

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 1-11239

COLUMBIA/HCA HEALTHCARE CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION  
OF INCORPORATION OR ORGANIZATION)

75-2497104  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

ONE PARK PLAZA  
NASHVILLE, TENNESSEE  
(ADDRESS OF PRINCIPAL EXECUTIVE  
OFFICES)

37203  
(ZIP CODE)

(615) 344-9551  
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

NOT APPLICABLE  
(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR,  
IF CHANGED SINCE LAST REPORT)

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 the number of shares outstanding of each of the issuer's classes of  
common stock of the latest practical date.

| CLASS OF COMMON STOCK<br>-----          | OUTSTANDING AT OCTOBER<br>31, 1997<br>----- |
|-----------------------------------------|---------------------------------------------|
| Voting common stock, \$.01 par value    | 626,553,000 shares                          |
| Nonvoting common stock, \$.01 par value | 21,000,000 shares                           |



COLUMBIA/HCA HEALTHCARE CORPORATION  
FORM 10-Q  
SEPTEMBER 30, 1997

PAGE 0F  
FORM 10-Q

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statements of Income--for the quarters and  
nine months ended September 30, 1997 and 1996..... 3

Condensed Consolidated Balance Sheets--September 30, 1997 and Decem-  
ber 31, 1996..... 4

Condensed Consolidated Statements of Cash Flows--for the nine months  
ended September 30, 1997 and 1996..... 5

Notes to Condensed Consolidated Financial Statements..... 6

Item 2. Management's Discussion and Analysis of Financial Condition and  
Results of Operations..... 10

PART II: OTHER INFORMATION

Items 1 to 6..... 22

COLUMBIA/HCA HEALTHCARE CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996  
UNAUDITED  
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

|                                                                                   | QUARTER  |          | NINE MONTHS |          |
|-----------------------------------------------------------------------------------|----------|----------|-------------|----------|
|                                                                                   | 1997     | 1996     | 1997        | 1996     |
| Revenues.....                                                                     | \$ 4,612 | \$ 4,605 | \$14,445    | \$13,969 |
| Salaries and benefits.....                                                        | 1,895    | 1,792    | 5,621       | 5,412    |
| Supplies.....                                                                     | 653      | 649      | 2,010       | 1,992    |
| Other operating expenses.....                                                     | 1,023    | 939      | 2,928       | 2,738    |
| Provision for doubtful accounts.....                                              | 369      | 311      | 976         | 865      |
| Depreciation and amortization.....                                                | 319      | 300      | 923         | 842      |
| Interest expense.....                                                             | 125      | 119      | 361         | 371      |
| Equity in earnings of affiliates.....                                             | (19)     | (39)     | (116)       | (127)    |
| Restructuring of operations and investigation related costs.....                  | 64       | --       | 64          | --       |
|                                                                                   | 4,429    | 4,071    | 12,767      | 12,093   |
| Income from continuing operations before minority interests and income taxes..... | 183      | 534      | 1,678       | 1,876    |
| Minority interests in earnings of consolidated entities.....                      | 33       | 36       | 125         | 102      |
| Income from continuing operations before income taxes.....                        | 150      | 498      | 1,553       | 1,774    |
| Provision for income taxes.....                                                   | 59       | 199      | 622         | 711      |
| Income from continuing operations.....                                            | 91       | 299      | 931         | 1,063    |
| Income from discontinued operations, net of income taxes.....                     | 6        | 12       | 57          | 28       |
| Net income.....                                                                   | \$ 97    | \$ 311   | \$ 988      | \$ 1,091 |
| Earnings per share:                                                               |          |          |             |          |
| Income from continuing operations.....                                            | \$ .15   | \$ .44   | \$ 1.39     | \$ 1.57  |
| Income from discontinued operations.....                                          | .01      | .02      | .09         | .04      |
| Net income.....                                                                   | \$ .16   | \$ .46   | \$ 1.48     | \$ 1.61  |
| Cash dividends per share.....                                                     | \$ .01   | \$ .02   | \$ .05      | \$ .06   |
| Redemption of preferred stock purchase rights.....                                | \$ .01   | --       | \$ .01      | --       |
| Shares used in computing earnings per share (in thousands).....                   | 657,807  | 677,417  | 668,136     | 677,814  |

See accompanying notes.

COLUMBIA/HCA HEALTHCARE CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
UNAUDITED  
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

|                                                                                                                                                                                                                                                                                                           | SEPTEMBER 30,<br>1997 | DECEMBER 31,<br>1996 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
|                                                                                                                                                                                                                                                                                                           | -----                 | -----                |
| ASSETS                                                                                                                                                                                                                                                                                                    |                       |                      |
| Current assets:                                                                                                                                                                                                                                                                                           |                       |                      |
| Cash and cash equivalents.....                                                                                                                                                                                                                                                                            | \$ 28                 | \$ 113               |
| Accounts receivable, less allowances for doubtful<br>accounts of \$1,569 and \$1,380.....                                                                                                                                                                                                                 | 2,889                 | 2,842                |
| Inventories.....                                                                                                                                                                                                                                                                                          | 458                   | 438                  |
| Other.....                                                                                                                                                                                                                                                                                                | 984                   | 806                  |
|                                                                                                                                                                                                                                                                                                           | -----                 | -----                |
|                                                                                                                                                                                                                                                                                                           | 4,359                 | 4,199                |
| Property and equipment, at cost.....                                                                                                                                                                                                                                                                      | 16,500                | 15,687               |
| Accumulated depreciation.....                                                                                                                                                                                                                                                                             | (5,894)               | (5,314)              |
|                                                                                                                                                                                                                                                                                                           | -----                 | -----                |
|                                                                                                                                                                                                                                                                                                           | 10,606                | 10,373               |
| Investments of insurance subsidiary.....                                                                                                                                                                                                                                                                  | 1,359                 | 1,119                |
| Investments in and advances to affiliates.....                                                                                                                                                                                                                                                            | 1,425                 | 1,293                |
| Intangible assets, net.....                                                                                                                                                                                                                                                                               | 3,744                 | 3,582                |
| Net assets of discontinued operations.....                                                                                                                                                                                                                                                                | 1,349                 | 212                  |
| Other.....                                                                                                                                                                                                                                                                                                | 281                   | 338                  |
|                                                                                                                                                                                                                                                                                                           | -----                 | -----                |
|                                                                                                                                                                                                                                                                                                           | \$23,123              | \$21,116             |
|                                                                                                                                                                                                                                                                                                           | =====                 | =====                |
| LIABILITIES AND STOCKHOLDERS' EQUITY                                                                                                                                                                                                                                                                      |                       |                      |
| Current liabilities:                                                                                                                                                                                                                                                                                      |                       |                      |
| Accounts payable.....                                                                                                                                                                                                                                                                                     | \$ 790                | \$ 790               |
| Accrued salaries.....                                                                                                                                                                                                                                                                                     | 404                   | 430                  |
| Other accrued expenses.....                                                                                                                                                                                                                                                                               | 1,317                 | 1,292                |
| Income taxes.....                                                                                                                                                                                                                                                                                         | --                    | 97                   |
| Long-term debt due within one year.....                                                                                                                                                                                                                                                                   | 132                   | 201                  |
|                                                                                                                                                                                                                                                                                                           | -----                 | -----                |
|                                                                                                                                                                                                                                                                                                           | 2,643                 | 2,810                |
| Long-term debt.....                                                                                                                                                                                                                                                                                       | 8,693                 | 6,781                |
| Deferred taxes and other liabilities.....                                                                                                                                                                                                                                                                 | 2,016                 | 2,080                |
| Minority interests in equity of consolidated enti-<br>ties.....                                                                                                                                                                                                                                           | 900                   | 836                  |
| Stockholders' equity:                                                                                                                                                                                                                                                                                     |                       |                      |
| Common stock, \$.01 par; authorized 1,600,000,000<br>voting shares and 50,000,000 nonvoting shares;<br>issued and outstanding 630,848,900 voting shares<br>and 21,000,000 nonvoting shares--September 30,<br>1997 and 650,499,400 voting shares and 21,000,000<br>nonvoting shares December 31, 1996..... | 7                     | 7                    |
| Capital in excess of par value.....                                                                                                                                                                                                                                                                       | 3,789                 | 4,519                |
| Other.....                                                                                                                                                                                                                                                                                                | 110                   | 66                   |
| Retained earnings.....                                                                                                                                                                                                                                                                                    | 4,965                 | 4,017                |
|                                                                                                                                                                                                                                                                                                           | -----                 | -----                |
|                                                                                                                                                                                                                                                                                                           | 8,871                 | 8,609                |
|                                                                                                                                                                                                                                                                                                           | -----                 | -----                |
|                                                                                                                                                                                                                                                                                                           | \$23,123              | \$21,116             |
|                                                                                                                                                                                                                                                                                                           | =====                 | =====                |

See accompanying notes.

COLUMBIA/HCA HEALTHCARE CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996  
UNAUDITED  
(DOLLARS IN MILLIONS)

|                                                                                              | 1997    | 1996    |
|----------------------------------------------------------------------------------------------|---------|---------|
|                                                                                              | -----   | -----   |
| Cash flows from continuing operating activities:                                             |         |         |
| Net income .....                                                                             | \$ 988  | \$1,091 |
| Adjustments to reconcile net income to net cash provided by continuing operating activities: |         |         |
| Depreciation and amortization.....                                                           | 923     | 842     |
| Income from discontinued operations.....                                                     | (57)    | (28)    |
| Changes in operating assets and liabilities.....                                             | (355)   | (79)    |
| Other.....                                                                                   | 78      | 77      |
|                                                                                              | -----   | -----   |
| Net cash provided by continuing operating activities.....                                    | 1,577   | 1,903   |
|                                                                                              | -----   | -----   |
| Cash flows from investing activities:                                                        |         |         |
| Purchase of property and equipment.....                                                      | (1,107) | (1,057) |
| Acquisition of hospitals and health care entities.....                                       | (398)   | (638)   |
| Investments in and advances to affiliates.....                                               | (29)    | (37)    |
| Disposition of property and equipment.....                                                   | 194     | 142     |
| Change in other investments.....                                                             | (145)   | (112)   |
| Change in net assets of discontinued operations.....                                         | (1,079) | (24)    |
| Other.....                                                                                   | (115)   | (1)     |
|                                                                                              | -----   | -----   |
| Net cash used in investing activities.....                                                   | (2,679) | (1,727) |
|                                                                                              | -----   | -----   |
| Cash flows from financing activities:                                                        |         |         |
| Issuance of long-term debt.....                                                              | 251     | 435     |
| Net changes in commercial paper borrowings and lines of credit.....                          | 1,878   | (506)   |
| Repayment of long-term debt.....                                                             | (310)   | (291)   |
| Repurchases of common stock, net.....                                                        | (765)   | (3)     |
| Payment of cash dividends and redemption of preferred stock purchase rights.....             | (40)    | (40)    |
| Other.....                                                                                   | 3       | 7       |
|                                                                                              | -----   | -----   |
| Net cash provided by (used in) used in financing activities.....                             | 1,017   | (398)   |
|                                                                                              | -----   | -----   |
| Change in cash and cash equivalents.....                                                     | (85)    | (222)   |
| Cash and cash equivalents at beginning of period.....                                        | 113     | 232     |
|                                                                                              | -----   | -----   |
| Cash and cash equivalents at end of period.....                                              | \$ 28   | \$ 10   |
|                                                                                              | =====   | =====   |
| Interest payments.....                                                                       | \$ 308  | \$ 337  |
| Income tax payments, net of refunds.....                                                     | \$1,014 | \$ 602  |

See accompanying notes.

COLUMBIA/HCA HEALTHCARE CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
UNAUDITED

NOTE 1--BASIS OF PRESENTATION

Columbia/HCA Healthcare Corporation ("Columbia" or the "Company") is a Delaware corporation that owns and operates hospitals and related health care entities through (i) affiliated subsidiaries, (ii) joint ventures or (iii) ownership of interests in various partnerships in which subsidiaries of the Company serve as the managing general partner. At September 30, 1997, Columbia owned and operated 314 hospitals, 143 freestanding surgery centers, more than 500 home health locations (see Note 7) and numerous other facilities providing a variety of health care services. Columbia is also a partner in several 50/50 joint ventures that own and operate 27 hospitals and five freestanding surgery centers which are accounted for using the equity method. Columbia's facilities are located in 35 states, England, Switzerland and Spain.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the quarter and nine months ended September 30, 1997, are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the consolidated financial statements and footnotes thereto included in Columbia's annual report on Form 10-K/A for the year ended December 31, 1996.

Certain prior year amounts have been reclassified to conform to the current year presentation (see Note 7).

NOTE 2--EARNINGS PER SHARE

Earnings per share is based upon the weighted average number of common shares outstanding adjusted for the dilutive effect of common stock equivalents, consisting primarily of stock options. Fully diluted earnings per share is not presented because such amounts approximate earnings per share.

NOTE 3--VALUE HEALTH MERGER

On August 6, 1997, Columbia completed a merger transaction with Value Health, Inc. ("Value Health") (the "Value Health Merger"). Value Health is a provider of specialty managed care benefit programs. In connection with the Value Health Merger, Value Health stockholders received \$20.50 in cash for each Value Health share. The total purchase price, including transaction costs and the assumption of \$165 million of Value Health debt, was approximately \$1.4 billion.

The Value Health Merger has been accounted for by the purchase method, and accordingly, the results of operations of Value Health have been included with those of Columbia since August 1997. The excess of aggregate purchase price over the estimated fair value of net assets acquired was approximately \$916 million and is being amortized over a 30 year period.

On August 28, 1997, Columbia announced plans to divest three of the four business units acquired in the Value Health Merger. The Value Health businesses to be divested include the managed behavioral health care unit, the information technology unit (which develops disease management programs) and the pharmacy benefit management unit. The results of operations and net assets of these entities are included in discontinued operations (see Note 7).

NOTE 4--INVESTIGATIONS

In March 1997, various facilities of the Company's El Paso, Texas operations were searched by federal authorities pursuant to search warrants and the government removed various records and documents. The Company is cooperating in this investigation and has met with the Assistant United States Attorney (the "Assistant U.S. Attorney") responsible for conducting this investigation. The Company believes it may be a target in this investigation.

COLUMBIA/HCA HEALTHCARE CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)  
UNAUDITED

NOTE 4--INVESTIGATIONS (CONTINUED)

In July 1997, various Columbia affiliated facilities and offices were searched pursuant to search warrants issued by the United States District Court in various states. During July and September 1997, the Company was also served with subpoenas requesting various records and documents related to laboratory billing, Diagnostic Related Group ("DRG") coding and home health operations in various states. The Company is cooperating in these investigations and has met with Department of Justice attorneys responsible for conducting these investigations. The Company believes that it may be a target in these investigations.

Also, in July 1997, the United States District Court for the Middle District of Florida, in Ft. Myers, issued an indictment against three Columbia employees. The indictment relates to the alleged false characterization of interest payments on certain debt resulting in Medicare and CHAMPUS overpayments since 1986 to Columbia Fawcett Memorial Hospital, a Port Charlotte, Florida hospital that was acquired by Columbia in 1992. The Company has been served with subpoenas for various records and documents. The Company is cooperating in this investigation and has met with the Assistant U.S. Attorney responsible for conducting this investigation. The Company has been informed that it is a target in this investigation.

While it is too early to predict the outcome of any of the ongoing investigations or the initiation of any additional investigations, were the Company to be found in violation of federal or state laws relating to Medicare, Medicaid or similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Any such sanctions could have a material adverse effect on the Company's financial position and results of operations.

Management believes the ongoing investigations and related media coverage are having a negative effect on the Company's financial position and results of operations. However, the Company is unable to measure the effect or predict the magnitude that these investigations and related media coverage could have on the Company's future results of operations and financial position.

NOTE 5--CHANGE IN MANAGEMENT AND BUSINESS STRATEGY

On July 25, 1997, Columbia announced the resignations of Richard L. Scott, Chairman and Chief Executive Officer and David T. Vandewater, President and Chief Operating Officer. Thomas F. Frist, Jr., M.D., Vice Chairman of the Company's Board of Directors, was named Chairman and Chief Executive Officer. On August 4, 1997, the Company named Jack O. Bovender, Jr. as President and Chief Operating Officer.

On August 7, 1997, in an effort to address some areas of concern that may have led to the investigations by certain government agencies (as described in Note 4), management announced several significant steps that it will take to redefine the Company's approach to a number of business practices. Some of the steps include: elimination of annual cash incentive compensation for the Company's employees, divestiture of the home health care business, discontinued sales of interests in hospitals to physicians and the unwinding of existing physician interests in hospitals, continued compliance program efforts, increased disclosures in Medicare cost reports, changes in laboratory billing procedures, increased reviews of Medicare coding and further guidelines on any transactions with physicians. These changes are currently being developed and implemented in consideration of laws, regulations and existing contractual agreements. Management is not currently able to predict what effects such actions might have on the Company's financial position or results of operations.

The Company is currently considering a Company wide internal operating reorganization. In addition, the Company is evaluating various restructuring alternatives which include asset divestitures to third parties, spin-offs of certain assets to the Company's shareholders and the reorganization of the Company's businesses into distinct operating units. Each of the restructuring alternatives may be subject to various legal and regulatory approvals. There can be no assurance, which, if any of these alternatives may be adopted or implemented.

COLUMBIA/HCA HEALTHCARE CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)  
UNAUDITED

NOTE 6--RESTRUCTURING OF OPERATIONS AND INVESTIGATION RELATED COSTS

In the third quarter of 1997, Columbia recorded the following charges in connection with the investigations and the changes in management and business strategy discussed in NOTES 4 and 5 (in millions):

|                                                    |      |
|----------------------------------------------------|------|
| Severance costs (approximately 120 employees)..... | \$40 |
| Professional fees related to investigations.....   | 11   |
| Cancelled projects.....                            | 10   |
| Other.....                                         | 3    |
|                                                    | ---  |
|                                                    | \$64 |
|                                                    | ===  |

NOTE 7--DISCONTINUED OPERATIONS

As part of the Company's change in business strategy (as described in NOTE 5), Columbia has implemented a plan to sell its home health care business and divest three of the four business units acquired in the Value Health Merger. As a result of the plan to divest these businesses, the Company's condensed consolidated financial statements and related notes have been adjusted and restated to reflect the results of operations and net assets of the home health care and Value Health businesses to be disposed of as discontinued operations.

Revenues of the home health care and Value Health businesses to be disposed of totaled \$585 million and \$282 million for the three months ended September 30, 1997 and 1996, respectively, and \$1.3 billion and \$802 million for the nine months ended September 30, 1997 and 1996, respectively. Results of operations for these businesses are included in "Income from discontinued operations" in the condensed consolidated statements of income. Management is not able at this time to reasonably estimate the timing, structure or expected gain or loss that will result from the disposition of these businesses.

NOTE 8--INCOME TAXES

The Company is currently contesting before the United States Tax Court (the "Tax Court"), the United States Court of Federal Claims (the "Court of Federal Claims") and the Appeals Division of the Internal Revenue Service (the "IRS") certain claimed deficiencies and adjustments proposed by the IRS in conjunction with its examination of HCA-Hospital Corporation of America's ("HCA") federal income tax returns for 1981 through 1992 and of Healthtrust, Inc.--The Hospital Company's ("Healthtrust") federal income tax returns for 1990 through 1992. The disputed items include the disallowance of certain stock option compensation which HCA deducted in calculating taxable income for 1992 and the disallowance of certain executive compensation which Healthtrust deducted in calculating taxable income for 1991.

In September 1997, the IRS issued statutory notices of deficiency in connection with its examination of the 1993 and 1994 federal income tax returns for HCA, Columbia Healthcare Corporation ("CHC") and the Company. The disputed items include: the disallowance of certain acquisition-related costs, executive compensation, systems conversion costs and insurance premiums which were deducted in calculating taxable income in 1993 and 1994; the method of accounting used by certain subsidiaries for calculating taxable income related to vendor rebates and governmental receivables in 1993 and 1994; and certain carryover issues related to the 1981 through 1992 IRS examinations of HCA. The Company intends to file petitions with the Tax Court in December 1997 contesting the claimed deficiencies.

The IRS is claiming an additional \$551 million in income taxes and interest through September 30, 1997. Management believes that adequate provisions have been recorded to satisfy final resolution of these issues.

COLUMBIA/HCA HEALTHCARE CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)  
UNAUDITED

NOTE 8--INCOME TAXES (CONTINUED)

In October 1997, the Tax Court ruled in HCA's favor with respect to its claim that insurance premiums paid to its wholly-owned insurance subsidiary from 1981 through 1988 were deductible. Through September 30, 1997, the Company was seeking a refund of income tax and interest of \$204 million. The Tax Court decision may be appealed by the IRS to the United States Court of Appeals, Sixth Circuit. This ruling will not have any material effect on the results of operations.

