

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 JUNE 30, 1998

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 -----	OUTSTANDING AT JULY 31, 1998 -----
Voting common stock, \$.01 par value	624,335,900 shares
Nonvoting common stock, \$.01 par value	21,000,000 shares

COLUMBIA/HCA HEALTHCARE CORPORATION
FORM 10-Q
JUNE 30, 1998

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COLUMBIA/HCA HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE QUARTERS AND SIX MONTHS ENDED JUNE 30, 1998 AND 1997
UNAUDITED
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	QUARTER		SIX MONTHS	
	1998	1997	1998	1997
Revenues.....	\$4,781	\$4,845	\$9,682	\$9,833
Salaries and benefits.....	1,998	1,850	4,011	3,726
Supplies.....	719	658	1,465	1,357
Other operating expenses.....	961	943	1,901	1,905
Provision for doubtful accounts.....	340	310	683	607
Depreciation and amortization.....	311	308	620	604
Interest expense.....	145	123	298	236
Equity in earnings of affiliates.....	(33)	(35)	(75)	(97)
Restructuring of operations and investigation related costs.....	31	-	69	-
	4,472	4,157	8,972	8,338
Income from continuing operations before minority interests and income taxes.....	309	688	710	1,495
Minority interests in earnings of consolidated entities.....	18	45	38	92
Income from continuing operations before income taxes.....	291	643	672	1,403
Provision for income taxes.....	118	258	280	563
Income from continuing operations.....	173	385	392	840
Discontinued operations:				
Income (loss) from operations of discontinued businesses, net of income taxes (benefits) of \$2 and \$18 for the quarters ended June 30, 1998 and 1997, respectively, and (\$14) and \$34 for the six months ended June 30, 1998 and 1997, respectively.....	(22)	27	(44)	51
Loss on disposal of certain discontinued businesses.....	(73)	-	(73)	-
Cumulative effect of accounting change, net of income tax benefit of \$36.....	-	-	-	(56)
Net income.....	\$ 78	\$ 412	\$ 275	\$ 835
Basic earnings per share:				
Income from continuing operations.....	\$.27	\$.58	\$.61	\$ 1.25
Discontinued operations:				
Income (loss) from operations of discontinued businesses.....	(.04)	.04	(.07)	.08
Loss on disposal of certain discontinued businesses.....	(.11)	-	(.11)	-
Cumulative effect of accounting change.....	-	-	-	(.08)
Net income.....	\$.12	\$.62	\$.43	\$ 1.25
Diluted earnings per share:				
Income from continuing operations.....	\$.27	\$.58	\$.61	\$ 1.24
Discontinued operations:				
Income (loss) from operations of discontinued businesses.....	(.04)	.04	(.07)	.08
Loss on disposal of certain discontinued businesses.....	(.11)	-	(.11)	-
Cumulative effect of accounting change.....	-	-	-	(.08)
Net income.....	\$.12	\$.62	\$.43	\$ 1.24
Cash dividends per share.....	\$.02	\$.02	\$.04	\$.04

See accompanying notes.

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

	JUNE 30, 1998	DECEMBER 31, 1997
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 25	\$ 110
Accounts receivable, less allowances for doubtful accounts of \$1,659 in 1998 and \$1,661 in 1997.....	2,427	2,522
Inventories.....	462	452
Income taxes receivable.....	227	532
Other.....	905	807
	-----	-----
	4,046	4,423
Property and equipment, at cost.....	16,814	16,254
Accumulated depreciation.....	(6,442)	(6,024)
	-----	-----
	10,372	10,230
Investments of insurance subsidiary.....	1,508	1,422
Investments in and advances to affiliates.....	1,371	1,329
Intangible assets, net.....	3,405	3,521
Net assets of discontinued operations.....	141	841
Other.....	205	236
	-----	-----
	\$21,048	\$22,002
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 727	\$ 929
Accrued salaries.....	449	475
Other accrued expenses.....	1,174	1,237
Long-term debt due within one year.....	2,669	132
	-----	-----
	5,019	2,773
Long-term debt.....	5,693	9,276
Professional liability risks, deferred taxes and other liabilities.....	1,926	1,867
Minority interests in equity of consolidated entities....	830	836
Stockholders' equity:		
Common stock, \$.01 par; authorized 1,600,000,000 voting shares and 50,000,000 nonvoting shares; outstanding 623,961,300 voting shares and 21,000,000 nonvoting shares--June 30, 1998 and 620,452,200 voting shares and 21,000,000 nonvoting shares--December 31, 1997....	6	6
Capital in excess of par value.....	3,564	3,480
Other.....	12	13
Accumulated other comprehensive income.....	90	92
Retained earnings.....	3,908	3,659
	-----	-----
	7,580	7,250
	-----	-----
	\$21,048	\$22,002
	=====	=====

See accompanying notes.

COLUMBIA/HCA HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND 1997
UNAUDITED
(DOLLARS IN MILLIONS)

	1998	1997
	-----	-----
Cash flows from continuing operating activities:		
Net income.....	\$275	\$835
Adjustments to reconcile net income to net cash provided by continuing operating activities:		
Provision for doubtful accounts.....	683	607
Increase in accounts receivable.....	(607)	(819)
Depreciation and amortization.....	620	604
Income taxes.....	296	(116)
Loss (income) from discontinued operations.....	117	(51)
Cumulative effect of accounting change.....	-	56
Changes in other operating assets and liabilities.....	(367)	(341)
Other.....	(10)	35
	-----	-----
Net cash provided by continuing operating activities.....	1,007	810
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment.....	(666)	(696)
Acquisition of hospitals and health care entities.....	(116)	(133)
Investments in and advances to affiliates.....	-	(29)
Disposition of hospitals and health care entities.....	66	184
Change in other investments.....	(107)	(124)
Change in investment in discontinued operations, net.....	43	19
Sale of certain discontinued operations.....	619	-
Other.....	72	61
	-----	-----
Net cash used in investing activities.....	(89)	(718)
	-----	-----
Cash flows from financing activities:		
Issuance of long-term debt.....	-	209
Net change in commercial paper and bank borrowings.....	(916)	622
Repayment of long-term debt.....	(140)	(187)
Payment of cash dividends.....	(26)	(27)
Issuances (repurchases) of common stock, net.....	78	(718)
Other.....	1	5
	-----	-----
Net cash used in financing activities.....	(1,003)	(96)
	-----	-----
Change in cash and cash equivalents.....	(85)	(4)
Cash and cash equivalents at beginning of period.....	110	113
	-----	-----
Cash and cash equivalents at end of period.....	\$ 25	\$109
	=====	=====
Interest payments.....	\$ 294	\$240
Income tax payments (refunds), net.....	\$ (13)	\$709

See accompanying notes.

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

NOTE 1--BASIS OF PRESENTATION

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 considered necessary for a fair presentation have been included. Operating results for the quarter and six months ended June 30, 1998, are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1997.

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2--INVESTIGATIONS

The Company is currently the subject of several federal investigations into its business practices, as well as governmental investigations by various states. The Company is cooperating in these investigations and understands, through written notice and other means, that it is a target in these investigations. Given the scope of the ongoing investigations, the Company expects additional subpoenas and other investigative and prosecutorial activity to occur in these and other jurisdictions in the future.

The Company is the subject of a formal order of investigation by the Securities and Exchange Commission. The Company understands that the investigation includes the anti-fraud, periodic reporting and internal accounting control provisions of the federal securities laws.

Management believes the ongoing investigations and related media coverage are having a negative effect on the Company's results of operations. It is too early to predict the outcome or effect that the ongoing investigations, the initiation of additional investigations, if any, and the related media coverage will have on the Company's financial condition or results of operations in future periods. 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. (See Note 9--Contingencies and Part II, Item 1: Legal Proceedings.)

NOTE 3--RESTRUCTURING OF OPERATIONS

The Company is currently in the process of restructuring its operations in an effort to create a smaller and more focused company. The restructuring includes divestitures of certain businesses as described in Note 5--Discontinued Operations, divestitures of certain hospitals and surgery centers to third parties and spin-offs of certain other assets to the Company's stockholders.

Divestiture of Certain Hospitals and Surgery Centers

In May 1998, the Company announced agreements to sell 22 hospitals and certain related facilities to a consortium of not-for-profit entities for an aggregate sales price of approximately \$1.2 billion. The agreements are subject to customary conditions, including state regulatory, antitrust and certain other approvals. The sales of 21 of these hospitals are expected to be completed in the third quarter of 1998 and result in an after-tax gain of approximately \$300 million. Proceeds from the sales are expected to be used to repay bank borrowings.

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

NOTE 3--RESTRUCTURING OF OPERATIONS (CONTINUED)

Divestiture of Certain Hospitals and Surgery Centers (Continued)

In addition, during the first six months of 1998 the Company has completed the sales of four hospitals and reached agreements to sell 11 more hospitals to various entities for gross proceeds of approximately \$300 million. These transactions are not expected to have a material effect on results of operations. Proceeds from the sales are expected to be used to repay bank borrowings.

In April 1998, the Company announced an agreement to sell 34 of its ambulatory surgery centers located in "non-core" markets. The sale of these ambulatory surgery centers was completed during July 1998 (See Note 11--Subsequent Events).

Spin-Offs

The Company is continuing with its previously announced plan of filing a ruling request with the Internal Revenue Service (the "IRS") to create two tax-free spin-off companies. In July 1998, the Company's board of directors authorized the submission of the ruling request to the IRS. (See Note 11--Subsequent Events). The two proposed spin-off companies currently represent the Pacific and America operating groups.

The Pacific group is currently comprised of 42 consolidating hospitals with approximately \$460 million and \$950 million in revenues for the quarter and six months ended June 30, 1998, respectively. The Pacific group also has an equity interest in one non-consolidated hospital.

The America group is currently comprised of 22 consolidating hospitals with approximately \$125 million and \$260 million in revenues for the quarter and six months ended June 30, 1998, respectively.

NOTE 4--CHARGES RELATED TO INVESTIGATIONS AND RESTRUCTURING OF OPERATIONS

During 1998, the Company recorded the following pretax charges related to the investigations and restructuring of operations as discussed in Notes 2 and 3 (in millions):

	QUARTER	SIX MONTHS
	-----	-----
Professional fees related to investigations.....	\$24	\$52
Severance costs.....	-	4
Other.....	7	13
	---	---
	\$31	\$69
	===	===

NOTE 5--DISCONTINUED OPERATIONS

Included in discontinued operations are three of the four business units acquired in the August 1997 merger with Value Health, Inc. ("Value Health") and the Company's home health care businesses. The Company implemented a plan to dispose of these businesses during 1997.

Revenues of the home health care and Value Health businesses to be disposed of totaled \$181 million and \$342 million for the quarter ended June 30, 1998 and 1997, respectively, and \$822 million and \$682 million for the six months ended June 30, 1998 and 1997, respectively.

During the second quarter of 1998, the Company completed the sale of all three Value Health units for proceeds totaling approximately \$619 million. The proceeds were used to repay bank borrowings. The Company recorded a \$73 million loss upon completion of these disposals in 1998 which reflects changes to the estimated loss on disposal of discontinued operations of \$443 million recorded in the fourth quarter of 1997.

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

NOTE 5--DISCONTINUED OPERATIONS (CONTINUED)

In June 1998, the Company announced four separate agreements to sell the majority of its home health care operations (except operations in the state of Florida) for approximately \$60 million. Subsequent to the second quarter of 1998, the Company announced the signing of an agreement to sell its home health operations in Florida for approximately \$30 million. All of these sales are expected to be completed by the end of the year, subject to various regulatory approvals, and are not expected to have a material effect on results of operations. The proceeds from the sales are expected to be used to repay bank borrowings.

NOTE 6--INCOME TAXES

The Company is currently contesting before the United States Tax Court (the "Tax Court") and the United States Court of Federal Claims certain claimed deficiencies and adjustments proposed by the Internal Revenue Service (the "IRS") in conjunction with its examination of the Company's 1994 federal income tax return, Columbia Healthcare Corporation's ("CHC") 1993 and 1994 federal income tax returns, HCA-Hospital Corporation of America's ("HCA") 1981 through 1988 and 1991 through 1993 federal income tax returns and Healthtrust, Inc.-The Hospital Company's ("Healthtrust") 1990 through 1994 federal income tax returns. The disputed items include: the disallowance of certain acquisition-related costs, executive compensation, system conversion costs and insurance premiums which were deducted in calculating taxable income and the methods of accounting used by certain subsidiaries for calculating taxable income related to vendor rebates and governmental receivables. The IRS is claiming an additional \$332 million in income taxes and interest through June 30, 1998.

Tax Court decisions received in 1996 and 1997 related to HCA's 1981 through 1988 federal income tax returns may be appealed by the IRS or the Company to the United States Court of Appeals, Sixth Circuit. The Company expects any decisions regarding the appeal of these rulings will be made during 1998.

Management believes that adequate provisions have been recorded to satisfy final resolution of the disputed issues. Management believes that the Company, CHC, HCA and Healthtrust properly reported taxable income and paid taxes in accordance with applicable laws and agreements established with IRS during previous examinations and that final resolution of these disputes will not have a material adverse effect on the results of operations or financial position of the Company.

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

NOTE 7--EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the quarters and six months ended June 30, 1998 and 1997 (dollars in millions, except per share amounts):

	QUARTER		SIX MONTHS	
	1998	1997	1998	1997
Numerator(a):				
Income from continuing operations.....	\$ 173	\$ 385	\$ 392	\$ 840
Denominator:				
Share reconciliation (in thousands):				
Shares used for basic earnings per share.....	643,440	661,723	642,749	667,094
Effect of dilutive securities:				
Stock options.....	3,956	4,587	3,067	5,526
Warrants and other.....	597	796	651	756
Shares used for dilutive earnings per share.....	647,993	667,106	646,467	673,376
	=====	=====	=====	=====
Earnings per share:				
Basic earnings per share from continuing operations.....	\$.27	\$.58	\$.61	\$ 1.25
Diluted earnings per share from continuing operations.....	\$.27	\$.58	\$.61	\$ 1.24

(a) Amount is used for both basic and diluted earnings per share computations since there is no earnings effect related to the dilutive securities.

NOTE 8--LONG-TERM DEBT

Current portion of long-term debt at June 30, 1998 includes approximately \$2.4 billion outstanding under the Company's former 364-day revolving credit facility which was converted to a one-year term loan (the "one-year term loan").

On July 10, 1998, the Company amended its one-year term loan and \$2.0 billion five-year revolving credit agreement (the "Revolving Credit Facility"). The amendments were primarily made to allow the Company to repurchase up to \$1.0 billion of its common stock (see Note 11--Subsequent Events).

On July 10, 1998, the Company entered into a \$1.0 billion term loan agreement with several banks which matures February 2002. Proceeds from the \$1.0 billion term loan were used to reduce borrowings under the Company's Revolving Credit Facility, which the Company anticipates using to finance the \$1.0 billion stock repurchase program.

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

NOTE 9--CONTINGENCIES

Significant Legal Proceedings

Various lawsuits, claims and legal proceedings (see Note 2--Investigations, for a description of the ongoing government investigations) have been and are expected to be instituted or asserted against the Company, including those relating to shareholder derivative and class action complaints; purported class action lawsuits filed by patients and payers alleging, in general, improper and fraudulent billing, coding and physician referrals, as well as other violations of law; certain qui tam or "whistleblower" actions alleging, in general, unlawful claims for reimbursement or unlawful payments to physicians for the referral of patients, as well as other violations and litigation matters. While the amounts claimed may be substantial, the ultimate liability cannot be determined or reasonably estimated at this time due to the considerable uncertainties that exist. Therefore, it is possible that results of operations, financial position and liquidity in a particular period could be materially, adversely affected upon the resolution of certain of these contingencies.

General Liability Claims

The Company is subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or wrongful restriction of, or interference with, physicians' staff privileges. In certain of these actions the claimants have asked for punitive damages against the Company, which are usually not covered by insurance. It is management's opinion that the ultimate resolution of these pending claims and legal proceedings will not have a material adverse effect on the Company's results of operations or financial position (see Part II, Item 1: Legal Proceedings).

NOTE 10--COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the quarters and six months ended June 30, 1998 and 1997 are as follows (in millions):

	QUARTER		SIX MONTHS	
	1998	1997	1998	1997
Net income.....	\$78	\$412	\$275	\$835
Unrealized gains (losses) on securities.....	(24)	28	-	14
Foreign currency translation adjustments.....	-	2	(2)	3
Comprehensive income.....	\$54	\$442	\$273	\$852
	===	=====	=====	=====

The components of accumulated other comprehensive income, net of related tax, at June 30, 1998 and December 31, 1997 are as follows:

	1998	1997
	----	----
Unrealized gains on securities.....	\$90	\$90
Foreign currency translation adjustments.....	-	2
Accumulated other comprehensive income.....	\$90	\$92
	===	===

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

NOTE 11--SUBSEQUENT EVENTS

In July 1998, the Company completed the sale of 34 of its ambulatory surgery centers for proceeds of approximately \$550 million. The sale resulted in an after-tax gain of approximately \$100 million. Proceeds from the sale were used to repay bank borrowings.

On July 16, 1998, the Company's board of directors authorized the submission of a request for a ruling from the IRS for two tax-free spin-off Companies, comprising the Pacific and America operating groups. The request is expected to be filed in August 1998.

On July 29, 1998, the Company announced a stock repurchase program under which up to \$1 billion of the Company's common stock may be purchased. In August 1998, the Company commenced the repurchase program by entering into a series of forward purchase contracts. The number of shares to be purchased and the timing of purchases will be based upon several factors, including the price of the Company's common stock, general market conditions, the status of the ongoing federal and state governmental investigations of the Company's business practices and other factors. In light of the ongoing investigations, prior to the completion of the stock repurchase program, the Company will address any government concerns related to the program.

NOTE 12--DERIVATIVES

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which is required to be adopted in years beginning after June 15, 1999. Because of the Company's minimal use of derivatives, management does not anticipate that the adoption of the new Statement will have a significant effect on earnings or the financial position of the Company.

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

INVESTIGATIONS

The Company is currently the subject of several federal investigations into its business practices, as well as governmental investigations by various states. The Company is cooperating in these investigations and understands, through written notice and other means, that it is a target in these investigations. Given the breadth of the ongoing investigations, the Company expects additional subpoenas and other investigative and prosecutorial activity to occur in these and other jurisdictions in the future.

The Company is the subject of a formal order of investigation by the Securities and Exchange Commission. The Company understands that the investigation includes the anti-fraud, periodic reporting and internal accounting control provisions of the federal securities laws.

Management believes the ongoing investigations and related media coverage are having a negative effect on the Company's results of operations. It is too early to predict the outcome or effect that the ongoing investigations, the initiation of additional investigations, if any, and the related media coverage will have on the Company's financial condition or results of operations in future periods. 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. (See Note 9--Contingencies of the Notes to the Condensed Consolidated Financial Statements and Part II, Item 1: Legal Proceedings.)

RESTRUCTURING OF OPERATIONS & DISCONTINUED OPERATIONS

The Company is currently in the process of restructuring its operations in an effort to create a smaller and more focused company. The restructuring includes divestitures of certain hospitals and surgery centers to third parties and spin-offs of certain other assets to the Company's stockholders (See in Note 3--Restructuring Operations of the Notes to the Condensed Consolidated Financial Statements) and the divestitures of certain discontinued business (See Note 5--Discontinued Operations of the Notes to the Condensed Consolidated Financial Statements).

BUSINESS STRATEGY

The Company's strategy is to be a comprehensive provider of quality health care services in select markets. The Company maintains and replaces equipment, renovates and constructs replacement facilities and adds new services to increase the attractiveness of its hospitals and other facilities to patients and physicians. By developing a comprehensive health care network with a broad range of health care services located throughout a community service area, the Company is better able to attract and serve patients and physicians. The Company is also able to reduce operating costs by sharing certain services among several facilities in the same market and is better positioned to work with health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and employers.

The Company generally seeks to operate each of its facilities as part of a network with other health care facilities that it owns or operates within the same region. In instances where acquisitions of additional facilities in the area are not possible or practical, the Company may seek joint ventures or partnership arrangements with other local facilities.

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

RESULTS OF OPERATIONS

Revenue/Volume Trends

The Company has experienced a decline in volumes and revenues as well as operational deficiencies. Management believes that the impact of the ongoing government investigations and related media coverage, and the announced sale of several hospitals as part of the Company's restructuring of operations has created uncertainty in the respective communities.

The Company's revenues also continue to be adversely 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, higher discount sources, including Medicare, Medicaid and managed care plans. Admissions related to Medicare, Medicaid and managed care plan patients were 90% and 87% of total admissions for the six months ended June 30, 1998 and 1997, respectively.

Insurance companies, government programs (other than Medicare) and employers purchasing health care services for their employees are negotiating discounted amounts that they will pay health care providers rather than paying standard prices. These purchasers then become discounted payers, similar to HMOs and PPOs, in virtually all markets and make it increasingly difficult for providers, including the Company, 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 payers to direct certain procedures from inpatient care to outpatient care. Outpatient revenues grew to 37% of net patient revenues for the six months ended June 30, 1998 from 36% during the same period last year.

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. However, under the Balanced Budget Act of 1997 (the "BBA-97"), the Company's reimbursement from the Medicare and Medicaid programs were reduced and will be further reduced as some reductions will be phased in over the next few years.

Reductions in Medicare and Medicaid reimbursement, increasing percentages of the patient volume being related to patients participating in managed care plans and continuing trends toward more services being performed on an outpatient basis are expected to present an ongoing challenge to the Company. To achieve and maintain a reasonable operating margin in future periods, the Company must increase patient volumes while controlling the costs of providing services.

Management believes that the proper response to this challenge includes the delivery of a broad range of quality health care services to patients through comprehensive health care networks with operating decisions being made by the local management teams and local physicians.

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

RESULTS OF OPERATIONS (CONTINUED)

Operating Results Summary

The following is a summary of results from continuing operations for the quarters and six months ended June 30, 1998 and 1997 (dollars in millions, except per share amounts):

	QUARTER			
	1998		1997	
	AMOUNT	RATIO	AMOUNT	RATIO
Revenues.....	\$4,781	100.0	\$4,845	100.0
Salaries and benefits.....	1,998	41.8	1,850	38.2
Supplies.....	719	15.0	658	13.6
Other operating expenses.....	961	20.2	943	19.4
Provision for doubtful accounts.....	340	7.1	310	6.4
Depreciation and amortization.....	311	6.4	308	6.4
Interest expense.....	145	3.0	123	2.5
Equity in earnings of affiliates.....	(33)	(0.7)	(35)	(0.7)
Restructuring of operations and investigation related costs.....	31	0.7	-	-
	4,472	93.5	4,157	85.8
Income from continuing operations before minority interests and income taxes.....	309	6.5	688	14.2
Minority interests in earnings of consolidated entities.....	18	0.4	45	0.9
Income from continuing operations before income taxes.....	291	6.1	643	13.3
Provision for income taxes.....	118	2.5	258	5.4
Income from continuing operations.....	\$ 173	3.6	\$ 385	7.9
Diluted earnings per share from continuing operations.....	\$.27		\$.58	
% changes from prior year:				
Revenues.....	(1.3%)		3.7%	
Income from continuing operations before income taxes.....	(54.7)		6.5	
Income from continuing operations.....	(55.0)		6.6	
Diluted earnings per share from continuing operations.....	(53.4)		7.4	
Admissions (a).....	(0.6)			
Equivalent admissions (b).....	0.3			
Revenues per equivalent admission.....	(1.6)			
Same-facility % changes from prior year (c):				
Revenues.....	(3.0%)			
Admissions (a).....	(0.5)			
Equivalent admissions (b).....	0.6			
Revenues per equivalent admission.....	(3.7)			

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

RESULTS OF OPERATIONS (CONTINUED)

	SIX MONTHS			
	1998		1997	
	AMOUNT	RATIO	AMOUNT	RATIO
Revenues.....	\$9,682	100.0%	\$9,833	100.0%
Salaries and benefits.....	4,011	41.4	3,726	37.9
Supplies.....	1,465	15.1	1,357	13.8
Other operating expenses.....	1,901	19.7	1,905	19.4
Provision for doubtful accounts.....	683	7.1	607	6.2
Depreciation and amortization.....	620	6.4	604	6.1
Interest expense.....	298	3.1	236	2.4
Equity in earnings of affiliates.....	(75)	(0.8)	(97)	(1.0)
Restructuring of operations and investigation related costs.....	69	0.7	-	-
	8,972	92.7	8,338	84.8
Income from continuing operations before minority interests and income taxes.....	710	7.3	1,495	15.2
Minority interests in earnings of consolidated entities.....	38	0.4	92	0.9
Income from continuing operations before income taxes.....	672	6.9	1,403	14.3
Provision for income taxes.....	280	2.8	563	5.7
Income from continuing operations.....	\$ 392	4.1	\$ 840	8.6
Diluted earnings per share from continuing operations.....	\$.61		\$ 1.24	
% changes from prior year:				
Revenues.....	(1.5%)		5.0	
Income from continuing operations before income taxes.....	(52.1)		9.9	
Income from continuing operations.....	(53.3)		9.9	
Diluted earnings per share from continuing operations.....	(50.8)		9.7	
Admissions (a).....	0.8			
Equivalent admissions (b).....	1.8			
Revenues per equivalent admission.....	(3.3)			
Same-facility % changes from prior year (c):				
Revenues.....	(2.8)			
Admissions(a).....	0.3			
Equivalent admissions (b).....	1.5			
Revenues per equivalent admission.....	(4.2)			

- (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) "Same facility" information excludes the operations of hospitals and their related facilities which were either acquired or divested during the current and prior year. The facilities to be sold as part of the Company's restructuring of operations efforts will continue to be included in "same facility" until the date they are divested.

