolph, Inc.
(a) P.I.A. Rockford, Inc.
(a) P.I.A. of Rocky Mount, 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) Residential Treatment Center of Memphis, Inc.
(a) Residential Treatment Center of Montgomery County, Inc.
(a) The 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) Tidewater Psychiatric Institute, Inc.
(a) The Treatment Center at Bedford, Inc.
(a) Tucson Psychiatric Institute, Inc.
(a) Tulsa County Health Services, Inc.
Northshore Hospital Management Corporation (LA)
Syndicated Office Systems
Wilshire Rental Corp.
Women's Medical Center of America, Inc.
</TABLE>

ACCOUNTANTS' CONSENT AND
REPORT ON CONSOLIDATED SCHEDULE

The Board of Directors
Tenet Healthcare Corporation:

Under date of July 25, 1996, we reported on the consolidated balance sheets of Tenet Healthcare Corporation and subsidiaries as of May 31, 1996 and 1995 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended May 31, 1996, as contained in the 1996 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 1996. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits. In our opinion, based on our audits, 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 also consent to the incorporation by reference of our report dated July 25, 1996, in the Company's Registration Statements on Form S-3 (Nos. 33-39130, 33-39563, 33-40212, 33-45689, 33-57801, 33-57057, 33-55285, 33-62591 and 33-63451), Registration Statement on Form S-4 (No. 33-57485) and Registration Statements on Form S-8 (Nos. 33-11478, 2-95774, 2-87611, 2-69472, 2-79401, 33-35688, 33-50180, 33-50182, 33-57375, 333-00709 and 333-01183).

KPMG Peat Marwick LLP

Los Angeles, California
August 23, 1996

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