Management believes that Columbia, CHC, HCA and Healthtrust properly reported income and paid taxes in accordance with applicable laws and agreements established with the IRS during previous examinations, and that final resolution of these disputes (excluding any possible refunds) will not have a material adverse effect on the results of operations or financial position of the Company.

NOTE 9--STOCK REPURCHASE PROGRAM AND REDEMPTION OF PREFERRED STOCK PURCHASE RIGHTS

The Company announced on April 14, 1997 that the Company's board of directors authorized the repurchase of up to \$1 billion of Columbia common stock. As of September 30, 1997, the Company had repurchased approximately 20.4 million shares for a total cost of approximately \$737 million. Repurchased shares are available for reissuance for general corporate purposes.

On May 15, 1997, the board of directors of the Company authorized the redemption of all outstanding preferred stock purchase rights. The redemption price of \$.01 per share was paid on September 1, 1997 and was distributed to stockholders along with a quarterly dividend of \$.01 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following is a summary of certain information from continuing operations for the quarters and nine months ended September 30, 1997 and 1996 (dollars in millions, except per share amounts):

|                                                                                   | QUARTER |       |         |       |
|-----------------------------------------------------------------------------------|---------|-------|---------|-------|
|                                                                                   | 1997    |       | 1996    |       |
|                                                                                   | AMOUNT  | RATIO | AMOUNT  | RATIO |
| Revenues.....                                                                     | \$4,612 | 100.0 | \$4,605 | 100.0 |
| Salaries and benefits.....                                                        | 1,895   | 41.1  | 1,792   | 38.9  |
| Supplies.....                                                                     | 653     | 14.2  | 649     | 14.1  |
| Other operating expenses.....                                                     | 1,023   | 22.1  | 939     | 20.4  |
| Provision for doubtful accounts.....                                              | 369     | 8.0   | 311     | 6.8   |
| Depreciation and amortization.....                                                | 319     | 6.9   | 300     | 6.5   |
| Interest expense.....                                                             | 125     | 2.7   | 119     | 2.6   |
| Equity in earnings of affiliates.....                                             | (19)    | (0.4) | (39)    | (0.9) |
| Restructuring of operations and investigation related costs.....                  | 64      | 1.4   | --      | --    |
|                                                                                   | 4,429   | 96.0  | 4,071   | 88.4  |
| Income from continuing operations before minority interests and income taxes..... | 183     | 4.0   | 534     | 11.6  |
| Minority interests in earnings of consolidated entities.....                      | 33      | 0.7   | 36      | 0.8   |
| Income from continuing operations before income taxes.....                        | 150     | 3.3   | 498     | 10.8  |
| Provision for income taxes.....                                                   | 59      | 1.3   | 199     | 4.3   |
| Income from continuing operations.....                                            | \$ 91   | 2.0   | \$ 299  | 6.5   |
| Earnings per share from continuing operations....                                 | \$ .15  |       | \$ .44  |       |
| % changes from prior year:                                                        |         |       |         |       |
| Revenues.....                                                                     | 0.2%    |       |         |       |
| Income from continuing operations before income taxes.....                        | (69.8)  |       |         |       |
| Income from continuing operations.....                                            | (69.7)  |       |         |       |
| Earnings per share from continuing operations..                                   | (65.9)  |       |         |       |
| Admissions (a).....                                                               | (0.2)   |       |         |       |
| Equivalent admissions (b).....                                                    | 1.3     |       |         |       |
| Revenues per equivalent admission.....                                            | (1.1)   |       |         |       |
| Same--hospital % changes from prior year (c):                                     |         |       |         |       |
| Revenues.....                                                                     | 0.7%    |       |         |       |
| Admissions (a).....                                                               | 1.0     |       |         |       |
| Equivalent admissions (b).....                                                    | 2.6     |       |         |       |
| Revenues per equivalent admission.....                                            | (1.9)   |       |         |       |

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

|                                                                                      | NINE MONTHS |       |          |       |
|--------------------------------------------------------------------------------------|-------------|-------|----------|-------|
|                                                                                      | 1997        |       | 1996     |       |
|                                                                                      | AMOUNT      | RATIO | AMOUNT   | RATIO |
| Revenues.....                                                                        | \$14,445    | 100.0 | \$13,969 | 100.0 |
| Salaries and benefits.....                                                           | 5,621       | 38.9  | 5,412    | 38.7  |
| Supplies.....                                                                        | 2,010       | 13.9  | 1,992    | 14.3  |
| Other operating expenses.....                                                        | 2,928       | 20.2  | 2,738    | 19.6  |
| Provision for doubtful accounts.....                                                 | 976         | 6.8   | 865      | 6.2   |
| Depreciation and amortization.....                                                   | 923         | 6.5   | 842      | 6.0   |
| Interest expense.....                                                                | 361         | 2.5   | 371      | 2.7   |
| Equity in earnings of affiliates.....                                                | (116)       | (0.8) | (127)    | (0.9) |
| Restructuring of operations and investigation<br>related costs.....                  | 64          | 0.4   | --       | --    |
|                                                                                      | 12,767      | 88.4  | 12,093   | 86.6  |
| Income from continuing operations before<br>minority interests and income taxes..... | 1,678       | 11.6  | 1,876    | 13.4  |
| Minority interests in earnings of consolidated<br>entities.....                      | 125         | 0.8   | 102      | 0.7   |
| Income from continuing operations before income<br>taxes.....                        | 1,553       | 10.8  | 1,774    | 12.7  |
| Provision for income taxes.....                                                      | 622         | 4.4   | 711      | 5.1   |
| Income from continuing operations.....                                               | \$ 931      | 6.4   | \$ 1,063 | 7.6   |
| Earnings per share from continuing operations..                                      | \$ 1.39     |       | \$ 1.57  |       |
| % changes from prior year:                                                           |             |       |          |       |
| Revenues.....                                                                        | 3.4%        |       |          |       |
| Income from continuing operations before in-<br>come taxes.....                      | (12.5)      |       |          |       |
| Income from continuing operations.....                                               | (12.4)      |       |          |       |
| Earnings per share from continuing opera-<br>tions.....                              | (11.5)      |       |          |       |
| Admissions (a).....                                                                  | 1.4         |       |          |       |
| Equivalent admissions (b).....                                                       | 3.1         |       |          |       |
| Revenues per equivalent admission.....                                               | 0.3         |       |          |       |
| Same--hospital % changes from prior year (c):                                        |             |       |          |       |
| Revenues.....                                                                        | 4.1%        |       |          |       |
| Admissions(a).....                                                                   | 2.0         |       |          |       |
| Equivalent admissions (b).....                                                       | 3.9         |       |          |       |
| Revenues per equivalent admission.....                                               | 0.2         |       |          |       |

- (a) Admissions represent the total number of patients admitted (in the facility for a period in excess of 23 hours) to the Company's hospitals.
- (b) Equivalent admissions is used by management and certain investors as a general measure of combined inpatient and outpatient volume. Equivalent admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenue and gross outpatient revenue and then dividing the resulting amount by gross inpatient revenue. The equivalent admissions computation "equates" outpatient revenue to the volume measure (admissions) used to measure inpatient volume resulting in a general measure of combined inpatient and outpatient volume.

(c) Excludes the operations of hospitals and their related facilities which were either acquired or divested during the current and prior year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

General

The Company is currently the subject of a government investigation into the Company's business practices in several states. The Company has also experienced a change in management and business strategy during the current period. The uncertainties surrounding these factors along with the unfavorable media coverage related to the investigations may have contributed to a slowdown in the Company's revenue growth and a decline in results of operations. Management is unable to predict if or when the Company can return to its historical revenue growth rates, historical operating margins or historical net income growth rates.

Investigations

In March 1997, various facilities of the Company's El Paso, Texas operations were searched by federal authorities pursuant to search warrants and the government removed various records and documents. The Company is cooperating in this investigation and has met with the Assistant U.S. Attorney responsible for conducting this investigation. The Company believes it may be a target in this investigation.

In July 1997, various Columbia affiliated facilities and offices were searched pursuant to search warrants issued by the United States District Court in various states. During July and September 1997, the Company was also served with subpoenas requesting various records and documents related to laboratory billing, DRG coding and home health operations in various states. The Company is cooperating in these investigations and has met with Department of Justice attorneys responsible for conducting these investigations. The Company believes that it may be a target in these investigations.

Also, in July 1997, the United States District Court for the Middle District of Florida, in Ft. Myers, issued an indictment against three Columbia employees. The indictment relates to the alleged false characterization of interest payments on certain debt resulting in Medicare and CHAMPUS overpayments since 1986 to Columbia Fawcett Memorial Hospital, a Port Charlotte, Florida hospital that was acquired by Columbia in 1992. The Company has been served with subpoenas for various records and documents. The Company is cooperating in this investigation and has met with the Assistant U.S. Attorney responsible for conducting this investigation. The Company has been informed that it is a target in this investigation.

While it is too early to predict the outcome of any of the ongoing investigations or the initiation of any additional investigations, were the Company to be found in violation of federal or state laws relating to Medicare, Medicaid or similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Any such sanctions could have a material adverse effect on the Company's financial position and results of operations.

Management believes the ongoing investigations and related media coverage are having a negative effect on the Company's financial position and results of operations. However, the Company is unable to measure the effect or predict the magnitude that these investigations and related media coverage could have on the Company's future results of operations and financial position.

Change in Management and Business Strategy

On July 25, 1997, Columbia announced the resignations of Richard L. Scott, Chairman and Chief Executive Officer and David T. Vandewater, President and Chief Operating Officer. Thomas F. Frist, Jr., M.D., Vice Chairman of the Company's Board of Directors, was named Chairman and Chief Executive Officer.

On August 4, 1997, the Company named Jack O. Bovender, Jr. as President and Chief Operating Officer.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Change in Management and Business Strategy (continued)

On August 7, 1997, in an effort to address some areas of concern that may have led to the investigations by certain government agencies, management announced several significant steps that it will take to redefine the Company's approach to a number of business practices. Some of the steps include: elimination of annual cash incentive compensation for the Company's employees, divestiture of the home health care business, discontinued sales of interests in hospitals to physicians and the unwinding of existing physician interests in hospitals, continued compliance program efforts, increased disclosures in Medicare cost reports, changes in laboratory billing procedures, increased reviews of Medicare coding and further guidelines on any transactions with physicians. These changes are currently being developed and implemented in consideration of laws, regulations and existing contractual agreements. Management is not currently able to predict what effect such actions might have on the Company's financial position or results of operations.

The Company is currently considering a Company wide internal operating reorganization. In addition, the Company is evaluating various restructuring alternatives which include asset divestitures to third parties, spin-offs of certain assets to the Company's shareholders and the reorganization of the Company's businesses into distinct operating units. Each of the restructuring alternatives may be subject to various legal and regulatory approvals. There can be no assurance, which, if any of these alternatives may be adopted or implemented.

Revenue/Volume Trends

In addition to the impact of the ongoing government investigations and related media coverage, the Company's revenues continue to be affected by the trend toward certain services being performed more frequently on an outpatient basis and an increasing proportion of revenue being derived from fixed payment sources, including Medicare, Medicaid and managed care plans (87.9% of admissions for the nine months ended September 30, 1997 and 85.7% in the same period last year relate to Medicare, Medicaid and managed care plan patients).

Insurance companies, government programs (other than Medicare) and employers purchasing health care services for their employees are negotiating discounted amounts they will pay health care providers rather than paying standard prices. This leads to these purchasers of health care services becoming discounted payors, similar to HMO's and PPO's, in virtually all markets and making it increasingly difficult for providers to maintain their historical revenue growth trends. Revenues from capitation arrangements (prepaid health service agreements) are less than 1% of consolidated revenues.

The growth in outpatient services is expected to continue in the health care industry as procedures performed on an inpatient basis are converted to outpatient procedures through continuing advances in pharmaceutical and medical technologies. The redirection of certain procedures to an outpatient basis is also influenced by pressures from payors to direct certain procedures from inpatient care to outpatient care.

The Company expects patient volumes from Medicare and Medicaid to continue to increase due to the general aging of the population and the expansion of state Medicaid programs. The Medicare program reimburses the Company's inpatient services primarily based on established rates that are dependent on each patient's diagnosis, regardless of the provider's cost to treat the patient or the length of time the patient stays in the hospital. Medicare reimbursement for outpatient services is based primarily upon the provider's cost to treat the patient and certain government fee schedules and blended rates. The Medicare program's established rates are indexed for inflation

annually, but these increases have historically been less than the actual inflation rate and the Company's increases to its standard charges. The Balanced Budget Act of 1997 (the "97 Budget Act"), enacted in August 1997, will have the effect of reducing reimbursements from the Medicare program as well as various states' Medicaid programs effective over various periods beginning October 1, 1997. Management believes the reduction in payments could be significant, but cannot at this time, predict the ultimate effect of such reductions on the Company's results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Year 2000 Computer Issues

The Company is aware of the issues associated with the programming code in existing computer systems as the year 2000 approaches. The year 2000 problem is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit year value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

Columbia has initiated a company-wide program to prepare its computer systems and applications for the year 2000. The Company expects to incur internal staff costs as well as external consulting and other expenses related to infrastructure and facility enhancements necessary to prepare the systems for the year 2000. The Company expects its year 2000 project to be completed during 1999 with a total estimated minimum cost of \$60 million (these costs will be expensed as incurred). However, there can be no assurance that the systems of other companies, on which the Company's systems rely, will be converted on a timely basis or that any such failure to convert by another company (such as third party payors) would not have an adverse effect on the Company's systems.

Quarters Ended September 30, 1997 and 1996

Revenues increased 0.2% to \$4,612 million in 1997 compared to \$4,605 million in 1996, primarily as a result of growth in outpatient volumes. Inpatient admissions declined 0.2% from a year ago. On a same-hospital basis, revenues increased 0.7%, admissions increased 1.0% and equivalent admissions (adjusted to reflect outpatient activity) increased 2.6% from a year ago. The growth rates experienced this quarter are less than the rates experienced in prior quarters which management believes were due in part to the reactions of certain physicians and patients to the negative media coverage related to the ongoing government investigations, changes in patient mix (increase in managed care volumes as a percentage in total volumes), changes in management and increased competition. The increase in outpatient activity is primarily a result of increases in outpatient services (average daily outpatient visits increased 7.0 % in 1997). The consolidated revenue growth rate was less than the same hospital revenue growth rate due to a net decrease of consolidated hospitals since September 30, 1996. The decrease in consolidated hospitals was primarily due to contributions of facilities to joint ventures accounted for using the equity method.

Income from continuing operations before income taxes declined 69.8% to \$150 million in 1997 from \$498 million in 1996 and pretax margins decreased to 3.3% in 1997 from 10.8% in 1996. The decrease in pretax income was attributable to a decline in revenue growth, as described above and declines in the margin. Several factors contributed to declines in the margin including increases as a percentage of revenues in every expense category except minority interest. The increases are attributable to both external and internal factors. The external factors relate primarily to the ongoing government investigations and related media coverage. The internal factors relate to the Company's inability to respond timely to adjust expenses in line with the decreases in volume trends associated with the investigation and other internal factors as described below.

Salaries and benefits, as a percentage of revenues, increased to 41.1% in 1997 from 38.9% in 1996. This increase was due, in part, to declines in labor productivity (man hours per equivalent admission increased 2.5%) as the Company has been unable to make staffing level changes on a timely basis in response to the changing patient volume and patient mix trends.

Supply costs increased as a percentage of revenues to 14.2% in 1997 from 14.1% in 1996.

Other operating expenses, as a percentage of revenues, increased to 22.1% in 1997 from 20.4% in 1996. The increase was due, in part, to an increase in contract services as a percentage of revenues to 9.2% in 1997 from 8.0% in 1996 which resulted from payments to third parties on a fee basis for both new services and services previously performed by Company employees. Also included in other operating expenses are professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes. There were no significant changes in any of these expenses as a percentage of revenues.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Quarters Ended September 30, 1997 and 1996 (continued)

Provision for doubtful accounts, as a percentage of revenues, increased to 8.0% in 1997 from 6.8% in 1996 due to internal factors such as computer information system conversions (including patient accounting systems) at various facilities and external factors such as payor mix shifts from Medicare to managed care and payor remittance slowdowns. The information system conversions hampered the business office billing functions and collection efforts in those facilities as some resources were directed to installing and converting systems and building new data files, rather than devoting full effort to billing and collecting receivables. The Company experienced an increased occurrence of charge audits from certain payors due to the negative publicity surrounding the investigations which resulted in delays in the collection of receivables. The delays in collections resulted in an increase in receivables reserved under the Company's bad debt allowance policy.

Equity in earnings of affiliates decreased as a percentage of revenues to 0.4% in 1997 from 0.9% in 1996 primarily due to decreased profitability at certain facilities acquired through joint ventures during 1995 and 1996. As of September 30, 1997, there were 27 hospitals and five freestanding surgery centers compared to 18 hospitals and three freestanding surgery centers at September 30, 1996, which are being accounted for using the equity method.

Depreciation and amortization increased as a percentage of revenues to 6.9% in 1997 from 6.5% in 1996, primarily due to the slowdown in revenue growth and increased capital expenditures related to ancillary services (such as outpatient services) and information systems. Capital expenditures in these areas generally result in shorter depreciation and amortization lives for the assets acquired than typical hospital acquisitions.

Interest expense increased to \$125 million or 2.7 % of revenues in 1997 compared to \$119 million or 2.6% of revenues last year primarily as a result of an increase in the average outstanding debt during the third quarter of 1997 compared to last year. This was due, in part, to the additional debt incurred related to the share repurchase program. The interest expense associated with the increase in debt related to the Value Health Merger has been allocated to "Discontinued operations" and is therefore not included in interest expense from continuing operations.

The Company incurred \$64 million of costs during 1997 in connection with the investigations and changes in management and business strategy. These costs included \$40 million in severance costs, \$11 million in professional fees related to the investigations, \$10 million related to certain cancelled projects and \$3 million in other costs.

Minority interests declined to \$33 million in 1997 compared to \$36 million in 1996 primarily due to decreased profitability in entities with minority ownerships as compared to last year. As a percentage of revenues, minority interests declined to 0.7% in 1997 compared to 0.8% in 1996.

Income from continuing operations decreased 69.7% to \$91 million (\$.15 per share) during 1997 compared to \$299 million (\$.44 per share) in 1996.

Income from discontinued operations totaled \$6 million (\$.01 per share) in 1997 compared to \$12 million (\$.02 per share) in 1996. The decline was primarily due to a decrease in the profitability of the home health care operations. Home health care operations is one of the focus areas of the government investigations. Management believes these operations have been negatively impacted in response to the investigations and the announced intention to divest the home health care business.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Nine Months Ended September 30, 1997 and 1996

Revenues increased 3.4% to \$14.4 billion in 1997 compared to \$14.0 billion in 1996, primarily as a result of growth in inpatient and outpatient volumes. On a same-hospital basis, revenues increased 4.1%, admissions increased 2.0% and equivalent admissions (adjusted to reflect outpatient activity) increased 3.9% from a year ago. Management believes the growth rates experienced during 1997 were negatively impacted by the decline in revenue and volume growth in the third quarter ended September 30, 1997. The increase in outpatient activity is primarily a result of increases in outpatient services (average daily outpatient visits increased 8.8% in 1997). The consolidated revenue growth rate was less than the same hospital revenue growth rate because of a net decrease of consolidated hospitals since September 30, 1996. The decrease in consolidated hospitals was primarily due to contributions of facilities to joint ventures accounted for using the equity method.

Income from continuing operations before income taxes decreased 12.5% to \$1.6 billion in 1997 from \$1.8 billion in 1996 and pretax margins decreased to 10.8% in 1997 from 12.7% in 1996. The decrease in pretax income was attributable to a decline in revenue growth described above and declines in the margin. Several factors contributed to declines in the margin including increases as a percentage of revenues in most expense categories. The increases are attributable to both external and internal factors. The external factors relate primarily to the ongoing government investigations and related media coverage. The internal factors relate to the Company's inability to respond timely to adjust expenses in line with decreases in volume trends associated with the investigation and other internal factors as described below.

Salaries and benefits, as a percentage of revenues, increased slightly to 38.9 % in 1997 from 38.7% in 1996.

Supply costs declined as a percentage of revenues to 13.9% in 1997 from 14.3% in 1996 due to enhanced levels of participation in the Company's standard purchasing contracts for medical supplies (which provide for progressive discounts based upon the volume of purchases made by Columbia). While the Company expects to continue to benefit from its volume purchasing power, there can be no assurance that such benefits will continue to be realized in the relative amounts realized to date.

Other operating expenses, as a percentage of revenues, increased to 20.2% in 1997 from 19.6% in 1996. The increase was primarily due to an increase in contract services as a percentage of revenues to 8.5% in 1997 from 7.4% in 1996 which resulted from payments to third parties on a fee basis for both new services and services previously performed by Company employees. Also included in other operating expenses are professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes. There were no significant changes in any of these expenses as a percentage of revenues.