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

RESULTS OF OPERATIONS (CONTINUED)

Quarters Ended June 30, 1998 and 1997

Income from continuing operations before income taxes declined 54.7% to \$291 million in 1998 from \$643 million in 1997, and pretax margins decreased to 6.1% in 1998 from 13.3% in 1997. The decrease in pretax income was primarily attributable to the decline in revenues, a decrease in the operating margins and costs associated with the restructuring of the Company's operations and investigation related costs. The announced sale of several hospitals as part of the Company's restructuring of operations also contributed to the declines in revenues and admissions as well as operating margins.

Revenues decreased 1.3% to \$4,781 million in 1998 compared to \$4,845 million in 1997. Inpatient admissions decreased 0.6% from a year ago and equivalent admissions (adjusted to reflect combined inpatient and outpatient volume) increased 0.3%. On a same-facility basis, revenues decreased 3.0%, admissions decreased 0.5% and equivalent admissions increased 0.6% from a year ago. The decline in both reported and same-facility revenues compared to increases in equivalent admissions resulted from declines in revenue per equivalent admissions of 1.6% on a reported basis and 3.7% on a same-facility basis. As previously discussed, the increase in outpatient volume activity is primarily a result of the continuing trend of certain services, previously provided in an inpatient setting, being converted to an outpatient setting.

The decline in revenues was due to several factors including decreases in Medicare reimbursement rates mandated by the BBA-97 which became effective October 1, 1997 (lowered 1998 revenues by approximately \$55 million for the quarter), continued increases in discounts from the growing number of managed care payers (managed care as a percentage of total admissions increased to 39% in 1998 compared to 35% during 1997) and delays experienced in obtaining Medicare cost report settlements (cost report filings and settlements resulted in favorable revenue adjustments of \$18 million in 1998 compared to \$72 million in 1997).

Operating expenses increased as a percentage of revenues in almost every expense category, except depreciation and amortization, which remained unchanged, and minority interests, which declined 0.5% from 1997 due to decreased income from joint ventures that included minority partners. The primary reason for the increases as a percentage of revenues in all other expense categories, as described below, was the Company's inability to adjust expenses in line with the decreases experienced in volumes and reimbursement trends. Management attention to the investigations, reactions by certain physicians and patients to the negative media coverage and management changes at several levels and locations throughout the Company continue to contribute to the Company's inability to implement changes to reduce operating expenses in response to the volume and revenue declines.

Salaries and benefits, as a percentage of revenues, increased to 41.8% in 1998 from 38.2% in 1997. The decline in revenues per equivalent admission was a primary factor in the increase. In addition, the Company was unable to adjust staffing levels corresponding with the declining equivalent admission growth (man hours per equivalent admission increased slightly compared to last year).

Supply costs increased as a percentage of revenues to 15.0% in 1998 from 13.6% in 1997 due to a decline in net revenue per equivalent admission while the cost of supplies per equivalent admission increased.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes) increased as a percentage of revenues to 20.2% in 1998 from 19.4% in 1997. The increase was due to small increases in several of these areas 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 June 30, 1998 and 1997 (Continued)

Provision for doubtful accounts, as a percentage of revenues, increased to 7.1% in 1998 from 6.4% in 1997 due to internal factors such as continued computer information system conversions (including patient accounting systems) at various facilities and external factors such as payer mix shifts to managed care plans (resulting in increased amounts of patient co-payments and deductibles) and payer remittance slowdowns. The information system conversions hampered the business office billing functions and collection efforts in those facilities as some resources are directed to installing and converting systems and building new data files, rather than devoting full effort to billing and collecting receivables. The Company continues to experience increased occurrences of charge audits from certain payers due to the negative publicity surrounding the government investigations which have resulted in delays in the collection of receivables. The delays in collections result in an increase in receivables reserved under the Company's bad debt allowance policy. Management is unable at this time to predict when or if, these delays in collecting accounts receivable will improve or the effect these delays will have on the ultimate amounts collected.

Interest expense increased to \$145 million in 1998 compared to \$123 million in 1997 primarily as a result of an increase in average outstanding debt during 1998 compared to last year. This was due, in part, to the additional debt incurred during the third and fourth quarters of 1997 related to the Company's \$1.0 billion common stock repurchase program which was completed in the fourth quarter of 1997. Interest expense associated with the increase in debt related to the funding of the 1997 merger with Value Health has been allocated to "Discontinued operations" for the periods prior to the sales of the respective Value Health businesses and is therefore excluded from interest expense from continuing operations for certain periods.

Equity in earnings of affiliates remained unchanged at 0.7% of revenues as compared to last year.

During 1998, the Company incurred \$31 million (\$18 million after-tax or \$.03 per diluted share) of costs in connection with the restructuring of operations and investigations. These costs included \$24 million in professional fees related to the investigations and \$7 million in various other costs.

The Company incurred a \$22 million net loss from operations of its discontinued businesses in 1998 compared to net income of \$27 million during the prior year. The majority of the loss, which is primarily related to the Company's home health care business, is due to revenue reductions related to Medicare rates of reimbursement for home health visits under the BBA-97, and a decline in home health visits from 4.3 million last year to 2.1 million in 1998. The Company also incurred a \$73 million loss on disposal of three Value Health business units acquired in 1997. The loss reflects adjustments to the Company's 1997 estimated loss on disposal for these businesses.

Six Months Ended June 30, 1998 and 1997

Income from continuing operations before income taxes declined 52.1% to \$672 million in 1998 from \$1,403 million in 1997, and pretax margins decreased to 6.9% in 1998 from 14.3% in 1997. The decrease in pretax income was primarily attributable to the decline in revenues, decreases in the operating margin and costs associated with the restructuring of operations and investigation related costs. The announced sale of several hospitals as part of the Company's restructuring of operations also contributed to the declines in both revenues and operating margins.

Revenues decreased 1.5% to \$9.7 billion in 1998 compared to \$9.8 billion in 1997. Inpatient admissions increased 0.8% from a year ago and equivalent admissions (adjusted to reflect combined inpatient and outpatient volume) increased 1.8%. On a same-facility basis, revenues decreased 2.8%, admissions increased 0.3% and equivalent admissions increased 1.5% from a year ago. The decline in both reported and same-facility revenues compared to increases in equivalent admissions resulted from declines in revenue per equivalent admission of

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

RESULTS OF OPERATIONS (CONTINUED)

Six Months Ended June 30, 1998 and 1997 (Continued)

3.3% on a reported basis and 4.2% on a same-facility basis. As previously discussed, the increase in outpatient volume activity is primarily a result of the continuing trend of certain services, previously provided in an inpatient setting, being converted to an outpatient setting.

The decline in revenues was due to several factors including decreases in Medicare reimbursement rates mandated by the BBA-97 which became effective October 1, 1997 (lowered 1998 revenues by approximately \$100 million), continued increases in discounts from the growing number of managed care payers (managed care as a percentage of total admissions increased to 38% in 1998 compared to 33% during 1997) and delays experienced in obtaining Medicare cost report settlements (cost report filings and settlements resulted in favorable revenue adjustments of \$39 million in 1998 compared to \$101 million in 1997).

Operating expenses increased as a percentage of revenues in almost every expense category except minority interests which declined 0.5% from 1997 due to decreased income from joint ventures that included minority partners. The primary reason for the increases as a percentage of revenues in all other expense categories, as described below, was the Company's inability to adjust expenses in line with the decreases experienced in volumes and reimbursement trends. Management attention to the investigations, reactions by certain physicians and patients to the negative media coverage and management changes at several levels and locations throughout the Company continue to contribute to the Company's inability to implement changes to reduce operating expenses in response to the volume and revenue declines.

Salaries and benefits, as a percentage of revenues, increased to 41.4% in 1998 from 37.9% in 1997. The decline in revenues per equivalent admission was a primary factor in the increase. In addition, the Company was unable to adjust staffing levels corresponding with the declining equivalent admission growth (man hours per equivalent admission increased slightly compared to last year).

Supply costs increased as a percentage of revenues to 15.1% in 1998 from 13.8% in 1997 due to a decline in net revenue per equivalent admission while the cost of supplies per equivalent admission increased.

Other operating expenses (which includes various expense categories) increased as a percentage of revenues to 19.7% in 1998 from 19.4% in 1997.

Provision for doubtful accounts, as a percentage of revenues, increased to 7.1% in 1998 from 6.2% in 1997 due to internal factors such as continued computer information system conversions (including patient accounting systems) at various facilities and external factors such as payer mix shifts to managed care plans (resulting in increased amounts of patient co-payments and deductibles) and payer remittance slowdowns. The information system conversions hampered the business office billing functions and collection efforts in those facilities as some resources are 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 payers due to the negative publicity surrounding the government investigations which have 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. Management is unable at this time to predict when or if, these delays in collecting accounts receivable will improve or the effect these delays will have on the ultimate amounts collected.

Depreciation and amortization increased as a percentage of revenues to 6.4% in 1998 from 6.1% in 1997, 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.

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

RESULTS OF OPERATIONS (CONTINUED)

Six Months Ended June 30, 1998 and 1997 (Continued)

Interest expense increased to \$298 million in 1998 compared to \$236 million in 1997, primarily as a result of an increase in average outstanding debt during 1998 compared to last year. This was due, in part, to the additional debt incurred during the third and fourth quarters of 1997 related to the Company's \$1.0 billion common stock repurchase program which was completed in the fourth quarter of 1997. Interest expense associated with the increase in debt related to the funding of the 1997 merger with Value Health has been allocated to "Discontinued operations" for periods prior to the sales of the respective Value Health businesses and is therefore excluded from interest expense from continuing operations for certain periods.

Equity in earnings of affiliates decreased as a percentage of revenues to 0.8% in 1998 from 1.0% in 1997 primarily due to decreased profitability at certain non-consolidated joint venture facilities.

During 1998, the Company incurred \$69 million (\$40 million after-tax or \$.06 per diluted share) of costs in connection with the restructuring of operations and investigations. These costs included \$52 million in professional fees related to the investigations and \$17 million in various other costs.

The Company incurred a \$44 million net loss from operations of its discontinued businesses in 1998 compared to net income of \$51 million during the prior year. The majority of the loss, which is primarily related to the Company's home health care business, is due to revenue reductions related to Medicare rates of reimbursement for home health visits under the BBA-97 and a decline in home health visits from 8.5 million last year to 4.7 million in 1998.

Liquidity

Cash provided by continuing operating activities totaled approximately \$1.0 billion during the first six months of 1998 compared to \$810 million in 1997. The increase was primarily due to a \$350 million federal income tax refund received during 1998 related to excess estimated payment amounts made during 1997. The refund was partially offset by a decline in net income from 1997 to 1998.

Cash used in investing activities declined to \$89 million during the first six months of 1998 from \$718 million for the same period of 1997. The decline was primarily due to \$619 million in proceeds from the sale of certain discontinued businesses offsetting capital expenditures of \$666 million, which were comparable to \$696 million of capital expenditures in 1997.

Cash flows used in financing activities totaled approximately \$1.0 billion during the first six months of 1998 compared to \$96 million in 1997. The excess of cash flows from continuing operations over cash used in investing activities was primarily used to pay down debt during the first six months of 1998. During 1997, the excess cash flow from continuing operations over cash used in investing activities along with net additional borrowings of \$644 million were used to repurchase \$718 million of the Company's common stock under its share repurchase program.

At June 30, 1998, current liabilities exceeded current assets by \$973 million. Included in current liabilities is approximately \$2.4 billion outstanding under the Company's former 364-day revolving credit facility which was converted to a one-year term loan (the "one-year term loan"). The Company expects to repay the one-year term loan primarily through proceeds from facility sales. Working capital balances totaled \$1.7 billion at December 31, 1997. Management believes that proceeds from expected asset sales, cash flows from operations and amounts available under the Company's \$2.0 billion five-year revolving credit facility due February 2002 (the "Revolving Credit Facility") will be sufficient to meet expected liquidity needs during the next twelve months.

Investments of the Company's professional liability insurance subsidiary to maintain statutory equity and pay claims totaled \$1.7 billion at June 30, 1998 and \$1.5 billion at December 31, 1997.

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

RESULTS OF OPERATIONS (CONTINUED)

Liquidity (Continued)

The Company has various agreements with joint venture partners whereby the partners have an option to sell or "put" their interests in the joint venture back to the Company within specific periods at fixed prices or prices based on certain formulas. The combined put price under all such agreements was approximately \$1.0 billion at June 30, 1998. During April 1998, the partner in the Memorial Healthcare Group, Inc. joint venture exercised their put option whereby the Company purchased their remaining interest in the joint venture for approximately \$40 million. The Company cannot predict if, or when, other joint venture partners will exercise such options.

During the first quarter of 1998, the Internal Revenue Service (the "IRS") issued guidance regarding the tax consequences of joint ventures between for-profit and not-for-profit hospitals. The Company has not determined the impact of the tax ruling on its existing joint ventures and is consulting with its joint venture partners and tax advisers to develop an appropriate course of action. The tax ruling could require the restructuring of certain joint ventures with not-for-profits or influence the exercise of the put agreements by certain joint venture partners.

The settlement of the government investigations and the various lawsuits and legal proceedings that have been asserted could result in substantial liabilities to the Company. The ultimate liabilities cannot be reasonably estimated, as to the timing or amounts, at this time; however, it is possible that results of operations, financial position and liquidity could be materially, adversely affected upon the resolution of certain of these contingencies.

Capital Resources

Excluding acquisitions, capital expenditures were \$666 million during the first six months of 1998 compared to \$696 million for the same period in 1997. Planned capital expenditures (including construction projects) in 1998 are expected to approximate \$1.4 billion. Management believes that its capital expenditure program is adequate to expand, improve and equip the Company's existing health care facilities.

Acquisition of hospitals and health care entities and investments in and advances to affiliates (generally 50% interests in joint ventures that are accounted for using the equity method) totaled \$116 million during the first six months of 1998 and \$162 million in 1997.

The Company expects to finance all capital expenditures with internally generated and borrowed funds. Available sources of capital include public or private debt, amounts available under the Company's Revolving Credit Facility (approximately \$1.8 billion as of July 31, 1998) and equity. At June 30, 1998, there were projects under construction which had an estimated additional cost to complete and equip over the next few years of approximately \$1.3 billion.

During July 1998, the Company amended the one-year term loan and the Revolving Credit Facility primarily to allow for a \$1.0 billion share repurchase of its common stock. Also during July 1998, the Company entered into a \$1.0 billion term loan agreement with several banks which matures February 2002. Proceeds from \$1.0 billion term loan were used to reduce borrowings under the Company's Revolving Credit Facility which the Company anticipates using to finance the \$1.0 billion stock repurchase program.

The one-year term loan, the Revolving Credit Facility and the new \$1.0 billion term loan contain customary covenants which include (i) limitations on additional debt, (ii) limitations on sales of assets, mergers and changes of ownership, (iii) limitations on repurchases of the Company's common stock, (iv) maintenance of certain interest coverage ratios and (v) attaining certain minimum levels of consolidated earnings before interest, taxes,

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

RESULTS OF OPERATIONS (CONTINUED)

Capital Resources (Continued)

depreciation and amortization. The Revolving Credit Facility and one-year term loan also provide for the mandatory prepayment of loans thereunder, and a corresponding reduction of commitments in the case of certain asset sales and certain debt or equity issuances. The Company is currently in compliance with all such covenants.

During the third quarter of 1997, the Company began replacing amounts outstanding under its commercial paper programs with borrowings under its bank credit facilities. This was due to the limited access of commercial paper as a funding source caused by downgrades of the Company's senior debt and commercial paper credit ratings by Moody's Investor Service ("Moody's") and Standard and Poor's. In February 1998, Moody's further downgraded the Company's senior debt credit rating to Ba2 from Baa2 and the commercial paper rating to NP (not prime) from P-3.

As part of the Company's restructuring of operations discussed earlier, the Company announced it is pursuing various restructuring alternatives which include divestitures of certain assets to third parties and spin-offs of certain assets to the Company's stockholders. These restructuring alternatives could have the effect of materially changing the capital structure of the Company. At this time, management has not determined the future capital structure of the Company.

YEAR 2000 ISSUES

The Year 2000 problem is the result of two potential malfunctions that could have an impact on the Company's systems and equipment. The first problem arises due to computers being programmed to use two rather than four digits to define the applicable year. The second problem arises in embedded chips, where microchips and microcontrollers have been designed using two rather than four digits to define the applicable year. Certain of the Company's computer programs, building infrastructure components (e.g. alarm systems and HVAC systems) and medical devices that are date sensitive, may recognize a date using "00" as the year 1900 rather than the year 2000. If uncorrected, the problem could result in computer system and program failures or equipment and medical device malfunctions that could result in a disruption of business operations or that could affect patient diagnosis and treatment.

With respect to the information technology ("IT") portions of the Company's Year 2000 project, which address the inventory, assessment, remediation, testing and implementation of internally developed software, the Company has identified various software applications that are being addressed on separate time lines. The Company has begun remediating for all these software applications and is testing the software applications where remediation has been completed. The Company has also completed the assessment of mission critical third party software (i.e., that software which is essential for day to day operations) and has developed testing and implementation plans with separate time lines. The Company anticipates completing, in all material respects, remediation, testing and implementation for internally developed and mission critical third party software by June 1999. The Company's efforts are currently on schedule.

With respect to the IT infrastructure portion of the Company's Year 2000 project, the Company has undertaken a program to inventory, assess and correct, replace or otherwise address impacted vendor products (hardware, systems software, business software, and telecommunication equipment). The Company has implemented a program to contact vendors, analyze information provided, and to remediate, replace or otherwise address IT products that pose a material Year 2000 Impact. The Company anticipates completion, in all material respects, of the IT infrastructure portion of its program by June 1999. The IT infrastructure portion of the Company's Year 2000 project is currently on schedule.

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

YEAR 2000 ISSUES (CONTINUED)

The Company presently believes that with modifications to existing software or the installation of upgraded software under the IT infrastructure portion, the Year 2000 will not pose material operational problems for its computer systems. However, if such modifications or upgrades are not accomplished in a timely manner, Year 2000 related failures may present a material adverse impact on the operations of the Company. Contingency planning will be established and implemented in an effort to minimize any impact from Year 2000 related failures.

With respect to the non-IT infrastructure portion of the Company's Year 2000 project, the Company has undertaken a program to inventory, assess and correct, replace or otherwise address impacted vendor products, medical equipment and other related equipment with embedded chips. The Company has implemented a program to contact vendors, analyze information provided, and to remediate, replace or otherwise address devices or equipment that pose a material Year 2000 impact. The Company anticipates completion, in all material respects, of the non-IT infrastructure portion of its program by June 1999. The non-IT infrastructure portion of the Company's Year 2000 project is currently on schedule.

The Company is prioritizing its non-IT infrastructure efforts by focusing on equipment and medical devices that will have a direct impact on patient safety and health. The Company is directing the majority of its efforts to repair, replace, upgrade or otherwise address this equipment and these medical devices in order to minimize risk to patient safety and health. The Company is relying on information that is being provided to it by equipment and medical device manufacturers regarding the Year 2000 status of their products. While the Company is attempting to evaluate information provided by its present vendors, there can be no assurance that in all instances accurate information is being provided. The Company also cannot in all instances guarantee that the repair, replacement or upgrade of all non-IT infrastructure systems will occur on a timely basis. Contingency planning will be established and implemented in an effort to minimize any impact from Year 2000 related failures.

The Company has initiated communications with its major third party payers and intermediaries, including government payers and intermediaries. The Company relies on these entities for accurate and timely reimbursement of claims, often through the use of electronic data interfaces. The Company has not received assurances that these interfaces will be timely converted. Failure of these third party systems could have a material adverse affect on the Company's results of operations. The Company also has initiated communications with its mission critical suppliers and vendors (i.e. those suppliers and vendors whose products and services are essential for day to day operations) to assure their continued operation through the Year 2000. The Company is continuing its efforts to obtain such assurances from all mission critical suppliers and vendors. Failure of these third parties could have a material impact on operations and/or the ability to provide health care services. Contingency planning will be established and implemented in an effort to minimize any impact from Year 2000 related failures.

The Company is utilizing both internal and external resources to manage and implement its Year 2000 program. With the assistance of such resources, the Company has recently undertaken the development of contingency plans in the event that its Year 2000 efforts, or the failures of third parties upon which the Company relies, are not accurately or timely completed. This development phase will continue through the end of 1998 with the implementation of contingency plans occurring in 1999.

The Year 2000 project is currently estimated to have a minimum total cost of \$75 million, of which the Company has incurred \$18 million through the first six months of 1998. Cumulatively, the Company has incurred \$33 million of costs related to the Year 2000 project. The increase to the estimated minimum total cost is related to estimates for repair or replacement of non-IT systems. The Company recognizes that the total cost is likely to increase as it completes its assessment of non-IT systems and as it continues its remediation and testing of IT systems. The Company is not currently able to reasonably estimate the ultimate cost to be incurred for the

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

YEAR 2000 ISSUES (CONTINUED)

assessment, remediation, upgrade, replacement and testing of its impacted non-IT systems. The majority of the costs related to the Year 2000 project will be expensed as incurred and are expected to be funded through operating cash flows.

The costs of the project and estimated completion dates for the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantees that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes and all medical equipment.

HEALTH CARE REFORM

In recent years, an increasing number of legislative proposals have been introduced or proposed in Congress and in some state legislatures that would significantly affect health care systems in the Company's markets. The cost of certain proposals would be funded in significant part by reduction in payments by government programs, including Medicare and Medicaid, to health care providers (similar to the reductions incurred as part of BBA-97 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 the Company will not be adopted.

PENDING IRS DISPUTES

The Company is contesting income taxes and related interest proposed by the IRS for prior years aggregating approximately \$332 million as of June 30, 1998. Management believes that final resolution of these disputes will not have a material adverse effect on the results of operations or financial position of the Company. (See Note 6--Income Taxes of the Notes to Condensed Consolidated Financial Statements for a description of the pending IRS disputes).

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

SUBSEQUENT EVENTS

In July 1998, the Company completed the sale of 34 of its ambulatory surgery centers for proceeds of approximately \$550 million. The sale resulted in an after-tax gain of approximately \$100 million. Proceeds from the sale were used to repay bank borrowings.

On July 16, 1998, the Company's board of directors authorized the submission of a request for a ruling from the IRS for two tax-free spin-off Companies, comprising the Pacific and America operating groups. The request is expected to be filed in August 1998.

On July 29, 1998, the Company announced a stock repurchase program under which up to \$1 billion of the Company's common stock may be purchased. In August 1998, the Company commenced the repurchase program by entering into a series of forward purchase contracts. The number of shares to be purchased and the timing of purchases will be based upon several factors, including the price of the Company's common stock, general market conditions, the status of the ongoing federal and state governmental investigations of the Company's business practices and other factors. In light of the ongoing investigations, prior to the completion of the stock repurchase program, the Company will address any government concerns related to the program.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q, including, without limitation, statements containing the words "believes," "anticipates," "expects," "estimates" 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) general economic and business conditions, (ii) competition; (iii) existing laws and governmental regulations and changes in, or the failure to comply with laws on governmental regulations; (iv) the outcome of the known and unknown governmental investigations of the Company's business practices; (v) the recently enacted changes in the Medicare and Medicaid programs affecting reimbursement to healthcare providers and insurers; (vi) legislative proposals for healthcare reform; (vii) the ability to enter into managed care provider arrangements on acceptable terms; (viii) liability and other claims asserted against the Company; (ix) changes in business strategy or development plans; (x) the ability to attract and retain qualified management and personnel, including physicians; (xi) the availability and terms of capital to fund the expansion of the Company's business, including the acquisition of additional facilities; (xii) Year 2000 issues. 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

CONSOLIDATED	1998	1997
- - - - -	- - - - -	- - - - -
Number of hospitals in operation at:		
March 31.....	310	314
June 30.....	309	315
September 30.....		314
December 31.....		309
Number of freestanding outpatient surgical centers in operation at:		
March 31.....	142	143
June 30 (a).....	139	145
September 30.....		143
December 31.....		140
Licensed hospital beds at (b):		
March 31.....	60,739	60,993
June 30.....	60,418	61,275
September 30.....		61,071
December 31.....		60,643
Weighted average licensed beds (c):		
Quarter:		
First.....	60,765	61,222
Second.....	60,712	61,203
Third.....		60,981
Fourth.....		60,983
Year.....		61,096
Average daily census (d):		
Quarter:		
First.....	28,758	28,401
Second.....	25,515	25,921
Third.....		24,343
Fourth.....		25,411
Year.....		26,006
Admissions (e):		
Quarter:		
First.....	507,600	497,200
Second.....	474,400	477,200
Third.....		461,700
Fourth.....		479,000
Year.....		1,915,100
Equivalent Admissions (f):		
Quarter:		
First.....	755,800	731,900
Second.....	731,900	729,600
Third.....		711,300
Fourth.....		728,600
Year.....		2,901,400
Average length of stay (days) (g):		
Quarter:		
First.....	5.1	5.1
Second.....	4.9	4.9
Third.....		4.9
Fourth.....		4.9
Year.....		5.0

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

NON-CONSOLIDATED (h)	1998	1997
- - - - -	- - - - -	- - - - -
Number of hospitals in operation at:		
March 31.....	26	27
June 30.....	26	27
September 30.....		27
December 31.....		27
Number of freestanding outpatient surgical centers in operation at:		
March 31.....	5	5
June 30.....	5	5
September 30.....		5
December 31.....		5
Licensed hospital beds at:		
March 31.....	6,357	6,537
June 30.....	6,317	6,641
September 30.....		6,455
December 31.....		6,455

- - - - -
- (a) Amounts include 34 surgery centers which were sold by the Company in July 1998.
 - (b) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
 - (c) Weighted average licensed beds represents the average number of licensed beds weighted based on periods owned.
 - (d) Average daily census represents the average number of patients in hospital beds each day.
 - (e) Admissions represent the total number of patients admitted (in the facility for a period in excess of 23 hours) to the Company's hospitals.
 - (f) Equivalent admissions are computed by multiplying admission (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.
 - (g) Average length of stay represents the average number of days admitted patients stay in the Company's hospitals.
 - (h) 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 therefore, are not included on a fully consolidated basis in the condensed consolidated financial statements.

PART II: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS.

FEDERAL AND STATE 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. In February 1998, an additional warrant was executed and a single computer was seized.

In July 1997, various Company affiliated facilities and offices were searched pursuant to search warrants issued by the United States District Court in several states. During July, September and November 1997, the Company was also served with subpoenas requesting records and documents related to laboratory billing and diagnosis related group ("DRG") coding in various states and home health operations in various jurisdictions, including, but not limited to, Florida. In January 1998, the Company received a subpoena which requested records and documents relating to physician relationships.

Also, in July 1997, the United States District Court for the Middle District of Florida, in Fort Myers, issued an indictment against three employees of a subsidiary of the Company. 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 the Company in 1992. The Company has been served with subpoenas for various records and documents. A fourth employee of a subsidiary of the Company was indicted on July 22, 1998 by a superseding indictment.

In addition, several hospital facilities affiliated with the Company in various states have received individual federal and/or state government inquiries, both informal and formal, requesting information related to reimbursement from government programs.

The Company is cooperating in these investigations and understands, through written notice and other means, that it is a target in these investigations.

Given the scope of the ongoing investigations, the Company expects additional subpoenas and other investigative and prosecutorial activity to occur in these and other jurisdictions in the future.

The Company is also the subject of a formal order of investigation by the Securities and Exchange Commission. The Company understands that the investigation relates to the anti-fraud, periodic reporting and internal accounting control provisions of the federal securities laws.

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. (See NOTE 2 and NOTE 9 of the Notes to Condensed Consolidated Financial Statements.)

LAWSUITS

Qui Tam Actions

Several qui tam actions have been brought by private parties ("relators") on behalf of the United States of America and have been unsealed and served on the Company. The government has declined to intervene in the qui tam actions unsealed to date. To the best of the Company's knowledge, the actions allege, in general, that the Company and certain subsidiaries and/or affiliated partnerships violated the False Claims Act, 31 U.S.C. (S)3729 et seq., for improper claims submitted to the government for reimbursement. The lawsuits seek damages of three times the amount of all Medicare or Medicaid claims (involving false claims) presented by the defendants to the federal government, civil penalties of not less than \$5,000 nor more than \$10,000 for each such Medicare or Medicaid claim, attorneys' fees and costs. The Company is aware of additional qui tam actions that remain under seal and believes that there are other sealed qui tam cases that it is unaware of.

The matter of United States of America, ex rel. Scott Pogue v. Diabetes Treatment Centers of America, Inc., et al., Civil Action No. 3-94-0515 was filed under seal on June 23, 1994 in the United States District Court for the Middle District of Tennessee. On February 6, 1995, the United States filed its Notice of Non-Intervention and on that same date, the District Court ordered the complaint unsealed. In general, the relator contends that sums paid to physicians by the Diabetes Treatment Centers of America, who served as Medical Directors at a hospital affiliated with the Company, were unlawful payments for the referrals of their patients. Plaintiffs have filed a motion for partial summary judgment which is pending.

A lawsuit captioned United States of America ex rel. James Thompson v. Columbia/HCA Healthcare Corporation, et al., was filed on March 10, 1995 in the United States District Court for the Southern District of Texas, Corpus Christi Division (Civil Action No. C-95-110). In general, the relator claims that the defendants (the Company and certain subsidiaries and affiliated partnerships) engaged in a widespread strategy to pay physicians money for referrals and engaged in other conduct to induce referrals, such as: (i) offering physicians equity interests in hospitals; (ii) offering loans to physicians; (iii) paying money under the guise of "consultation fees" to physicians to guarantee their capital investment; (iv) paying consultation fees, rent or other monies to physicians; (v) providing free or reduced rate rents for office space; (vi) providing free or reduced rate vacations and trips; (vii) providing free or reduced rate opportunities for additional medical training; (viii) providing income guarantees; and (ix) granting physicians exclusive rights to perform procedures in particular fields of practice. The defendants filed a Motion to Dismiss the Second Amended Complaint in November 1995 which was granted by the Court in July 1996. In August 1996, the relator appealed to the United States Court of Appeals for the Fifth Circuit, and in October 1997, the Fifth Circuit affirmed in part and vacated and remanded in part the Trial Court's rulings. Defendants filed a Second Amended Motion to Dismiss which is currently pending and has not yet been ruled on.

On December 21, 1995, a matter entitled United States of America ex rel., Roy Meidinger vs. Lee Memorial Health System, et al., Case No. 95-423-FTM-99D, was filed in the United States District Court for the Middle District Court of Florida, Fort Myers Division. This case was brought against approximately 2,500 health care providers and insurance companies, including Columbia Southwest Regional Medical Center, and generally concerns misrepresentation of customary charges to HCFA. In December 1996, the United States declined to intervene. In June 1997, the District Court entered an order directing relator to serve the defendants. In late November and early December 1997, each of the six defendants moved to dismiss the Complaint. In January 1998, relator filed his opposition to the defendants' motion to dismiss. The Court has not yet ruled on the defendants' motions.

The matter of United States of America ex rel. Sandra Russell; and Sandra Russell, in her own right v. EPIC Healthcare Management Group, et al., No. H-95-99151, was filed on January 18, 1995 in the United States District Court for the Southern District of Texas, Houston Division. The complaint alleges that the defendants submitted claims, records and/or statements for Medicare reimbursement in connection with home health services which were false. The defendants moved to dismiss in May 1997. The Court granted defendants' motion giving relator the right to replead. Relator filed an amended complaint. Defendants filed a second motion to dismiss which was granted on June 25, 1998. To date, no Notice of Appeal has been filed.

The matter of Mary Ann Wisz, Individually, and ex rel. United States of America v. C/HCA Development, Inc. d/b/a Columbia-Olympia Fields Osteopathic Hospital and Medical Center, Inc., et al., Case No. 97-C-2646, was filed on April 16, 1998 in the United States District Court for the Northern District of Illinois, Eastern Division. An amended complaint was filed on February 17, 1998 and on May 15, 1998, plaintiff was permitted leave to file its Second Amended Complaint. In addition to adding Midwestern University as a party defendant, the Second Amended Complaint contained allegations that Olympia Fields Osteopathic Hospital and Medical Center and/or the Chicago Osteopathic Hospital changed dates on out-patient surgical procedures. That portion of the Second Amended Complaint has been answered and discovery is ongoing. The Second Amended Complaint also alleges that one or both hospitals directed surgical nurses to misdesignate the severity of surgeries. That portion of the Second Amended Complaint is subject to a partial motion to dismiss, which motion has been fully briefed and is currently pending.

The Company intends to pursue the defense of the qui tam actions vigorously.

Shareholder Derivative and Class Action Complaints Filed in the U.S. District Courts

Since April 1997, numerous securities class action and derivative lawsuits have been filed in the United States District Court for the Middle District of Tennessee against the Company and a number of its current and former directors, officers and/or employees.

On October 10, 1997, the Court entered an order consolidating all of the securities class action claims into a single-captioned case, *Morse, Sidney, et al. v. R. Clayton McWhorter, et al.*, Case No. 3-97-0370. All of the other individual securities class action lawsuits were administratively closed by the Court. The consolidated Morse lawsuit is a purported class action seeking the certification of a class of persons or entities who acquired the Company's common stock from April 9, 1994 to September 9, 1997. The consolidated lawsuit was brought against the Company, Richard Scott, David Vandewater, Thomas Frist, Jr., R. Clayton McWhorter, Carl E. Reichardt, Magdalena Averhoff, M.D., T. Michael Long, and Donald S. MacNaughton. The lawsuit alleges, among other things, that the defendants committed violations of the federal securities laws by materially inflating the Company's revenues and earnings through a number of practices, including upcoding, maintaining reserve cost reports, disseminating false and misleading statements, cost shifting, illegal reimbursements, improper billing, unbundling and violating various Medicare laws. The lawsuit seeks damages, costs and expenses. Plaintiffs filed their Motion for Class Certification in February 1998, and defendants filed responsive briefs. No ruling has been made on class certification.

On October 10, 1997, the Court entered an order consolidating all of the derivative law claims into a single-captioned case, *McCall, H. Carl, as Comptroller of the State of New York and as Trustee of the New York State Common Retirement Fund, derivatively on behalf of Columbia/HCA Healthcare Corporation v. Richard L. Scott, et al.*, No. 3-97-0838. All of the other derivative lawsuits were administratively closed by the Court. The consolidated McCall lawsuit was brought against the Company, Thomas Frist, Jr., Richard L. Scott, David T. Vandewater, R. Clayton McWhorter, Magdalena Averhoff, M.D., Frank S. Royal, M.D., T. Michael Long, William T. Young and Donald S. MacNaughton. The lawsuit alleges, among other things, derivative claims against the individual defendants that they intentionally or negligently breached their fiduciary duties to the Company by authorizing, permitting, or failing to prevent the Company from engaging in various schemes to improperly increase revenue, upcoding, improper cost reporting, improper referrals, improper acquisition practices and overbilling. In addition, the lawsuit asserts a derivative claim against some of the individual defendants for breaching their fiduciary duties by engaging in insider trading. The lawsuit seeks restitution, damages, recoupment of fines or penalties paid by the Company, restitution and pre-judgment interest against the alleged insider trading defendants, and costs and disbursements. In addition, the lawsuit seeks orders: (i) prohibiting the Company from paying individual defendants employment benefits; (ii) terminating all improper business relationships with individual defendants; and (iii) requiring the Company to implement effective corporate governance and internal control mechanisms designed to monitor compliance with federal and state laws and ensure reports to the board of material violations.

The defendants filed motions to dismiss in both the Morse and McCall lawsuits. These motions were referred to the Magistrate Judge for consideration. In June 1998, the Magistrate Judge recommended that the Court grant the motions to dismiss in both cases. Plaintiffs in both cases have filed objections to the Magistrate's recommendations with the District Court, and defendants will be filing responsive pleadings.

Shareholder Derivative Actions Filed in State Courts

Several derivative actions have been filed in state court by certain purported stockholders of the Company against certain of the Company's current and former officers and directors alleging breach of fiduciary duty, and failure to take reasonable steps to ensure that the Company did not engage in illegal practices thereby exposing the Company to significant damages.

Two purported derivative actions entitled Barron, Evelyn, et al. v. Magdalena Averhoff, et al., Civil Action No. 15822NC, filed on July 22, 1997, and Kovalchick, John E. v. Magdalena Averhoff, et al. Civil Action No. 15829NC, filed on July 29, 1997, have been 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. The suits seek damages, attorneys' fees and costs. In the Barron lawsuit, plaintiffs also seek an Order (i) requiring individual defendants to return to the Company all salaries or remunerations paid them by the Company, together with proceeds of the sale of Columbia stock made in breach of their fiduciary duties; (ii) prohibiting the Company from paying any individual defendant any benefits pursuant to the terms of employment, consulting or partnership agreements; and (iii) terminating all improper business relationships between the Company and any individual defendant. In the Kovalchick lawsuit, plaintiffs also seek an Order (i) requiring individual defendants to return to the Company all salaries or remunerations paid to them by the Company and all proceeds from the sale of Columbia stock made in breach of their fiduciary duties; (ii) requiring that an impartial Compliance Committee be appointed to meet regularly; and (iii) requiring that the Company be prohibited from paying any director/defendant any benefits pursuant to terms of employment, consulting or partnership agreements. On August 14, 1997, a similar purported derivative action entitled State Board of Administration of Florida, the public pension fund of the State of Florida in behalf of itself and in behalf of all other stockholders of Columbia/HCA Healthcare Corporation derivatively in behalf of Columbia/HCA Healthcare Corporation vs. 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. These lawsuits seek damages and costs as well as orders (i) enjoining the Company from paying benefits to individual defendants; (ii) requiring termination of all improper business relationships with individual defendants; (iii) requiring the Company to provide for "independent public directors"; and (iv) requiring the Company to put in place proper mechanisms of corporate governance.

The matter of Louisiana State Employees Retirement System, a public pension fund of the State of Louisiana, in behalf of itself and in behalf of all other stockholders of Columbia/HCA Healthcare Corporation derivatively in behalf of Columbia/HCA Healthcare Corporation v. Magdalena Averhoff, et al., another derivative action, was filed on March 19, 1998 in the Circuit Court of the Eleventh Judicial Circuit, Dade County, Florida, General Jurisdiction Division (Case No. 98-6050 CA04) and the defendants removed it to the United States District Court, Southern District of Florida (Case No. 98-814-CIV). The Louisiana State Employees Retirement System is the public pension fund of the State of Louisiana. The suit alleges, among other things, breach of fiduciary duties resulting in damage to the Company. The lawsuit seeks damages from the individual defendants to be paid to the Company and attorneys' fees, costs and expenses. In addition, the lawsuit seeks orders (i) requiring the individual defendants to pay to the Company all benefits received by them from the Company; (ii) enjoining the Company from paying any benefits to individual defendants; (iii) requiring that defendants terminate all improper business relationships with the Company and any individual defendants; (iv) requiring that the Company provide for appointment of a majority of "independent public directors"; and (v) requiring that the Company put in place proper mechanisms of corporate governance. On August 10, 1998, the Court transferred this case to the Middle District of Tennessee.

The Company intends to pursue the defense of these federal and state Shareholder Derivative and Class Action Complaints vigorously.

Patient/Payer Actions and Other Class Actions

The Company has from time to time received several purported class action lawsuits which have been filed by patients and/or payers against the Company and/or certain of its current and/or former officers and/or directors alleging, in general, improper and fraudulent billing, overcharging, coding and physician referrals, as well as other violations of law. Certain of the lawsuits have been conditionally certified as class actions.

The matter of Boyson, Cordula, on behalf of herself and all others similarly situated v. Columbia/HCA Healthcare Corporation was filed on September 8, 1997 in the United States District Court for the Middle

District of Tennessee, Nashville Division (Civil Action No. 3-97-0936). The lawsuit, which seeks certification of a national class comprised of all persons or entities who have paid for medical services provided by the Company, alleges, among other things, that the Company has engaged in a pattern and practice of (i) inflating diagnosis and medical treatments of its patients to receive larger payments from the purported class members; (ii) providing unnecessary medical care; and (iii) billing for services never rendered. This lawsuit seeks injunctive relief requiring the Company to perform an accounting to identify and disgorge medical bill overcharges. It also seeks damages, attorneys' fees, interest and costs. The defendant filed its Answer in November 1997. Plaintiff filed a Motion for Class Certification, and the defendant's opposition to this motion was filed in March 1998. A first case management conference is scheduled to take place on August 21, 1998 in the lawsuits against the Company, including the Boyson suit, that have been consolidated by the Judicial Panel on Multi-District Litigation (the "MDL Panel") in the Middle District of Tennessee. (See below) At the conference, the Court is expected to set a schedule for pre-certification discovery and class certification motion practice.

The matter of Brown, Nancy, individually and on behalf of all others similarly situated v. Columbia/HCA Healthcare Corporation was filed on November 16, 1995, in the Circuit Court of Palm Beach County, Florida, Case No. 95-9102 AD. This suit alleges that the hospital has charged excessive amounts for items such as pharmaceuticals, medical supplies, laboratory tests, medical equipment and related medical services. The suit seeks certification of a nationwide class and damages for patients who have paid bills containing allegedly excessive amounts for the allegedly unreasonable portion of the charges as well as interest, attorneys' fees and costs. Plaintiff amended the Complaint and the defendant filed an Answer and defenses in June 1996. In October 1997, Harald Jackson moved to intervene in the lawsuit. The Court denied Jackson's Motion in December 1997, and he filed a separate lawsuit referenced below. No class has been certified.

In October 1997, Colville, Douglas, et al. v. Columbia/Palm Drive Hospital, et al., inclusive was filed in the Sonoma County Superior Court, California, Case No. 217646. The suit seeks certification of a class comprised of uninsured patients treated at the Company's hospitals and entities in California who have been treated and charged different fees than any other patient. The suit alleges, among other things, that the Company fraudulently overcharged the plaintiffs and that it unlawfully charged uninsured patients at a higher rate for the same services, compared to patients with insurance or Medicare. This lawsuit seeks damages, attorneys' fees and costs, restitution, and injunctive relief. In March 1998, the Company filed a Demurrer Motion. The Demurrer was granted in part and denied in part. Plaintiff filed an Amended Complaint and the defendants filed a Second Demurrer Motion in June 1998. The Court has not yet ruled on the Motion.

Jane Doe and her husband, John Doe, on their own behalf, and on behalf of all other persons similarly situated vs. HCA Health Services of Tennessee, Inc. dba HCA Donelson Hospital nka Summit Medical Center is a class action suit filed on August 17, 1992 in the First Circuit Court for Davidson County, Tennessee, Case No. 92C-2041. The suit principally alleges that Summit Medical Center's charges for hospital services and supplies for medical services (a hysterectomy in the plaintiff's case) exceeded the reasonable costs of its goods and services, that the overcharges constitute a breach of contract and an unfair or deceptive trade practice as well as a breach of the duty of good faith and fair dealing. This suit seeks damages, costs and attorneys' fees. In addition, the suit seeks a declaratory judgment recognizing plaintiffs' rights to be free from predatory billing and collection practices and an Order (i) requiring defendants to notify plaintiff class members of entry of declaratory judgment and (ii) enjoining defendants from further efforts to collect charges from the plaintiffs. In 1997, this case was certified as a class action consisting of all past, present and future patients at Summit Medical Center. Defendant filed a Motion for Summary Judgment relying upon the favorable decision of another Nashville Circuit Judge in a factually similar case. In March 1997, the Court denied the Motion for Summary Judgment and ordered the parties into mediation. In June 1998, the Court of Appeals denied defendant's application for permission to appeal the trial court's denial of the summary judgment motion. At this time, the defendant is working on an application for permission to appeal to the Supreme Court of Tennessee. In addition, the trial court withdrew the order for mediation pending defendant's appeal of the summary judgment denial.

Ferguson, Charles, on behalf of himself and all other similarly situated v. Columbia/HCA Healthcare Corporation, et al., was filed on September 16, 1997 in the Circuit Court for Washington County, Tennessee, Civil Action No. 18679. This lawsuit seeks certification of a national class comprised of all those who paid or were responsible for payment of any portion of a bill for medical care or treatment provided by the Company and alleges, among other things, that the Company engaged in billing fraud by excessively billing patients for services rendered, billing patients for services not rendered or not medically necessary, uniformly using improper codes to report patient diagnosis, and improperly and illegally recruiting doctors to refer patients to the Company's hospitals. The suit seeks damages, interest, attorneys' fees, costs and expenses. In addition, the suit seeks an Order (i) requiring defendants to provide an accounting of plaintiffs and class members who overpaid or were obligated to overpay; and (ii) requiring defendants to disgorge all monies illegally collected from plaintiffs and the class. Plaintiff filed a Motion for Class Certification in September 1997 which has not been ruled on. In December 1997, the Company filed a Motion for Summary Judgment which was denied. In January 1998, plaintiff filed a Motion for Leave to File a Second Amended Class Action Complaint to Add an Additional Class Representative which was granted but the Court dismissed the claims asserted by the additional plaintiff.

The matter of Douglas, Cheryl, individually, and on behalf of all others similarly situated v. Columbia/HCA Healthcare Corporation, et al., is a purported class action filed on March 5, 1998 in the Circuit Court of Cook County, Illinois, County Department, Chancery Division, Case No. 98 CH 2942. The suit is very similar to the Ferguson case and generally alleges that defendants were involved in fraudulent and deceptive acts including wrongful billing, unnecessary treatment and wrongful diagnosis of patients with illnesses that necessitate higher medical fees for financial gain. The suit seeks damages, costs and expenses. Various defendants have filed a motion to dismiss, which has now been fully briefed, and the parties await the court's ruling.

The matter of Hoop, Kemp, et al. v. Columbia/HCA Healthcare Corporation, et al. was filed on August 18, 1997 in the District Court of Johnson County, Texas, Civil Action No. 249-171-97. This suit seeks certification of a Texas class comprised of persons who paid for any portion of an improper or fraudulent bill for medical services rendered by any Texas facility owned or operated by the Company. The suit seeks damages, attorneys' fees, costs and expenses, as well as restitution to plaintiffs and the class in the amount by which defendants have been unjustly enriched and equitable and injunctive relief. The lawsuit principally alleges that the Company perpetrated a fraudulent scheme that consisted of systematic and routine overbilling through false and inaccurate bills, including padding, billing for services never provided, and exaggerating the seriousness of patients' illnesses. The lawsuit also alleges that the Company systematically entered into illegal kickback schemes with doctors for patient referrals. The Company filed its answer in November 1997.

The matter of Jackson, Harald F., individually and on behalf of all others similarly situated v. Columbia/HCA Healthcare Corporation was filed on December 23, 1997 in the Circuit Court, Palm Beach County, Florida, Civil Action No. 97-011419. The suit seeks certification of a national class of persons or entities that have paid for medical services, alleging, among other things, that the Company systematically and unlawfully inflated prices, concealed its practice of inflating prices and engaged in and concealed a uniform practice of overbilling and damages. The lawsuit seeks damages. Defendant has filed a motion to dismiss which is pending.

The matter of Johnson, Bruce A., et al. v. Plantation General Hospital, Limited Partnership was filed on March 9, 1992 in the Circuit Court for the Seventeenth Judicial Circuit, State of Florida, Broward County, Case No. 92-06823 Division 2. In general, the suit alleges that the hospital charged excessive amounts for pharmaceuticals, medical supplies and laboratory tests. The suit sought certification of a class. Count I sought a price reduction on all outstanding bills in the amount of the allegedly excessive portion of the charges. Counts II and III sought damages for patients who have paid bills containing allegedly excessive amounts for the alleged unreasonable portion of the charges. Plaintiffs also included a claim for attorneys' fees. On September 18, 1995, the trial court certified a class and the Fourth District Court of Appeals affirmed. In October 1996, the hospital filed a Motion for Summary Judgment on Counts II and III on the basis of the voluntary payment defense. The Court granted the motion in November 1997. In April 1998, following the hospital's statement that it would deem

the six to eleven year old outstanding debt of class members to be fully satisfied, summary judgment was granted to the class on Count I. No monetary judgment was recovered. In July 1998, the Court orally denied plaintiffs' motion for attorneys' fees. Time to appeal that decision has not expired.

The matter of Operating Engineers Local No. 312 Health & Welfare Fund, on behalf of itself and as representative of a class of those similarly situated v. Columbia/HCA Healthcare Corporation was filed on August 6, 1997 in the United States District Court for the Eastern District of Texas, Civil Action No. 597CV203. The original complaint alleged violations of the Racketeering Influenced and Corrupt Organization Act ("RICO") based on allegations that the defendant has employed one or more schemes or artifices to defraud the plaintiff and purported class members through fraudulent billing for services not performed, fraudulent overcharging in excess of correct rates and fraudulent concealment and misrepresentation. In October 1997, the Company filed a motion to transfer venue and to dismiss the lawsuit on jurisdiction and venue grounds because the RICO claims are deficient. The motion to transfer was denied on January 23, 1998. The motion to dismiss was also denied. In February 1998, defendant filed a petition with the MDL Panel to consolidate this case with Boyson for pretrial proceedings in the Middle District of Tennessee. During the pendency of the motion to consolidate, plaintiff amended its complaint to add allegations under the Employee Retirement Income Security Act of 1974 ("ERISA"), as well as state law claims. The amended complaint seeks damages, attorneys' fees and costs, as well as disgorgement and injunctive relief. The MDL Panel granted defendant's motion to consolidate on June 11, 1998, and this action was transferred to the Middle District of Tennessee.