Provision for doubtful accounts, as a percentage of revenues, increased to 6.8% in 1997 from 6.2% in 1996 due to internal factors such as computer information system conversions (including patient accounting systems) at various facilities and external factors such as payor mix shifts from Medicare to managed care and payor remittance slowdowns. The information system conversions hampered the business office billing functions and collection efforts in those facilities as some resources were directed to installing and converting systems and building new data files, rather than devoting full effort to billing and collecting receivables. The Company experienced an increased occurrence of charge audits from certain payors due to the negative publicity surrounding the investigations which resulted in delays in the collection of receivables. The delays in collections resulted in an increase in receivables reserved under the Company's bad debt allowance policy.

Equity in earnings of affiliates, as a percentage of revenues, decreased slightly to 0.8% in 1997 from 0.9% in 1996.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Nine Months Ended September 30, 1997 and 1996 (continued)

Depreciation and amortization increased as a percentage of revenues to 6.5% in 1997 from 6.0% in 1996, primarily due to the slowdown in revenue growth and increased capital expenditures related to ancillary services (such as outpatient services) and information systems. Capital expenditures in these areas generally result in shorter depreciation and amortization lives for the assets acquired than typical hospital acquisitions.

Interest expense declined to \$361 million or 2.5% of revenues in 1997 compared to \$371 million or 2.7% of revenues last year primarily as a result of a decrease in the average outstanding debt during the nine months ended 1997 compared to the same period last year.

The Company incurred \$64 million of costs during 1997 in connection with the investigations and changes in management and business strategy.

Minority interests increased to \$125 million or 0.8% in 1997 compared to \$102 million or 0.7% in 1996 primarily due to both increased profitability and minority ownership in equity of additional consolidated entities compared to last year.

Income from continuing operations decreased 12.4% to \$931 million (\$1.39 per share) during 1997 compared to \$1.1 billion (\$1.57 per share) in 1996.

Income from discontinued operations totaled \$57 million (\$.09 per share) in 1997 compared to \$28 million (\$.04 per share) in 1996. The increase was primarily due to an increase in home health care income resulting from acquisitions and start-up of new agencies. Management believes the increase in income was partially offset by the government investigations and related media coverage and the Company's announcement during the quarter ended September 30, 1997 of its intention to divest the home health care business.

Liquidity

Cash provided by operating activities totaled \$1.6 billion for the nine months ended September 30, 1997 compared to \$1.9 billion in the same period last year. The decrease in 1997 from 1996 is primarily due to decreases in accrued expenses, income taxes payable and net income.

Cash used in investing activities in the first nine months of 1997 exceeded cash provided by operating activities by \$1.1 billion and was funded by the issuance of long-term debt, commercial paper and bank borrowings. Included in investing activities for 1997 is the cash required to acquire Value Health, Inc. (approximately \$1.2 billion). During 1996, cash flows from operating activities exceeded cash used in investing activities by \$176 million. The excess funds generated from operations were used to pay down long-term debt and commercial paper borrowings.

During the first nine months of 1997, the Company repurchased approximately 20.4 million shares of its common stock for a total cost of approximately \$737 million and was funded by the issuance of long-term debt, commercial paper and bank borrowings.

Working capital totaled \$1.7 billion at September 30, 1997 and \$1.4 billion at December 31, 1996. Management believes that cash flows from operations and amounts available under Columbia's revolving credit facilities and related commercial paper programs are sufficient to meet expected future liquidity needs.

Investments of Columbia's professional liability insurance subsidiary to maintain statutory equity and pay claims totaled \$1.5 billion and \$1.3 billion

at September 30, 1997 and December 31, 1996, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Liquidity (continued)

The Company has entered into various agreements with joint venture partners whereby the partners have an option to sell or "put" their interest in the joint venture back to the Company within specified periods at fixed prices or prices based on certain formulas. The combined put price under all such agreements was approximately \$1.1 billion at September 30, 1997. While the Company cannot predict if, or when, their joint venture partners will exercise such options (no put options have been exercised through September 30, 1997), it is not expected that the majority of the puts would be exercised in any one period.

Capital Resources

Excluding acquisitions, capital expenditures totaled \$1.1 billion for the nine months ended September 30, 1997, and 1996. Planned capital expenditures in 1997 are expected to approximate \$1.5 billion. Management believes that its capital expenditure program is adequate to expand, improve and equip its existing health care facilities.

Columbia also expended \$398 million and \$638 million for acquisitions during the nine months ended September 30, 1997 and 1996, respectively. The decline in acquisitions can be partially attributed to increased regulatory review procedures in certain states that have extended the timing between the initiation and consummation of certain transactions. Also, as part of its new business strategy, the Company announced a slowdown in its current acquisition program. Columbia also made investments in and advances to affiliates (generally 50% interests in joint ventures that are accounted for using the equity method) of \$29 million in the nine months ended September 30, 1997 compared to \$37 million for the same period in 1996.

Columbia expects to finance all capital expenditures with internally generated and borrowed funds. Available sources of capital include public or private debt, commercial paper, unused bank revolving credit facilities and equity. At September 30, 1997, there were projects under construction which had an estimated additional cost to complete and equip of approximately \$ 1.1 billion.

The Company's revolving credit agreements (the "Credit Facilities") are comprised of a \$2.0 billion five-year revolving credit facility expiring February 2002 and a \$3.0 billion 364-day revolving credit facility expiring June 1998. Borrowings under the 364-day revolving credit facility do not mature until one year subsequent to the end of the 364-day period. The Credit Facilities support Columbia's commercial paper programs. As of October 31, 1997, Columbia had approximately \$850 million of credit available (net of outstanding commercial paper) under the Credit Facilities.

Columbia's revolving credit agreements contain customary covenants which include (i) limitations on additional debt, (ii) limitations on sales of assets, mergers and changes of ownership, and (iii) maintenance of certain interest coverage ratios. Columbia was in compliance with all such covenants at September 30, 1997.

HEALTH CARE REFORM

In recent years, an increasing number of legislative proposals have been introduced or proposed to Congress and in some state legislatures that would significantly affect health care systems in Columbia's markets. The cost of certain proposals would be funded in significant part by reductions in payments by government programs, including Medicare and Medicaid, to health care providers (similar to the reductions to be incurred as part of the 97 Budget Act as previously discussed). While the Company is unable to predict

which, if any, proposals for health care reform will be adopted, there can be no assurance that proposals adverse to the business of Columbia will not be adopted.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

VALUE HEALTH MERGER AND DISCONTINUED OPERATIONS

On August 6, 1997, Columbia completed a merger transaction with Value Health. (See Note 3 of the Notes to Condensed Consolidated Financial Statements for a description of the merger transaction.)

As part of the Company's change in business strategy, Columbia implemented a plan to sell its home health care business and divest three of the four business units acquired through the Value Health Merger. As a result of the plan to divest these businesses, the Company's condensed consolidated financial statements and related notes have been adjusted and restated to reflect the results of operations and net assets of the home health care and Value Health businesses to be disposed of as discontinued operations.

OTHER INFORMATION

Columbia is contesting income taxes and related interest proposed by the IRS for prior years aggregating approximately \$551 million as of September 30, 1997. Management believes that final resolution of these disputes will not have a material adverse effect on the financial position, results of operations or liquidity of Columbia.

See Note 8 of the Notes to Condensed Consolidated Financial Statements for a description of the pending IRS disputes.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q, including, without limitation, statements containing the words "believes," "anticipates," "expects," and words of similar import, constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: (i) the outcome of the known and unknown governmental investigations of the Company's business practices; (ii) the recently enacted changes in the Medicare and Medicaid programs affecting reimbursement to healthcare providers and insurers; (iii) legislative proposals for healthcare reform; (iv) the ability to enter into managed care provider arrangements on acceptable terms; (v) liability and other claims asserted against the Company; (vi) changes in business strategy or development plans; (vii) the departure of key executive officers from the Company; and (viii) the availability and terms of capital to fund the expansion of the Company's business, including the acquisition of additional facilities. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

OPERATING DATA

|                                                                     | 1997    | 1996      |
|---------------------------------------------------------------------|---------|-----------|
|                                                                     | -----   | -----     |
| CONSOLIDATED                                                        |         |           |
| Number of hospitals in operation at:                                |         |           |
| March 31.....                                                       | 314     | 320       |
| June 30.....                                                        | 315     | 326       |
| September 30.....                                                   | 314     | 325       |
| December 31.....                                                    |         | 319       |
| Number of freestanding outpatient surgical centers in operation at: |         |           |
| March 31.....                                                       | 143     | 127       |
| June 30.....                                                        | 145     | 130       |
| September 30.....                                                   | 143     | 130       |
| December 31.....                                                    |         | 132       |
| Licensed hospital beds at:                                          |         |           |
| March 31.....                                                       | 60,993  | 62,197    |
| June 30.....                                                        | 61,275  | 63,217    |
| September 30.....                                                   | 61,071  | 63,063    |
| December 31.....                                                    |         | 61,931    |
| Weighted average licensed beds (a):                                 |         |           |
| Quarter:                                                            |         |           |
| First.....                                                          | 61,222  | 62,330    |
| Second.....                                                         | 61,203  | 62,937    |
| Third.....                                                          | 60,981  | 63,179    |
| Fourth.....                                                         |         | 62,385    |
| Year.....                                                           |         | 62,708    |
| Average daily census (b):                                           |         |           |
| Quarter:                                                            |         |           |
| First.....                                                          | 28,401  | 28,428    |
| Second.....                                                         | 25,921  | 26,193    |
| Third.....                                                          | 24,343  | 25,111    |
| Fourth.....                                                         |         | 26,437    |
| Year.....                                                           |         | 26,538    |
| Admissions:                                                         |         |           |
| Quarter:                                                            |         |           |
| First.....                                                          | 497,200 | 490,800   |
| Second.....                                                         | 477,200 | 463,100   |
| Third.....                                                          | 461,700 | 462,400   |
| Fourth.....                                                         |         | 479,100   |
| Year.....                                                           |         | 1,895,400 |
| Average length of stay (days) (c):                                  |         |           |
| Quarter:                                                            |         |           |
| First.....                                                          | 5.1     | 5.3       |
| Second.....                                                         | 4.9     | 5.1       |
| Third.....                                                          | 4.9     | 5.0       |
| Fourth.....                                                         |         | 5.1       |
| Year.....                                                           |         | 5.1       |

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

OPERATING DATA (CONTINUED)

|                                                                     | 1997  | 1996  |
|---------------------------------------------------------------------|-------|-------|
|                                                                     | ----- | ----- |
| NON-CONSOLIDATED(D)                                                 |       |       |
| Number of hospitals in operation at:                                |       |       |
| March 31.....                                                       | 27    | 17    |
| June 30.....                                                        | 27    | 17    |
| September 30.....                                                   | 27    | 18    |
| December 31.....                                                    |       | 22    |
| Number of freestanding outpatient surgical centers in operation at: |       |       |
| March 31.....                                                       | 5     | 3     |
| June 30.....                                                        | 5     | 3     |
| September 30.....                                                   | 5     | 3     |
| December 31.....                                                    |       | 4     |
| Licensed hospital beds at:                                          |       |       |
| March 31.....                                                       | 6,537 | 4,393 |
| June 30.....                                                        | 6,641 | 4,393 |
| September 30.....                                                   | 6,455 | 4,768 |
| December 31.....                                                    |       | 5,451 |

- - - - -

- (a) Represents the average number of licensed beds weighted based on periods owned. Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
- (b) Represents the average number of patients in hospital beds each day.
- (c) Represents the average number of days admitted patients stay in Columbia's hospitals.
- (d) The non-consolidated facilities include facilities operated through 50/50 joint ventures which are not controlled by Columbia. They are accounted for using the equity method of accounting and are, therefore, not included on a fully consolidated basis in the condensed consolidated financial statements.

## PART II: OTHER INFORMATION

### ITEM 1: LEGAL PROCEEDINGS.

#### Shareholder Derivative and Class Action Complaints filed in the U.S. District Court

Beginning in April 1997, several shareholder class action complaints and derivative complaints were filed by certain purported current and former shareholders of the Company against the Company and certain of its current and former directors and officers in the United States District Court for the Middle District of Tennessee. The allegations and requested relief are generally described in the Company's prior Form 10-Q. On October 9, 1997, Judge Higgins of the United States District Court for the Middle District of Tennessee ordered that (i) all the shareholder class action claims before the U.S. District Court for the Middle District of Tennessee be consolidated under the caption Sidney Morse, et al. v. R. Clayton McWhorter, et al. (Civil Action No. 3-97-0370) (Higgins, J.) and (ii) all the derivative claims before the United States District Court for the Middle District of Tennessee be consolidated under the caption McCall, et al. v. Richard L. Scott, et al. (Civil Action No. 3-97-0038) (Higgins, J.).

The Company intends to pursue the defense of these actions vigorously.

#### Shareholder Derivative Actions filed in State Courts

As previously reported in the Company's prior Form 10-Q, two purported derivative actions entitled Evelyn Barron, et al. v. Magdalena Averhoff, et al. (Civil Action No. 15822NC) and John Kovalchick v. Magdalena Averhoff, et al. (Civil Action No. 15829NC) were filed in the Court of Chancery of the State of Delaware in and for New Castle County. The actions were brought on behalf of the Company by certain purported shareholders of the Company against certain of the Company's current and former officers and directors. On approximately August 14, 1997, a similar purported derivative action entitled State Board of Administration of Florida v. Magdalena Averhoff, et al. (No. 97-2729) was filed in the Circuit Court in Davidson County, Tennessee on behalf of the Company by certain purported shareholders of the Company against certain of the Company's current and former directors and officers.

The Company intends to pursue the defense of these actions vigorously.

#### Patient/Payor Actions

In addition, several purported class action lawsuits were filed by patients and/or payors against the Company and/or certain of its current and former officers and directors alleging, in general, improper and fraudulent billing, coding and physician referrals as well as other violations of law.

The Company intends to pursue the defense of these actions vigorously.

#### Qui Tam Action

As previously reported in the Company's Form 10-K, a qui tam action entitled United States, ex rel. James M. Thompson v. Columbia/HCA Healthcare Corporation, et al. (No. 96-40868) had been dismissed by the District Court. On October 23, 1997, the U.S. Court of Appeals for the Fifth Circuit affirmed the dismissal in part, vacated it in part and remanded for further proceedings issues that will require the District Court to further consider certain elements of the Complaint.

#### Other

On November 7, 1997, a purported class action entitled Landgraff, et al. v. Columbia/HCA Healthcare Corporation of America and the Columbia/HCA Retirement Plan Committee (No. 97-CV-3381) was filed in the U.S. District Court for the Northern District of Georgia by purported former employees of the Company on behalf of members of the Company's Stock Bonus Plan (the "Plan"). In general,

it is alleged that the defendants breached their fiduciary duties in administering the Plan.

The Company intends to pursue the defense of this action vigorously.

PART II: OTHER INFORMATION (CONTINUED)

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K.

(a) List of Exhibits:

Exhibit 10(a)--Separation Agreement--Richard L. Scott.\*  
Exhibit 10(b)--Separation Agreement--David T. Vandewater.\*  
Exhibit 10(c)--Agreement and Amendment to the 364-day Agreement and  
Amendment dated as of June 17, 1997.\*  
Exhibit 10(d)--First Amendment to the Five-Year Agreement and Amendment  
dated as of June 17, 1997.\*  
Exhibit 11--Statement re Computation of Earnings Per Share.  
Exhibit 12--Statement re Computation of Ratio of Earnings to Fixed Charges.  
Exhibit 27--Financial Data Schedule\*

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\*Included only in filings under the Electronic Data, Gathering, Analysis, and  
Retrieval system

(b) Reports on Form 8-K filed during the quarter ended September 30, 1997:

On July 24, 1997, Columbia filed a report of Form 8-K related to government investigations and the issuance of search warrants at various Columbia affiliated locations.

On July 25, 1997, Columbia filed a report of Form 8-K related to the resignations of Richard L. Scott, Chairman and Chief Executive Officer and David T. Vandewater, President and Chief Operating Officer. Thomas F. Frist, Jr., M.D., Vice Chairman of the Company's board, was named Chairman and Chief Executive Officer. A copy of the press release issued by Columbia was attached to the filing.

On August 8, 1997, Columbia filed a report on Form 8-K related to the completion of the acquisition of Value Health, Inc. and the announced planned changes in the Company's business approach. Copies of both press releases issued by Columbia were attached to the filing.

On September 3, 1997, Columbia filed a report on Form 8-K related to the redemption of the all outstanding preferred stock purchase rights and the declaration of a quarterly dividend. A copy of the letter to Stockholders was attached to the filing.

On September 12, 1997, Columbia filed a report on Form 8-K related to the announcement of weaker than expected financial results for the third quarter ended September 30, 1997. A copy of the press release issued by Columbia was attached to the filing.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED THEREUNTO DULY AUTHORIZED.

Columbia/HCA Healthcare Corporation

/s/ Kenneth C. Donahey

-----

KENNETH C. DONAHEY

SENIOR VICE PRESIDENT AND CONTROLLER  
(PRINCIPAL ACCOUNTING OFFICER)

Date: November 13, 1997

## SEPARATION AGREEMENT

This is an agreement by and between Columbia/HCA Healthcare Corporation, a Delaware corporation ("Columbia/HCA" or the "Company"), and Richard L. Scott (the "Executive"), entered into this 25th day of July, 1997 ("Separation Agreement").

WHEREAS, Richard L. Scott has served as Chairman of the Board and Chief Executive Officer of the Company;

WHEREAS, the Company and the Executive wish to provide for an orderly and immediate transition of duties, offices and responsibilities from the Executive to a successor;

WHEREAS, the Company and Executive desire to settle and compromise fully and finally any and all disputes, controversies, entitlements, and claims that the Executive may have to compensation, benefits and other payments arising out of the Executive's employment and relationship with the Company on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the promises, covenants, and agreements contained herein, the parties agree as follows:

1. The Executive's employment shall terminate, effective at the close of business, July 25, 1997 (the "Separation Date"), as of which date Executive shall cease to be an officer, director and employee of the Company and an officer, director and employee of its subsidiaries and affiliates and shall resign from his positions as a director, officer and employee of the Company and resign from his positions as an officer, director and employee of its subsidiaries and affiliates.

2. The Executive agrees with the Company that, notwithstanding any other agreement, oral or written, the following, together with amounts payable pursuant to paragraph 3 hereof, accurately reflects all of the compensation, benefits and perquisites payable or otherwise to be provided by the Company to the Executive after the Separation Date and that the Executive is not entitled to any compensation, benefits or perquisites except as set forth in this Agreement; provided that all compensation, benefits and perquisites payable hereunder shall be paid after withholding for taxes required to be withheld by the Company, including income taxes, at the then current published federal and state rate (which, in the aggregate, is, as of the date hereof, 26%), unless Executive elects in writing to the Company to use a higher rate; provided, further, that all personal income and related taxes applicable to any and all compensation, benefits and perquisites due or payable hereunder shall be paid by Executive:

(a) On the Separation Date, Executive will receive a one-time payment in the amount of \$5,130,000.

(b) Executive shall have the right to exercise the Executive's vested stock options at any time within ninety (90) days after the Separation Date.

(c) The Company will pay relocation costs should the Executive move more than 90 miles from Nashville, Tennessee within two years from the Separation Date. Relocation costs will include all reasonable moving expenses. In addition, contemporaneously, the Executive shall have the option to have the Company purchase the Executive's primary residence at the price of the Executive's net cumulative investment costs and assume any mortgage indebtedness on this residence.

(d) For a period of two (2) years from the Separation Date, the Company will reimburse the Executive for reasonable office expenses including office rent and secretarial staff for use in performing the services contemplated under paragraph 3 hereof. The Company will not be required to pay for such office expenses if the Executive is employed by or working for any company of which he is less than a 50% owner or partner.

(e) Executive acknowledges that he has been notified by the Company of his right to pay premiums to continue his coverage under certain of the life and accident insurance coverage previously provided to him by the Company for as long as the Company maintains such policies in effect. Executive understands that if he fails to or chooses not to pay any insurance premium after the Separation Date, his insurance coverage will lapse under the terms of any applicable insurance policy. Except as provided in paragraph 3 below, the Company shall have no obligation to provide Executive other insurance.

(f) Executive retains all rights under the Columbia/HCA Healthcare Corporation 1995 Management Stock Purchase Plan.

(g) The Executive shall be reimbursed for all accrued, but unused vacation time, and accrued bonus for the time period January 1, 1997 through the Separation Date.