On April 24, 1998, two matters, Board of Trustees of the Carpenters & Millwrights of Houston & Vicinity Welfare Trust Fund v. Columbia/HCA Healthcare Corporation, No. 598CV157, and Board of Trustees of the Texas Ironworkers' Health Benefit Plan v. Columbia/HCA Healthcare Corporation, Case No. 598CV158, were filed in the United States District Court for the Eastern District of Texas. The original complaint in these suits alleged violations of RICO only. Plaintiffs in both cases principally alleged that in order to inflate its revenues and profits, defendant engaged in fraudulent billing for services not performed, fraudulent overcharging in excess of correct rates and fraudulent concealment and misrepresentation. These suits seek damages, attorneys' fees and costs, as well as disgorgement and injunctive relief. Plaintiffs subsequently amended their complaint to add allegations under ERISA as well as state law claims. These suits have been consolidated by the MDL Panel with Boyson and transferred to the Middle District of Tennessee for pretrial proceedings.

The matter of Tennessee Laborers Health and Welfare Fund, on behalf of itself and all others similarly situated vs. Columbia/HCA Healthcare Corporation, No. 3-98-0437, was filed in the United States District Court of the Middle District of Tennessee, Nashville Division, on May 14, 1998. The lawsuit seeks certification of a national class comprised of all employee welfare benefit plans that have paid for medical services provided by the Company. This case involves allegations under ERISA, as well as state law claims which are similar to those alleged in Boyson. Plaintiff, an Employee Welfare Benefit Plan, alleges that defendant violated the terms of the Plan documents by overbilling the Plans, including but not limited to, exaggerating the severity of illnesses, providing unnecessary treatment, billing for services not rendered and other methods of overbilling and further violated the terms of the Plan documents by taking Plan assets in payment of such improper bills. Plaintiff further alleges that defendant intentionally concealed or suppressed the true nature of its patients' illnesses, and the actual treatment provided to those patients, and its improper billing. The suit seeks injunctive relief in the form of an accounting, damages, attorneys' fees, interest, and costs.

The matter of Landgraff, Anne M. and Gina Magarian, on behalf of the Columbia/HCA Stock Bonus Plan v. Columbia/HCA Healthcare Corporation of America, et al., was filed on November 7, 1997 in the United States District Court for the Northern District of Georgia, Atlanta Division, Civil Action No. 97-CV-3381. The suit seeks certification of a class of all participants in the Columbia/HCA Stock Bonus Plan, alleging violations of ERISA. The suit generally alleges that the Company breached its fiduciary duty to plan participants, fraudulently concealed information from the public and fraudulently inflated the Company's stock price through billing fraud and illegal kickbacks for physician referrals. The suit seeks damages, interest, attorneys' fees and costs, as well as an Order requiring defendants to transfer management of Plan to a third-party. In January 1998, the parties

stipulated to transfer venue of the case to the United States District Court for the Middle District of Tennessee. Defendants filed a Motion to Dismiss in March 1998 which was denied. A scheduling order has been entered and a trial date of June 8, 1999 has been set.

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

While it is premature to predict the outcome of the qui tam, shareholder derivative and class action lawsuits, the amounts claimed may be substantial. It is possible that an adverse resolution, individually or in the aggregate, could have a materially adverse impact on the Company's liquidity, financial position and results of operations. See NOTES 2 and 9 of the Notes to Consolidated Financial Statements.

The Company believes the ongoing investigations, qui tam, shareholder cases, class action cases 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 matters and the related media coverage could have on the Company's future results of operations and financial position.

General Liability Claims

A class action styled Mary Forsyth, et al. vs. Humana, Inc., et al., Case No. CV-S-89-249-DWH, was filed on March 29, 1989, in the United States District Court for the District of Nevada. Plaintiffs are two classes of individuals who paid for, or received coverage under, group insurance policies sold in the State of Nevada by Humana Insurance. They allege violations of antitrust laws, ERISA and RICO which arise from the sale of the policies and from incentives provided under the policies for insureds to use Humana Sunrise Hospital in Las Vegas. The suit seeks attorneys' fees and costs, as well as injunctive relief and insurance benefits for plaintiffs. In 1993, the United States District Court granted summary judgment dismissing most of plaintiff's claims but granted plaintiffs judgment on one claim that is assessed as having a maximum exposure of under \$4 million, plus attorneys' fees. Plaintiffs appealed to the United States Court of Appeals for the Ninth Circuit which, in May 1997, affirmed the judgment on the ERISA claims; reversed as to the antitrust claims; and reversed in part as to the RICO claims, but affirmed the District Court's grant of summary judgment limiting RICO damages to three times the ERISA damages, with exposure assessed at under \$12 million. In their current complaint, plaintiffs claim approximately \$133 million in antitrust damages that is subject to statutory trebling. However, in their most recent expert report, plaintiff's expert claims antitrust damages of approximately \$13-\$21 million. Humana has petitioned the Supreme Court for a Writ of Certiorari on the RICO claims which was granted. The antitrust claims have been remanded to the United States District Court in Nevada. The District Court has indicated that it is unlikely to set a trial date until the United States Supreme Court rules on the merits of the claims presented in the Petition for Writ of Certiorari. Humana filed a Motion for Summary Judgment on all remaining antitrust claims raising issues that were not reached by the District Court.

On December 4, 1997, a lawsuit captioned Florida Software Systems, Inc., a Florida corporation v. Columbia/HCA Healthcare Corporation, a Delaware corporation was filed in the United States District Court for the Middle District of Florida (Civil Action No. 97-2866-C.V.-T-17b). The lawsuit alleges that the defendant breached an agreement under which Florida Software Systems, Inc. was allegedly granted the exclusive right to provide medical claims management for certain claims made by the Company for payment to any third party payors in connection with the rendition of medical care or services. The lawsuit alleges claims for fraud, breach of implied contract and breach of contract. The lawsuit seeks damages, attorneys' fees and costs, as well as injunctive relief.

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

The Company is also subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or for wrongful restriction of, or interference with, physicians' staff privileges. In certain of

these actions the claimants have asked for punitive damages against the Company, which are usually not covered by insurance. In the opinion of management, the ultimate resolution of these pending claims and legal proceedings will not have a material adverse effect on the Company's results of operations or financial position.

The above information updates the Legal Proceedings section of the Company's annual report on Form 10-K for the year ended December 31, 1997 and the Company's quarterly report Form 10-Q for the period ended March 31, 1998.

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

The Company's annual meeting of stockholders was held on May 14, 1998. The following matters were voted upon at the meeting:

1. Election of directors:

	VOTES IN FAVOR	VOTES WITHHELD	
Frederick W. Gluck.....	540,122,876	6,665,545	
T. Michael Long.....	533,818,901	12,969,520	
Carl E. Reichardt.....	533,710,020	13,078,401	
	VOTES IN FAVOR	VOTES AGAINST	ABSTENTIONS
2. Amendment to the Company's Restated Certificate of Incorporation to provide for the annual election of directors.....	492,615,837	3,552,188	907,056
3. Amendments to the Columbia Hospital Corporation Outside Directors Nonqualified Stock Option Plan.....	470,705,843	74,934,716	1,147,854
4. Ratification of Ernst & Young LLP as the Company's auditors.....	545,464,624	848,985	474,809
5. Stockholder proposal relating to tobacco investments.....	21,610,438	468,877,914	6,586,420
6. Stockholder proposal related to equal access to proxy statement.....	32,215,038	462,652,399	2,207,633

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

(a) List of Exhibits:

- Exhibit 3(a) --Amendment to the Restated Certificate of Incorporation.*
- Exhibit 3(b) --Amendment to the By-laws of the Company.*
- Exhibit 10(a) --Third Amendment to the 364 Day Agreement, dated as of July 10, 1998.*
- Exhibit 10(b) --Fourth Amendment to the Five-Year Agreement and Amendment, dated as of July 10, 1998.*
- Exhibit 10(c) --\$1,000,000,000 Agreement dated as of July 10, 1998 among the Company, The Several Banks and Other Financial Institutions and NationsBank, N.A. as Documentation Agent, The Bank of Nova Scotia and Deutsche Bank Securities, as Co-Syndication Agents and The Chase Manhattan Bank, as Agent.*
- 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 June 30, 1998:

On May 19, 1998, the Company filed a report on Form 8-K announcing it had reached an agreement to sell 22 hospitals to a consortium of not-for-profit entities.

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: August 13, 1998

RESTATED CERTIFICATE OF INCORPORATION
OF
COLUMBIA HEALTHCARE CORPORATION

Columbia Healthcare Corporation, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Columbia Healthcare Corporation. Columbia Healthcare Corporation was originally incorporated under the same name and the original Certificate of Incorporation of the corporation was filed with the Secretary of State of Delaware on July 7, 1993. A Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of Delaware on August 26, 1993.

2. Pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, this Restated Certificate of Incorporation restates and amends the provisions of the Restated Certificate of Incorporation of the Corporation.

3. The text of the Restated Certificate of Incorporation is hereby restated and amended to read in its entirety as follows:

FIRST: The name of the Corporation is

COLUMBIA/HCA HEALTHCARE CORPORATION

SECOND: The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is Eight Hundred and Fifty Million (850,000,000) shares, divided into three classes of which Twenty Five Million (25,000,000) shares, par value \$.01 per share, shall be designated Preferred Stock, Eight Hundred Million (800,000,000) shares, par value \$.01 per share, shall be designated Common Stock and Twenty Five Million (25,000,000) shares, par value \$.01 per share, shall be designated Nonvoting Common Stock.

A. Preferred Stock

1. Issuance. The Board of Directors is authorized, subject to limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in one or more series, to establish the number of shares to be included in each such series, and to fix the designations, powers, preferences, and rights of the shares of each such series, and any qualifications, limitations or restrictions thereof.

2. Series A Preferred Stock and Series B Preferred Stock.

Section 1. Designation and Amount. Eight million (8,000,000) shares of the Preferred Stock of the Corporation shall be designated as "Series A Participating Preferred Stock," par value \$.01 per share (the "Series A Preferred Stock") and two hundred fifty thousand (250,000) shares of the Preferred Stock of the Corporation shall be designated as "Series B Participating Preferred Stock," par value \$.01 per share (the "Series B Preferred Stock"). The number of shares of each such series of Preferred Stock may be increased or decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of either of such series of Preferred Stock to a number less than that of the shares of such series then outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of stock of the Corporation ranking prior and superior to the shares of Series A Preferred Stock and Series B Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock and Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of assets legally available for the purpose, quarterly dividends payable in cash on the first business day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock or Series B Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock or Series B Preferred Stock; provided that no dividend shall be declared on the shares of Series A Preferred Stock or Series B Preferred Stock unless at the same time a dividend is declared on the outstanding shares of the other series in the same amount and having the same record and payment dates. In the event the Corporation shall at any time after September 1, 1993 (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of Common Stock in a reclassification or change of the outstanding shares of Common Stock (including any such reclassification or change in connection with a merger in which the Corporation is the continuing or surviving Corporation), then in each such case the amount to which holders of shares of Series A Preferred Stock and Series B Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock and Series B Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Preferred Stock and Series B Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock and Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock or Series B Preferred Stock, as the case may be, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date for such shares, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock or Series B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock and Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all shares of Series A Preferred Stock and Series B Preferred Stock at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock and Series B Preferred Stock entitled to receive

payment of a dividend or distribution declared thereon, which record date shall be not more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock and Series B Preferred Stock shall have the following voting rights:

(A) (i) Except as provided in paragraph C of this Section 3 and subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation.

(ii) Except as otherwise provided herein or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(B) (i) Except as otherwise required by applicable law, each outstanding share of Series B Preferred Stock shall not be entitled to vote on any matter on which the stockholders of the Corporation shall be entitled to vote, and shares of Series B Preferred Stock shall not be included in determining the number of shares voting or entitled to vote on any such matters.

(ii) On any matter on which the holders of shares of Common Stock are entitled to vote and on which the holders of shares of Series B Preferred Stock are also entitled to vote, except as otherwise required by law, the Series B Preferred Stock shall vote together with the Common Stock (and each other class or series of capital stock then entitled to vote with the Common Stock); provided that each share of Series B Preferred Stock shall entitle the holder thereof to 100 votes on any matter on which the Series B Preferred Stock shall vote together with the Common Stock.

(C) (i) If, on the date used to determine stockholders of record for any meeting of stockholders for the election of directors, a default in preference dividends (as defined in subparagraph (v) below) on the Series A Preferred Stock shall exist, the holders of the Series A Preferred Stock shall have the right, voting as a class as described in subparagraph (ii) below, to elect two directors (in addition to the directors elected by holders of Common Stock of the Corporation). Such right may be exercised (a) at any meeting of stockholders for the election of directors or (b) at a meeting of the holders of shares of Voting Preferred Stock (as hereinafter defined), called for the purpose in accordance with the Bylaws of the Corporation, until all such cumulative dividends (referred to above) shall have been paid in full or until non-cumulative dividends have been paid regularly for at least one year.

(ii) The right of the holders of Series A Preferred Stock to elect two directors, as described above, shall be exercised as a class concurrently with the rights of holders of any other series of any class of preferred stock of the Corporation upon which voting rights to elect such directors have been conferred and are then exercisable. The Series A Preferred Stock and any additional series of such preferred stock which the Corporation may issue and which may provide for the right to vote with the Series A Preferred Stock are collectively referred to herein as "Voting Preferred Stock."

(iii) Each director elected by the holders of shares of Voting Preferred Stock shall be referred to herein as a "Preferred Director." A Preferred Director so elected shall continue to serve as such director for a term of one year, except that upon any termination of the right of all of such holders to vote as a class for Preferred Directors, the term of office of such directors shall terminate. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of a majority of the outstanding shares of Voting Preferred Stock then entitled to vote for the election of directors, present (in person or by proxy) and voting together as a single class (a) at a meeting of the stockholders, or (b) at a meeting of the holders of shares of such Voting Preferred Stock, called for that purpose in accordance with the Bylaws of the Corporation.

(iv) So long as a default in any preference dividends on the Series A Preferred Stock shall exist or the holders of any other series of Voting Preferred Stock shall be entitled to elect Preferred Directors, (a) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (b)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (b) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of a majority of the outstanding shares of Voting Preferred Stock then entitled to vote for the election of directors, present (in person or by proxy) and voting together as a single class, at such time as the removal shall be effected. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director.

(v) For purposes hereof, a "default in preference dividends" on the Series A Preferred Stock shall be deemed to have occurred whenever the amount of cumulative and unpaid dividends on the Series A Preferred Stock shall be equivalent to six full quarterly dividends or more (whether or not consecutive), and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all cumulative dividends on all shares of the Series A Preferred Stock then outstanding shall have been paid through the last Quarterly Dividend Payment Date or until, but only until, non-cumulative dividends have been paid regularly for at least one year.

(D) Except as set forth herein (or as otherwise required by applicable law), holders of Series A Preferred Stock and Series B Preferred Stock shall have no general or special voting rights and their consent shall not be required for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock and/or Series B Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on such shares of Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock and Series B Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock and Series B Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and Series B Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled (based upon their respective liquidation values);

(iii) redeem or purchase or otherwise acquire for consideration (except as provided in (iv) below) shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock and Series B Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (both as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock and Series B Preferred Stock;

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock or Series B Preferred Stock, or any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock and Series B Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the

respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock or Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth in this Restated Certificate of Incorporation, in any Certificate of Amendment creating a series of Preferred Stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Subject to the prior and superior rights of holders of any shares of stock of the Corporation ranking prior and superior to the shares of Series A Preferred Stock and Series B Preferred Stock with respect to rights upon liquidation, dissolution or winding up (voluntary or otherwise), no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock and Series B Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock and Series B Preferred Stock shall have received \$100.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series Liquidation Preference"). Following the payment of the full amount of the Series Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Preferred Stock and Series B Preferred Stock unless, prior thereto, the holders of shares of Common Stock and Nonvoting Common Stock shall have received an amount per share (the "Capital Adjustment") equal to the quotient obtained by dividing (i) the Series Liquidation Preference by (ii) 100 (subject to the provision for adjustment hereinafter set forth in subparagraph (C) below) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series Liquidation Preference and the Capital Adjustment in respect of all outstanding shares of Series A Preferred Stock and Series B Preferred Stock, and Common Stock and Nonvoting Common Stock, respectively, holders of Series A Preferred Stock and Series B Preferred Stock, and holders of Common Stock and Nonvoting Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Series A Preferred Stock and Series B Preferred Stock, and Common Stock and Nonvoting Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series Liquidation Preference and the liquidation preferences of all other series of stock of the Corporation, if any, which rank on a parity with the Series A Preferred Stock and Series B Preferred Stock, then such remaining assets shall be distributed ratably to the holders of Series A Preferred Stock and Series B Preferred Stock and the holders of such parity stock in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Capital Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock and Nonvoting Common Stock.

(C) In the event the Corporation shall at any time after September 1, 1993 (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine or consolidate the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of Common Stock in a reclassification or exchange of the outstanding shares of Common Stock (including any such reclassification or exchange in connection with a merger in which the Corporation is the continuing or surviving corporation), then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of

which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Conversion.

(a) Conversion of Series A Preferred Stock. Subject to and upon compliance with the provisions of Section 4 of Paragraph B of this Article FOURTH, any Regulated Stockholder (as defined in Section 5 of Paragraph B of this Article FOURTH) shall be entitled to convert, at any time and from time to time, any or all of the shares of Series A Preferred Stock held by such stockholder into the same number of shares of Series B Preferred Stock.

(b) Conversion of Series B Preferred Stock. Subject to and upon compliance with the provisions of Section 4 of Paragraph B of this Article FOURTH, each record holder of Series B Preferred Stock shall be entitled to convert, at any time and from time to time, any or all of the shares of Series B Preferred Stock held by such stockholder into the same number of shares of Series A Preferred Stock; provided however, that no holder of shares of Series B Preferred Stock shall be entitled to convert any such shares to the extent that, as a result of such conversion, such holder and its Affiliates (as defined in Section 5 of Paragraph B of this Article FOURTH), directly or indirectly, would own, control or have the power to vote a greater number of shares of Series A Preferred Stock or other securities of any kind issued by the Corporation than such holder and its Affiliates shall be permitted to own, control or have power to vote under any law, regulation, rule or other requirement of any governmental authority at the time applicable to such holder or its Affiliates.

(c) Stock Splits; Adjustments. If the Corporation shall in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by reverse stock split or otherwise) the outstanding shares of Series A Preferred Stock or Series B Preferred Stock, then the outstanding shares of Series B Preferred Stock or Series A Preferred Stock, as the case may be, shall be subdivided or combined, as the case may be, to the same extent, share and share alike, and effective provision shall be made for the protection of the conversion rights hereunder.

In the case of any reorganization, reclassification or change of shares of Series A Preferred Stock or Series B Preferred Stock (other than a change in par value or from par to no par value as a result of a subdivision or combination), or in case of any consolidation of the Corporation with one or more corporations or a merger of the Corporation with another corporation (other than a consolidation or merger in which the Corporation is the resulting or surviving corporation and which does not result in any reclassification or change of outstanding shares of Series A Preferred Stock or Series B Preferred Stock), each holder of a share of Series A Preferred Stock or Series B Preferred Stock shall have the right at any time thereafter, so long as the conversion right hereunder with respect to such share would exist had such event not occurred, to convert such share into the kind and amount of shares of stock and other securities and properties (including cash) receivable upon such reorganization, reclassification, change, consolidation or merger by a holder of the number of shares of Series A Preferred Stock or Series B Preferred Stock into which such shares of Series A Preferred Stock or Series B Preferred Stock, as the case may be, might have been converted immediately prior to such reorganization, reclassification, change, consolidation or merger. In the event of such a reorganization, reclassification, change, consolidation or merger, effective provision shall be made in the certificate of incorporation of the resulting or surviving corporation or otherwise for the protection of the conversion rights of the shares of Series A Preferred Stock and Series B Preferred Stock that shall be applicable, as nearly as reasonably may be, to any such other shares of stock and other securities and property deliverable upon conversion of the shares of Series A Preferred Stock or Series B Preferred Stock into which such Series B Preferred Stock or Series A Preferred Stock, as the case may be, might have been converted immediately prior to such event.

(d) Reservation of Shares. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Preferred Stock or its treasury shares, solely for the purpose of issuance upon the conversion of shares of Series A Preferred Stock and Series B Preferred Stock, such number of shares of such

class as are then issuable upon the conversion of all outstanding shares of Series A Preferred Stock and Series B Preferred Stock.

Shares of Series A Preferred Stock and Series B Preferred Stock that are converted into shares of another class shall not be reissued, except for reissuances in connection with the conversion of shares of Series A Preferred Stock held by Regulated Stockholders into shares of Series B Preferred Stock and the conversion of shares of Series B Preferred Stock into shares of Series A Preferred Stock.

Section 8. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then, in any such case, (i) the shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to adjustment as set forth herein) equal to 100 times the aggregate amount of stock, securities, cash or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged and (ii) the shares of Series B Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to adjustment as set forth herein) equal to 100 times the aggregate amount of stock, securities, cash or other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged (or, if any shares of Nonvoting Common Stock are then outstanding and are being exchanged or changed, 100 times the aggregate amount of stock, securities, cash or other property into which or for which each share of Nonvoting Common Stock is changed or exchanged).

Section 9. No Redemption. The shares of Series A Preferred Stock and Series B Preferred Stock shall not be redeemable.

Section 10. Ranking. The Series A Preferred Stock and Series B Preferred Stock shall rank junior to all other series of stock of the Corporation (other than the Common Stock) as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 11. Amendment. The Restated Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of any series of Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of all series of Preferred Stock so affected, voting together as a separate class.

B. Common Stock and Nonvoting Common Stock

Shares of Common Stock and Nonvoting Common Stock will be identical and will entitle the holders thereof to the same rights and privileges, except as otherwise provided herein.

Section 1. Dividends. Subject to the preferential rights, if any, of the Preferred Stock, the holders of shares of Common Stock shall be entitled to receive, when and if declared by the Board of Directors, out of the assets of the Corporation which are by law available therefor, dividends payable either in cash, in property or in shares of Common Stock or other securities of the Corporation. The holders of shares of Nonvoting Common Stock shall be entitled to receive, at the same time that any dividend is declared by the Board of Directors on the shares of Common Stock, the same dividend per share on the shares of Nonvoting Common Stock, payable on the same date as such dividend on the Common Stock; provided that if any dividend is payable on the shares of Common Stock in shares of Common Stock, or options, warrants or rights to acquire shares of Common Stock, or securities convertible into or exchangeable for shares of Common Stock, the shares, options, warrants, rights or securities payable in the case of the dividend on the shares of Nonvoting Common Stock shall be shares of, or options, warrants or rights to acquire, or securities convertible into or exchangeable for, Nonvoting Common Stock.

Section 2. Voting Rights.

(a) Common Stock. At every annual or special meeting of stockholders of the Corporation, every holder of Common Stock shall be entitled to one vote, in person or by proxy, for each share of Common Stock standing in such holder's name on the books of the Corporation.

(b) Nonvoting Common Stock. Except as set forth herein or as otherwise required by law, each outstanding share of Nonvoting Common Stock shall not be entitled to vote on any matter on which the stockholders of the Corporation shall be entitled to vote, and shares of Nonvoting Common Stock shall not be included in determining the number of shares voting or entitled to vote on any such matters. On any matter on which the holders of shares of Common Stock and the holders of shares of Nonvoting Common Stock are entitled to vote, except as otherwise required by law, the Common Stock and Nonvoting Common Stock shall vote together as a single class, and each holder of shares of Nonvoting Common Stock entitled to vote shall be entitled to one vote for each share of such stock held by such holder; provided, however, that notwithstanding the foregoing, holders of shares of Nonvoting Common Stock shall be entitled to vote as a separate class on any amendment to this Section 2(b) and on any amendment, repeal or modification of any provision of this Restated Certificate of Incorporation that adversely affects the powers, preferences or special rights of holders of the Nonvoting Common Stock.

Section 3. Liquidation, Dissolution or Winding Up. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and of the preferential amounts, if any, to which the holders of Preferred Stock shall be entitled, the holders of all outstanding shares of Common Stock and Nonvoting Common Stock shall be entitled to share ratably in the remaining net assets of the Corporation.

Section 4. Conversion

(a) Conversion of Common Stock. Subject to and upon compliance with the provisions of this Section 4, any Regulated Stockholder (defined below) shall be entitled to convert, at any time and from time to time, any or all of the shares of Common Stock held by such stockholder into the same number of shares of Nonvoting Common Stock.