3. Executive hereby agrees to make himself available at the request of the Company, at reasonable times and upon reasonable notice, for a period of five (5) years from the Separation Date, to serve as a consultant to the Company on matters the Company shall designate as set forth later in this paragraph. Executive agrees to provide advice and consulting services (collectively, the "Consulting Services") upon a request therefor communicated to him by any senior executive officer of the Company. In consideration thereof and for so long as he provides the Consulting Services in accordance with the terms hereof, Executive shall receive a consulting fee of \$950,000 per annum, payable in equal monthly installments beginning on the Separation Date. The Executive will be eligible to be reimbursed for his reasonable business expenses incurred in providing the Consulting Services. Withholding will apply to consulting payments received by Executive unless an acceptable legal opinion is received from Executive's legal counsel indicating that withholding is not applicable. Executive agrees that the Consulting Services will be consultation with and assistance to the Company in connection with issues involving litigation, compliance and/or any governmental or other investigations involving the

Executive's tenure as employee. During the five (5) year period that Executive provides Consulting Services, the Company shall, at its own expense, provide Executive with Executive's existing or comparable health benefits.

Nothing contained in this paragraph shall require the Executive to act contrary to the advice of counsel.

4. Executive agrees that, for a period of two years from the Separation Date, he shall not, directly or indirectly, for his own benefit or as agent for another, carry on or participate in the ownership, management or control of, or be employed by, or serve as a director of, or consult for, or license or provide know how to, or otherwise render services to, or allow his name or reputation to be used in or by, any healthcare provider which owns and operates more than 50 acute care hospitals in the United States as a healthcare provider; provided that nothing contained herein shall limit the right of Executive, as an investor, to hold and make investments in securities of any corporation or other entity that competes in the lines of business in which the Company, its subsidiaries or its affiliates are engaged that is registered on a national securities exchange or admitted to trading privileges thereon or actively traded in a generally recognized over-the-counter market, provided that the aggregate of all of Executive's equity interests therein does not exceed at any time 5% of the outstanding equity interests in such corporation or other entity. On the first two anniversaries of the Separation Date, the Executive shall report to the Company any employment by or investment in a healthcare provider which owns and operates more than 50 acute care hospitals.

Executive acknowledges that he considers the restrictions set forth in this paragraph to be reasonable both individually and in the aggregate and that the duration, geographic scope, extent and application of each of such restrictions are no greater than is necessary for the protection of the legitimate interests of the Company. It is the desire and intent of the parties hereto that the provisions of this paragraph shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If any particular provision or portion of this paragraph shall be adjudicated to be invalid or unenforceable, such adjudication shall apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. Further, in the event that any restriction herein shall be found to be void or unenforceable but would be valid or enforceable if some part or parts thereof were deleted or the period or area of application reduced, each of the parties hereby agrees that such restriction shall apply with such modification as may be necessary to make it valid in the jurisdiction as to which the determination is made.

5. Executive acknowledges that, subject to the payments to be made under this Agreement, he has been paid all amounts to which he is entitled or may make claim as a result of his employment with the Company, including all salary and incentives and payment for any and all accrued but unused vacation benefits.

6. In further consideration of the foregoing, except as provided in the last paragraph of this paragraph and the obligations undertaken by the Company pursuant to this Agreement, Executive and his descendants, ancestors, heirs, executors, successors, and assigns hereby

release, remise, acquit, forever discharge, covenant not to sue or make claim, and agree to indemnify and hold harmless the Company and each of its subsidiaries and assigns from and against any and all claims, demands, obligations, causes of action, debts, expenses, damages, judgments, orders and liabilities of whatever kind or nature, in law, equity or otherwise, whether now known or unknown, suspected or unsuspected, matured or unmatured and whether or not concealed or hidden, which Executive now owns or holds or has at any time heretofore owned or held or had, or at any time own or hold or have, against the Company, and also releases and discharges, without limiting the generality of the foregoing, any and all of the foregoing which arise out of or are in any way connected with any transactions, occurrences, acts or omissions regarding or relating to his employment with the Company, or the termination of his employment, including any claims arising from any alleged violation by the Company of any federal, state or local statutes, ordinances or common laws.

Subject to Paragraph 16 herein, the release set forth in this paragraph is intended as a release of all claims against the Company, whether now known or unknown. In furtherance thereof, Executive expressly waives any right or claim of right to assert hereafter that any claim, demand, obligation and/or cause of action has, through ignorance, oversight, error or otherwise, been omitted from the terms of this Agreement. Executive makes this waiver with full knowledge of his rights, after consulting with legal counsel, and with specific intent to release both his known and unknown claims.

Notwithstanding the foregoing, nothing in the release set forth in this paragraph nor anything else in this Agreement shall be deemed a waiver or release by Executive of any right that Executive now has, under this Agreement, to claim indemnity for liabilities in connection with his activities as a director, officer or employee of the Company pursuant to paragraph 8 herein, any applicable statute, under any insurance policy, or pursuant to the Restated Certificate of Incorporation or Bylaws of the Company.

7. (a) Executive acknowledges that he has held a sensitive management position with the Company and that, by virtue of having held such position, he has had access to and has learned the Company's and its subsidiaries' and affiliates' confidential and proprietary information and trade secrets pertaining to its operations, officers and directors. Executive agrees that he shall keep all such information confidential and that he shall not disclose any such information to any other person, except as may be required by law and then only upon as much prior written notice of an intention to disclose as may be practicable to provide the Company an opportunity to protect its information. Without limiting the generality of the foregoing, Executive agrees that he will not respond to or in any way participate in or contribute to any public discussion, notice or other publicity concerning or in any way related to proprietary or confidential information concerning the Company, its subsidiaries, affiliates, operations, or any matters concerning his employment with the Company. Executive further agrees that he will not talk to or provide any documents to any private, nongovernmental party concerning any allegation of unlawful activity or conduct, except as required by law. Executive agrees that he will not solicit any employee of the Company, its subsidiaries or affiliates for employment for a period of two (2) years from the Separation Date.

(b) The Company agrees that it shall keep all information pertaining to the Executive confidential and that it shall not disclose any such information to any other person, except as may be required by law and then only upon as much prior written notice of an intention to disclose as may be practicable to provide the Executive an opportunity to protect his information. Without limiting the generality of the foregoing, the Company agrees that it will not respond to or in any way participate in or contribute to any public discussion, notice or other publicity concerning or in any way related to proprietary or confidential information concerning the Executive, or any matters concerning his employment with the Company. The Company further agrees that it will not talk to or provide any documents to any private, nongovernmental party concerning any allegation of unlawful activity or conduct, except as required by law.

(c) The parties agree that no provision of this paragraph 7 or any other provision of this Agreement shall be construed or interpreted in any way to limit, restrict or preclude either party hereto from cooperating with any governmental agency in the performance of its investigatory or other lawful duties or producing materials or giving testimony pursuant to lawful process or in a court or administrative proceeding.

(d) Executive agrees that if he receives a subpoena or is otherwise required by law to provide information to a governmental entity or other person concerning the activities of the Company or his activities in connection with the Company's business, he will immediately notify the Company of such subpoena or requirement and deliver forthwith to the Company a copy of such subpoena and any attachments and nonprivileged correspondence related thereto.

(e) The parties agree to issue the public statement set out in Appendix 1 attached hereto. Executive and the Company agree to make no public statements to the newspapers, television, magazines or any other media or otherwise inconsistent with the public statement in Appendix 1.

(f) The Company will not make any statements that will disparage Executive's character or reputation, unless the statement is required to be disclosed by law. Executive will not make any statements that will disparage the Company, unless the statement is required to be disclosed by law.

8. The Company is currently advancing to the Executive expenses and fees for retention of legal counsel in connection with matters relating to his actions as an officer, director, or employee of the Company. In accordance with, and to the fullest extent allowed by, the provisions of Delaware law and Article Sixteenth of the Restated Certificate of Incorporation of the Company, filed February 10, 1994, Executive will be provided prompt advancement and indemnification of any and all legal fees and costs relating to, in any way, all such civil, criminal and administrative investigations or proceedings, and Executive will retain control of the selection and retention of his personal counsel in all such matters. Further, Executive will be provided prompt and complete indemnification, in accordance with, and to the fullest extent allowed by, the provisions of Delaware law and Article Sixteenth of the Restated Certificate of Incorporation of the Company, filed February 10, 1994, for any payments of any kind, including,

but not limited to, judgments, penalties, fines, costs, forfeiture, and/or restitution relating to, in any manner, all such civil, criminal and administrative investigations or proceedings. Finally, the Company acknowledges Executive is entitled to the limitations of liability available to a Director under Section Twelfth of the Restated Certificate of Incorporation of Columbia Healthcare Corporation dated the 10th day of February 1994.

The Company will continue to insure Executive under all Directors and Officers liability insurance policies that it will maintain from time to time for a period of not less than 5 years following his separation.

9. This Separation Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the Conflicts of Laws rules thereof.

10. Except for the public statement set out in Appendix 1 hereto, the parties agree that they will keep the terms, amounts and facts of this Agreement completely confidential, and that they will not hereafter disclose any information concerning this Agreement to anyone except their respective attorneys or accountants, including, but not limited to, any past, present, or prospective employees of the Company or any of its parent, subsidiary or related companies or entities, except, in each case, as may be requested by governmental entities or required by law, including, without limitation, filings with the Securities and Exchange Commission.

11. The Executive represents and warrants that he has acted in good faith and in what he reasonably believed to be in the best interest of the Company, and that he had no reasonable cause to believe that any of his conduct was unlawful.

12. This Separation Agreement constitutes the entire agreement among the parties with respect to the subject matter thereof, and supersedes any other agreement with respect thereto, and there are no other agreements or understandings related to those matters, except as expressly recited therein.

13. This Separation Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall constitute an original, but such counterparts together shall constitute but one and the same Separation Agreement.

14. Executive acknowledges that he has had the advice of independent counsel selected by him in connection with the terms of this Separation Agreement, and that no offer, promise, inducement or consideration of any kind or degree, except as expressly stated in this Separation Agreement, has been provided or promised to Executive by the Company or any other person in connection with Executive's entry into this Separation Agreement.

15. Should any provision of this Agreement be declared and/or be determined by any court to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby.

16. In the event of any dispute under this Separation Agreement, the propriety of any position regarding such dispute shall be determined exclusively in an arbitration proceeding at the American Arbitration Association under its Commercial Arbitration Rules, which the Company or the Executive may commence in Nashville, Tennessee. If either party believes that the other has violated the provisions of this Agreement, notice in writing shall be provided to the other party. If no resolution is reached within fourteen days of such notice, either party may request binding arbitration of the issue by the American Arbitration Association. This paragraph shall provide the sole method for resolution of disputes under this Agreement. Any disputes as to whether any dispute, controversy or claim is subject to arbitration also shall be settled by binding arbitration.

17. The rights of the Company hereunder shall inure to the benefit of any and all of its successors and assigns. The rights of the Executive hereunder shall inure to the benefit of any and all heirs and assigns. A modification or waiver of any of the provisions of the Agreement shall be effective only if made in writing and signed by each of the parties. The failure of any party to insist upon the strict performance of any of the provisions of this Agreement shall not be construed as a waiver of any subsequent default of the same or any other provision.

18. Any notices required to be given pursuant to the provisions hereof shall be given in writing to the designees below by certified mail, return receipt requested, and facsimile transmission as follows:

If to the Company:

General Counsel  
Columbia/HCA Healthcare Corporation  
One Park Plaza  
P.O.Box 550  
Nashville, Tennessee  
37202-0550  
615-434-5029 (fax)

If to the Executive:

Gerald A. Feffer, Esq.  
Williams & Connolly  
725 Twelfth Street, N.W.  
Washington, DC 20005  
202-434-5029 (fax)

IN WITNESS WHEREOF, Columbia/HCA and Executive have caused this Separation Agreement to be executed and entered into as of the day and year first above written.

COLUMBIA/HCA HEALTHCARE CORPORATION

By: /s/ THOMAS F. FRIST, JR.  
-----  
Name:  
Title:

EXECUTIVE

/s/ RICHARD L. SCOTT  
-----  
/s/ GERALD A. FEFFER  
-----  
Counsel for Richard L. Scott

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FOR IMMEDIATE RELEASE

INVESTOR CONTACT:  
Victor L. Campbell  
Columbia  
615/344-2053

MEDIA CONTACTS:  
Eve Hutcherson  
Columbia  
615/344-2737

Sue Atkinson  
Atkinson Public Relations  
615/320-7532

CONTACTS FOR SCOTT & VANDEWATER:  
Edward Nebb/Eric Starkman  
Morgan-Walke Associates  
212/850-5600

SCOTT, VANDEWATER RESIGN AT COLUMBIA;  
FRIST NAMED CHAIRMAN AND CEO

NASHVILLE, TENN - JULY 25, 1997 -- Columbia/HCA Healthcare Corporation (NYSE: COL) today announced the resignations of Richard L. Scott, chairman, chief executive officer, and a director; and David T. Vandewater, president and chief operating officer, effective immediately.

Thomas F. Frist, Jr., M.D., vice chairman of the company's board, has been named chairman and chief executive officer. Frist has been a leader in the healthcare industry for 30 years.

The resignations were offered by the two executives, and accepted by the board. Both executives emphasized that throughout their tenure they have acted honorably and in the best interests of the company.

Scott said, "Since founding Columbia, we have been dedicated to improving healthcare through a focus on quality care. At the same time, we have had a strong emphasis on creating value for shareholders. Though the decision to resign was an extremely difficult one, we consider it to be the ultimate demonstration of our commitment to Columbia's mission."

"Rick and David have been catalysts in addressing the growing healthcare challenges in this country. We are grateful for their tireless efforts and contributions to improving the quality of healthcare in this county," Frist said.

"Our board and management will be focusing on providing full cooperation with all governmental agencies. We will also ensure that all Columbia facilities and employees are in full compliance with the law," Frist said.

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- - - - -  
Thomas F. Frist

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Richard L. Scott

- - - - -  
David T. Vandewater

## SEPARATION AGREEMENT

This is an agreement by and between Columbia/HCA Healthcare Corporation, a Delaware corporation ("Columbia/HCA" or the "Company"), and David T. Vandewater (the "Executive"), entered into this 25th day of July, 1997 ("Separation Agreement").

WHEREAS, David T. Vandewater has served as President and Chief Operating Officer of the Company;

WHEREAS, the Company and the Executive wish to provide for an orderly and immediate transition of duties, offices and responsibilities from the Executive to a successor;

WHEREAS, the Company and Executive desire to settle and compromise fully and finally any and all disputes, controversies, entitlements, and claims that the Executive may have to compensation, benefits and other payments arising out of the Executive's employment and relationship with the Company on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the promises, covenants, and agreements contained herein, the parties agree as follows:

1. The Executive's employment shall terminate, effective at the close of business, July 25, 1997 (the "Separation Date"), as of which date Executive shall cease to be an officer and employee of the Company and an officer, director and employee of its subsidiaries and affiliates and shall resign from his positions as an officer and employee of the Company and resign from his positions as an officer, director and employee of its subsidiaries and affiliates.

2. The Executive agrees with the Company that, notwithstanding any other agreement, oral or written, the following, together with amounts payable pursuant to paragraph 3 hereof, accurately reflects all of the compensation, benefits and perquisites payable or otherwise to be provided by the Company to the Executive after the Separation Date and that the Executive is not entitled to any compensation, benefits or perquisites except as set forth in this Agreement; provided that all compensation, benefits and perquisites payable hereunder shall be paid after withholding for taxes required to be withheld by the Company, including income taxes, at the then current published federal and state rate (which, in the aggregate, is, as of the date hereof, 26%), unless Executive elects in writing to the Company to use a higher rate; provided, further, that all personal income and related taxes applicable to any and all compensation, benefits and perquisites due or payable hereunder shall be paid by Executive:

(a) On the Separation Date, Executive will receive a one-time payment in the amount of \$3,240,000.

(b) Executive shall have the right to exercise the Executive's vested stock options at any time within ninety (90) days after the Separation Date.

(c) The Company will pay relocation costs should the Executive move more than 90 miles from Nashville, Tennessee within two years from the Separation Date. Relocation costs will include all reasonable moving expenses. In addition, contemporaneously, the Executive shall have the option to have the Company purchase the Executive's primary residence at the price of the Executive's net cumulative investment costs and assume any mortgage indebtedness on this residence.

(d) For a period of two (2) years from the Separation Date, the Company will reimburse the Executive for reasonable office expenses, including office rent and secretarial staff for use in performing the services contemplated under paragraph 3 hereof. The Company will not be required to pay for such office expenses if the Executive is employed by or working for any company of which he is less than a 50% owner or partner.

(e) Executive acknowledges that he has been notified by the Company of his right to pay premiums to continue his coverage under certain of the life and accident insurance coverage previously provided to him by the Company for as long as the Company maintains such policies in effect. Executive understands that if he fails to or chooses not to pay any insurance premium after the Separation Date, his insurance coverage will lapse under the terms of any applicable insurance policy. Except as provided in paragraph 3 below, the Company shall have no obligation to provide Executive other insurance.

(f) Executive retains all rights under the Columbia/HCA Healthcare Corporation 1995 Management Stock Purchase Plan.

(g) The Executive shall be reimbursed for all accrued, but unused vacation time, and accrued bonus for the time period January 1, 1997 through the Separation Date.

3. Executive hereby agrees to make himself available at the request of the Company, at reasonable times and upon reasonable notice, for a period of five (5) years from the Separation Date, to serve as a consultant to the Company on matters the Company shall designate as set forth later in this paragraph. Executive agrees to provide advice and consulting services (collectively, the "Consulting Services") upon a request therefor communicated to him by any senior executive officer of the Company. In consideration thereof and for so long as he provides the Consulting Services in accordance with the terms hereof, Executive shall receive a consulting fee of \$600,000 per annum, payable in equal monthly installments beginning on the Separation Date. The Executive will be eligible to be reimbursed for his reasonable business expenses incurred in providing the Consulting Services. Withholding will apply to consulting payments received by Executive unless an acceptable legal opinion is received from Executive's legal counsel indicating that withholding is not applicable. Executive agrees that the Consulting Services will be consultation with and assistance to the Company in connection with issues involving litigation, compliance and/or any governmental or other investigations involving the Company, its existing and former employees, or any of its affiliated or associated entities during

Executive's tenure as employee. During the five (5) year period that Executive provides Consulting Services, the Company shall, at its own expense, provide Executive with Executive's existing or comparable health benefits.

Nothing contained in this paragraph shall require the Executive to act contrary to the advice of counsel.

4. Executive agrees that, for a period of two years from the Separation Date, he shall not, directly or indirectly, for his own benefit or as agent for another, carry on or participate in the ownership, management or control of, or be employed by, or serve as a director of, or consult for, or license or provide know how to, or otherwise render services to, or allow his name or reputation to be used in or by, any healthcare provider which owns and operates more than 50 acute care hospitals in the United States as a healthcare provider; provided that nothing contained herein shall limit the right of Executive, as an investor, to hold and make investments in securities of any corporation or other entity that competes in the lines of business in which the Company, its subsidiaries or its affiliates are engaged that is registered on a national securities exchange or admitted to trading privileges thereon or actively traded in a generally recognized over-the-counter market, provided that the aggregate of all of Executive's equity interests therein does not exceed at any time 5% of the outstanding equity interests in such corporation or other entity. On the first two anniversaries of the Separation Date, the Executive shall report to the Company any employment by or investment in a healthcare provider which owns and operates more than 50 acute care hospitals.

Executive acknowledges that he considers the restrictions set forth in this paragraph to be reasonable both individually and in the aggregate and that the duration, geographic scope, extent and application of each of such restrictions are no greater than is necessary for the protection of the legitimate interests of the Company. It is the desire and intent of the parties hereto that the provisions of this paragraph shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If any particular provision or portion of this paragraph shall be adjudicated to be invalid or unenforceable, such adjudication shall apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. Further, in the event that any restriction herein shall be found to be void or unenforceable but would be valid or enforceable if some part or parts thereof were deleted or the period or area of application reduced, each of the parties hereby agrees that such restriction shall apply with such modification as may be necessary to make it valid in the jurisdiction as to which the determination is made.

5. Executive acknowledges that, subject to the payments to be made under this Agreement, he has been paid all amounts to which he is entitled or may make claim as a result of his employment with the Company, including all salary and incentives and payment for any and all accrued but unused vacation benefits.

6. In further consideration of the foregoing, except as provided in the last paragraph of this paragraph and the obligations undertaken by the Company pursuant to this Agreement,

Executive and his descendants, ancestors, heirs, executors, successors, and assigns hereby release, remise, acquit, forever discharge, covenant not to sue or make claim, and agree to indemnify and hold harmless the Company and each of its subsidiaries and assigns from and against any and all claims, demands, obligations, causes of action, debts, expenses, damages, judgments, orders and liabilities of whatever kind or nature, in law, equity or otherwise, whether now known or unknown, suspected or unsuspected, matured or unmatured and whether or not concealed or hidden, which Executive now owns or holds or has at any time heretofore owned or held or had, or at any time own or hold or have, against the Company, and also releases and discharges, without limiting the generality of the foregoing, any and all of the foregoing which arise out of or are in any way connected with any transactions, occurrences, acts or omissions regarding or relating to his employment with the Company, or the termination of his employment, including any claims arising from any alleged violation by the Company of any federal, state or local statutes, ordinances or common laws.