(b) Conversion of Nonvoting Common Stock. Subject to and upon compliance with the provisions of this Section 4, each record holder of Nonvoting Common Stock shall be entitled to convert, at any time and from time to time, any or all of the shares of Nonvoting Common Stock held by such stockholder into the same number of shares of Common Stock; provided however, that no holder of shares of Nonvoting Common Stock shall be entitled to convert any such shares to the extent that, as a result of such conversion, such holder and its Affiliates (defined below), directly or indirectly, would own, control or have the power to vote a greater number of shares of Common Stock or other securities of any kind issued by the Corporation than such holder and its Affiliates shall be permitted to own, control or have power to vote under any law, regulation, rule or other requirement of any governmental authority at the time applicable to such holder or its Affiliates.

(c) Conversion Procedure. Each conversion of shares of a class or series of the capital stock of the Corporation into shares of another class or series of capital stock of the Corporation shall be effected by the surrender of the certificate or certificates representing the shares to be converted (the "Converting Shares") at the principal office of the Corporation (or such other office or agency of the Corporation as the Corporation may designate by written notice to the holders of shares of capital stock of the Corporation) at any time during its usual business hours, together with written notice by the holder of such Converting Shares, stating that such holder desires to convert the Converting Shares, or a stated number of the shares represented by such certificate or certificates, into an equal number of shares of the class or series into which such shares may be converted (the "Converted Shares"). Such notice shall also state the name or names (with addresses) and denominations in which the certificate or certificates for Converted Shares are to be issued and shall include instructions for the delivery thereof. The Corporation shall promptly notify each Regulated Stockholder of its receipt of such notice. Promptly after such surrender and the receipt of such written notice, the Corporation will issue and deliver in accordance with the surrendering holder's instructions the certificate or certificates

evidencing the Converted Shares issuable upon such conversion, and the Corporation will deliver to the converting holder a certificate (which shall contain such legends as were set forth on the surrendered certificate or certificates) representing any shares which were represented by the certificate or certificates that were delivered to the Corporation in connection with such conversion, but which were not converted; provided, however, that if such conversion is subject to subparagraph (d) of this Section 4 below, the Corporation shall not issue such certificate or certificates until the expiration of the Deferral Period referred to therein. Such conversion, to the extent permitted by law, shall be deemed to have been effected as of the close of business on the date on which such certificate or certificates shall have been surrendered and such notice shall have been received by the Corporation, and at such time the rights of the holder of the Converting Shares as such holder shall cease (except that, in the case of a conversion subject to subparagraph (d) of this Section 4 below, the conversion shall be deemed to be effective upon the expiration of the Deferral Period referred to therein), and the person or persons in whose name or names the certificate or certificates for the Converted Shares are to be issued upon such conversion shall be deemed to have become the holder or holders of record of the Converted Shares. Upon issuance of shares in accordance with this Section 4, such Converted Shares shall be deemed to be duly authorized, validly issued, fully paid and non-assessable.

Notwithstanding any provision of this Section 4 to the contrary, the Corporation shall not be required to record the conversion of, and no holder of shares shall be entitled to convert, shares of nonvoting capital stock of the Corporation into shares of voting capital stock of the Corporation unless such conversion is permitted under applicable law; provided, however, that the Corporation shall be entitled to rely without independent verification upon the representation of any holder that the conversion of shares by such holder is permitted under applicable law, and in no event shall the Corporation be liable to any such holder or any third party arising from any such conversion whether or not permitted by applicable law.

(d) Notice of Conversion to Other Regulated Stockholders; Deferral. The Corporation shall not convert or directly or indirectly redeem, purchase or otherwise acquire any shares of Common Stock or any other class of capital stock of the Corporation or take any other action affecting the voting rights of such shares, if such action will increase the percentage of any class of outstanding voting securities owned or controlled by any Regulated Stockholder (other than any such stockholder which requested that the Corporation take such action, or which otherwise waives in writing its rights under this subparagraph (d)), unless the Corporation gives written notice (the "Deferral Notice") of such action to each Regulated Stockholder. The Corporation will defer making any such conversion, redemption, purchase or other acquisition, or taking any such other action for a period of 20 days (the "Deferral Period") after giving the Deferral Notice in order to allow each Regulated Stockholder to determine whether it wishes to convert or take any other action with respect to the voting capital stock it owns, controls or has the power to vote, and if any such Regulated Stockholder then elects to convert any shares of voting capital stock, it shall notify the Corporation in writing within 10 days of the issuance of the Deferral Notice, in which case the Corporation shall (i) promptly notify from time to time prior to the end of such 20-day period each other Regulated Stockholder holding shares of each proposed conversion and the proposed transactions, and (ii) effect the conversions requested by all Regulated Stockholders in response to the notices issued pursuant to this subparagraph (d) at the end of the Deferral Period. The Corporation will not directly or indirectly redeem, purchase, acquire or take any other action affecting outstanding shares of capital stock of the Corporation if such action will increase the percentage of the outstanding shares of capital stock owned or controlled by any Regulated Stockholder and its Affiliates (other than a stockholder which waives in writing its rights under this Section 4) to more than 24.9% of the aggregate number of outstanding shares of capital stock of the Corporation (it being understood that for the purposes of the foregoing calculation each one one-hundredth of a share of Series A Preferred Stock or Series B Preferred Stock shall be treated as the equivalent of one share of Common Stock or Nonvoting Common Stock).

(e) Stock Splits; Adjustments. If the Corporation shall in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by reverse stock split or otherwise) the outstanding shares of Common Stock or Nonvoting Common Stock, then the outstanding shares of Nonvoting Common Stock or Common Stock, as

the case may be, shall be subdivided or combined, as the case may be, to the same extent, share and share alike, and effective provision shall be made for the protection of the conversion rights hereunder.

In the case of any reorganization, reclassification or change of shares of Common Stock or Nonvoting Common Stock (other than a change in par value or from par to no par value as a result of a subdivision or combination), or in case of any consolidation of the Corporation with one or more corporations or a merger of the Corporation with another corporation (other than a consolidation or merger in which the Corporation is the resulting or surviving corporation and which does not result in any reclassification or change of outstanding shares of Common Stock or Nonvoting Common Stock), each holder of a share of Common Stock or Nonvoting Common Stock shall have the right at any time thereafter, so long as the conversion right hereunder with respect to such share would exist had such event not occurred, to convert such share into the kind and amount of shares of stock and other securities and properties (including cash) receivable upon such reorganization, reclassification, change, consolidation or merger by a holder of the number of shares of Common Stock or Nonvoting Common Stock into which such shares of Common Stock or Nonvoting Common Stock, as the case may be, might have been converted immediately prior to such reorganization, reclassification, change, consolidation or merger. In the event of such a reorganization, reclassification, change, consolidation or merger, effective provision shall be made in the certificate of incorporation of the resulting or surviving corporation or otherwise for the protection of the conversion rights of the shares of Common Stock and Nonvoting Common Stock that shall be applicable, as nearly as reasonably may be, to any such other shares of stock and other securities and property deliverable upon conversion of the shares of Common Stock or Nonvoting Common Stock into which such Common Stock or Nonvoting Common Stock, as the case may be, might have been converted immediately prior to such event.

The Corporation shall not be a party to any merger, consolidation or recapitalization pursuant to which any Regulated Stockholder would be required to take (i) any voting securities which would cause such holder to violate any law, regulation or other requirement of any governmental body applicable to such holder, or (ii) any securities convertible into voting securities which, if such conversion took place, would cause such holder to violate any law, regulation or other requirement of any governmental body applicable to such holder other than securities which are specifically provided to be convertible only in the event that such conversion may occur without any such violation.

(f) **Reservation of Shares.** The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock and Nonvoting Common Stock or its treasury shares, solely for the purpose of issuance upon the conversion of shares of Common Stock and Nonvoting Common Stock, such number of shares of such class as are then issuable upon the conversion of all outstanding shares of Common Stock and Nonvoting Common Stock.

Shares of Common Stock and Nonvoting Common Stock that are converted into shares of another class shall not be reissued, except for reissuances in connection with the conversion of shares of Common Stock held by Regulated Stockholders into shares of Nonvoting Common Stock and the conversion of shares of Nonvoting Common Stock into shares of Common Stock.

(g) **No Charge.** The issuance of certificates for shares of any class or series of capital stock of the Corporation upon conversion of shares of another class or series of capital stock of the Corporation shall be made without charge to the holders of such shares for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of shares of capital stock of the Corporation; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the capital stock of the Corporation converted.

Section 5. Definitions. As used in this Paragraph B, the following terms shall have the meanings shown below:

"Affiliate" shall mean with respect to any Person, any other Person, directly or indirectly controlling, controlled by or under common control with such Person. For the purpose of the above definition, the term "control" (including with correlative meaning, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Person" shall mean an individual, a partnership, a corporation, a trust, a joint venture, an unincorporated organization or a government or any department or agency thereof.

"Regulated Stockholder" shall mean (a) any stockholder that is subject to the provisions of Regulation Y of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 225 (or any successor to such Regulation) ("Regulation Y") which was a "Regulated Stockholder" of HCA-Hospital Corporation of America (as such term was defined in the certificate of incorporation of such corporation) immediately prior to the merger (the "Merger") of HCA-Hospital Corporation of America with CHOS Acquisition Corporation, a wholly owned subsidiary of the Corporation, so long as such stockholder shall hold, and only with respect to, the shares of Common Stock or Nonvoting Common Stock received by such stockholder in connection with the Merger and shares of Series A Preferred Stock and Series B Preferred Stock received by such stockholder upon the exercise of preferred stock purchase rights received by such stockholder in connection with the Merger, or shares issued upon conversion(s) of or in respect of any of the foregoing shares or upon exercise of preferred stock purchase rights received upon conversion(s) of any of the foregoing shares, (b) any Affiliate of any such Regulated Stockholder that is a transferee of any of the foregoing shares or rights or shares issued upon conversion(s) of or in respect of any of the foregoing shares or upon exercise of preferred stock purchase rights received upon conversion(s) of any of the foregoing shares and (c) any Person to which such Regulated Stockholder or any of its Affiliates has transferred such shares or rights, so long as such transferee shall hold, and only with respect to, any of the foregoing shares or rights or any shares issued upon conversion(s) of or in respect of any of the foregoing shares or upon exercise of preferred stock purchase rights received upon conversion(s) of any of the foregoing shares but only if such Person (or any Affiliate of such Person) is subject to the provisions of Regulation Y.

Section 6. Certain Amendments Affecting Nonvoting Common Stock.

(a) In addition to any other action required by law or by this Restated Certificate of Incorporation, any change in the authorized number of shares of any class of capital stock of the Corporation shall require the affirmative vote of a majority of the directors then in office and the affirmative vote of the holders of not less than a majority of the then outstanding shares of Common Stock and Nonvoting Common Stock, voting together as a single class. The provisions of this Section 6(a) may be amended by, in addition to any other action required by law or by this Restated Certificate of Incorporation, the affirmative vote of the holders of not less than a majority of the then outstanding shares of Common Stock and Nonvoting Common Stock, voting together as a single class.

(b) In addition to any other action required by law or by this Restated Certificate of Incorporation, any change in the powers, preferences or special rights of the shares of Nonvoting Common Stock so as to affect the holders thereof adversely shall require the affirmative vote of a majority of the directors then in office and the affirmative vote of the holders of not less than 66 2/3% of the shares of Nonvoting Common Stock.

FIFTH: The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by statute or this Restated Certificate of Incorporation directed or required to be exercised or done by the stockholders.

A. Number of Directors. The number of directors of the Corporation (exclusive of directors to be elected by the holders of one or more series of the Preferred Stock of the Corporation which may be outstanding,

voting separately as a series or class) shall be fixed from time to time by action of not less than a majority of the members of the Board of Directors then in office, but in no event shall be less than three nor more than fifteen.

B. Classes. The directors shall be divided into three classes, as nearly equal in number as reasonably possible, with the term of office of the first class to expire at the 1994 annual meeting of stockholders, the term of office of the second class to expire at the 1995 annual meeting of stockholders and the term of office of the third class to expire at the 1996 annual meeting of stockholders. At each annual meeting of stockholders following adoption of this Restated Certificate of Incorporation, directors shall be elected to succeed those directors whose terms expire for a term of office to expire at the third succeeding annual meeting of stockholders after their election. Directors need not be stockholders. All directors shall hold office until the expiration of the term for which elected and until their successors are elected, except in the case of the death, resignation, disqualification or removal of any director.

C. Vacancies. Subject to the rights, if any, of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, disqualification or removal may be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires or, in the case of newly created directorships, shall hold office until such time as determined by the directors electing such new director (in a manner consistent with paragraph B above). No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

D. Removal. Subject to the rights, if any, of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class. Directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires.

SIXTH: Subject to the rights of the holders of any class or series of Preferred Stock, any action required or permitted to be taken at any annual or special meeting of stockholders may be taken only upon the vote of the stockholders at an annual or special meeting duly called and may not be taken by written consent of the stockholders.

SEVENTH: Subject to the rights of the holders of any class or series of Preferred Stock, special meetings of the stockholders, unless otherwise prescribed by statute, may be called at any time only by the Board of Directors, the Chairman of the Board or the Chief Executive Officer.

EIGHTH: At an annual meeting of stockholders, only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before the annual meeting of stockholders (a) by, or at the direction of, the Board of Directors or (b) by a stockholder of the Corporation who complies with the procedures set forth in this Article EIGHTH. For business or a proposal to be properly brought before an annual meeting of stockholders by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the scheduled date of the annual meeting, regardless of any postponement, deferral or adjournment of that meeting to a later date; provided, however, that if less than 70 days' notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by the stockholder to be timely must be so delivered or received not later than the close of business on the 10th day following the earlier of (i) the day on which such notice of the date of the meeting was mailed or (ii) the day on which such public disclosure was made.

A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before an annual meeting of stockholders (i) a description, in 500 words or less, of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and any other stockholders known by such stockholder to be supporting such proposal, (iii) the class and number of shares of the Corporation which are beneficially owned by such stockholder on the date of such stockholder's notice and by any other stockholders known by such stockholder to be supporting such proposal on the date of such stockholder's notice, (iv) a description, in 500 words or less, of any interest of the stockholder in such proposal and (v) a representation that the stockholder is a holder of record of stock of the Corporation and intends to appear in person or by proxy at the meeting to present the proposal specified in the notice. Notwithstanding anything in this Restated Certificate of Incorporation to the contrary, no business shall be conducted at a meeting of stockholders except in accordance with the procedures set forth in this Article EIGHTH.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that the business was not properly brought before the meeting in accordance with the procedures prescribed by this Article EIGHTH, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing, nothing in this Article EIGHTH shall be interpreted or construed to require the inclusion of information about any such proposal in any proxy statement distributed by, at the direction of, or on behalf of, the Board of Directors.

NINTH: Subject to the rights, if any, of the holders of any series of Preferred Stock then outstanding, only persons nominated in accordance with the procedures set forth in this Article NINTH shall be eligible for election as directors. Nominations of persons for election to the Board may be made at an annual meeting of stockholders or special meeting of stockholders called by the Board of Directors for the purpose of electing directors (i) by or at the direction of the Board or (ii) by any stockholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Article NINTH. Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the scheduled date of the meeting, regardless of any postponement, deferral or adjournment of that meeting to a later date; provided, however, that if less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so delivered or received not later than the close of business on the 10th day following the earlier of (i) the day on which such notice of the date of the meeting was mailed or (ii) the day on which such public disclosure was made.

A stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director (a) the name, age, business address and residence address of such person, (b) the principal occupation or employment of such person, (c) the class and number of shares of the Corporation which are beneficially owned by such person on the date of such stockholder's notice and (d) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, or any successor statute thereto (the "Exchange Act") (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to the stockholder giving the notice (a) the name and address, as they appear on the Corporation's books, of such stockholder and any other stockholders known by such stockholder to be supporting such nominee(s), (b) the class and number of shares of the Corporation which are beneficially owned by such stockholder on the date of such stockholder's notice and by any other stockholders known by such stockholder to be supporting such nominee(s) on the date of such stockholder's notice, (c) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; and (iii) a description of all arrangements or understandings between the stockholder and each nominee

and other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Article NINTH. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by this Article NINTH, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

TENTH: The Board of Directors is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation. Any Bylaws made by the directors under the powers conferred hereby may be amended or repealed by the directors or by the stockholders. Notwithstanding the foregoing and anything contained in this Restated Certificate of Incorporation to the contrary, the Bylaws shall not be amended or repealed by the stockholders, and no provision inconsistent therewith shall be adopted by the stockholders, without the affirmative vote of the holders of at least 75% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ELEVENTH: Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall otherwise provide.

TWELFTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of Delaware is hereafter amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of Delaware as so amended. Any repeal or modification of this Article TWELFTH shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

THIRTEENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of the General Corporation Law of Delaware or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of the General Corporation Law of Delaware, order a meeting of the creditors or class of creditors, or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which said application has been made, be binding on all the creditors or class of creditors, or on all of the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

FOURTEENTH:

A. For purposes of this Article FOURTEENTH, the following terms shall be defined as follows:

(1) The term "Business Combination" shall mean (a) any merger or consolidation of the Corporation or a Subsidiary with a Related Person, (b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition other than in the ordinary course of business to or with a Related Person of any assets of the Corporation or a Subsidiary having an aggregate fair market value of \$25,000,000 or more, (c) the issuance or transfer by the Corporation of any shares of Voting Stock or securities convertible into or exercisable for such shares (other than by way of pro rata distribution to all stockholders) to a Related Person, (d) any recapitalization, merger or consolidation that would have the effect of increasing the voting power of a Related Person, (e) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or a Subsidiary proposed, directly or indirectly, by or on behalf of a Related Person, (f) any merger or consolidation of the Corporation with another Person proposed, directly or indirectly, by or on behalf of a Related Person unless the entity surviving or resulting from such merger or consolidation has a provision in its certificate or articles of incorporation, charter or similar governing instrument which is substantially identical to this Article FOURTEENTH or (g) any agreement, contract or other arrangement or understanding providing, directly or indirectly, for any of the transactions described in this Paragraph A(1).

(2) The term "Related Person" shall mean any individual, partnership, corporation, trust or other Person which, together with its "affiliates" and "associates", as defined in Rule 12b-2 under the Exchange Act as in effect on September 1, 1993, and together with any other individual, partnership, corporation, trust or other Person with which it or they have any agreement, contract or other arrangement or understanding with respect to acquiring, holding, voting or disposing of Voting Stock, "beneficially owns" (within the meaning of Rule 13d-3 under the Exchange Act on said date) an aggregate of 10% or more of the outstanding Voting Stock. A Related Person, its affiliates and associates and all such other individuals, partnerships, corporations and other Persons with whom it or they have any such agreement, contract or other arrangement or understanding, shall be deemed a single Related Person for purposes of this Article FOURTEENTH; provided, however, that the members of the Board of Directors of the Corporation shall not be deemed to be associates or otherwise to constitute a Related Person solely by reason of their board membership. A person who is a Related Person as of (i) the time any definitive agreement relating to a Business Combination is entered into, (ii) the record date for the determination of stockholders entitled to notice of and to vote on a Business Combination or (iii) immediately prior to the consummation of a Business Combination, shall be deemed a Related Person for purposes of this Article FOURTEENTH.

(3) The term "Continuing Director" shall mean any member of the Board of Directors of the Corporation who is not an "affiliate" or "associate" of the Related Person referred to in Paragraph A(2) of this Article FOURTEENTH and was a member of the Board of Directors prior to the time that such Related Person became a Related Person, and any successor of a Continuing Director who is unaffiliated with such Related Person and is recommended to succeed a Continuing Director by a majority of the Continuing Directors.

(4) The term "Person" shall mean any individual, firm, corporation or other entity.

(5) The term "Subsidiary" shall mean any corporation or other entity of which the Person in question owns, directly or indirectly, not less than 50% of any class of equity securities or not less than 50% of the voting power of all securities of the Corporation entitled to vote generally in the election of directors.

(6) The term "Voting Stock" shall mean any shares of the Corporation entitled to vote generally in the election of directors.

(7) The term "Entire Board of Directors" shall mean the total number of directors which the Corporation would have if there were no vacancies.

(8) The term "Market Value" shall mean the average of the high-and low-quoted sales price on the date in question (or, if there is no reported sale on such date, on the last preceding date on which any reported sale occurred) of a share on the Composite Tape for the New York Stock Exchange - Listed Stocks,

or, if the shares are not listed or admitted to trading on such exchange, on the principal United States securities exchange registered under the Exchange Act on which the shares are listed or admitted to trading, or, if the shares are not listed or admitted to trading on any such exchange, the mean between the closing high bid and low-asked quotations with respect to a share on such date as quoted on the National Association of Securities Dealers Automated Quotations System, or any similar system then in use, or, if no such quotations are available, the fair market value on such date of a share as at least 66 2/3% of the Continuing Directors shall determine.

B. In addition to any other vote required by this Restated Certificate of Incorporation or the General Corporation Law of Delaware, the affirmative vote of the holders of not less than 85% of the outstanding Voting Stock held by stockholders other than a Related Person by or with whom or on whose behalf, directly or indirectly, a Business Combination is proposed, voting as a single class, shall be required for the approval or authorization of such Business Combination; provided, however, that the 85% voting requirement shall not be applicable and such Business Combination may be approved by the vote required by law or by any other provision of this Restated Certificate of Incorporation if either:

(1) The Business Combination is approved by the Board of Directors of the Corporation by the affirmative vote of at least 66 2/3% of the Continuing Directors, or

(2) All of the following conditions are satisfied:

(a) The aggregate amount of cash and the fair market value of the property, securities or other consideration to be received per share of capital stock of the Corporation in the Business Combination by the holders of capital stock of the Corporation, other than the Related Person involved in the Business Combination, shall not be less than the highest of (i) the highest per share price (including brokerage commissions, soliciting dealers' fees, and dealer-management compensation, and with appropriate adjustments for recapitalizations, stock splits, stock dividends and like transactions and distributions) paid by such Related Person in acquiring any of its holdings of such class or series of capital stock, (ii) the highest per share Market Value of such class or series of capital stock within the twelve-month period immediately preceding the date the proposal for such Business Combination was first publicly announced or (iii) the book value per share of such class or series of capital stock, determined in accordance with generally accepted accounting principles, as of the last day of the month immediately preceding the date the proposal for such Business Combination was first publicly announced;

(b) The consideration to be received in such Business Combination by holders of capital stock other than the Related Person involved shall, except to the extent that a stockholder agrees otherwise as to all or part of the shares which he or she owns, be in the same form and of the same kind as the consideration paid by the Related Person in acquiring capital stock already owned by it, provided, however, that if the Related Person has paid for capital stock with varying forms of consideration, the form of consideration for shares of capital stock acquired in the Business Combination by the Related Person shall either be cash or the form used to acquire the largest number of shares of capital stock previously acquired by it; and

(c) A proxy statement responsive to the requirements of the Exchange Act and regulations promulgated thereunder, whether or not the Corporation is then subject to such requirements, shall be mailed to the stockholders of the Corporation for the purpose of soliciting stockholder approval of such Business Combination and shall contain at the front thereof, in a prominent place, (i) any recommendations as to the advisability (or inadvisability) of the Business Combination which the Continuing Directors may choose to state and (ii) the opinion of a reputable investment banking firm selected by the Continuing Directors as to the fairness of the terms of such Business Combination, from a financial point of view, to the public stockholders (other than the Related Person) of the Corporation.

C. A Related Person shall be deemed for purposes of this Article FOURTEENTH to have acquired a share of the Corporation at the time when such Related Person became the beneficial owner thereof

(as such term is defined in Paragraph A(2) of this Article FOURTEENTH). With respect to shares owned by affiliates, associates and other Persons whose ownership is attributed to a Related Person, if the price paid by such Related Person for such shares is not determinable, the price so paid shall be deemed to be the higher of (i) the price paid upon acquisition thereof by the affiliate, associate or other Person or (ii) the Market Value of the shares in question at the time when the Related Person became the beneficial owner thereof.

For purposes of this Article FOURTEENTH, in the event of a Business Combination upon consummation of which the Corporation would be the surviving corporation or would continue to exist (unless it is provided, contemplated or intended that as part of such Business Combination a plan of liquidation or dissolution of the Corporation will be effected), the term "other consideration to be received" in Paragraph B(2)(a) shall include (without limitation) common stock or other capital stock of the Corporation retained by stockholders of the Corporation (other than Related Persons who are parties to such Business Combination).

Nothing contained in this Article shall be construed to relieve any Related Person from any fiduciary obligation imposed by law.