Subject to Paragraph 16 herein, the release set forth in this paragraph is intended as a release of all claims against the Company, whether now known or unknown. In furtherance thereof, Executive expressly waives any right or claim of right to assert hereafter that any claim, demand, obligation and/or cause of action has, through ignorance, oversight, error or otherwise, been omitted from the terms of this Agreement. Executive makes this waiver with full knowledge of his rights, after consulting with legal counsel, and with specific intent to release both his known and unknown claims.

Notwithstanding the foregoing, nothing in the release set forth in this paragraph nor anything else in this Agreement shall be deemed a waiver or release by Executive of any right that Executive now has, under this Agreement, to claim indemnity for liabilities in connection with his activities as a director, officer or employee of the Company pursuant to paragraph 8 herein, any applicable statute, under any insurance policy, or pursuant to the Restated Certificate of Incorporation or Bylaws of the Company.

7. (a) Executive acknowledges that he has held a sensitive management position with the Company and that, by virtue of having held such position, he has had access to and has learned the Company's and its subsidiaries' and affiliates' confidential and proprietary information and trade secrets pertaining to its operations, officers and directors. Executive agrees that he shall keep all such information confidential and that he shall not disclose any such information to any other person, except as may be required by law and then only upon as much prior written notice of an intention to disclose as may be practicable to provide the Company an opportunity to protect its information. Without limiting the generality of the foregoing, Executive agrees that he will not respond to or in any way participate in or contribute to any public discussion, notice or other publicity concerning or in any way related to proprietary or confidential information concerning the Company, its subsidiaries, affiliates, operations, or any matters concerning his employment with the Company. Executive further agrees that he will not talk to or provide any documents to any private, nongovernmental party concerning any allegation of unlawful activity or conduct, except as required by law. Executive agrees that he will not solicit any employee of the Company, its subsidiaries or affiliates for employment for a period of two (2) years from the Separation Date.

(b) The Company agrees that it shall keep all information pertaining to the Executive confidential and that it shall not disclose any such information to any other person, except as may be required by law and then only upon as much prior written notice of an intention to disclose as may be practicable to provide the Executive an opportunity to protect his information. Without limiting the generality of the foregoing, the Company agrees that it will not respond to or in any way participate in or contribute to any public discussion, notice or other publicity concerning or in any way related to proprietary or confidential information concerning the Executive, or any matters concerning his employment with the Company. The Company further agrees that it will not talk to or provide any documents to any private, nongovernmental party concerning any allegation of unlawful activity or conduct, except as required by law.

(c) The parties agree that no provision of this paragraph 7 or any other provision of this Agreement shall be construed or interpreted in any way to limit, restrict or preclude either party hereto from cooperating with any governmental agency in the performance of its investigatory or other lawful duties or producing materials or giving testimony pursuant to lawful process or in a court or administrative proceeding.

(d) Executive agrees that if he receives a subpoena or is otherwise required by law to provide information to a governmental entity or other person concerning the activities of the Company or his activities in connection with the Company's business, he will immediately notify the Company of such subpoena or requirement and deliver forthwith to the Company a copy of such subpoena and any attachments and nonprivileged correspondence related thereto.

(e) The parties agree to issue the public statement set out in Appendix 1 attached hereto. Executive and the Company agree to make no public statements to the newspapers, television, magazines or any other media or otherwise inconsistent with the public statement in Appendix 1.

(f) The Company will not make any statements that will disparage Executive's character or reputation, unless the statement is required to be disclosed by law. Executive will not make any statements that will disparage the Company, unless the statement is required to be disclosed by law.

8. The Company is currently advancing to the Executive expenses and fees for retention of legal counsel in connection with matters relating to his actions as an officer, director, or employee of the Company. In accordance with, and to the fullest extent allowed by, the provisions of Delaware law and Article Sixteenth of the Restated Certificate of Incorporation of the Company, filed February 10, 1994, Executive will be provided prompt advancement and indemnification of any and all legal fees and costs relating to, in any way, all such civil, criminal and administrative investigations or proceedings, and Executive will retain control of the selection and retention of his personal counsel in all such matters. Further, Executive will be provided prompt and complete indemnification, in accordance with, and to the fullest extent allowed by, the provisions of Delaware law and Article Sixteenth of the Restated Certificate of Incorporation of the Company, filed February 10, 1994, for any payments of any kind, including,

but not limited to, judgments, penalties, fines, costs, forfeiture, and/or restitution relating to, in any manner, all such civil, criminal and administrative investigations or proceedings. Finally, the Company will grant to Executive the limitations of liability available to a Director under Section Twelfth of the Restated Certificate of Incorporation of Columbia Healthcare Corporation dated the 10th day of February 1994.

The Company will continue to insure Executive under all Directors and Officers liability insurance policies that it will maintain from time to time for a period of not less than 5 years following his separation

9. This Separation Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the Conflicts of Laws rules thereof.

10. Except for the public statement set out in Appendix 1 hereto, the parties agree that they will keep the terms, amounts and facts of this Agreement completely confidential, and that they will not hereafter disclose any information concerning this Agreement to anyone except their respective attorneys or accountants, including, but not limited to, any past, present, or prospective employees of the Company or any of its parent, subsidiary or related companies or entities, except, in each case, as may be requested by governmental entities or required by law, including, without limitation, filings with the Securities and Exchange Commission.

11. The Executive represents and warrants that he has acted in good faith and in what he reasonably believed to be in the best interest of the Company, and that he had no reasonable cause to believe that any of his conduct was unlawful.

12. This Separation Agreement constitutes the entire agreement among the parties with respect to the subject matter thereof, and supersedes any other agreement with respect thereto, and there are no other agreements or understandings related to those matters, except as expressly recited therein.

13. This Separation Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall constitute an original, but such counterparts together shall constitute but one and the same Separation Agreement.

14. Executive acknowledges that he has had the advice of independent counsel selected by him in connection with the terms of this Separation Agreement, and that no offer, promise, inducement or consideration of any kind or degree, except as expressly stated in this Separation Agreement, has been provided or promised to Executive by the Company or any other person in connection with Executive's entry into this Separation Agreement.

15. Should any provision of this Agreement be declared and/or be determined by any court to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby.

16. In the event of any dispute under this Separation Agreement, the propriety of any position regarding such dispute shall be determined exclusively in an arbitration proceeding at the American Arbitration Association under its Commercial Arbitration Rules, which the Company or the Executive may commence in Nashville, Tennessee. If either party believes that the other has violated the provisions of this Agreement, notice in writing shall be provided to the other party. If no resolution is reached within fourteen days of such notice, either party may request binding arbitration of the issue by the American Arbitration Association. This paragraph shall provide the sole method for resolution of disputes under this Agreement. Any disputes as to whether any dispute, controversy or claim is subject to arbitration also shall be settled by binding arbitration.

17. The rights of the Company hereunder shall inure to the benefit of any and all of its successors and assigns. The rights of the Executive hereunder shall inure to the benefit of any and all heirs and assigns. A modification or waiver of any of the provisions of the Agreement shall be effective only if made in writing and signed by each of the parties. The failure of any party to insist upon the strict performance of any of the provisions of this Agreement shall not be construed as a waiver of any subsequent default of the same or any other provision.

18. Any notices required to be given pursuant to the provisions hereof shall be given in writing to the designees below by certified mail, return receipt requested, and facsimile transmission as follows:

If to the Company:

General Counsel  
Columbia/HCA Healthcare Corporation  
One Park Plaza  
P.O. Box 550  
Nashville, Tennessee  
37202-0550  
615-434-5029(fax)

If to the Executive:

James F. Neal  
William T. Ramsey  
Neal & Harwell  
Suite 2000  
First Union Tower  
Nashville, Tennessee  
37219  
615-726-0573 (fax)

IN WITNESS WHEREOF, Columbia/HCA and Executive have caused this Separation Agreement to be executed and entered into as of the day and year first above written.

COLUMBIA/HCA HEALTHCARE CORPORATION

By: /s/ THOMAS F. FRIST, JR.

-----  
Name:

Title:

EXECUTIVE

/s/ DAVID T. VANDEWATER

-----  
/s/ JAMES F. NEAL

-----  
Counsel for David T. Vandewater

[LOGO OF COLUMBIA/HCA APPEARS HERE]

NEWS  
FOR IMMEDIATE RELEASE

INVESTOR CONTACT:  
Victor L. Campbell  
Columbia  
615/344-2053

MEDIA CONTACTS:  
Eve Hutcherson  
Columbia  
615/344-2737

Sue Atkinson  
Atkinson Public Relations  
615/320-7532

CONTACTS FOR SCOTT & VANDEWATER:  
Edward Nebb/Eric Starkman  
Morgan-Walke Associates  
212/850-5600

SCOTT, VANDEWATER RESIGN AT COLUMBIA;  
FRIST NAMED CHAIRMAN AND CEO

NASHVILLE, TENN - JULY 25, 1997 -- Columbia/HCA Healthcare Corporation (NYSE:COL) today announced the resignations of Richard L. Scott, chairman, chief executive officer, and a director; and David T. Vandewater, president and chief operating officer, effective immediately.

Thomas F. Frist, Jr., M.D., vice chairman of the company's board, has been named chairman and chief executive officer. Frist has been a leader in the healthcare industry for 30 years.

The resignations were offered by the two executives, and accepted by the board. Both executives emphasized that throughout their tenure they have acted honorably and in the best interests of the company.

Scott said, "Since founding Columbia, we have been dedicated to improving healthcare through a focus on quality care. At the same time, we have had a strong emphasis on creating value for shareholders. Though the decision to resign was an extremely difficult one, we consider it to be the ultimate demonstration of our commitment to Columbia's mission."

"Rick and David have been catalysts in addressing the growing healthcare challenges in this country. We are grateful for their tireless efforts and contributions to improving the quality of healthcare in this country," Frist said.

"Our board and management will be focusing on providing full cooperation with all governmental agencies. We will also ensure that all Columbia facilities and employees are in full compliance with the law," Frist said.

# # #

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Thomas F. Frist, Jr.

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Richard L. Scott

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David T. Vandewater

## AGREEMENT AND AMENDMENT

AGREEMENT AND AMENDMENT, dated as of June 17, 1997 (the "June 1997  
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 364-Day Agreement and Amendment"), among COLUMBIA/HCA HEALTHCARE CORPORATION, a  
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 Delaware corporation formerly known as Columbia Healthcare Corporation (the  
 "Company"), the several banks and other financial institutions from time to time  
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 parties hereto (the "Banks"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS  
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 ASSOCIATION, BANK OF NEW YORK, CITIBANK, N.A., DEUTSCHE BANK AG, FLEET NATIONAL  
 BANK, FUJI BANK LIMITED, INDUSTRIAL BANK OF JAPAN, LIMITED, MORGAN GUARANTY  
 TRUST COMPANY OF NEW YORK, NATIONSBANK, N.A., PNC BANK, KENTUCKY, INC., UNION  
 BANK OF SWITZERLAND and WACHOVIA BANK OF GEORGIA, N.A., as Co-Agents  
 (collectively, the "Co-Agents"), SAKURA BANK LIMITED, SUMITOMO BANK LIMITED,  
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 SUNTRUST BANK, NASHVILLE, N.A. and WELLS FARGO BANK, N.A. as Lead Managers  
 (collectively, the "Lead Managers") and THE CHASE MANHATTAN BANK, a New York  
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 banking corporation formerly known as Chemical Bank, as agent for the Banks  
 hereunder (in such capacity, the "Agent") and as CAF Loan agent (in such  
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 capacity, the "CAF Loan Agent").  
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## W I T N E S S E T H :

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 WHEREAS, for the convenience of the parties to the agreement and  
 amendment dated as of February 28, 1996 (the "February 1996 Agreement and  
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 Amendment"), among the Company, the several banks and other financial  
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 institutions from time to time parties thereto and Chase, as agent for the Banks  
 hereunder and as CAF Loan agent, a composite conformed copy (the "364-Day  
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 Composite Conformed Credit Agreement") of the Credit Agreement, dated as of  
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 February 10, 1994 as incorporated by reference into and amended by the September  
 1994 Agreement and Amendment, the February 1995 Agreement and Amendment and the  
 February 1996 Agreement and Amendment (the "Original Credit Agreement") was  
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 prepared and delivered to such parties;

WHEREAS, the Company, the Co-Agents, the Lead Managers, the Agent, the  
 CAF Loan Agent and certain banks and other financial institutions (the "Original  
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 Banks") are parties to the Agreement and Amendment, dated as of February 26,  
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 1997 (the "February 1997 364-Day Agreement and Amendment") which adopts and  
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 incorporates by reference all of the terms and provisions of the 364-Day  
 Composite Conformed Credit Agreement, subject to the amendment thereto provided  
 for in the February 1997 364-Day Agreement and Amendment;

WHEREAS, effective as of the Closing Date (as defined below), the  
 Company intends to terminate the Commitments (as defined in the 364-Day  
 Composite Conformed Credit Agreement) of the Original Banks under the 364-Day  
 Composite Conformed Credit

Agreement pursuant to subsection 2.4(a) of the 364-Day Composite Conformed Credit Agreement;

WHEREAS, the Company has requested that the Co-Agents, the Lead Managers, the Agent, the CAF Loan Agent and the Banks enter into a new agreement adopting and incorporating by reference all of the terms and provisions of the 364-Day Composite Conformed Credit Agreement with certain amendments and modifications thereto;

WHEREAS, the Available Commitments under the February 1997 364-Day Agreement and Amendment are being increased from \$2,000,000,000 up to \$3,000,000,000;

WHEREAS, the Co-Agents, the Lead Managers, the Agent, the CAF Loan Agent and the Banks are willing to so enter into a new agreement, but only upon the terms and subject to the conditions set forth below; and

NOW THEREFORE, in consideration of the promises and mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties hereto hereby agree as follows:

SECTION 1. Adoption and Incorporation of 364-Day Composite Conformed Credit Agreement. Subject to the amendments and modifications set forth in

Sections 3 through 13 of this Agreement, all of the terms and provisions of the 364-Day Composite Conformed Credit Agreement are hereby adopted and incorporated by reference into this Agreement, with the same force and effect as if fully set forth herein.

SECTION 2. Definitions. As used in this Agreement, terms defined herein are used as so defined and, unless otherwise defined herein, terms defined in the 364-Day Composite Conformed Credit Agreement are used herein as therein defined.

SECTION 3. Defined Terms. For purposes of this Agreement, subsection 1.1 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended as follows:

(a) by deleting the defined terms "Agreement", "Applicable Margin", "Closing Date", "Original Banks", "Original Credit Agreement" and "Termination Date" in their entirety and substituting in lieu thereof in proper alphabetical order the following:

"`Agreement': the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by

reference into, and as amended by, the February 1997 364-Day Agreement and Amendment and the June 1997 364-Day Agreement and Amendment and as further amended, supplemented or otherwise modified from time to time.";

"`Applicable Margin': (i) with respect to Alternate Base Rate  
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Loans, 0% per annum and (ii) with respect to Eurodollar Loans, 0.20%  
per annum.";

"`Closing Date': the date on which all of the conditions  
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precedent for the Closing Date set forth in Section 14 of the June  
1997 364-Day Agreement and Amendment shall have been fulfilled.

"`Original Banks': as defined in the recitals to the June 1997  
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364-Day Agreement and Amendment.";

"`Original Credit Agreement': as defined in the Recitals to the  
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June 1997 364-Day Agreement and Amendment."; and

"`Termination Date': the date upon which the Commitments shall  
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terminate, which shall be one day before the first anniversary of the  
Closing Date (or, if such date is not a Business Day, the next  
preceding Business Day), or such other Business Day to which the  
Termination Date may be changed pursuant to subsection 2.4 of the 364-  
Day Composite Conformed Credit Agreement."

(b) by deleting paragraph (4) in the definition of "Interest Period"  
in its entirety and substituting in lieu thereof the following:

"(4) any Interest Period pertaining to a Eurodollar Loan that  
would otherwise end after the Maturity Date shall end on the Maturity  
Date; and"

(c) by inserting in said subsection 1.1 of the 364-Day Composite  
Conformed Credit Agreement in the appropriate alphabetical order the  
following defined terms:

"`364-Day Composite Conformed Credit Agreement': as defined in  
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the recitals to the June 1997 364-Day Agreement and Amendment.";

"`June 1997 364-Day Agreement and Amendment': the Agreement and  
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Amendment, dated as of June 17, 1997, among the Company, the Banks,  
the Co-Agents, the Lead Managers, the Agent and the CAF Loan Agent";  
and

"`Maturity Date'": the date upon which any outstanding Revolving

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Credit Loan, evidenced by a Revolving Credit Note pursuant to Section 2.1(b) of the 364-Day Composite Conformed Credit Agreement, shall mature, which date shall be the first anniversary of the Termination Date as in effect at such time."

SECTION 4. Revolving Credit Loans and Revolving Credit Notes. For

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purposes of this Agreement, subsection 2.1(b) of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting the phrase "Termination Date" in subsection (y) of the last sentence thereof and substituting in lieu thereof the phrase "Maturity Date".

SECTION 5. Facility Fee. For purposes of this Agreement, subsection

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2.3(a) of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting the word "0.070%" therein and substituting in lieu thereof the word "0.050%". The facility fee shall be payable after the Termination Date on the average aggregate principal amount of the outstanding Revolving Credit Loans for the period for which payment is made, payable quarterly on the last day of each March, June, September and December and on any earlier date on which the Commitments are repaid in full.

SECTION 6. Extension of Commitments. For purposes of this Agreement,

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subsection 2.4(b) of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"(b) The Company may request, in a notice given as herein provided to the Agent and each of the Banks not less than 60 days and not more than 90 days prior to the Termination Date, that the Termination Date be extended, which notice shall specify that the requested extension is to be effective (the "Effective Date") on the Termination Date, and that the new

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Termination Date to be in effect following such extension (the "Requested

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Termination Date") is to be the date which is one day before the first

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anniversary of the Termination Date (or, if such date is not a Business Day, the next preceding Business Day). Each Bank shall, not later than 30 days following such notice, notify the Company and the Agent of its election to extend or not to extend the Termination Date with respect to its Commitment. The Company may, not later than 15 days following such notice from the Banks, revoke its request to extend the Termination Date. If the Required Banks elect to

extend the Termination Date with respect to their Commitments and the Company has not revoked its request to extend the Termination Date, then, subject to the provisions of this subsection 2.4, the Termination Date shall be extended for an additional 364-day period. Notwithstanding any provision of this Agreement to the contrary, any notice by any Bank of its willingness to extend the Termination Date with respect to its Commitment shall be revocable by such Bank in its sole and absolute discretion at any time prior to the date which is 15 days following such notice from the Banks. Any Bank which shall not notify the Company and the Agent of its election to extend the Termination Date within 30 days following such notice shall be deemed to have elected not to extend the Termination Date with respect to its Commitment."

SECTION 7. Financial Information. For purposes of this Agreement,

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 subsection 3.3 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"3.3 Financial Information. The Company has furnished to the Agent

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 and each Bank copies of the following:

(a) the Annual Report of the Company for the fiscal year ended December 31, 1996, containing the consolidated balance sheet of the Company and its Subsidiaries as at said date and the related consolidated statements of income, common stockholders' equity and changes in financial position for the fiscal year then ended, accompanied by the opinion of an Auditor;

(b) the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 1996;

(c) quarterly financial statements of the Company, including balance sheets, for the fiscal period ended March 31, 1997; and

(d) Current Reports on Form 8-K filed with the Securities and Exchange Commission on April 14, 1997.

Such financial statements (including any notes thereto) have been prepared in accordance with GAAP and fairly present the financial conditions of the corporations covered thereby at the dates thereof and the results of their operations for the periods covered thereby, subject to normal year-end adjustments in the case of interim statements. As of the date hereof, neither the Company nor any of its Subsidiaries has any known contingent liabilities of any significant

amount which are not referred to in said financial statements or in the notes thereto which could reasonably be expected to have a material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries, on a consolidated basis."

SECTION 8. Litigation. For purposes of this Agreement, subsection

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3.6 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"3.6 Litigation. Except as disclosed in the Company's Annual Report

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on Form 10-K for its fiscal year ended December 31, 1996 and its Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 1997, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks, and except as set forth on Schedule V hereto, there is no litigation, at law or in equity, or any proceeding before any federal, state, provincial or municipal board or other governmental or administrative agency pending or to the knowledge of the Company threatened which, after giving effect to any applicable insurance, may involve any material risk of a material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis or which seeks to enjoin the consummation of any of the transactions contemplated by this Agreement or any other Loan Document and involves any material risk that any such injunction will be issued, and no judgment, decree, or order of any federal, state, provincial or municipal court, board or other governmental or administrative agency has been issued against the Company or any Subsidiary which has, or may involve, a material risk of a material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis. The Company does not believe that the final resolution of the matters disclosed in its Annual Report on Form 10-K for its fiscal year ended December 31, 1996 and its Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 1997, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks, and of the matters set forth on Schedule V hereto will have a material adverse effect on the business or assets or condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis."