D. Notwithstanding any other provision of this Restated Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding the fact that a lesser percentage may be permitted by law), any amendment, addition, alteration, change or repeal of this Article FOURTEENTH, or any other amendment of this Restated Certificate of Incorporation or the Bylaws of the Corporation inconsistent with or modifying or permitting circumvention of this Article FOURTEENTH, must first be proposed by the Board of Directors of the Corporation, upon the affirmative vote of at least two-thirds of the directors then in office at a duly constituted meeting of the Board of Directors called for such purpose, and thereafter approved by the affirmative vote of the holders of not less than 85% of the then outstanding Voting Stock held by stockholders other than a Related Person by or with whom or on whose behalf, directly or indirectly, a Business Combination is proposed, voting as a single class; provided, however, that this Paragraph D shall not apply to, and such 85% vote shall not be required for, any such amendment, addition, alteration, change or repeal recommended to stockholders of the Corporation by the affirmative vote of not less than 66 2/3% of the Continuing Directors. For the purposes of this Paragraph D only, if at the time when any such amendment, addition, alteration, change or repeal is under consideration there is no proposed Business Combination, the term "Continuing Directors" shall be deemed to mean the Entire Board of Directors.

FIFTEENTH: The Board of Directors, each committee of the Board of Directors and each individual director, in discharging their respective duties under applicable law and this Restated Certificate of Incorporation and in determining what they each believe to be in the best interests of the Corporation and its stockholders, may consider the effects, both short-term and long-term, of any action or proposed action taken or to be taken by the Corporation, the Board of Directors or any committee of the Board on the interests of (i) the employees, associates, associated physicians, distributors, patients or other customers, suppliers or creditors of the Corporation and its subsidiaries and (ii) the communities in which the Corporation and its subsidiaries own or lease property or conduct business, all to the extent that the Board of Directors, any committee of the Board of Directors or any individual director deems pertinent under the circumstances (including the possibility that the interests of the Corporation may best be served by the continued independence of the Corporation); provided, however, that the provisions of this Article FIFTEENTH shall not limit in any way the right of the Board of Directors to consider any other lawful factors in making its determinations, including, without limitation, the effects, both short-term and long-term, of any action or proposed action on the Corporation or its stockholders directly; and provided further that this Article FIFTEENTH shall be deemed solely to grant discretionary authority to the Board of Directors, each committee of the Board of Directors and each individual director and shall not be deemed to provide to any specific constituency any right to be considered.

SIXTEENTH: Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether

civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnatee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as such a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the full extent authorized by the General Corporation Law of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), or by other applicable law as then in effect, against all expense, liability and loss (including attorneys' fees, judgments, fines, excise taxes under the Employee Retirement Income Security Act of 1974, as amended from time to time ("ERISA"), penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such indemnatee in connection therewith.

A. Procedure. Any indemnification under this Article SIXTEENTH (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of Delaware, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment). Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding (the "Disinterested Directors"), or (b) if such a quorum of Disinterested Directors is not obtainable, or, even if obtainable a quorum of Disinterested Directors so directs, by independent legal counsel in a written opinion, or (c) by the stockholders.

B. Advances For Expenses. Costs, charges and expenses (including attorneys' fees) incurred by a director or officer of the Corporation in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in this Article SIXTEENTH. Such costs, charges and expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the majority of the Disinterested Directors deems appropriate. The majority of the Disinterested Directors may, in the manner set forth above, and upon approval of such director, officer, employer, employee or agent of the Corporation, authorize the Corporation's counsel to represent such person, in any action, suit or proceeding, whether or not the Corporation is a party to such action, suit or proceeding.

C. Procedure for Indemnification. Any indemnification or advance of costs, charges and expenses under this Article SIXTEENTH, shall be made promptly, and in any event within 60 days upon the written request of the director, officer, employee or agent. The right to indemnification or advances as granted by this Article SIXTEENTH, shall be enforceable by the director, officer, employee or agent in any court of competent jurisdiction, if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within 60 days. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under this Article SIXTEENTH, where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in the General Corporation Law of Delaware, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including

its Board of Directors, its independent legal counsel and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of Delaware, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), nor the fact that there has been an actual determination by the Corporation (including its Board of Directors, its independent legal counsel and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

D. Other Rights; Continuation of Right to Indemnification. The indemnification and advancement of expenses provided by this Article SIXTEENTH shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, and shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification under this Article SIXTEENTH, shall be deemed to be a contract between the Corporation and each director, officer, employee or agent of the Corporation who serves or served in such capacity at any time while this Article SIXTEENTH, is in effect. Any repeal or modification of this Article SIXTEENTH, or any repeal or modification of relevant provisions of the General Corporation Law of Delaware or any other applicable laws shall not in any way diminish any rights to indemnification of such director, officer, employee or agent or the obligations of the Corporation arising hereunder with respect to any action, suit or proceeding arising out of, or relating to, any actions, transactions or facts occurring prior to the final adoption of such modification or repeal. For the purposes of this Article SIXTEENTH, references to "the Corporation" include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation, so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article SIXTEENTH, with respect to the resulting or surviving corporation, as he would if he or she had served the resulting or surviving corporation in the same capacity.

E. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her or on his or her behalf in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article SIXTEENTH; provided, however, that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the Board of Directors.

F. Savings Clause. If this Article SIXTEENTH, or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each person entitled to indemnification under the first paragraph of this Article SIXTEENTH, as to all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes, penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person and for which indemnification is available to such person pursuant to this Article SIXTEENTH, to the full extent permitted by any applicable portion of this Article SIXTEENTH, that shall not have been invalidated and to the full extent permitted by applicable law.

SEVENTEENTH: In furtherance and not in limitation of the powers conferred by law or in this Restated Certificate of Incorporation, the Board of Directors (and any committee of the Board of Directors) is expressly

authorized, to the extent permitted by law, to take such action or actions as the Board or such committee may determine to be reasonably necessary or desirable to (A) encourage any person to enter into negotiations with the Board of Directors and management of the Corporation with respect to any transaction which may result in a change in control of the Corporation which is proposed or initiated by such person or (B) contest or oppose any such transaction which the Board of Directors or such committee determines to be unfair, abusive or otherwise undesirable with respect to the Corporation and its business, assets or properties or the stockholders of the Corporation, including, without limitation, the adoption of such plans or the issuance of such rights, options, capital stock, notes, debentures or other evidences of indebtedness or other securities of the Corporation, which rights, options, capital stock, notes, evidences of indebtedness and other securities (i) may be exchangeable for or convertible into cash or other securities on such terms and conditions as may be determined by the Board or such committee and (ii) may provide for the treatment of any holder or class of holders thereof designated by the Board of Directors or any such committee in respect of the terms, conditions, provisions and rights of such securities which is different from, and unequal to, the terms, conditions, provisions and rights applicable to all other holders thereof.

EIGHTEENTH: The Corporation reserves the right to amend, add, alter, change, repeal or adopt any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation. In addition to any affirmative vote required by applicable law or any other provision of this Restated Certificate of Incorporation or specified in any agreement, and in addition to any voting rights granted to or held by the holders of any series of Preferred Stock, the affirmative vote of the holders of not less than 75% of the voting power of all securities of the Corporation entitled to vote generally in the election of directors shall be required to amend, add, alter, change, repeal or adopt any provisions inconsistent with Articles FIFTH, SIXTH, SEVENTH, EIGHTH, NINTH, TENTH, TWELFTH, THIRTEENTH, FIFTEENTH, SIXTEENTH, SEVENTEENTH and EIGHTEENTH of this Restated Certificate of Incorporation.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation has been signed by authorized representatives of the Corporation this 10th day of February, 1994.

COLUMBIA HEALTHCARE CORPORATION

BY: /s/ STEPHEN T. BRAUN

STEPHEN T. BRAUN
SENIOR VICE PRESIDENT,
GENERAL COUNSEL AND
ASSISTANT SECRETARY

ATTEST:

BY: /s/ JOAN O. KROGER

JOAN O. KROGER
SECRETARY

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
COLUMBIA/HCA HEALTHCARE CORPORATION

Columbia/HCA Healthcare Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

FIRST: That the Board of Directors of the Corporation, at a duly called meeting thereof, and subject to the approval of the stockholders of the Corporation, adopted a resolution to amend the Fifth Article, Section A of the Restated Certificate of Incorporation of the Corporation to increase the size of the Board of Directors to eighteen members, so that as amended such Fifth Article, Section A shall read and be substituted in its entirety as follows:

"A. Number of Directors. The number of directors of the Corporation (exclusive of directors to be elected by the holders of one or more series of the Preferred Stock of the Corporation which may be outstanding, voting separately as a series or class) shall be fixed from time to time by action of not less than a majority of the members of the Board of Directors then in office, but in no event shall be less than three nor more than eighteen."

SECOND: That the above amendment was adopted at a duly called Special Meeting of Stockholders and in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware and the Corporation's Restated Certificate of Incorporation by the affirmative vote of the holders of not less than seventy-five percent of the voting power of all the securities of the Corporation entitled to vote.

THIRD: All other provisions of the Corporation's Restated Certificate of Incorporation shall remain unchanged.

IN WITNESS WHEREOF, this Certificate of Amendment of Restated Certificate of Incorporation has been signed by an authorized representative of the Corporation this 21st day of April, 1995.

COLUMBIA/HCA HEALTHCARE CORPORATION

By: /s/ STEPHEN T. BRAUN

Stephen T. Braun
Senior Vice President
and Secretary

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
COLUMBIA/HCA HEALTHCARE CORPORATION

PURSUANT TO SECTION 242 OF THE
GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

Columbia/HCA Healthcare Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

FIRST: That the Board of Directors of the Corporation, at a duly called meeting thereof, and subject to the approval of the stockholders of the Corporation, adopted certain resolutions to amend the Fourth Article of the Restated Certificate of Incorporation of the Corporation to increase the authorized number of shares of the Corporation's Common Stock and Nonvoting Common Stock, so that the first paragraph of such Fourth Article shall be amended to read in its entirety as follows:

FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is One Billion Six Hundred Seventy-Five Million (1,675,000,000) shares, divided into three classes of which Twenty-Five Million (25,000,000) shares, par value \$.01 per share, shall be designated Preferred Stock, One Billion Six Hundred Million (1,600,000,000) shares, par value \$.01 per share, shall be designated Common Stock and Fifty Million (50,000,000) shares, par value \$.01 per share, shall be designated Nonvoting Common Stock.

SECOND: That the above amendment was adopted at the duly called 1997 Annual Meeting of Stockholders of the Corporation in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware and the Corporation's Restated Certificate of Incorporation by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock and Nonvoting Common Stock, voting together as a single class.

THIRD: All other provisions of the Corporation's Restated Certificate of Incorporation shall remain unchanged.

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be affixed and this Certificate of Amendment of Restated Certificate of Incorporation to be signed and attested by authorized representatives of the Corporation this 26th day of June, 1997.

COLUMBIA/HCA HEALTHCARE CORPORATION

Attest:

By: /s/ STEPHEN T. BRAUN

Stephen T. Braun
Senior Vice President and General Counsel

By:/s/ JOHN M. FRANCK II

John M. Franck II
Corporate Secretary

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
COLUMBIA/HCA HEALTHCARE CORPORATION

PURSUANT TO SECTION 242 OF THE
GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

Columbia/HCA Healthcare Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

FIRST: That the Board of Directors of the Corporation, at a duly called meeting thereof, and subject to the approval of the stockholders of the Corporation, adopted certain resolutions to amend the Fifth Article of the Restated Certificate of Incorporation of the Corporation to read in its entirety as follows:

FIFTH: The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by statute or this Restated Certificate of Incorporation directed or required to be exercised or done by the stockholders.

A. Number of Directors. The number of directors of the Corporation (exclusive of directors to be elected by the holders of one or more series of the Preferred Stock of the Corporation which may be outstanding, voting separately as a series or class) shall be fixed from time to time by action of not less than a majority of the members of the Board of Directors then in office, but in no event shall be less than three nor more than eighteen.

B. Terms. Until the annual meeting of stockholders in 2001, the directors shall be divided into three classes designated Class I, Class II and Class III, respectively. Each director elected prior to the effectiveness of this Article FIFTH shall serve for the full term for which he or she was elected, such that the term of each director elected at the 1996 annual meeting (Class III) or appointed to fill a vacancy as a Class III director prior to the 1999 annual meeting shall end at the annual meeting in 1999, the term of each director elected at the 1997 annual meeting (Class I) or appointed to fill a vacancy as a Class I director prior to the 2000 annual meeting shall end at the annual meeting in 2000, and the term of each director elected at the 1998 annual meeting (Class II) or appointed to fill a vacancy as a Class II director prior the 2001 annual meeting shall end at the annual meeting in 2001. Following the expiration of the term of Class III directors in 1999, Class I directors in 2000, and Class II directors in 2001, the directors in each such Class shall hold office for a term expiring at the next annual meeting of stockholders or until their successors are elected and qualified or until their earlier resignation or removal. Commencing with the Annual Meeting of Stockholders in 2001, the foregoing classification of the Board of Directors shall cease, and all directors shall be of one class and shall hold office for a term expiring at the next annual meeting of stockholders or until their successors are elected and qualified or until their earlier resignation or removal. In no case shall a decrease in the number of directors shorten the term of any incumbent director.

C. Vacancies. Subject to the rights, if any, of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, disqualification or removal may be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires; provided that, after the Annual Meeting of Stockholders in 2001, directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders or until their successors are elected and qualified or until their earlier resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

D. Removal. Until and including the Annual Meeting of Stockholders in 2001, and subject to the rights, if any, of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class. Directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires. Following the Annual Meeting of Stockholders in 2001, subject to the rights, if any, of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time by the affirmative vote of the holders of the majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class at a duly held meeting.

SECOND: That the above amendment was adopted at the duly called 1998 Annual Meeting of Stockholders of the Corporation in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware and the Corporation's Restated Certificate of Incorporation.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment of Restated Certificate of Incorporation to be signed by its authorized officer this 11th day of August, 1998.

COLUMBIA/HCA HEALTHCARE CORPORATION

BY: /s/ JOHN M. FRANCK II

JOHN M. FRANCK II
CORPORATE SECRETARY

ADOPTED JULY 7, 1993
AMENDED FEBRUARY 10, 1994

BYLAWS OF
COLUMBIA/HCA HEALTHCARE CORPORATION

ARTICLE I
OFFICES

SECTION 1. Registered Office. The registered office of the Corporation shall be within the State of Delaware in the City of Wilmington, County of New Castle.

SECTION 2. Other Offices. The Corporation may also have an office or offices other than said registered office at such place or places, either within or without the State of Delaware, as the Board of Directors shall from time to time determine or the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

SECTION 1. Place of Meetings. All meetings of the stockholders for the election of directors or for any other purpose shall be held at any such place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of meeting or in a duly executed waiver thereof.

SECTION 2. Annual Meeting. The annual meeting of stockholders shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of meeting or in a duly executed waiver thereof. At such annual meeting, the stockholders shall elect, by a plurality vote, a class of the Board of Directors in the manner provided in the Corporation's Certificate of Incorporation and transact such other business as may properly be brought before the meeting.

SECTION 3. Special Meetings. Special meetings of stockholders, unless otherwise prescribed by statute, may be called at any time only by the Board of Directors, the Chairman of the Board or the Chief Executive Officer.

SECTION 4. Notice of Meetings. Except as otherwise expressly required by statute, written notice of each annual and special meeting of stockholders stating the date, place and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder of record entitled to vote thereat not less than ten nor more than sixty days before the date of the meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. Notice shall be given personally or by mail and, if by mail, shall be sent in a postage prepaid envelope, addressed to the stockholder at the address appearing on the records of the Corporation. Notice by mail shall be deemed given at the time when the same shall be deposited in the United States mail, postage prepaid. Notice of any meeting shall not be required to be given to any person who attends such meeting, except when such person attends the meeting in person or by proxy for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, or who, either before or after the meeting, shall submit a signed written waiver

of notice, in person or by proxy. Neither the business to be transacted at, nor the purpose of, an annual or special meeting of stockholders need be specified in any written waiver of notice.

SECTION 5. List of Stockholders. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, showing the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city, town or village where the meeting is to be held, which place shall be specified in the notice of meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 6. Quorum, Adjournments. The holders of a majority of the voting power of the issued and outstanding stock of the Corporation entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of stockholders, except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum shall not be present or represented by proxy at any meeting of stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. At such adjourned meeting at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than thirty days, or, if after adjournment a new record date is set, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 7. Organization. At each meeting of stockholders, the Chairman of the Board, if one shall have been elected, or, in his absence or if one shall not have been elected, the Chief Executive Officer, shall act as chairman of the meeting. The Secretary or, in his absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting, shall act as secretary of the meeting and keep the minutes thereof.

SECTION 8. Order of Business. The order of business at all meetings of the stockholders shall be as determined by the chairman of the meeting.

SECTION 9. Voting. Except as otherwise provided by statute or the Certificate of Incorporation, each stockholder of the Corporation shall be entitled at each meeting of stockholders to one vote for each share of capital stock of the Corporation standing in his name on the record of stockholders of the Corporation:

(a) on the date fixed pursuant to the provisions of Section 7 of Article V of these Bylaws as the record date for the determination of the stockholders who shall be entitled to notice of and to vote at such meeting; or

(b) if no such record date shall have been so fixed, then at the close of business on the day next preceding the day on which notice thereof shall be given, or, if notice is waived, at the close of business on the date next preceding the day on which the meeting is held.

Each stockholder entitled to vote at any meeting of stockholders may authorize another person or persons to act for him by a proxy signed by such stockholder or his attorney-in-fact, but no proxy shall be voted after three years from its date, unless the proxy provides for a longer period. Any such proxy shall

be delivered to the secretary of the meeting at or prior to the time designated in the order of business for so delivering such proxies. When a quorum is present at any meeting, the vote of the holders of a majority of the voting power of the issued and outstanding stock of the Corporation entitled to vote thereon, present in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which by express provision of statute or of the Certificate of Incorporation or of these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. Unless required by statute, or determined by the chairman of the meeting to be advisable, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by his proxy, and shall state the number of shares voted.

SECTION 10. Inspectors. The Board of Directors shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof and make a written report thereof. If any of the inspectors so appointed shall fail to appear or shall be unable to act, the chairman of the meeting shall appoint one or more inspectors. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his or her ability. The inspectors shall ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each, determine the number of shares represented at the meeting and the validity of proxies and ballots, count all votes and ballots, determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. No director or candidate for the office of director shall act as an inspector of an election of directors. Inspectors need not be stockholders.

ARTICLE III BOARD OF DIRECTORS

SECTION 1. Place of Meetings. Meetings of the Board of Directors shall be held at such place or places, within or without the State of Delaware, as the Board of Directors may from time to time determine or as shall be specified in the notice of any such meeting.

SECTION 2. Annual Meeting. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders, on the same day and at the same place where such annual meeting shall be held. Notice of such meeting need not be given. In the event such annual meeting is not so held, the annual meeting of the Board of Directors may be held at such other time or place (within or without the State of Delaware) as shall be specified in a notice thereof given as hereinafter provided in Section 5 of this Article III.

SECTION 3. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors may fix. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at the same hour on the next succeeding business day (unless the Chairman of the Board determines otherwise). Notice of regular meetings of the Board of Directors need not be given except as otherwise required by statute or these Bylaws.

SECTION 4. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, if one shall have been elected, by two or more directors of the Corporation or by the Chief Executive Officer or the President.

SECTION 5. Notice of Meetings. Notice of each special meeting of the Board of Directors (and of each regular meeting for which notice shall be required) shall be given by the Secretary as hereinafter provided in this Section 5, in which notice shall be stated the time and place of the meeting. Except as otherwise required by these Bylaws, such notice need not state the purposes of such meeting. Notice of each such meeting shall be sent to each director, addressed to such director at his or her residence or usual place of business, by telegraph, cable, telex, telecopier or other similar means, or be delivered to him or her personally or be given to him or her by telephone or other similar means, at least two hours before the time at which such meeting is to be held. Notice of any such meeting need not be given to any director who shall, either before or after the meeting, submit a signed waiver of notice or who shall attend such meeting, except when he or she shall attend for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 6. Quorum and Manner of Acting. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and, except as otherwise expressly required by statute, the Certificate of Incorporation or these Bylaws, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn such meeting to another time and place. Notice of the time and place of any such adjourned meeting shall be given to all of the directors unless such time and place were announced at the meeting at which the adjournment was taken, in which case such notice shall only be given to the directors who were not present thereat. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. The directors shall act only as a Board and the individual directors shall have no power as such.

SECTION 7. Organization. At each meeting of the Board of Directors, the Chairman of the Board, if one shall have been elected, or, in the absence of the Chairman of the Board or if one shall not have been elected, another director chosen by a majority of the directors present, shall act as chairman of the meeting and preside thereat. The Secretary or, in his absence or if one shall not have been elected, any person appointed by the chairman of the meeting, shall act as secretary of the meeting and keep the minutes thereof.

SECTION 8. Resignations. Any director of the Corporation may resign at any time by giving written notice of his resignation to the Corporation. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt by the Corporation. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 9. Compensation. The Board of Directors shall have authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Corporation in any capacity.

SECTION 10. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, including an executive committee and a nominating committee, each committee to consist of one or more of the directors of the Corporation. Commencing with the date of the adoption of these Bylaws and ending on the date which is three years from such date, the nominating committee shall be composed of four directors and such committee shall have the exclusive

power to nominate persons to serve as directors of the Corporation. The composition of the nominating committee shall be determined in accordance with Section 7.14(b) of that certain Merger Agreement, dated as of June 10, 1993, by and between Columbia Hospital Corporation and Galen Health Care, Inc. Subject to the foregoing, the Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In addition, in the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Except to the extent restricted by statute or the Certificate of Incorporation, each such committee, to the extent provided in the resolution creating it, shall have and may exercise all the powers and authority of the Board of Directors. Each such committee shall serve at the pleasure of the Board of Directors and have such name as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors.

SECTION 11. Action by Consent. Unless restricted by the Certificate of Incorporation, any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board of Directors or such committee, as the case may be.

SECTION 12. Telephonic Meeting. Unless restricted by the Certificate of Incorporation, any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at a meeting.

SECTION 13. Mandatory Board Retirement Policy. Effective July 1, 1994, no person shall be nominated to a term of office on the Company's Board of Directors who has attained the age of 70 or more before the first day of the proposed term of office; provided, however, the foregoing policy shall be inapplicable to current directors of the Company aged 70 or more whose current term of office, on February 10, 1994, expires subsequent to the Company's 1994 Annual Meeting of Stockholders.

ARTICLE IV OFFICERS

SECTION 1. Number and Qualifications. The officers of the Corporation shall be elected by the Board of Directors and shall include the Chairman of the Board, the Chief Executive Officer, the President, one or more Vice Presidents (including Senior, Executive Vice Presidents or other classifications of Vice Presidents), the Secretary and the Treasurer. If the Board of Directors wishes, it may also elect other officers (including one or more Assistant Treasurers and one or more Assistant Secretaries) as may be necessary or desirable for the business of the Corporation. Any two or more offices may be held by the same person, and no officer except the Chairman of the Board need be a director. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified, or until his death, or until he or she shall have resigned or have been removed or disqualified, as hereinafter provided in these Bylaws.

SECTION 2. Resignations. Any officer of the Corporation may resign at any time by giving written notice of his or her resignation to the Corporation. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon receipt by the Corporation. Unless otherwise specified therein, the acceptance of any such resignation shall not be necessary to make it effective.

SECTION 3. Removal. Any officer of the Corporation may be removed, either with or without cause, at any time, by the Board of Directors at any meeting thereof.

SECTION 4. Chairman of the Board. The Chairman of the Board shall be elected from among the members of the Board. If present, he or she shall preside at all meetings of the Board of Directors and Stockholders. He or she shall advise and counsel with the Chief Executive Officer, and in his or her absence with other executives of the Corporation, and shall perform such other duties as may from time to time be assigned to him or her by the Board of Directors.

SECTION 5. Chief Executive Officer. The Chief Executive Officer shall also serve as the President and, subject to the Board of Directors, he or she shall have general executive charge, management, and control of the properties and operations of the Corporation in the ordinary course of its business, with all such powers with respect to such properties and operations as may be reasonably incident to such responsibilities. If the Board of Directors has not elected a Chairman or in the absence or inability to act of the Chairman of the Board, the Chief Executive Officer shall exercise all of the powers and discharge all of the duties of the Chairman of the Board.

SECTION 6. Vice President. Each Vice President shall perform all such duties as from time to time may be assigned to him or her by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President. At the request of the Chief Executive Officer or the President or in his or her absence or in the event of his or her inability or refusal to act, the Vice President, or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors (or if there be no such determination, then the Vice Presidents in the order of their election), shall perform the duties of the Chief Executive Officer or the President, as applicable.

SECTION 7. Treasurer. The Treasurer shall

(a) have charge and custody of, and be responsible for, all the funds and securities of the Corporation;

(b) keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation;

(c) deposit all moneys and other valuables to the credit of the Corporation in such depositories as may be designated by the Board of Directors or pursuant to its direction;

(d) receive, and give receipts for, moneys due and payable to the Corporation from any source whatsoever;

(e) disburse the funds of the Corporation and supervise the investment of its funds, taking proper vouchers therefor;

(f) render to the Board of Directors, whenever the Board of Directors may require, an account of the financial condition of the Corporation; and

(g) in general, perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Chairman of the Board or the Chief Executive Officer.

SECTION 8. Secretary. The Secretary shall

(a) keep or cause to be kept in one or more books provided for the purpose, the minutes of all meetings of the Board of Directors, the committees of the Board of Directors and the stockholders;

(b) see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law;

(c) be custodian of the records and the seal of the Corporation and affix and attest the seal to all certificates for shares of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal;

(d) see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and

(e) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Chairman of the Board or the Chief Executive Officer.

SECTION 9. The Assistant Treasurer. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as from time to time may be assigned by the Board of Directors.

SECTION 10. The Assistant Secretary. The Assistant Secretary, or if there shall be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties as from time to time may be assigned by the Board of Directors, the Chairman of the Board or the Chief Executive Officer.

SECTION 11. Officers' Bonds or Other Security. If required by the Board of Directors, any officer of the Corporation shall give a bond or other security for the faithful performance of his or her duties, in such amount and with such surety as the Board of Directors may require.

SECTION 12. Compensation. The compensation of the officers of the Corporation for their services as such officers shall be fixed from time to time by the Board of Directors. An officer of the Corporation shall not be prevented from receiving compensation by reason of the fact that he or she is also a director of the Corporation.

ARTICLE V
STOCK CERTIFICATES AND THEIR TRANSFER

SECTION 1. Stock Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of the Corporation by, the Chairman of the Board, the Chief Executive Officer, the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him or her in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the General Corporation Law of the State of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

SECTION 2. Facsimile Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

SECTION 3. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond in such sum as it may direct sufficient to indemnify it against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 4. Transfers of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its records; provided, however, that the Corporation shall be entitled to recognize and enforce any lawful restriction on transfer. Whenever any transfer of stock shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of transfer if, when the certificates are presented to the Corporation for transfer, both the transferor and the transferee request the Corporation to do so.

SECTION 5. Transfer Agents and Registrars. The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars.

SECTION 6. Regulations. The Board of Directors may make such additional rules and regulations, not inconsistent with these Bylaws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation.

SECTION 7. Fixing the Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may, in its discretion, fix a new record date for the adjourned meeting.

SECTION 8. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its records as the owner of shares of stock to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments a person registered on its records as the owner of shares of stock, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares of stock on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

SECTION 9. Legends. The Board of Directors shall have the power and authority to provide that certificates representing shares of stock bear such legends as the Board of Directors deems appropriate to assure that the Corporation does not become liable for violations of federal or state securities laws or other applicable law.

ARTICLE VI GENERAL PROVISIONS

SECTION 1. Dividends. Subject to the provisions of statute and the Certificate of Incorporation, dividends upon the shares of capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting. Dividends may be paid in cash, in property or in shares of stock of the Corporation, unless otherwise provided by statute or the Certificate of Incorporation.

SECTION 2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors may, from time to time, in its absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors may think conducive to the interests of the Corporation. The Board of Directors may modify or abolish any such reserve in the manner in which it was created.

SECTION 3. Seal. The seal of the Corporation shall be in such form as shall be approved by the Board of Directors.

SECTION 4. Fiscal Year. The fiscal year of the Corporation shall end on December 31 of each year and may thereafter be changed by resolution of the Board of Directors.

SECTION 5. Checks, Notes, Drafts, Etc. All checks, notes, drafts or other orders for the payment of money of the Corporation shall be signed, endorsed or accepted in the name of the Corporation by such officer, officers, person or persons as from time to time may be designated by the Board of Directors or by an officer or officers authorized by the Board of Directors to make such designation.

SECTION 6. Execution of Contracts, Deeds, Etc. The Board of Directors may authorize any officer or officers, agent or agents, in the name and on behalf of the Corporation to enter into or execute and deliver any and all deeds, bonds, mortgages, contracts and other obligations or instruments, and such authority may be general or confined to specific instances. The attestation to such execution by the Secretary of the Corporation shall not be necessary to constitute such deed, bond, mortgage, contract or other instrument a valid and binding obligation against the Corporation unless the resolutions, if any, of the Board of Directors authorizing such execution expressly state that such attestation is necessary.

SECTION 7. Voting of Stock in Other Corporations. Unless otherwise provided by resolution of the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President or any Vice President, from time to time, may (or may appoint one or more attorneys or agents to) cast the votes which the Corporation may be entitled to cast as a shareholder or otherwise in any other corporation, any of whose shares or securities may be held by the Corporation, at meetings of the holders of the shares or other securities of such other corporation. In the event one or more attorneys or agents are appointed, the Chairman of the Board, the Chief Executive Officer or the President may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent. The Chairman of the Board, the Chief Executive Officer or the President may, or may instruct the attorneys or agents appointed to, execute or cause to be executed in the name and on behalf of the Corporation and under its seal or otherwise, such written proxies, consents, waivers or other instruments as may be necessary or proper in the circumstances.

ARTICLE VII
AMENDMENTS

These Bylaws may be amended or repealed or new bylaws adopted (a) by the affirmative vote of the holders of at least 75% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class or (b) if the Certificate of Incorporation so provides, by action of the Board of Directors at a regular or special meeting thereof. Any bylaw made by the Board of Directors may be amended or repealed by action of the stockholders at any annual or special meeting of stockholders.

/s/ JOAN KROGER

Joan Kroger
Secretary

AMENDMENT NO. 1 TO THE
BYLAWS OF
COLUMBIA/HCA HEALTHCARE CORPORATION

On June 8, 1995, the Board of Directors of Columbia/HCA Healthcare Corporation (the "Company") approved an amendment to the Company's Bylaws by adding a new Section 14 to Article III thereof in order to make certain exceptions to Section 13 of Article III. The new Section 14 shall hereby be added and read as follows:

"SECTION 14. Exceptions to Mandatory Retirement Policy. The provisions of

Section 13 of this Article III shall not apply in respect of Donald S. MacNaughton. In addition, Charles J. Kane and John W. Landrum shall be entitled to continue to serve on the Board of Directors (subsequent to June 30, 1995) so long as they agree in writing to resign their directorships effective June 30, 1996.

Dated: June 8, 1995

COLUMBIA/HCA HEALTHCARE CORPORATION

By:/s/ STEPHEN T. BRAUN

Stephen T. Braun, Secretary

AMENDMENT NO. 2 TO THE
BYLAWS OF
COLUMBIA/HCA HEALTHCARE CORPORATION

On May 14, 1998, the Board of Directors of Columbia/HCA Healthcare Corporation (the "Company") approved an amendment to the Company's Bylaws by amending Section 14 to Article III thereof in order to make certain exceptions to Section 13 of Article III. Section 14 shall hereby be amended to read as follows:

"SECTION 14. Exceptions to Mandatory Retirement Policy. The provisions of

Section 13 of this Article III shall not apply in respect of Thomas S. Murphy who has agreed to serve as a member of the Board of Directors of the Company."

Dated: May 14, 1998

COLUMBIA/HCA HEALTHCARE CORPORATION

By:/s/ JOHN M. FRANCK II

John M. Franck II, Corporate Secretary

THIRD AMENDMENT

THIRD AMENDMENT, dated as of July 10, 1998 (this "Third Amendment"), to the Agreement and Amendment dated as of June 17, 1997, as amended by the First Amendment, dated as of February 3, 1998 and the Second Amendment, dated as of March 26, 1998 (as the same may be amended, supplemented or modified from time to time, the "June 1997 364-Day Agreement and Amendment") among COLUMBIA/HCA HEALTHCARE CORPORATION, a Delaware 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, CITIBANK, N.A., 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 NATIONAL ASSOCIATION, 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, 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 "364-Day 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 Company, the several banks and other financial institutions and Chase, as agent for the Banks hereunder and as CAF Loan Agent, were parties to the Agreement and Amendment, dated as of February 26, 1997 (the "February 1997 364-Day Agreement and Amendment") which adopted and incorporated 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, the February 1997 364-Day Agreement and Amendment was replaced by the June 1997 364-Day Agreement and Amendment;

WHEREAS, the June 1997 364-Day Agreement and Amendment adopts and 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 June 1997 364-Day Agreement and Amendment;

WHEREAS, the parties hereto wish to amend certain provisions of the June 1997 364-Day 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 June 1997 364-Day Agreement and Amendment shall be used as so defined.

2. Amendments to the June 1997 364-Day Agreement and Amendment.

(a) Section 3 of the June 1997 364-Day Agreement and Amendment is hereby amended as follows:

(1) by inserting in such section the following new defined terms in proper alphabetical order:

"`Consolidated Net Worth': as of the date of determination, all items which in conformity with GAAP would be included under shareholders' equity on a consolidated balance sheet of the Company and its Subsidiaries at such date."

"`Consolidated Total Capitalization': for any period for which the amount thereof is to be determined, the sum of Consolidated Net Worth at such date and Consolidated Total Debt at such date."

"`July 1998 Term Loan Facility': the senior term loan facility, dated as of July 8, 1998, among the Company, the several banks and financial institutions from time to time parties thereto, and The Chase Manhattan Bank, as agent, as the same may be amended, supplemented or otherwise modified from time to time."

"`Regulation X': Regulation X of the Board of Governors of the Federal Reserve System."

(2) by deleting the defined terms "Mandatory Prepayment Event" and "Subsidiary" in their entirety and substituting in lieu thereof the following new defined terms in proper alphabetical order:

"`Mandatory Prepayment Event': any of the following events:

(a) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from any sale or other disposition by it of any business, hospital or other assets, including any capital stock or other ownership interest in any Subsidiary or any intercompany obligations (other than as a result of any

casualty where such Net Cash Proceeds are to be used to replace or rebuild the related assets);

(b) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from the issuance to Persons other than the Company and its Subsidiaries of any capital stock or other ownership interests of the Company or such Subsidiary, as the case may be; and

(c) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from the incurrence from, or the issuance or sale to, persons other than the Company and its Subsidiaries of any Indebtedness of the Company or such Subsidiary, as the case may be (excluding Indebtedness under the February 1997 Five-Year Agreement and Amendment and the July 1998 Term Loan Facility), with a scheduled maturity date on the date of incurrence thereof which is, or which is extendable at the option of the Company or such Subsidiary to be, one year or more from such date of incurrence;

In each case for (a), (b) and (c), excluding (i) any such event in which the Net Cash Proceeds so received (together with the Net Cash Proceeds received from any related series of events) are less than \$10,000,000 and (ii) any such event to the extent that the Net Cash Proceeds from such event, together with the Net Cash Proceeds from all other events referred to in this definition from March 26, 1998 (excluding, in each case, any such event excluded by clause (i) above), is \$500,000,000 or less."

"`Subsidiary': as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company."

(b) Section 7 of the June 1997 364-Day Agreement and Amendment is hereby amended by adding the following new paragraph after Section 7 reading as follows:

"SECTION 7B. Subsections 3.1, 3.2 and 3.15 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by the June 1997 364-Day Agreement and Amendment are hereby amended by deleting such subsections in their entirety and inserting in lieu thereof the following new subsections 3.1, 3.2 and 3.15:

`3.1 Corporate Organization and Existence. Each of the Company and each Subsidiary is a corporation, partnership or other entity duly organized and validly existing and in good standing under the laws of the jurisdiction in which it is organized (except, in the case of Subsidiaries, where the failure to

be in good standing would not be material to the Company and its Subsidiaries on a consolidated basis) and has all necessary power to carry on the business now conducted by it. The Company has all necessary corporate power and has taken all corporate action required to make all the provisions of this Agreement and the Notes and all other agreements and instruments executed in connection herewith and therewith, the valid and enforceable obligations they purport to be. Each of the Company and each Subsidiary is duly qualified and in good standing in all jurisdictions other than that of its organization in which the physical properties owned, leased or operated by it are located (except, in the case of Subsidiaries, where the failure to be in good standing would not be material to the Company and its Subsidiaries on a consolidated basis), and is duly authorized, qualified and licensed under all laws, regulations, ordinances or orders of Governmental Authorities, or otherwise, to carry on its business in the places and in the manner presently conducted.

3.2 Subsidiaries. As of the date hereof, the Company has only the Subsidiaries set forth in Schedule II. Schedule II indicates all Subsidiaries of the Company which are not wholly-owned Subsidiaries as of the date hereof. As of the date hereof, the capital stock and securities owned by the Company and its Subsidiaries in each of the Company's Subsidiaries are owned free and clear of any mortgage, pledge, lien, encumbrance, charge or restriction on the transfer thereof other than restrictions on transfer imposed by applicable securities laws and restrictions, liens and encumbrances outstanding on the date hereof and listed in said Schedule II.

3.15 Federal Regulations. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect (except in a manner which is not in violation of Regulation U or X) or for any purpose which violates the provisions of the Regulations of the Board of Governors of the Federal Reserve System. If requested by any Bank or the Agent, the Company will furnish to the Agent and each Bank a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U."

(c) Section 9 of the June 1997 364-Day Agreement and Amendment is hereby amended by deleting such section in its entirety and substituting in lieu thereof the following:

"SECTION 9. Ratio of Consolidated Total Debt to Consolidated Total Capitalization. Subsection 5.6 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

`Ratio of Consolidated Total Debt to Consolidated Total Capitalization. The Company and its Subsidiaries will not at any time have outstanding

Consolidated Total Debt in an amount in excess of 65% of Consolidated Total Capitalization.'".

(d) Section 9A of the June 1997 364-Day Agreement and Amendment is hereby amended by deleting such section in its entirety and substituting in lieu thereof the following:

"SECTION 9A. Company Officers' Certificate. Subsection 4.3 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

`4.3 Company Officers' Certificate. The representations and warranties contained in Section 3 (as qualified by the disclosures in (i) the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1997, (ii) the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended June 30, 1997, September 30, 1997 and March 31, 1998 and (iii) the Company's Report on Form 8-K dated February 6, 1998, February 13, 1998, March 6, 1998 and May 27, 1998, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks) shall be true and correct in all material respects on the Closing Date and on and as of each Borrowing Date with the same force and effect as though made on and as of such date; 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; between December 31, 1994 and such Borrowing Date, neither the business nor assets, nor the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis shall have been adversely affected in any material manner as a result of any fire, flood, explosion, accident, drought, strike, lockout, riot, sabotage, confiscation, condemnation, or any purchase of any property by Governmental Authority, activities of armed forces, acts of God or the public enemy, new or amended legislation, regulatory order, judicial decision or any other event or development whether or not related to those enumerated above (all subject to the disclosures enumerated above); and the Agent shall have received a certificate containing a representation to these effects dated such Borrowing Date and signed by a Responsible Officer.'.

(e) Section 9C of the June 1997 364-Day Agreement and Amendment is hereby amended by deleting such section in its entirety and substituting in lieu thereof the following:

"SECTION 9C. Distributions. Subsection 5.8 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment as hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

`5.8 Distributions. The Company will not make any Distribution except that, so long as no Event of Default exists or would exist after giving

effect thereto, the Company may make a Distribution; provided however, that at any time the Commitments under this Agreement plus the commitments under the February 1997 Five-Year Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) shall exceed \$2,000,000,000 in aggregate amount, the Company will not purchase, repurchase, redeem or otherwise acquire (including any "synthetic" acquisitions through equity derivatives) any shares of any class of capital stock of the Company directly or indirectly through a Subsidiary or otherwise, except for such acquisitions funded with the proceeds of loans made pursuant to the July 1998 Term Loan Facility or the February 1997 Five-Year Agreement and Amendment in an aggregate principal amount of up to \$1,000,000,000.'

(f) Section 9F of the June 1997 364-Day Agreement and Amendment is hereby amended by deleting such section in its entirety and substituting in lieu thereof the following:

"SECTION 9F. Limitation on Optional Payments and Modifications of Debt Instruments. The 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by adding the following new subsection immediately following subsection 5.15 therein as follows:

5.16 Limitation on Optional Payments and Modifications of Debt Instruments. At any time the commitments under the February 1997 Five-Year Agreement and Amendment plus the commitments under the June 1997 364-Day Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) exceed \$2,000,000,000 in aggregate amount, the Company will not make, and will not permit any of its Subsidiaries to make, any optional payment or prepayment on or redemption, defeasance or purchase of any Indebtedness of the Company or any of its Subsidiaries (other than Indebtedness under the July 1998 Term Loan Facility, the February 1997 Five-Year Agreement and Amendment, the June 1997 364-Day Agreement and Amendment or Indebtedness under Financing Leases in an aggregate amount not to exceed \$50,000,000 in any fiscal year of the Company), or amend, modify or change, or consent or agree to any amendment, modification or change to any of the terms relating to the payment or prepayment or principal of or interest on, any such Indebtedness, other than any amendment, modification or change which would extend the maturity or reduce the amount of any payment of principal thereof or which would reduce the rate or extend the date for payment of interest there or which would not be adverse to the Banks.'"

(g) The June 1997 364-Day Agreement and Amendment is hereby amended by adding the following new paragraphs immediately after Section 9F reading as follows:

"SECTION 9G. Indebtedness of Subsidiaries. Paragraph (b) of subsection 5.1 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by deleting such paragraph in its entirety and substituting in lieu thereof the following:

`(b) Each of the Company and its Subsidiaries will promptly pay when due, or in conformance with customary trade terms, all other Indebtedness and liabilities incident to its operations; provided, however, that any such Indebtedness or liability need not be paid if the validity or amount thereof shall currently be contested in good faith and if the Company or the Subsidiary in question shall have set aside on its books appropriate reserves with respect thereto. The Subsidiaries will not create, incur, assume or suffer to exist any Indebtedness, except: (i) Indebtedness outstanding on the date hereof and listed on Schedule III; (ii) Indebtedness that is owing to the Company or any other Subsidiary; (iii) Indebtedness incurred pursuant to an accounts receivable program and (iv) additional Indebtedness at any time outstanding in an aggregate principal amount not to exceed 10% of Consolidated Assets.'.

"SECTION 9H. Sales of Assets. Subsection 5.10 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

`5.10 Sales of Assets. The Company and its Subsidiaries may from time to time sell or otherwise dispose of all or any part of their respective assets; provided, however, that in any fiscal year, the Company and its Subsidiaries will not (a) sell or dispose of (including, without limitation, any disposition resulting from any merger or consolidation involving a Subsidiary of the Company, and any Sale-and-Leaseback Transaction), outside of the ordinary course of business, to Persons other than the Company and its Subsidiaries, assets constituting in the aggregate more than 12% of Consolidated Assets of the Company and its Subsidiaries as at the end of the immediately preceding fiscal year (excluding an amount equal to the book value of those assets the Net Cash Proceeds from the disposition of which have been applied to prepay outstanding revolving credit loans under the June 1997 364-Day Agreement and Amendment in accordance with subsection 2.18) and (b) exchange with Persons other than the Company and its Subsidiaries any asset or group of assets for another asset or group of assets unless (i) such asset or group of assets are exchanged for an asset or group of assets of a substantially similar type or nature, (ii) on a pro forma basis both before and after giving effect to such exchange, no Default or Event of Default shall have occurred and be continuing, (iii) the aggregate fair market value (as determined in good faith by the Board of Directors of the Company) of the asset or group of assets being transferred by the Company or such Subsidiary and the asset or group of assets being acquired by the Company or such Subsidiary are

substantially equal and (iv) the aggregate of (x) all assets of the Company and its Subsidiaries sold pursuant to subsection 5.10(a) (including, without limitation, any disposition resulting from any merger or consolidation involving a Subsidiary of the Company, and any Sale-and-Leaseback Transaction) (excluding an amount equal to the book value of those assets the Net Cash Proceeds from the disposition of which have been applied to prepay outstanding revolving credit loans under the June 1997 364-Day Agreement and Amendment in accordance with subsection 2.18) and (y) the aggregate fair market value (as determined in good faith by the Board of Directors of the Company) of all assets of the Company and its Subsidiaries exchanged pursuant to this subsection 5.10(b) does not exceed 20% of Consolidated Assets of the Company and its Subsidiaries as at the end of the immediately preceding fiscal year.'".

"SECTION 9I. Application of Proceeds of Loans. Subsection 2.16 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

2.16 Application of Proceeds of Loans. Subject to the provisions of the following sentence, the Company may use the proceeds of the Loans for any lawful corporate purpose. The Company will not, directly or indirectly, apply any part of the proceeds of any such Loan for the purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose, except in a manner which is not in violation of Regulations U and X.'.

3. Effective Date; Conditions Precedent. This Third Amendment will become effective on July 10, 1998 (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 Third 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 Banks.

(b) Company Officers' Certificate. The representations and warranties contained in Section 3 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into, and as amended by, the June 1997 364-Day Agreement and Amendment (as qualified by the disclosures in (i) the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1997, (ii) the

Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended June 30, 1997, September 30, 1997 and March 31, 1998 and (iii) the Company's Report on Form 8-K dated February 6, 1998, February 13, 1998, March 6, 1998 and May 27, 1998, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks) shall be true and correct in all material respects 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 Third 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.

(c) Term Loan Facility. The Company shall have entered into a senior term loan facility, structured and arranged by Chase to be used for general corporate purposes, including for the repurchase of shares of common stock of the Company (including any "synthetic" acquisitions through equity derivatives), on terms and conditions satisfactory to Chase.

4. Legal Obligation. The Company represents and warrants to each Bank that this Third 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; Application. Except as expressly amended hereby, the June 1997 364-Day 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 Third 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 THIRD AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8. Counterparts. This Third Amendment may be executed by one or more of the parties to this Third 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 Third Amendment signed by all the parties shall be lodged with the Company and the Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Third 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/ THOMAS B. THORNHILL

 Name: Thomas Thornhill
 Title: Group Vice President

By: /s/ LARRY K. KELLEY

 Name: Larry K. Kelley
 Title: Group Vice President

ARAB BANK PLC, GRAND CAYMAN BRANCH, as a Bank

By: /s/ [Illegible]

 Name:
 Title:

BANCA MONTE DEI PASCHI DI SIENA SpA, as a Bank

By:

Name:
Title:

By:

Name:
Title:

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

By: /s/ JAMES B. LUKOWICZ

Name: James B. Lukowicz
Title: Vice President

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

By:

Name:
Title:

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

By: /s/ ANN MARIE HUGHES

Name: Ann Marie Hughes
Title: 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/ HENRY F. SETINA

Name: Henry F. Setina
Title: Vice President

BARNETT BANK, N.A., as a Bank

By: /s/ KEVIN WAGLEY

Name: Kevin Wagley
Title: Vice President

CITIBANK, N.A., as a Bank

By: /s/ MARGARET AU BROWN

Name: Margaret Au Brown
Title: Managing Director

COMERICA BANK, as a Bank

By: /s/ COLLEEN M. MURPHY

Name: Colleen M. Murphy
Title: Assistant Vice President

CORESTATES BANK, N.A., as a Bank

By:

Name:
Title:

CRESTAR BANK, as a Bank

By: /s/ C. GRAY KEY

Name: C. Gray Key
Title: Vice President

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

By: /s/TATSUJI NOGUCHI

Name: Tatsuji Noguchi
Title: Chief Representative

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

By: /s/ SUSAN L. PEARSON

Name: Susan L. Pearson
Title: Director

By: /s/ HANS-JOSEF THIELE

Name: Hans-Josef Thiele
Title: Director

FIRST HAWAIIAN BANK, as a Bank

By: /s/ CHARLES L. JENKINS

Name: Charles L. Jenkins
Title: Vice President and Manager

FIRST AMERICAN NATIONAL BANK, as a Bank

By: /s/SANDY HAMRICK

Name: Sandy Hamrick
Title: Senior Vice President

By: /s/ L. RICHARD SCHILLER

Name: L. Richard Schiller
Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO,
as a Bank

By:

Name:
Title:

FIRST UNION NATIONAL BANK, as a Bank

By:

Name:
Title:

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

By: /s/ MARYANN S. SMITH

Name: Maryann S. Smith
Title: Vice President

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

By: /s/ TOSHIHIRO MITSUI

Name: Toshihiro Mitsui
Title: Senior Vice President and Joint
General Manager

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

By: /s/ KOICHI HASEGAWA

Name: Koichi Hasegawa
Title: Senior Vice President and Deputy
General Manager

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: /s/ THOMAS J. PURCELL

Name: Thomas J. Purcell
Title: Vice President

THE MITSUBISHI TRUST AND BANKING CORPORATION,
as a Bank

By: /s/ BEATRICE E. KOSSODO

Name: Beatrice E. Kossodo
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:

Name:
Title:

NATIONAL CITY BANK OF KENTUCKY, as a Bank

By: /s/ DENY SCOTT

Name: Deny 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:

Name:
Title:

THE NORTHERN TRUST COMPANY, as a Bank

By: /s/ CHRISTINA L. JAKUC

Name: Christina L. Jakuc
Title: Second Vice President

PNC BANK, N.A., 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/ GARY FRANKE

Name: Gary Franke
Title: Vice President & Manager

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

By:

Name:
Title:

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

By: /s/ STEPHEN STRATICI

Name: Stephen Stratici
Title: Vice President

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/ SHINICHI NAKATANI

Name: Shinichi Nakatani
Title: Assistant General Manager

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

By: /s/ JORGE A. GARCIA

Name: Jorge A. Garcia
Title: Vice President

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

By: /s/ T. MIKUMO

Name: T. Mikumo
Title: Vice President

UBS AG, NEW YORK BRANCH, as a Co-Agent and as
a Bank

By: /s/ LEO L. BALTZ

Name: Leo L. Baltz
Title: Director

By: /s/ EDUARDO SALAZAR

Name: Eduardo Salazar
Title: Executive Director

UNION PLANTERS BANK, N.A.