SECTION 9. Ratio of Total Debt to Tangible Net Worth. For purposes

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of this Agreement, subsection 5.6 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated

by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"5.6 Ratio of Total Debt to Tangible Net Worth. At any time after

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March 31, 1997 the Company and its Subsidiaries will not at any such time have outstanding Consolidated Total Debt in an amount in excess of 300% of Consolidated Tangible Net Worth.

SECTION 10. Commitment Amounts and Percentages; Lending Offices;

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Addresses for Notice. For purposes of this Agreement, Schedule I to the 364-Day

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Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such Schedule in its entirety and substituting in lieu thereof Schedule I to this Agreement.

SECTION 11. Subsidiaries of the Company. For purposes of this

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Agreement, Schedule II to the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such Schedule in its entirety and substituting in lieu thereof Schedule II to this Agreement.

SECTION 12. Indebtedness. For purposes of this Agreement, Schedule

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III to the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such Schedule in its entirety and substituting in lieu thereof Schedule III to this Agreement.

SECTION 13. Litigation. For purposes of this Agreement, the 364-Day

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Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by adding thereto Schedule V to this Agreement.

SECTION 14. Conditions Precedent. The obligations of each Bank to

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make the Loans contemplated by subsections 2.1 and 2.2 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement shall be subject to the compliance by the Company with its agreements herein contained (including its agreements contained in the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement) and to the satisfaction on or before the Closing Date of the following further conditions:

(a) Loan Documents. The Agent shall have received (i) this

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Agreement, executed and delivered by a duly authorized officer of the Company, with a counterpart for each Bank,

and (ii) for the account of each Bank requesting the same, a Revolving Credit Note and a Grid CAF Loan Note conforming to the requirements hereof and executed by a duly authorized officer of the Company.

(b) Legal Opinions. On the Closing Date each Bank shall have

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received from any general, associate, or assistant general counsel to the Company or any other counsel to the Company satisfactory to the Agent, such opinions as the Agent shall have reasonably requested with respect to the transactions contemplated by this Agreement.

(c) Company Officers' Certificate. The representations and

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warranties contained in Section 3 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into, and as amended by, this Agreement shall be true and correct on the Closing Date with the same force and effect as though made on and as of such date; on and as of the Closing Date and after giving effect to this Agreement, no Default shall have occurred (except a Default which shall have been waived in writing or which shall have been cured) and no Default shall exist after giving effect to the Loan to be made; and the Agent shall have received a certificate containing a representation to these effects dated the Closing Date and signed by a Responsible Officer.

(d) General. All instruments and legal and corporate proceedings in

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connection with the Loans contemplated by this Agreement shall be satisfactory in form and substance to the Agent, and the Agent shall have received copies of all documents, and favorable legal opinions and records of corporate proceedings, which the Agent may have reasonably requested in connection with the Loans and other transactions contemplated by this Agreement.

(e) Termination of Commitments of the Original Banks. On the Closing

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Date, the Commitments (as defined in the 364-Day Composite Conformed Credit Agreement) of the Original Banks under the February 1997 364-Day Agreement and Amendment shall have been terminated.

SECTION 15. Expenses. The Company agrees to pay or reimburse the

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Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the Notes and any other documents prepared in connection herewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

SECTION 16. GOVERNING LAW. THIS AGREEMENT AND THE NOTES AND THE

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RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 17. Counterparts. This Agreement may be executed by one or

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more of the parties to this Agreement on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Company and the Agent.

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

COLUMBIA/HCA HEALTHCARE CORPORATION

By: /s/ David G. Anderson

-----

Name: David G. Anderson

Title: Vice President - Finance and  
Treasurer

THE CHASE MANHATTAN BANK, as Agent, as CAF  
Loan Agent and as a Bank

By: /s/ Dawn Lee Lum

-----

Name: Dawn Lee Lum

Title: Vice President

ABN AMRO BANK N.V., as a Bank

By: /s/ Larry Kelley

-----  
Name: Larry Kelley  
Title: Group Vice President

By: /s/ Steven Hipsman

-----  
Name: Steven Hipsman  
Title: Vice President

ARAB BANK PLC, GRAND CAYMAN BRANCH, as a Bank

By: /s/ Nofal S. Barbar

-----  
Name: Nofal S. Barbar  
Title: EVP & Regional Manager

BANCA MONTE DEI PASCHI DI SIENA SpA, as a Bank

By: /s/ G. Natalicchi

-----  
Name: G. Natalicchi  
Title: S.V.P. & General Manager

By: /s/ S.M. Sondak

-----  
Name: S.M. Sondak  
Title: F.V.P. & Dep. General Manager

BANK OF AMERICA NATIONAL TRUST AND SAVINGS  
ASSOCIATION, as a Co-Agent and as a Bank

By: /s/ Anthony L. Trunzo

-----  
Name: Anthony Trunzo  
Title: Vice President

THE BANK OF NEW YORK, as a Co-Agent and as a  
Bank

By: /s/ Ann Marie Hughes

-----  
Name: Ann Marie Hughes  
Title: Assistant Vice President

THE BANK OF NOVA SCOTIA, as a Bank

By: /s/ W.J. Brown

-----  
Name: W.J. Brown  
Title: Vice President

BANK OF TOKYO-MITSUBISHI TRUST COMPANY, as  
a Bank

By: /s/ Douglas J. Weir

-----  
Name: Douglas J. Weir  
Title: Vice President

BANK ONE, TEXAS, N.A., as a Bank

By: /s/ C.L. Turner III

-----  
Name: C.L. Turner III  
Title: Vice President

BANQUE NATIONALE DE PARIS - Houston Agency,  
as a Bank

By: /s/ David P. Camp

-----  
Name: David P. Camp  
Title: Banking Officer

BARNETT BANK, N.A., as a Bank

By: /s/ Bradley M. Harrell

-----  
Name: Bradley M. Harrell  
Title: Senior Vice President

CITIBANK, N.A., as a Co-Agent and as a Bank

By: /s/ Margaret Au Brown

-----  
Name: Margaret Au Brown  
Title: Managing Director

COMERICA BANK, as a Bank

By: /s/ Charles A. Viane

-----  
Name: Charles A. Viane  
Title: Vice President

CORESTATES BANK, N.A., as a Bank

By: /s/ Elizabeth D. Morris

-----  
Name: Elizabeth D. Morris  
Title: Vice President

CRESTAR BANK, as a Bank

By: /s/ C. Gray Key

-----  
Name: C. Gray Key  
Title: Vice President

THE DAI-ICHI KANGYO BANK, LIMITED, ATLANTA  
AGENCY, as a Bank

By: /s/ Tatsuji Noguchi

-----  
Name: Tatsuji Noguchi  
Title: Joint General Manager

DEUTSCHE BANK AG, NEW YORK AND/OR CAYMAN ISLANDS  
BRANCH(ES), as a Co-Agent and as a Bank

By: /s/ Alka Jain Goyal

-----  
Name: Alka Jain Goyal  
Title: Assistant Vice President

By: /s/ Iain Stewart

-----  
Name: Iain Stewart  
Title: Vice President

FIRST AMERICAN NATIONAL BANK, as a Bank

By: /s/ Sandy Hamrick

-----  
Name: Sandy Hamrick  
Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO,  
as a Bank

By: /s/ Jay G. Sepanski, as Authorized Agent  
-----  
Name: Jay G. Sepanski  
Title: Assistant Vice President

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, as  
a Bank

By: /s/ Joseph H. Towell  
-----  
Name: Joseph H. Towell  
Title: Senior Vice President

FLEET NATIONAL BANK, as a Co-Agent and as a Bank

By: /s/ Amy E. Fredericks  
-----  
Name: Amy E. Fredericks  
Title: Senior Vice President

THE FUJI BANK LIMITED, as a Co-Agent and as a  
Bank

By: /s/ Toshihiro Mitsui  
-----  
Name: Toshihiro Mitsui  
Title: Vice President and Manager

THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA  
AGENCY, as a Co-Agent and as a Bank

By: /s/ Kazuo Iida  
-----  
Name: Kazuo Iida  
Title: General Manager

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: /s/ Tom Purcell  
-----  
Name: Tom Purcell  
Title: Vice President

THE MITSUBISHI TRUST AND BANKING CORPORATION, as  
a Bank

By: /s/ Patricia Loret de Mola

-----  
Name: Patricia Loret de Mola  
Title: Senior Vice President

THE MITSUI TRUST AND BANKING COMPANY, LIMITED,  
NEW YORK BRANCH, as a Bank

By: /s/ Margaret Holloway

-----  
Name: Margaret Holloway  
Title: Vice President & Manager

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a  
Co-Agent and as a Bank

By: /s/ Penelope J.B. Cox

-----  
Name: Penelope J.B. Cox  
Title: Vice President

NATIONAL CITY BANK OF KENTUCKY, as a Bank

By: /s/ Deroy Scott

-----  
Name: Deroy Scott  
Title: Vice President

NATIONSBANK, N.A. as a Co-Agent and as a Bank

By: /s/ Kevin Wagley

-----  
Name: Kevin Wagley  
Title: Vice President

THE NORINCHUKIN BANK, NEW YORK BRANCH, as a Bank

By: /s/ Takeshi Akimoto

-----  
Name: Takeshi Akimoto  
Title: General Manager

THE NORTHERN TRUST COMPANY, as a Bank

By: /s/ James F.T. Monhart

-----  
Name: James F.T. Monhart  
Title: Vice President

PNC BANK, KENTUCKY, INC. as a Co-Agent and as a Bank

By: /s/ Kathryn M. Bohr

-----  
Name: Kathryn M. Bohr  
Title: Vice President

THE SAKURA BANK, LTD. NEW YORK BRANCH, as a Lead Manager and as a Bank

By: /s/ Yasumasa Kikuchi

-----  
Name: Yasumasa Kikuchi  
Title: Senior Vice President

THE SUMITOMO BANK, LIMITED, as a Lead Manager and as a Bank

By: /s/ Masayuki Fukushima

-----  
Name: Masayuki Fukushima  
Title: Joint General Manager

THE SUMITOMO TRUST & BANKING CO., LTD., NEW YORK BRANCH, as a Bank

By: /s/ Suraj P. Bhatia

-----  
Name: Suraj P. Bhatia  
Title: Senior Vice President  
Manager, Corporate Finance Dept.

SUNTRUST BANK, NASHVILLE, N.A., as a Lead Manager and as a Bank

By: /s/ Mark D. Mattson

-----  
Name: Mark D. Mattson  
Title: Vice President

THE TOKAI BANK, LIMITED, NEW YORK BRANCH, as a Bank

By: /s/ Stuart Schulman

-----  
Name: Stuart Schulman  
Title: Deputy General Manager

TORONTO DOMINION (TEXAS), INC., as a Bank

By: /s/ Lisa Allison

-----  
Name: Lisa Allison  
Title: Vice President

THE TOYO TRUST & BANKING CO., LTD., as a Bank

By: /s/ K. Yamauchi

-----  
Name: K. Yamauchi  
Title: Vice President

UNION BANK OF SWITZERLAND, NEW YORK BRANCH, as a Co-Agent and as a Bank

By: /s/ Steven A. Cayer

-----  
Name: Steven A. Cayer  
Title: Assistant Vice President

By: /s/ Eduardo Salazar

-----  
Name: Eduardo Salazar  
Title: Vice President

UNION PLANTERS BANK OF MIDDLE TENNESSEE, N.A.

By: /s/ Steven A. Koenig

-----  
Name: Steven A. Koenig  
Title: Senior Vice President

WACHOVIA BANK OF GEORGIA, N.A., as a Co-Agent and as a Bank

By: /s/ Charles Dee O'Dell II

-----  
Name: Charles Dee O'Dell II  
Title: Vice President

WELLS FARGO BANK, N.A., as a Lead Manager and as  
a Bank

By: /s/ David B. Hollingsworth

-----  
Name: David B. Hollingsworth  
Title: Vice President

By: /s/ Rachel T. Uyama

-----  
Name: Rachel T. Uyama  
Title: Assistant Vice President

SCHEDULE I

Commitment Amounts and Percentages;  
Lending Offices; Addresses for Notice

A. COMMITMENT AMOUNTS AND PERCENTAGES.

| NAME OF BANK<br>- - - - -                                  | COMMITMENT<br>AMOUNT<br>- - - - - | COMMITMENT<br>PERCENTAGE<br>- - - - - |
|------------------------------------------------------------|-----------------------------------|---------------------------------------|
| THE CHASE MANHATTAN BANK                                   | \$156,250,000                     | 5.208%                                |
| CITIBANK, N.A.                                             | 130,000,000                       | 4.333                                 |
| BANK OF AMERICA NATIONAL TRUST<br>AND SAVINGS ASSOCIATION  | 130,000,000                       | 4.333                                 |
| THE BANK OF NEW YORK                                       | 130,000,000                       | 4.333                                 |
| DEUTSCHE BANK AG,<br>NEW YORK AND/OR CAYMAN ISLANDS BRANCH | 130,000,000                       | 4.333                                 |
| FLEET NATIONAL BANK                                        | 130,000,000                       | 4.333                                 |
| THE FUJI BANK LIMITED                                      | 130,000,000                       | 4.333                                 |
| THE INDUSTRIAL BANK OF JAPAN,<br>LIMITED, ATLANTA AGENCY   | 130,000,000                       | 4.333                                 |
| MORGAN GUARANTY TRUST COMPANY<br>OF NEW YORK               | 130,000,000                       | 4.333                                 |
| NATIONSBANK, N.A.                                          | 130,000,000                       | 4.333                                 |
| PNC BANK, KENTUCKY, INC.                                   | 130,000,000                       | 4.333                                 |
| UNION BANK OF SWITZERLAND,<br>NEW YORK BRANCH              | 130,000,000                       | 4.333                                 |
| WACHOVIA BANK OF GEORGIA, N.A.                             | 130,000,000                       | 4.333                                 |
| THE SAKURA BANK, LTD.<br>NEW YORK BRANCH                   | 101,250,000                       | 3.375                                 |
| THE SUMITOMO BANK, LIMITED                                 | 101,250,000                       | 3.375                                 |
| SUNTRUST BANK, NASHVILLE, N.A.                             | 101,250,000                       | 3.375                                 |
| WELLS FARGO BANK, N.A.                                     | 101,250,000                       | 3.375                                 |
| TORONTO DOMINION (TEXAS), INC.                             | 75,000,000                        | 2.500                                 |
| BANK OF TOKYO-MITSUBISHI TRUST COMPANY                     | 62,500,000                        | 2.083                                 |
| THE DAI-ICHI KANGYO BANK, LIMITED,<br>ATLANTA AGENCY       | 56,250,000                        | 1.875                                 |
| THE NORTHERN TRUST COMPANY                                 | 56,250,000                        | 1.875                                 |



|                                                            |                          |                  |
|------------------------------------------------------------|--------------------------|------------------|
| FIRST UNION NATIONAL BANK OF<br>NORTH CAROLINA             | 37,500,000               | 1.250            |
| ARAB BANK PLC, GRAND CAYMAN BRANCH                         | 37,500,000               | 1.250            |
| BANK ONE TEXAS, N.A.                                       | 37,500,000               | 1.250            |
| BANQUE NATIONALE DE PARIS                                  | 37,500,000               | 1.250            |
| THE FIRST NATIONAL BANK OF CHICAGO                         | 37,500,000               | 1.250            |
| THE NORINCHUKIN BANK, NEW YORK BRANCH                      | 37,500,000               | 1.250            |
| THE MITSUI TRUST & BANKING CO., LTD.,<br>NEW YORK BRANCH   | 37,500,000               | 1.250            |
| THE TOKAI BANK, LIMITED, NEW YORK BRANCH                   | 37,500,000               | 1.250            |
| BANCA MONTE DEI PASCHI DI SIENNA, SpA                      | 37,500,000               | 1.250            |
| BARNETT BANK, N.A.                                         | 30,000,000               | 1.000            |
| THE BANK OF NOVA SCOTIA                                    | 25,000,000               | 0.833            |
| COMERICA BANK                                              | 25,000,000               | 0.833            |
| CORESTATES BANK, N.A.                                      | 25,000,000               | 0.833            |
| FIRST AMERICAN NATIONAL BANK                               | 25,000,000               | 0.833            |
| THE MITSUBISHI TRUST AND BANKING<br>CORPORATION            | 25,000,000               | 0.833            |
| NATIONAL CITY BANK OF KENTUCKY                             | 25,000,000               | 0.833            |
| THE SUMITOMO TRUST & BANKING CO.,<br>LTD., NEW YORK BRANCH | 22,500,000               | 0.750            |
| KEYBANK NATIONAL ASSOCIATION                               | 18,750,000               | 0.625            |
| THE TOYO TRUST & BANKING CO., LTD.                         | 12,500,000               | 0.417            |
| CRESTAR BANK                                               | 10,000,000               | 0.333            |
| UNION PLANTERS BANK OF MIDDLE<br>TENNESSEE, N.A.           | 7,500,000<br>-----       | 0.250<br>-----   |
| TOTAL                                                      | \$3,000,000,000<br>===== | 100.00%<br>===== |

B. LENDING OFFICES; ADDRESSES FOR NOTICE.

THE CHASE MANHATTAN BANK

-----

Domestic Lending Office: Chase Manhattan  
270 Park Avenue  
New York, NY 10017

Eurodollar Lending Office: Chase Manhattan  
270 Park Avenue  
New York, NY 10017

Address for Notices: Chase Manhattan  
One Chase Manhattan Plaza  
8th floor  
New York, NY 10081  
Attention: Hilma Gabbiden  
Telecopy: (212) 552-7500  
Confirmation: (212) 552-4560

The Chase Manhattan Bank  
270 Park Avenue  
New York, NY 10017  
Attention: Dawn Lee Lum  
Telecopy: (212) 270-3279  
Confirmation: (212) 270-2472

ABN AMRO BANK N.V.

-----

Domestic Lending Office: ABN AMRO Bank N.V.  
One Ravinia Dr. Suite 1200  
Atlanta, GA 30346

Eurodollar Lending Office: ABN AMRO Bank N.V.  
One Ravinia Dr. Suite 1200  
Atlanta, GA 30346

Address for Notices: ABN AMRO Bank N.V.  
One Ravinia Dr. Suite 1200  
Atlanta, GA 30346  
Attention: Reenie Williamson  
Telecopy: (770) 395-9188  
Confirmation: (770) 395-7990

ARAB BANK PLC, GRAND CAYMAN BRANCH

-----

Domestic Lending Office: Arab Bank Plc, Grand Cayman  
Branch  
520 Madison Avenue  
New York, NY 10022

Eurodollar Lending Office: Arab Bank Plc, Grand Cayman  
Branch  
520 Madison Avenue  
New York, NY 10022

Address for Notices: Arab Bank Plc, Grand Cayman  
Branch  
520 Madison Avenue  
New York, NY 10022  
Attention: Justo Huapaya  
Telecopy: (212) 593-4632  
Confirmation: (212) 715-9713

BANCA MONTE DEI PASCHI DI SIENA SPA

-----

Domestic Lending Office: Banca Monte Dei Paschi di Siena SpA  
245 Park Avenue-26th floor  
New York, NY 10167

Eurodollar Lending Office: Banca Monte Dei Paschi di Siena SpA  
245 Park Avenue-26th floor  
New York, NY 10167

Address for Notices: Banca Monte Dei Paschi di Siena SpA  
245 Park Avenue-26th floor  
New York, NY 10167  
Attention: Mei Tam  
Telecopy:  
Confirmation:  
  
Attention: Janet Leung  
Telecopy:  
Confirmation:

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

Domestic Lending Office: Bank of America National Trust  
and Savings Association  
555 S. Flower Street  
Mail Code 5618  
Los Angeles, CA 90071

Eurodollar Lending Office: Bank of America National Trust  
and Savings Association  
1850 Gateway Blvd., 4th Floor  
Concord, CA 94520

Address for Notices: Bank of America National Trust  
and Savings Association  
333 South Beaudry, 19th floor  
Los Angeles, CA 90071  
Attention: Pat Castro  
Telecopy: (213) 345-6550  
Confirmation: (213) 345-7028

THE BANK OF NEW YORK

Domestic Lending Office: The Bank of New York  
One Wall Street, 22nd Floor  
New York, NY 10286

Eurodollar Lending Office: The Bank of New York  
One Wall Street, 22nd Floor  
New York, NY 10286

Address for Notices: The Bank of New York  
One Wall Street  
New York, NY 10286  
Attention: Annette Megargel  
Telecopy: (212) 635-6877  
Confirmation: (212) 635-6780

THE BANK OF NOVA SCOTIA

-----

Domestic Lending Office:       The Bank of Nova Scotia  
600 Peachtree Street NE  
Suite 2700  
Atlanta, GA 30808

Eurodollar Lending Office:     The Bank of Nova Scotia  
600 Peachtree Street NE  
Suite 2700  
Atlanta, GA 30808

Address for Notices:           The Bank of Nova Scotia  
(Atlanta)  
600 Peachtree Street  
Suite 2700  
Atlanta, GA 30308  
Attention: Jeffrey Jones  
Telecopy: (404) 888-8998  
Confirmation: (408) 877-1549

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

-----

Address for Notices:           Bank of Tokyo-Mitsubishi Trust Company  
1251 Avenue of the Americas  
12th Floor  
New York, NY 10020-1104  
Attention: Rolando Uy  
Telecopy: (212) 766-3127  
Confirmation: (212) 766-3157

BANK ONE, TEXAS, N.A.

-----

Domestic Lending Office:       Bank One, Texas, N.A.  
500 Throckmorton  
Fort Worth, TX 76102

Eurodollar Lending Office:     Bank One, Texas, N.A.  
500 Throckmorton  
Fort Worth, TX 76102

Address for Notices:           Bank One, Texas, N.A. (Dallas)  
PO Box 901008  
Fort Worth, TX 76101  
Attention: Cheryl Bradford  
Telecopy: (817) 884-4651  
Confirmation: (817) 884-4358

BANQUE NATIONALE DE PARIS-HOUSTON AGENCY

- - - - -

Domestic Lending Office: Banque Nationale de Paris-Houston Agency  
333 Clay Street, Suite 3400  
Houston, TX 77002

Eurodollar Lending Office: Banque Nationale de Paris-Houston Agency  
333 Clay Street, Suite 3400  
Houston, TX 77002

Address for Notices: Banque Nationale de Paris-Houston Agency  
333 Clay Street, Suite 3400  
Houston, TX 77002  
Attention: Donna Rose  
Telecopy: (713) 659-1414  
Confirmation: (314) 951-1240

BARNETT BANK, N.A.

- - - - -

Domestic Lending Office: Barnett Bank, N.A.  
50 North Laura Street  
Jacksonville, AZ 32202

Eurodollar Lending Office: Barnett Bank, N.A.  
50 North Laura Street  
Jacksonville, AZ 32202

Address for Notices: Barnett Bank, N.A.  
50 North Laura Street  
Jacksonville, AZ 32202  
Attn: Stacy Flye  
Telecopy: (904) 464-5552  
Confirmation: (904) 464-5050

CITIBANK, N.A.

-----

Domestic Lending Office: Citibank, N.A.  
399 Park Avenue  
8th Floor Zone 6  
New York, NY 10043

Eurodollar Lending Office: Citibank, N.A.  
399 Park Avneue  
8th Floor Zone 6  
New York, NY 10043

Address for Notices: Citicorp  
399 Park Avenue  
8th Floor Zone 6  
New York, NY 10043  
Attention: Margaret Au Brown  
Telecopy: (212) 793-3053  
Confirmation: (212) 559-0501

COMERICA BANK

-----

Domestic Lending Office: Comerica Bank  
PO Box 75000  
Detroit, MI 48275-3266

Eurodollar Lending Office: Comerica Bank  
PO Box 75000  
Detroit, MI 48275-3266

Address for Notices: Comerica Bank  
PO Box 75000  
Detroit, MI 48275-3266  
Attention: Regina C. McGuire  
Telecopy: (313) 222-3420  
Confirmation: (313) 222-7805

CORESTATES BANK, N.A.

-----

Domestic Lending Office: CoreStates Bank, N.A.  
1339 Chestnut Street  
P.O. 1-8-3-22  
Philadelphia, PA 19101

Eurodollar Lending Office: CoreStates Bank, N.A.  
1339 Chestnut Street  
P.O. 1-8-3-22  
Philadelphia, PA 19101

Address for Notices: CoreStates Bank, N.A.  
Centre Square Building  
1500 Market Street  
Philadelphia, PA 19101  
Attention: Rosemary Hart  
Telecopy: (215) 973-2045  
Confirmation: (215) 786-8606

CRESTAR BANK

-----

Domestic Lending Office: Crestar Bank  
919 East Main Street  
Richmond, VA 23219

Eurodollar Lending Office: Crestar Bank  
919 East Main Street  
Richmond, VA 23219

Address for Notices: Crestar Bank  
919 East Main Street  
Richmond, VA 23219  
Attention: Shirley P. Elliot  
Telecopy: (804) 782-5413  
Confirmation: (804) 782-5239

THE DAI-ICHI KANGYO BANK, LIMITED, ATLANTA AGENCY

-----

|                           |                                                                                                                                                                                   |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Domestic Lending Office:  | Dai Ichi Kangyo Bank (Atlanta)<br>285 Peachtree St., Suite 2400<br>Atlanta, GA 30303                                                                                              |
| Eurodollar Lending Office | Dai Ichi Kangyo Bank (Atlanta)<br>285 Peachtree St., Suite 2400<br>Atlanta, GA 30303                                                                                              |
| Address for Notices:      | Dai Ichi Kangyo Bank (Atlanta)<br>285 Peachtree Center Ave<br>Suite 2400<br>Atlanta, GA 30303<br>Attention: Percy Lee<br>Telecopy: (404) 222-9556<br>Confirmation: (404) 581-0200 |

DEUTSCHE BANK AG, NEW YORK AND/OR CAYMAN ISLANDS BRANCHES

-----

|                            |                                                                                                                                                                             |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Domestic Lending Office:   | Deutsche Bank AG,<br>New York Branch<br>31 West 52nd Street<br>New York, NY 10019                                                                                           |
| Eurodollar Lending Office: | Deutsche Bank, AG,<br>Cayman Islands Branch<br>31 West 52nd Street<br>New York, NY 10019                                                                                    |
| Address for Notices:       | Deutsche Bank AG,<br>New York Branch<br>31 West 52nd Street<br>New York, NY 10019<br>Attention: Richard Agnolet<br>Telecopy: (212) 469-4139<br>Confirmation: (212) 469-4113 |

FIRST AMERICAN NATIONAL BANK

-----

Domestic lending Office: First American National Bank  
327 Union Street  
Nashville, TN 37237

Eurodollar Lending Office: First American National Bank  
327 Union Street  
Nashville, TN 37237

Address for Notices: First American National Bank  
(Nashville)  
First American Center, 2nd Floor  
Nashville, TN 37237  
Attention: Frenisa Joy  
Telecopy: (615) 748-6098  
Confirmation: (615) 748-6747

THE FIRST NATIONAL BANK OF CHICAGO

-----

Domestic Lending Office: The First National Bank of Chicago  
First National Plaza  
Mail Suite 0091  
Chicago, IL 60670-0091

Eurodollar Lending Office: The First National Bank of Chicago  
First National Plaza  
Mail Suite 0091  
Chicago, IL 60670-0091

Address for Notices: The First National Bank of Chicago  
First National Plaza  
Mail Suite 0091  
Chicago, IL 60670-0091  
Attention: Cathy Blomquist  
Telecopy: (312) 732-2016  
Confirmation: (312) 732-4967

FIRST UNION NATIONAL BANK OF NORTH CAROLINA

-----

|                            |                                                                                                                                                                            |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Domestic Lending Office:   | First Union National<br>Bank of North Carolina<br>One First Union Center<br>301 S. College Street<br>Charlotte, NC 28288                                                   |
| Eurodollar Lending Office: | First Union National<br>Bank of North Carolina<br>One First Union Center<br>301 S. College Street<br>Charlotte, NC 28288                                                   |
| Address for Notices:       | First Union National Bank<br>150 4th Ave. North, 2nd Floor<br>Nashville, TN 37219<br>Attention: Carolyn Hannon<br>Telecopy: (615) 251-9247<br>Confirmation: (615) 251-9374 |

FLEET NATIONAL BANK

-----

|                            |                                                                                                                                                                              |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Domestic Lending Office:   | Fleet Bank (Boston)<br>75 State Street<br>Mail Stop MABOF04A<br>Boston, MA 02109                                                                                             |
| Eurodollar Lending Office: | Fleet Bank (Boston)<br>75 State Street<br>Mail Stop MABOF04A<br>Boston, MA 02109                                                                                             |
| Address for Notices:       | Fleet National Bank<br>75 State Street<br>Mail Stop MABOF04A<br>Boston, MA 02109<br>Attention: Paula M. St Amand<br>Telecopy: (617) 346-1637<br>Confirmation: (617) 346-0610 |

-----

Credit Contact:  
The Fuji Bank, Limited  
245 Peachtree Center Avenue, NE,  
Suite 2100  
Atlanta GA 30303-1208  
Attention: David Hart

.....

Address for Notices: The Industrial Bank of Japan,  
Limited, Atlanta Agency  
191 Peachtree Street, N.E.,  
Suite 3600  
Atlanta, GA 30303  
Attention: Takahiro Hoshino  
Telecopy: (404) 577-6818  
Confirmation: (404) 420-3306

KEYBANK NATIONAL ASSOCIATION

-----

Domestic Lending Office: Keybank National Association  
127 Public Square  
Cleveland, OH 44114

Eurodollar Lending Office: Keybank National Association  
127 Public Square  
Cleveland, OH 44114

Address for Notices: Keybank National Association  
127 Public Square  
Cleveland, OH 44114  
Attention: Kathy Koenig  
Telecopy: (216) 689-4981  
Confirmation: (216) 689-4228

THE MITSUBISHI TRUST AND BANKING CORPORATION

-----

Domestic Lending Office: The Mitsubishi Trust and  
Banking Corporation  
520 Madison Avenue  
25th Floor  
New York, NY 10022

Eurodollar Lending Office: The Mitsubishi Trust and  
Banking Corporation  
520 Madison Avenue  
25th Floor  
New York, NY 10022

Address for Notices: The Mitsubishi Trust and  
Banking Corporation  
520 Madison Avenue, 25th floor  
New York, NY 10022  
Attention: Kathy Han  
Telecopy: (212) 755-2349  
Confirmation: (212) 891-8262



NATIONAL CITY BANK OF KENTUCKY

Domestic Lending Office: National City Bank of Kentucky  
101 South Fifth Street  
Louisville, KY 40202

Eurodollar Lending Office: National City Bank of Kentucky  
101 South Fifth Street  
Louisville, KY 40202

Address for Notices: National City Bank of Kentucky  
101 South Fifth Street  
Louisville, KY 40202  
Attention: Derooy Scott  
Telecopy: (502) 581-4424  
Confirmation: (502) 581-7821

National City Bank of Kentucky  
101 South Fifth Street  
Louisville, KY 40202  
Attention: Debbie Wilkerson  
Telecopy: (502) 581-4079  
Confirmation: (502) 581-6431

NATIONSBANK, N.A.

Domestic Lending Office: NationsBank, N.A.  
Corporate Credit Services  
101 N. Tryon  
Charlotte, NC 28255

Eurodollar Lending Office: NationsBank, N.A.  
Corporate Credit Services  
101 N. Tryon  
Charlotte, NC 28255

Address for Notices: NationsBank, N.A.  
Corporate Credit Services  
101 N. Tryon  
Charlotte, NC 28255  
Attention: Jacquetta Banks  
Telecopy: (704) 386-8694  
Confirmation: (704) 388-1111

NationsBank, N.A.  
1 NationsBank Plaza, 5th floor  
Nashville, TN 37239  
Attention: Kevin Wagley  
Telecopy: (615) 749-4640  
Confirmation: (615) 749-3802

THE NORINCHUKIN BANK NEW YORK

-----

Domestic Lending Office: The Norinchukin Bank, New York  
245 Park Avenue, 29th floor  
New York, NY 10167-0104

Eurodollar Lending Office: The Norinchukin Bank, New York  
245 Park Avenue, 29th floor  
New York, NY 10167-0104

Address for Notices: The Norinchukin Bank, New York  
245 Park Avenue, 29th floor  
New York, NY 10167-0104  
Attention: Kelly Shi  
Telecopy:  
Confirmation:

THE NORTHERN TRUST COMPANY

-----

Domestic Lending Office: The Northern Trust Company  
50 South La Salle Street  
Chicago, IL 60675

Eurodollar Lending Office: The Northern Trust Company  
50 South La Salle Street  
Chicago, IL 60675

Address for Notices: The Northern Trust Company  
50 South La Salle Street, B-11  
Chicago, IL 60675  
Attention: Linda Honda  
Telecopy: (312) 630-1566  
Confirmation: (312) 444-3532

PNC BANK, KENTUCKY, INC.

-----

Domestic Lending Office: PNC Bank, Kentucky, Inc.  
Citizens Plaza  
Louisville, KY 40296

Eurodollar Lending Office: PNC Bank, Kentucky, Inc.  
Citizens Plaza  
Louisville, KY 40296

Address for Notices: PNC Bank  
500 W. Jefferson Street  
Louisville, KY 40296  
Attention: Karen Carter  
Telecopy: (502) 581-2302  
Confirmation: (502) 581-3248

THE SAKURA BANK, LTD. NEW YORK BRANCH

-----

|                            |                                                                                                                                                                                        |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Domestic Lending Office:   | The Sakura Bank, Ltd.<br>New York Branch<br>277 Park Avenue<br>New York, NY 10172                                                                                                      |
| Eurodollar Lending Office: | The Sakura Bank, Ltd.<br>New York Branch<br>277 Park Avenue<br>New York, NY 10172                                                                                                      |
| Address for Notices:       | The Sakura Bank, Ltd.<br>New York Branch<br>277 Park Avenue, 45th Floor<br>New York, NY 10172<br>Attention: Patricia Walsh<br>Telecopy: (212) 756-6781<br>Confirmation: (212) 756-6788 |

THE SUMITOMO BANK, LIMITED

-----

|                            |                                                                                                                                                                                        |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Domestic Lending Office:   | The Sumitomo Bank Limited,<br>New York Branch<br>One World Trade Center<br>Suite 9651<br>New York, NY 10048                                                                            |
| Eurodollar Lending Office: | The Sumitomo Bank Limited,<br>New York Branch<br>One World Trade Center<br>Suite 9651<br>New York, NY 10048                                                                            |
| Address for Notices:       | The Sumitomo Bank Limited,<br>New York Branch<br>One World Trade Center<br>New York, NY 10048<br>Attention: Jessica Farfan<br>Telecopy: (212) 224-5197<br>Confirmation: (212) 224-4132 |

THE SUMITOMO TRUST & BANKING CO., LTD., NEW YORK BRANCH  
-----

Domestic Lending Office: Sumitomo Trust & Banking (New York)  
527 Madison Avenue, 8th Floor  
New York, NY 10022

Eurodollar Lending Office: Sumitomo Trust & Banking (New York)  
527 Madison Avenue, 8th Floor  
New York, NY 10022

Address for Notices: Sumitomo Trust & Banking (New York)  
527 Madison Avenue, 8th Floor  
New York, NY 10022  
Attention: Charlotte Young  
Telecopy: (212) 373-5797  
Confirmation: (212) 326-0631

SUNTRUST BANK, NASHVILLE, N.A.  
-----

Domestic Lending Office: Suntrust Bank, Nashville, N.A.  
201 Fourth Avenue North  
Nashville, TN 37244

Eurodollar Lending Office: Suntrust Bank, Nashville, N.A.  
201 Fourth Avenue North  
Nashville, TN 37244

Address for Notices: Suntrust Bank, Nashville, N.A.  
201 Fourth Avenue North  
Nashville, TN 37244  
Attention: Mark Mattson  
Telecopy: (615) 748-5161  
Confirmation: (615) 748-4831

THE TOKAI BANK, LIMITED, NEW YORK BRANCH  
-----

Domestic Lending Office: The Tokai Bank, Ltd.  
New York Branch  
55 East 52nd Street  
New York, NY 10055

Eurodollar Lending Office: The Tokai Bank, Ltd.  
New York Branch  
55 East 52nd Street  
New York, NY 10055

Address for Notices: The Tokai Bank, Ltd.  
New York Branch  
55 East 52nd Street  
New York, NY 10055  
Attention: Eva Cordova  
Telecopy: (212) 754-2171  
Confirmation: (212) 339-1145

TORONTO DOMINION (TEXAS), INC.

Domestic Lending Office: The Toronto-Dominion Bank,  
Houston Agency  
909 Fannin Street, Suite 1700  
Houston, TX 77010

Address for Notices: The Toronto-Dominion Bank  
909 Fannin Street, Suite 1700  
Houston, TX 77010  
Attention: Lisa Allison  
Telecopy: (713) 951-9921  
Confirmation: (713) 653-8244

Domestic Lending Office:      The Toyo Trust & Banking Co., Ltd.  
666 Fifth Avenue, 33rd floor  
New York, NY 10103

Address for Notices: The Toyo Trust & Banking Co., Ltd.  
666 Fifth Avenue, 33rd floor  
New York, NY 10103  
Attention: Deborah Wylie  
Telecopy: (212) 977-5611  
Confirmation: (212) 307-3400

UNION BANK OF SWITZERLAND, NEW YORK BRANCH

-----

Domestic Lending Office: Union Bank of Switzerland, New York  
Branch  
299 Park Avenue  
New York, NY 10171

Eurodollar Lending Office: Union Bank of Switzerland, New York  
Branch  
299 Park Avenue  
New York, NY 10171

Address for Notices: Union Bank of Switzerland, New York  
Branch  
299 Park Avenue  
New York, NY 10171  
Attention: Leo L. Baltz  
Telecopy: (212) 821-3914  
Confirmation: (212) 821-5372

Attention: Stephen A. Cayer  
Telecopy: (212) 821-3914  
Confirmation: (212) 821-6265

UNION PLANTERS BANK OF MIDDLE TENNESSEE, N.A.

-----

Domestic Lending Office: Union Planters National Bank  
401 Union Street, Second Floor  
Nashville, TN 37219

Eurodollar Lending Office: Union Planters National Bank  
401 Union Street, Second Floor  
Nashville, TN 37219

Address for Notices: Union Planters Bank of Middle  
Tennessee, N.A.  
401 Union Street  
Nashville, TN 37219  
Attention: Steve Koenig  
Telecopy: (615) 726-4274  
Confirmation: (615) 726-4257

WACHOVIA BANK OF GEORGIA, N.A.

-----

Domestic Lending Office: Wachovia Bank of Georgia, N.A.  
191 Peachtree Street, N.E.  
Atlanta, GA 30303

Eurodollar Lending Office: Wachovia Bank of Georgia, N.A.  
191 Peachtree Street, N.E.  
Atlanta, GA 30303

Address for Notices: Wachovia Bank of Georgia, N.A.  
191 Peachtree Street, N.E.  
Atlanta, GA 30303  
Attention: Cheryl Hawks  
Telecopy: (404) 332-5016  
Confirmation: (404) 332-

WELLS FARGO BANK, N.A.

-----

Address for Notices: Wells Fargo Bank, N.A.  
201 Third Street, MAC 0187-081  
San Francisco, CA 94103  
Attention: Terrie Melgar  
Telecopy: (415) 979-0675  
Confirmation: (415) 477-5421

LITIGATION

Cain, Marilyn, Leonard Womack, Mary Quimby, Patti Passman, Kathie Evans and  
Bobbi R. Fitzpatrick,

Plaintiffs

v.

Healthtrust, Inc. - The Hospital Company, Kenneth George, Thomas Schleck and Leo  
Contois

Defendant

Case No. 2:96CV149 (Fed. Ct., E.D. of Texas, Marshall Division)

## FIRST AMENDMENT

FIRST AMENDMENT, dated as of June 17, 1997 (this "First Amendment") to  
 -----  
 the Agreement and Amendment dated as of February 26, 1997, (the "February 1997  
 -----  
 Five-Year Agreement and Amendment") among COLUMBIA/HCA HEALTHCARE CORPORATION, a  
 -----  
 Delaware corporation formerly known as Columbia Healthcare Corporation (the  
 "Company"), the several banks and other financial institutions from time to time  
 -----  
 parties hereto (the "Banks"), BANK OF AMERICA NATIONAL TRUST & SAVINGS  
 -----  
 ASSOCIATION, THE BANK OF NEW YORK, DEUTSCHE BANK AG, FLEET NATIONAL BANK, THE  
 FUJI BANK LIMITED, THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA AGENCY, MORGAN  
 GUARANTY TRUST COMPANY OF NEW YORK, NATIONSBANK, N.A., PNC BANK, KENTUCKY, INC.,  
 TORONTO DOMINION (TEXAS), INC., UNION BANK OF SWITZERLAND, NEW YORK BRANCH AND  
 WACHOVIA BANK OF GEORGIA, N.A., as Co-Agents (collectively, the "Co-Agents"),  
 -----  
 THE SAKURA BANK, LTD. NEW YORK BRANCH, THE SUMITOMO BANK LIMITED, SUNTRUST BANK,  
 NASHVILLE, N.A., WELLS FARGO BANK, N.A., as Lead Managers (collectively, the  
 "Lead Managers") and THE CHASE MANHATTAN BANK, a New York banking corporation  
 -----  
 formerly known as Chemical Bank, as agent for the Banks hereunder (in such  
 capacity, the "Agent") and as CAF Loan agent (in such capacity, the "CAF Loan  
 -----  
 Agent").  
 -----

## W I T N E S S E T H :

-----  
 WHEREAS, for the convenience of the parties to the agreement and  
 amendment dated as of February 28, 1996 (the "February 1996 Agreement and  
 -----  
 Amendment"), among the Company, the several banks and other financial  
 -----  
 institutions from time to time parties thereto and Chase, as agent for the Banks  
 hereunder and as CAF Loan Agent, a composite conformed copy (the "Five-Year  
 -----  
 Composite Conformed Credit Agreement") of the Credit Agreement, dated as of  
 -----  
 February 10, 1994 as incorporated by reference into and amended by the September  
 1994 Agreement and Amendment, the February 1995 Agreement and Amendment and the  
 February 1996 Agreement and Amendment was prepared and delivered to such  
 parties;

WHEREAS, the February 1997 Five-Year Agreement and Amendment adopts  
 and incorporates by reference all of the terms and provisions of the Five-Year  
 Composite Conformed Credit Agreement, subject to the amendment thereto provided  
 for in the February 1997 Five-Year Agreement and Amendment.

WHEREAS, the parties hereto wish to amend certain provisions of the  
 February 1997 Five-Year Agreement and Amendment on the terms set forth herein;

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

1. Definitions. Unless otherwise defined herein, terms defined in  
 -----  
 the February 1997 Five-Year Agreement and Amendment shall be used as so defined.

2. Amendments to the February 1997 Five-Year Agreement and Amendment.

(a) SECTION 3 of the February 1997 Five-Year Agreement and Amendment is hereby amended by deleting the defined term "Agreement" in its entirety and substituting in lieu thereof the following new defined term:

"`Agreement': the Five-Year Composite Conformed Credit Agreement

as adopted and incorporated by reference into, and as amended by, the February 1997 Five-Year Agreement and Amendment and as further amended, supplemented or otherwise modified from time to time."

(b) The February 1997 Five-Year Agreement and Amendment is hereby amended by deleting Section 7 thereof in its entirety and substituting in lieu thereof the following new Section 7:

"SECTION 7. Litigation. For purposes of this Agreement, subsection

3.6 of the Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

`3.6 Litigation. Except as disclosed in the Company's Annual Report

on Form 10-K for its fiscal year ended December 31, 1996 and its Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 1997, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks, and except as set forth on Schedule VI hereto, there is no litigation, at law or in equity, or any proceeding before any federal, state, provincial or municipal board or other governmental or administrative agency pending or to the knowledge of the Company threatened which, after giving effect to any applicable insurance, may involve any material risk of a material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis or which seeks to enjoin the consummation of any of the transactions contemplated by this Agreement or any other Loan Document and involves any material risk that any such injunction will be issued, and no judgment, decree, or order of any federal, state, provincial or municipal court, board or other governmental or administrative agency has been issued against the Company or any Subsidiary which has, or may involve, a material risk of a material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis. The Company does not believe that the final resolution of the matters disclosed in its Annual Report on Form 10-K for its fiscal year ended December 31, 1996 and its Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 1997, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks, and of the matters set forth on Schedule VI hereto will have a material adverse effect on the business or assets or condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis.'".

(c) The February 1997 Five-Year Agreement and Amendment is hereby amended by adding the following new paragraph after Section 8 reading as follows:

"SECTION 8A. Ratio of Total Debt to Tangible Net Worth. Subsection

-----  
5.6 of the Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into this February 1997 Five-Year Agreement and Amendment is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

5.6 Ratio of Total Debt to Tangible Net Worth. At any time after  
-----  
March 31, 1997 the Company and its Subsidiaries will not at any such time have outstanding Consolidated Total Debt in an amount in excess of 300% of Consolidated Tangible Net Worth."

(d) Schedules II and III to the February 1997 Five-Year Agreement and Amendment are hereby amended by deleting Schedules II and III in their entirety and substituting in lieu thereof Schedules II and III attached hereto as Schedule II and III, respectively.

3. Effective Date; Conditions Precedent. This First Amendment will  
-----  
become effective on June 17, 1997 (the "Effective Date") subject to the  
-----  
compliance by the Company with its agreements herein contained and to the satisfaction on or before the Effective Date of the following further conditions:

(a) Loan Documents. The Agent shall have received copies of this  
-----  
First Amendment, executed and delivered by a duly authorized officer of the Company, with a counterpart for each Bank, and executed and delivered by the Required Lenders.

(b) Company Officers' Certificate. The representations and  
-----  
warranties contained in Section 3 of the Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into, and as amended by, the February 1997 Five-Year Agreement and Amendment shall be true and correct on the Effective Date with the same force and effect as though made on and as of such date; on and as of the Effective Date and after giving effect to this First Amendment, no Default shall have occurred (except a Default which shall have been waived in writing or which shall have been cured); and the Agent shall have received a certificate containing a representation to these effects dated the Effective Date and signed by a Responsible Officer.

4. Legal Obligation. The Company represents and warrants to each  
-----  
Bank that this First Amendment constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyances, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

5. Continuing Effect. Except as expressly amended hereby, the

-----

February 1997 Five-Year Agreement and Amendment shall continue to be and shall remain in full force and effect in accordance with its terms.

6. Expenses. The Company agrees to pay or reimburse the Agent for

-----

all of its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this First Amendment and any other documents prepared in connection herewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

7. GOVERNING LAW. THIS FIRST AMENDMENT AND THE RIGHTS AND

-----

OBLIGATIONS OF THE PARTIES UNDER THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8. Counterparts. This First Amendment may be executed by one or

-----

more of the parties to this First Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this First Amendment signed by all the parties shall be lodged with the Company and the Agent.

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

COLUMBIA/HCA HEALTHCARE CORPORATION

By: /s/ David G. Anderson

-----

Name: David G. Anderson

Title: Vice President - Finance and  
Treasurer

THE CHASE MANHATTAN BANK, as Agent, as CAF  
Loan Agent and as a Bank

By: /s/ Dawn Lee Lum

-----

Name: Dawn Lee Lum

Title: Vice President

ABN AMRO BANK N.V., as a Bank

By: /s/ Larry Kelley

-----

Name: Larry Kelley

Title: Group Vice President

By: /s/ Steven Hipsman

-----

Name: Steven Hipsman

Title: Vice President

ARAB BANK PLC, GRAND CAYMAN BRANCH,  
as a Bank

By: /s/ Nofal S. Barbar

-----

Name: Nofal S. Barbar

Title: EVP & Regional Manager

BANCA MONTE DEI PASCHI DI SIENA SpA,  
as a Bank

By: /s/ G. Natalicchi

-----

Name: G. Natalicchi

Title: S.V.P. & General Manager

By: /s/ S.M. Sondak

-----

Name: S.M. Sondak

Title: F.V.P. & Dep. General Manager

BANK OF AMERICA NATIONAL TRUST AND SAVINGS  
ASSOCIATION, as a Co-Agent and as a Bank

By: /s/ Anthony L. Trunzo

-----

Name: Anthony L. Trunzo

Title:

THE BANK OF NEW YORK, as a Co-Agent  
and as a Bank

By: /s/ Ann Marie Hughes

-----

Name: Ann Marie Hughes

Title: Assistant Vice President

THE BANK OF NOVA SCOTIA, as a Bank

By: /s/ W.J. Brown

-----

Name: W.J. Brown

Title: Vice President

BANK OF TOKYO-MITSUBISHI TRUST COMPANY,  
as a Bank

By: /s/ Douglas J. Weir

-----

Name: Douglas J. Weir

Title: Vice President

BANQUE NATIONALE DE PARIS -  
Houston Agency, as a Bank

By: /s/ David P. Camp

-----

Name: David P. Camp

Title: Banking Officer

BARNETT BANK, N.A., as a Bank

By: /s/ Bradley M. Harrell

-----

Name: Bradley M. Harrell

Title: Senior Vice President

CITIBANK, N.A., as a Bank

By: /s/ Margaret Au Brown

-----  
Name: Margaret Au Brown  
Title: Managing Director

CORESTATES BANK, N.A., as a Bank

By: /s/ Elizabeth D. Morris

-----  
Name: ELizabeth D. Morris  
Title: Vice President

CRESTAR BANK, as a Bank

By: /s/ C. Gray Key

-----  
Name: C. Gray Key  
Title: Vice President

THE DAI-ICHI KANGYO BANK, LIMITED,  
ATLANTA AGENCY, as a Bank

By: /s/ Tatsuji Noguchi

-----  
Name: Tatsuji Noguchi  
Title: Joint General Manager

DEN DANSKE BANK AKTIESELSKAB, as a Bank  
CAYMAN ISLANDS BRANCH c/o New York Branch

By: /s/ Mogens Sondergaard

-----  
Name: Mogens Sondergaard  
Title: Vice President

By: /s/ George B. Wendell

-----  
Name: George B. Wendell  
Title: Vice President

DEUTSCHE BANK AG, NEW YORK AND/OR CAYMAN  
ISLANDS BRANCH, as a Co-Agent and as  
a Bank

By: /s/ Alka Jain Goyal

-----  
Name: Alka Jain Goyal  
Title: Assistant Vice President

By: /s/ Iain Stewart

-----  
Name: Iain Stewart  
Title: Vice President

FIRST AMERICAN NATIONAL BANK, as a Bank

By: /s/ Sandy Hamrick

-----  
Name: Sandy Hamrick  
Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO,  
as a Bank

By: /s/ Jay G. Sepanski, as Authorized Agent

-----  
Name: Jay G. Sepanski  
Title: Assistant Vice President

FLEET NATIONAL BANK, as a Co-Agent and  
as a Bank

By: /s/ Amy E. Fredericks

-----  
Name: Amy E. Fredericks  
Title: Senior Vice President

THE FUJI BANK LIMITED, as a Co-Agent and  
as a Bank

By: /s/ Toshihiro Mitsui

-----  
Name: Toshihiro Mitsui  
Title: Vice President and Manager

THE INDUSTRIAL BANK OF JAPAN, LIMITED,  
ATLANTA AGENCY, as a Co-Agent and as a Bank

By: /s/ Kazuo Iida  
-----  
Name: Kazuo Iida  
Title: General Manager

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: /s/ Thomas Purcell  
-----  
Name: Thomas Purcell  
Title: Vice President

THE MITSUBISHI TRUST AND BANKING  
CORPORATION, as a Bank

By: /s/ Patricia Loret de Mola  
-----  
Name: Patricia Loret de Mola  
Title: Senior Vice President

THE MITSUI TRUST AND BANKING COMPANY,  
LIMITED, NEW YORK BRANCH, as a Bank

By: /s/ Margaret Holloway  
-----  
Name: Margaret Holloway  
Title: Vice President & Manager

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,  
as a Co-Agent and as a Bank

By: /s/ Penelope J.B. Cox  
-----  
Name: Penelope J.B. Cox  
Title: Vice President

NATIONAL CITY BANK OF KENTUCKY, as a Bank

By: /s/ Deroy Scott

-----  
Name: Deroy Scott  
Title: Vice President

NATIONSBANK, N.A. as a Co-Agent and as  
a Bank

By: /s/ Kevin Wagley

-----  
Name: Kevin Wagley  
Title: Vice President

THE NORINCHUKIN BANK, NEW YORK BRANCH, as  
a Bank

By: /s/ Takeshi Akimoto

-----  
Name: Takeshi Akimoto  
Title: General Manager

THE NORTHERN TRUST COMPANY, as a Bank

By: /s/ James F.T. Monhart

-----  
Name: James F.T. Monhart  
Title: Vice President

PNC BANK, KENTUCKY, INC. as a Co-Agent and  
as a Bank

By: /s/ Kathryn M. Bohr

-----  
Name: Kathryn M. Bohr  
Title: Vice President

THE SAKURA BANK, LTD. NEW YORK BRANCH,  
as a Lead Manager and as a Bank

By: /s/ Yasumasa Kikuchi

-----

Name: Yasumasa Kikuchi

Title: Senior Vice President

THE SUMITOMO BANK, LIMITED, as a  
Lead Manager and as a Bank

By: /s/ Masayuki Fukushima

-----

Name: Masayuki Fukushima

Title: Joint General Manager

THE SUMITOMO TRUST & BANKING CO., LTD.,  
NEW YORK BRANCH, as a Bank

By: /s/ Suraj P. Bhatia

-----

Name: Suraj P. Bhatia

Title: Senior Vice President

Manager, Corporate Finance Dept.

SUNTRUST BANK, NASHVILLE, N.A., as a  
Lead Manager and as a Bank

By: /s/ Mark D. Mattson

-----

Name: Mark D. Mattson

Title: Vice President

THE TOKAI BANK, LIMITED, NEW YORK BRANCH,  
as a Bank

By: /s/ Stuart Schulman

-----

Name: Stuart Schulman

Title: Deputy General Manager

TORONTO DOMINION (TEXAS), INC., as a  
Co-Agent and as a Bank

By: /s/ Lisa Allison  
-----  
Name: Lisa Allison  
Title: Vice President

THE TOYO TRUST & BANKING CO., LTD.,  
as a Bank

By: /s/ K. Yamauchi  
-----  
Name: K. Yamauchi  
Title: Vice President

UNION BANK OF SWITZERLAND, NEW YORK BRANCH,  
as a Co-Agent and as a Bank

By: /s/ Stephen A. Cayer  
-----  
Name: Stephen A. Cayer  
Title: Assistant Vice President

By: /s/ Eduardo Salazar  
-----  
Name: Eduardo Salazar  
Title: Vice President

UNION PLANTERS BANK OF MIDDLE  
TENNESSEE, N.A.

By: /s/ Steven A. Koenig  
-----  
Name: Steven A. Koenig  
Title: Vice President

WACHOVIA BANK OF GEORGIA, N.A., as a  
Co-Agent and as a Bank

By: /s/ Charles Dee O'Dell II  
-----  
Name: Charles Dee O'Dell II  
Title: Vice President

WELLS FARGO BANK, N.A., as a Lead Manager  
and as a Bank

By: /s/ David B. Hollingsworth

-----  
Name: David B. Hollingsworth  
Title: Vice President

By: /s/ Rachel T. Uyama

-----  
Name: Rachel T. Uyama  
Title: Assistant Vice President

YASUDA TRUST AND BANKING, as a Bank

By: /s/ Price Chenault

-----  
Name: Price Chenault  
Title: First Vice President

COLUMBIA/HCA HEALTHCARE CORPORATION  
 COMPUTATION OF EARNINGS PER SHARE  
 FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996  
 (DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

|                                                                  | QUARTER |         | NINE MONTHS |          |
|------------------------------------------------------------------|---------|---------|-------------|----------|
|                                                                  | 1997    | 1996    | 1997        | 1996     |
| PRIMARY EARNINGS PER SHARE:                                      |         |         |             |          |
| Earnings:                                                        |         |         |             |          |
| Income from continuing operations.....                           | \$ 91   | \$ 299  | \$ 931      | \$ 1,063 |
| Income from discontinued operations, net of<br>income taxes..... | 6       | 12      | 57          | 28       |
|                                                                  | -----   | -----   | -----       | -----    |
| Net income.....                                                  | \$ 97   | \$ 311  | \$ 988      | \$ 1,091 |
|                                                                  | =====   | =====   | =====       | =====    |
| Shares used in the computation (in thousands):                   |         |         |             |          |
| Weighted average shares outstanding.....                         | 653,559 | 670,938 | 662,679     | 670,892  |
| Dilutive effect of common stock equivalents..                    | 4,248   | 6,479   | 5,457       | 6,922    |
|                                                                  | -----   | -----   | -----       | -----    |
| Shares used in computing earnings per<br>share.....              | 657,807 | 677,417 | 668,136     | 677,814  |
|                                                                  | =====   | =====   | =====       | =====    |
| Earnings per share:                                              |         |         |             |          |
| Income from continuing operations.....                           | \$ .15  | \$ .44  | \$ 1.39     | \$ 1.57  |
| Income from discontinued operations.....                         | .01     | .02     | .09         | .04      |
|                                                                  | -----   | -----   | -----       | -----    |
| Net income.....                                                  | \$ .16  | \$ .46  | \$ 1.48     | \$ 1.61  |
|                                                                  | =====   | =====   | =====       | =====    |
| FULLY DILUTED EARNINGS PER SHARE:                                |         |         |             |          |
| Earnings:                                                        |         |         |             |          |
| Income from continuing operations.....                           | \$ 91   | \$ 299  | \$ 931      | \$ 1,063 |
| Income from discontinued operations, net of<br>income taxes..... | 6       | 12      | 57          | 28       |
|                                                                  | -----   | -----   | -----       | -----    |
| Net income.....                                                  | \$ 97   | \$ 311  | \$ 988      | \$ 1,091 |
|                                                                  | =====   | =====   | =====       | =====    |
| Shares used in the computation (in thousands):                   |         |         |             |          |
| Weighted average common shares outstanding...                    | 653,559 | 670,938 | 662,679     | 670,892  |
| Dilutive effect of common stock equivalents..                    | 4,248   | 6,831   | 5,733       | 7,222    |
|                                                                  | -----   | -----   | -----       | -----    |
| Shares used in computing earnings per<br>share.....              | 657,807 | 677,769 | 668,412     | 678,114  |
|                                                                  | =====   | =====   | =====       | =====    |
| Earnings per share:                                              |         |         |             |          |
| Income from continuing operations.....                           | \$ .15  | \$ .44  | \$ 1.39     | \$ 1.57  |
| Income from discontinued operations.....                         | .01     | .02     | .09         | .04      |
|                                                                  | -----   | -----   | -----       | -----    |
| Net income.....                                                  | \$ .16  | \$ .46  | \$ 1.48     | \$ 1.61  |
|                                                                  | =====   | =====   | =====       | =====    |

COLUMBIA/HCA HEALTHCARE CORPORATION  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996  
 (DOLLARS IN MILLIONS)

|                                                                                   | QUARTER |       | NINE MONTHS |         |
|-----------------------------------------------------------------------------------|---------|-------|-------------|---------|
|                                                                                   | 1997    | 1996  | 1997        | 1996    |
| EARNINGS:                                                                         |         |       |             |         |
| Income from continuing operations before minority interests and income taxes..... | \$183   | \$534 | \$1,678     | \$1,876 |
| Fixed charges, excluding capitalized interest.....                                | 159     | 152   | 461         | 468     |
|                                                                                   | -----   | ----- | -----       | -----   |
|                                                                                   | \$342   | \$686 | \$2,139     | \$2,344 |
|                                                                                   | =====   | ===== | =====       | =====   |
| FIXED CHARGES:                                                                    |         |       |             |         |
| Interest charged to expense.....                                                  | \$125   | \$119 | \$361       | \$371   |
| Interest portion of rental expense and amortization of deferred loan costs.....   | 34      | 33    | 100         | 96      |
|                                                                                   | -----   | ----- | -----       | -----   |
| Fixed charges, excluding capitalized interest.....                                | 159     | 152   | 461         | 467     |
| Capitalized interest.....                                                         | 3       | 7     | 12          | 21      |
|                                                                                   | -----   | ----- | -----       | -----   |
|                                                                                   | \$162   | \$159 | \$ 473      | \$ 488  |
|                                                                                   | =====   | ===== | =====       | =====   |
| Ratio of earnings to fixed charges.....                                           | 2.12    | 4.32  | 4.52        | 4.80    |
|                                                                                   | =====   | ===== | =====       | =====   |



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 10Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

|        |             |        |        |
|--------|-------------|--------|--------|
| 9-MOS  |             |        |        |
|        | DEC-31-1997 |        |        |
|        | JAN-01-1997 |        |        |
|        | SEP-30-1997 |        | 28     |
|        |             | 0      |        |
|        |             | 4,458  |        |
|        |             | 1,569  |        |
|        |             | 458    |        |
|        |             | 4,359  |        |
|        |             |        | 16,500 |
|        |             | 5,894  |        |
|        |             | 23,123 |        |
|        | 2,643       |        |        |
|        |             |        | 8,693  |
|        | 0           |        |        |
|        |             | 0      |        |
|        |             |        | 7      |
|        |             | 8,864  |        |
| 23,123 |             |        | 0      |
|        | 14,445      |        |        |
|        |             |        | 0      |
|        |             | 7,634  |        |
|        | 2,928       |        |        |
|        | 976         |        |        |
|        | 361         |        |        |
|        | 1,553       |        |        |
|        |             | 622    |        |
|        | 931         |        |        |
|        |             | 57     |        |
|        |             | 0      |        |
|        |             |        | 0      |
|        |             | 988    |        |
|        |             | 1.48   |        |
|        |             | 1.48   |        |