By: /s/ [ILLEGIBLE]

Name:
Title:

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

By: /s/ KENNETH WASHINGTON

Name: Kenneth Washington
Title: Vice President

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

By: /s/ DONALD A. HARTMANN

Name: Donald A. Hartmann
Title: Senior Vice President

By: /s/ TIMOTHY A. MCDEVITT

Name: Timothy A. McDevitt
Title: Vice President

FOURTH AMENDMENT

FOURTH AMENDMENT, dated as of July 10, 1998 (this "Fourth Amendment"), to the Agreement and Amendment dated as of February 26, 1997, as amended by the First Amendment, dated as of June 17, 1997, the Second Amendment, dated as of February 3, 1998 and the Third Amendment, dated as of March 26, 1998 (as the same may be amended, supplemented or modified from time to time, the "February 1997 Five-Year Agreement and Amendment") among COLUMBIA/HCA HEALTHCARE CORPORATION, a Delaware 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 NATIONAL ASSOCIATION, 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 as Agent for the Banks hereunder ("Chase", and in such capacity, the "Agent") and as CAF Loan Agent (in such capacity, the "CAF Loan Agent").

W I T N E 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 as follows:

(1) by inserting in such section the following new defined terms in proper alphabetical order:

"`Consolidated Net Worth': as of the date of determination, all items which in conformity with GAAP would be included under shareholders' equity on a consolidated balance sheet of the Company and its Subsidiaries at such date."

"`Consolidated Total Capitalization': for any period for which the amount thereof is to be determined, the sum of Consolidated Net Worth at such date and Consolidated Total Debt at such date."

"`July 1998 Term Loan Facility': the senior term loan facility, dated as of July 8, 1998, among the Company, the several banks and financial institutions from time to time parties thereto, and The Chase Manhattan Bank, as agent, as the same may be amended, supplemented or otherwise modified from time to time."

"`Regulation X': Regulation X of the Board of Governors of the Federal Reserve System."

(2) by deleting the defined terms "Mandatory Prepayment Event" and "Subsidiary" in their entirety and substituting in lieu thereof the following new defined terms in proper alphabetical order:

"`Mandatory Prepayment Event': any of the following events:

(a) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from any sale or other disposition by it of any business, hospital or other assets, including any capital stock or other ownership interest in any Subsidiary or any intercompany obligations (other than as a result of any casualty where such Net Cash Proceeds are to be used to replace or rebuild the related assets);

(b) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from the issuance to Persons other than the Company and its Subsidiaries of any capital stock or other ownership interests of the Company or such Subsidiary, as the case may be; and

(c) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from the incurrence from, or the issuance or sale to, persons other than the Company and its Subsidiaries of any Indebtedness of the Company or such Subsidiary, as the case may be (excluding Indebtedness under the February 1997 Five-Year Agreement and Amendment and the July 1998 Term Loan Facility), with a scheduled maturity date on the date of incurrence thereof which is, or which is extendable at the option of the Company or such Subsidiary to be, one year or more from such date of incurrence;

In each case for (a), (b) and (c), excluding (i) any such event in which the Net Cash Proceeds so received (together with the Net Cash Proceeds received from any related series of events) are less than \$10,000,000 and (ii) any such event to the extent that the Net Cash Proceeds from such event, together with the Net Cash Proceeds from all other events referred to in this definition from March 26, 1998 (excluding, in each case, any such event excluded by clause (i) above), is \$500,000,000 or less."

"`Subsidiary': as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company."

(b) Section 6 of the February 1997 Five-Year Agreement and Amendment is hereby amended by adding the following new paragraphs after Section 6 reading as follows:

"SECTION 6B. Subsections 3.1, 3.2 and 3.15 of the Five-Year Composite Conformed Credit Agreement as adopted and incorporated by the February 1997 Five-Year Agreement and Amendment are hereby amended by deleting such subsections in their entirety and inserting in lieu thereof the following new subsections 3.1, 3.2 and 3.15:

'3.1 Corporate Organization and Existence. Each of the Company and each Subsidiary is a corporation, partnership or other entity duly organized and validly existing and in good standing under the laws of the jurisdiction in which it is organized (except, in the case of Subsidiaries, where the failure to be in good standing would not be material to the Company and its Subsidiaries on a consolidated basis) and has all necessary power to carry on the business now conducted by it. The Company has all necessary corporate power and has taken all corporate action required to make all the provisions of this Agreement and the Notes and all other agreements and instruments executed in connection herewith and therewith, the valid and enforceable obligations they purport to be. Each of the Company and each Subsidiary is duly qualified and in good standing in all jurisdictions other than that of its organization in which the

physical properties owned, leased or operated by it are located (except, in the case of Subsidiaries, where the failure to be in good standing would not be material to the Company and its Subsidiaries on a consolidated basis), and is duly authorized, qualified and licensed under all laws, regulations, ordinances or orders of Governmental Authorities, or otherwise, to carry on its business in the places and in the manner presently conducted.

3.2 Subsidiaries. As of the date hereof, the Company has only the Subsidiaries set forth in Schedule II. Schedule II indicates all Subsidiaries of the Company which are not wholly-owned Subsidiaries as of the date hereof. As of the date hereof, the capital stock and securities owned by the Company and its Subsidiaries in each of the Company's Subsidiaries are owned free and clear of any mortgage, pledge, lien, encumbrance, charge or restriction on the transfer thereof other than restrictions on transfer imposed by applicable securities laws and restrictions, liens and encumbrances outstanding on the date hereof and listed in said Schedule II.

3.15 Federal Regulations. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect (except in a manner which is not in violation of Regulation U or X) or for any purpose which violates the provisions of the Regulations of the Board of Governors of the Federal Reserve System. If requested by any Bank or the Agent, the Company will furnish to the Agent and each Bank a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U."

(c) Section 8A of the February 1997 Five-Year Agreement and Amendment is hereby amended by deleting such Section in its entirety and substituting in lieu thereof the following:

"SECTION 8A. Ratio of Consolidated Total Debt to Consolidated Total Capitalization. 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:

"Ratio of Consolidated Total Debt to Consolidated Total Capitalization. The Company and its Subsidiaries will not at any time have outstanding Consolidated Total Debt in an amount in excess of 65% of Consolidated Total Capitalization.'".

(d) Section 8D of the February 1997 Five-Year Agreement and Amendment is hereby amended by deleting such section in its entirety and substituting in lieu thereof the following:

"SECTION 8D. Distributions. Subsection 5.8 of the Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into this February 1997 Five-Year Agreement and Amendment as hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

`5.8 Distributions. The Company will not make any Distribution except that, so long as no Event of Default exists or would exist after giving effect thereto, the Company may make a Distribution;

provided however, that at any time the Commitments under this Agreement plus the commitments under the June 1997 364-Day Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) shall exceed \$2,000,000,000 in aggregate amount, the Company will not purchase, repurchase, redeem or otherwise acquire (including any "synthetic" acquisitions through equity derivatives) any shares of any class of capital stock of the Company directly or indirectly through a Subsidiary or otherwise, except for such acquisitions funded with the proceeds of loans made pursuant to the July 1998 Term Loan Facility or the February 1997 Five-Year Agreement and Amendment in an aggregate principal amount of up to \$1,000,000,000.'.

(e) Section 8F of the February 1997 Five-Year Agreement and Amendment is hereby amended by deleting such section in its entirety and substituting in lieu thereof the following:

"SECTION 8F. Limitation on Optional Payments and Modifications of Debt Instruments. 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 adding the following new subsection immediately following subsection 5.15 therein as follows:

`5.16 Limitation on Optional Payments and Modifications of Debt Instruments. At any time the commitments under the February 1997 Five-Year Agreement and Amendment plus the commitments under the June 1997 364-Day Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) exceed \$2,000,000,000 in aggregate amount, the Company will not make, and will not permit any of its Subsidiaries to make, any optional payment or prepayment on or redemption, defeasance or purchase of any Indebtedness of the Company or any of its Subsidiaries (other than Indebtedness under the July 1998 Term Loan Facility, the February 1997 Five-Year Agreement and Amendment, the June 1997 364-Day Agreement and Amendment or Indebtedness under Financing Leases in an aggregate amount not to exceed \$50,000,000 in any fiscal year of the Company), or amend, modify or change, or consent or agree to any amendment, modification or change to any of the terms relating to the payment or prepayment or principal of or interest on, any such Indebtedness, other than any amendment, modification or change which would extend the maturity or

reduce the amount of any payment of principal thereof or which would reduce the rate or extend the date for payment of interest there or which would not be adverse to the Banks.

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

"SECTION 8H. Indebtedness of Subsidiaries. Paragraph (b) of subsection 5.1 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 paragraph in its entirety and substituting in lieu thereof the following:

`(b) Each of the Company and its Subsidiaries will promptly pay when due, or in conformance with customary trade terms, all other Indebtedness and liabilities incident to its operations; provided, however, that any such Indebtedness or liability need not be paid if the validity or amount thereof shall currently be contested in good faith and if the Company or the Subsidiary in question shall have set aside on its books appropriate reserves with respect thereto. The Subsidiaries will not create, incur, assume or suffer to exist any Indebtedness, except: (i) Indebtedness outstanding on the date hereof and listed on Schedule III; (ii) Indebtedness that is owing to the Company or any other Subsidiary; (iii) Indebtedness incurred pursuant to an accounts receivable program and (iv) additional Indebtedness at any time outstanding in an aggregate principal amount not to exceed 10% of Consolidated Assets.'.

"SECTION 8I. Sales of Assets. Subsection 5.10 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:

`5.10 Sales of Assets. The Company and its Subsidiaries may from time to time sell or otherwise dispose of all or any part of their respective assets; provided, however, that in any fiscal year, the Company and its Subsidiaries will not (a) sell or dispose of (including, without limitation, any disposition resulting from any merger or consolidation involving a Subsidiary of the Company, and any Sale-and-Leaseback Transaction), outside of the ordinary course of business, to Persons other than the Company and its Subsidiaries, assets constituting in the aggregate more than 12% of Consolidated Assets of the Company and its Subsidiaries as at the end of the immediately preceding fiscal year (excluding an amount equal to the book value of those assets the Net Cash Proceeds from the disposition of which have been applied to prepay the outstanding revolving credit loans under the June 1997 364-Day Agreement and Amendment in accordance with subsection 2.18

thereof) and (b) exchange with any Persons other than the Company and its Subsidiaries any asset or group of assets for another asset or group of assets unless (i) such asset or group of assets are exchanged for an asset or group of assets of a substantially similar type or nature, (ii) on a pro forma basis both before and after giving effect to such exchange, no Default or Event of Default shall have occurred and be continuing, (iii) the aggregate fair market value (as determined in good faith by the Board of Directors of the Company) of the asset or group of assets being transferred by the Company or such Subsidiary and the asset or group of assets being acquired by the Company or such Subsidiary are substantially equal and (iv) the aggregate of (x) all assets of the Company and its Subsidiaries sold pursuant to subsection 5.10(a) (including, without limitation, any disposition resulting from any merger or consolidation involving a Subsidiary of the Company, and any Sale-and-Leaseback Transaction) (excluding an amount equal to the book value of those assets the Net Cash Proceeds from the disposition of which have been applied to prepay the outstanding revolving credit loans under the June 1997 364-Day Agreement and Amendment in accordance with subsection 2.18 thereof) and (y) the aggregate fair market value (as determined in good faith by the Board of Directors of the Company) of all assets of the Company and its Subsidiaries exchanged pursuant to this subsection 5.10(b) does not exceed 20% of Consolidated Assets of the Company and its Subsidiaries as at the end of the immediately preceding fiscal year."

"SECTION 8J. Application of Proceeds of Loans. Subsection 2.16 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:

`2.16 Application of Proceeds of Loans. Subject to the provisions of the following sentence, the Company may use the proceeds of the Loans for any lawful corporate purpose. the Company will not, directly or indirectly, apply any part of the proceeds of any such Loan for the purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose, except in a manner which is not in violation of Regulations U and X.'.

"SECTION 8K. Company Officers' Certificate. Subsection 4.3 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:

`4.3 Company Officers' Certificate. The representations and warranties contained in Section 3 (as qualified by the disclosures in (i) the Company's

Annual Report on Form 10-K for its fiscal year ended December 31, 1997, (ii) the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended June 30, 1997, September 30, 1997 and March 31, 1998 and (iii) the Company's Report on Form 8-K dated February 6, 1998, February 13, 1998, March 6, 1998 and May 27, 1998, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks) shall be true and correct in all material respects on the Closing Date and on and as of each Borrowing Date with the same force and effect as though made on and as of such date; 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; between December 31, 1994 and such Borrowing Date, neither the business nor assets, nor the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis shall have been adversely affected in any material manner as a result of any fire, flood, explosion, accident, drought, strike, lockout, riot, sabotage, confiscation, condemnation, or any purchase of any property by Governmental Authority, activities of armed forces, acts of God or the public enemy, new or amended legislation, regulatory order, judicial decision or any other event or development whether or not related to those enumerated above (all subject to the disclosures enumerated above); and the Agent shall have received a certificate containing a representation to these effects dated such Borrowing Date and signed by a Responsible Officer.'

3. Effective Date; Conditions Precedent. This Fourth Amendment will become effective on July 10, 1998 (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 Fourth 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 Banks.

(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 (as qualified by the disclosures in (i) the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1997, (ii) the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended June 30, 1997, September 30, 1997 and March 31, 1998 and (iii) the Company's Report on Form 8-K dated February 6, 1998, February 13, 1998, March 6, 1998 and May 27, 1998, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks) shall be true and correct in all material respects 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 Fourth 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.

(c) Term Loan Facility. The Company shall have entered into a senior term loan facility, structured and arranged by Chase to be used for general corporate purposes, including for the repurchase of shares of common stock of the Company (including any "synthetic" acquisitions through equity derivatives), on terms and conditions satisfactory to Chase.

4. Legal Obligation. The Company represents and warrants to each Bank that this Fourth 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; Application. 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 Fourth 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 FOURTH AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS FOURTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8. Counterparts. This Fourth Amendment may be executed by one or more of the parties to this Fourth 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 Fourth Amendment signed by all the parties shall be lodged with the Company and the Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Fourth 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/ THOMAS S. THORNHILL

Name: Thomas S. Thornhill
Title: Group Vice President

By: /s/ STEVEN L. HIPSMAN

Name: Steven L. Hipsman
Title: Vice President

ARAB BANK PLC, GRAND CAYMAN BRANCH, as a Bank

By: /s/ [ILLEGIBLE]

Name:
Title:

BANCA MONTE DEI PASCHI DI SIENA SpA,
as a Bank

By: _____

Name:
Title:

By: _____

Name:
Title:

BANCA NAZIONALE del LAVORO, SpA, as a Bank

By: /s/ LEONARDO VALENTINI

Name: Leonardo Valentini
Title: First Vice President

By: /s/ ROBERTO MANCONE

Name: Roberto Mancone
Title: AVP Senior Loan Officer

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

By: /s/ JAMES B. LUKOWICZ

Name: James B. Lukowicz
Title: Vice President

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

By: /s/ J. GREGORY SEIBLY

Name: J. Gregory Seibly
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: 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 OF YOKOHAMA, as a Bank

By:

Name:
Title:

BANQUE NATIONALE DE PARIS -Houston Agency,
as a Bank

By: /s/ HENRY F. SETINA

Name: Henry F. Setina
Title: Vice President

BARNETT BANK, N.A., as a Bank

By: /s/ KEVIN WAGLEY

Name: Kevin Wagley
Title: Vice President

CITIBANK, N.A., as a Bank

By: /s/ MARGARET AU BROWN

Name: Margaret Au Brown
Title: Managing Director

COMERICA BANK, as a Bank

By: /s/ COLLEEN M. MURPHY

Name: Colleen M. Murphy
Title: Assistant Vice President

CORESTATES BANK, N.A., as a Bank

By: /s/ JAMES A. HOBENSACK

Name: James A. Hobensack
Title: Senior 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, as a Bank

By: /s/ TATSUJI NOGUCHI

Name: Tatsuji Noguchi
Title: Chief Representative

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

By: /s/ JOHN O'NEILL

Name: John O'Neill
Title: Vice President

By: /s/ DENNIS T. SHUGRUE

Name: Dennis T. Shugrue
Title: International Banking Officer

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

By: /s/ SUSAN L. PEARSON

Name: Susan L. Pearson
Title: Director

By: /s/ HANS-JOSEF THIELE

Name: Hans-Josef Thiele
Title: Director

FIRST AMERICAN NATIONAL BANK, as a Bank

By: /s/ SANDY HAMRICK

Name: Sandy Hamrick
Title: Senior Vice President

FIRST HAWAIIAN BANK, as a Bank

By: /s/ CHARLES L. JENKINS

Name: Charles L. Jenkins
Title: Vice President and Manager

THE FIRST NATIONAL BANK OF CHICAGO, as a Bank

By: /s/ L. RICHARD SCHILLER

Name: L. Richard Schiller
Title: Vice President

FIRST UNION NATIONAL BANK, as a Bank

By: _____

Name:
Title:

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

By: /s/ MARYANN S. SMITH

Name: Maryann S. Smith
Title: Vice President

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

By: /s/ TOSHIHIRO MITSUI

Name: Toshihiro Mitsui
Title: Senior Vice President and
Joint General Manager

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

By: /s/ KOICHI HASEGAWA

Name: Koichi Hasegawa
Title: Senior Vice President and
Deputy General Manager

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: /s/ THOMAS J. PURCELL

Name: Thomas J. Purcell
Title: Vice President

THE MITSUBISHI TRUST AND BANKING
CORPORATION, as a Bank

By:

Name:
Title:

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:

Name:
Title:

NATIONAL CITY BANK OF KENTUCKY, as a Bank

By: /s/ DENY SCOTT

Name: Deny 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:

Name:
Title:

THE NORTHERN TRUST COMPANY, as a Bank

By: /s/ CHRISTINA L. JAKUC

Name: Christina L. Jakuc
Title: Second Vice President

PNC BANK, N.A., 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/ GARY FRANKE

Name: Gary Franke
Title: Vice President & Manager

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

By: /s/ STEPHEN STRATICI

Name: Stephen Stratici
Title: Vice President

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/ SHINICHI NAKATANI

Name: Shinichi Nakatani
Title: Assistant General Manager

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

By: /s/ JORGE A. GARCIA

Name: Jorge A. Garcia
Title: Vice President

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

By: /s/ T. MIKUMO

Name: T. MIKUMO
Title: Vice President

UBS AG, NEW YORK BRANCH, as a Co-Agent and
as a Bank

By: /s/ LEO L. BALTZ

Name: Leo L. Baltz
Title: Director

By: /s/ EDUARDO SALAZAR

Name: Eduardo Salazar
Title: Executive Director

UNION PLANTERS BANK, N.A.

By: /s/ [ILLEGIBLE]

Name:
Title:

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

By: /s/ KENNETH WASHINGTON

Name: Kenneth Washington
Title: Vice President

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

By: /s/ DONALD A. HARTMANN

Name: Donald A. Hartmann
Title: Senior Vice President

By: /s/ TIMOTHY A. McDEVITT

Name: Timothy A. McDevitt
Title: Vice President

YASUDA TRUST AND BANKING, as a Bank

By: /s/ JUNICHIRO KAWAMURA

Name: Junichiro Kawamura
Title: Vice President

=====

\$1,000,000,000 AGREEMENT

AMONG

COLUMBIA/HCA HEALTHCARE CORPORATION,

THE SEVERAL BANKS AND OTHER FINANCIAL INSTITUTIONS
FROM TIME TO TIME PARTIES HERETO,

THE CO-AGENTS NAMED HEREIN,

NATIONSBANK, N.A.,
AS DOCUMENTATION AGENT,

THE BANK OF NOVA SCOTIA
AND
DEUTSCHE BANK SECURITIES,

AS CO-SYNDICATION AGENTS,

AND

THE CHASE MANHATTAN BANK,
AS AGENT

DATED AS OF JULY 10, 1998

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AGREEMENT, dated as of July 10, 1998 (this "Agreement"), among COLUMBIA/HCA HEALTHCARE CORPORATION, a Delaware corporation (the "Company"), the several banks and other financial institutions from time to time parties hereto (the "Banks"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, THE BANK OF NEW YORK, THE FIRST NATIONAL BANK OF CHICAGO, FLEET NATIONAL BANK, TORONTO DOMINION (TEXAS), INC. AND WACHOVIA BANK OF GEORGIA, N.A. as Co-Agents (collectively, the "Co-Agents"), NATIONSBANK, N.A., as documentation agent for the Banks hereunder (the "Documentation Agent") and THE BANK OF NOVA SCOTIA and DEUTSCHE BANK SECURITIES INC., as co-syndication agents for the Banks hereunder (the "Co-Syndication Agents"); and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent for the Banks hereunder (in such capacity, the "Agent").

In consideration of the promises and mutual agreements herein contained and for other good and valuable consideration, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms have the following meanings:

"Affiliate": (a) any director or officer of any corporation or partner or joint venturer or Person holding a similar position in another Person or members of their families, whether or not living under the same roof, or any Person owning beneficially more than 5% of the outstanding common stock or other evidences of beneficial interest of the Person in question, (b) any Person of which any one or more of the Persons described in clause (a) above is an officer, director or beneficial owner of more than 5% of the shares or other beneficial interest and (c) any Person controlled by, controlling or under common control with the Person in question.

"Alternate Base Rate": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Agent as its prime rate in effect at its principal office in New York City (each change in the Prime Rate to be effective on the date such change is publicly announced); "Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) a fraction, the numerator of which is one and the denominator of which is one minus the C/D Reserve Percentage and (b) the C/D Assessment Rate; "Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board of Governors of the Federal Reserve System (the "Board") through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month

certificates of deposit of major money center banks in New York City received at approximately 10:00 A.M., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it; "C/D Reserve Percentage" shall mean, for any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board (or any successor), for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding one billion Dollars in respect of new non-personal three-month certificates of deposit in the secondary market in Dollars in New York City and in an amount of \$100,000 or more; "C/D Assessment Rate" shall mean, for any day, the net annual assessment rate (rounded upward to the nearest 1/100 of 1%) determined by Chase to be payable on such day to the Federal Deposit Insurance Corporation or any successor (the "FDIC") for FDIC's insuring time deposits made in Dollars at offices of Chase in the United States; and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Agent from three federal funds brokers of recognized standing selected by it. If for any reason the Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate, or both, for any reason, including the inability or failure of the Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective on the effective day of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"Alternate Base Rate Loans": Loans hereunder at such time as they are made and/or being maintained at a rate of interest based upon the Alternate Base Rate.

"Applicable Margin": for each Type of Loan during a Level I Period, Level II Period, Level III Period or Level IV Period, the rate per annum set forth under the relevant column heading in Schedule IV. Increases or decreases in the Applicable Margin shall become effective on the first day of the Level I Period, Level II Period, Level III Period or Level IV Period, as the case may be, to which such Applicable Margin relates.

"Attributable Debt": means (i) as to any capitalized lease obligations, the Indebtedness carried on the balance sheet in respect thereof in accordance with GAAP and (ii) as to any operating leases, the total net amount of rent required to be paid under such leases during the remaining term thereof.

"Auditor": any independent certified public accountant of nationally recognized standing and reputation selected by the Company.

"Available Commitments": at a particular time, an amount equal to the difference between (a) the amount of the Commitments at such time and (b) the aggregate unpaid principal amount at such time of all Loans.

"Bank Obligations": as defined in subsection 6.1.

"Benefitted Bank": as defined in subsection 8.7.

"Borrowing Date": any Business Day specified in a notice pursuant to subsection 2.1(c) as a date on which the Company requests the Banks to make Loans hereunder.

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Change in Control": of any corporation, (a) any Person or "group" (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended), other than the Company, that shall acquire more than 50% of the Voting Stock of such corporation or (b) any Person or group (as defined in preceding clause (a)), other than the Company, that shall acquire more than 20% of the Voting Stock of such corporation and, at any time following an acquisition described in this clause (b), the Continuing Directors shall not constitute a majority of the board of directors of such corporation.

"Chase": The Chase Manhattan Bank, a New York banking corporation.

"Closing Date": the date on which all of the conditions precedent for the Closing Date set forth in Section 4 are satisfied.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Commitment": as to any Bank, its obligation to make Loans to the Company pursuant to subsection 2.1(a) in an aggregate amount not to exceed at any one time outstanding the amount set forth opposite such Bank's name in Schedule I, as such amount may be reduced from time to time as provided herein.

"Commitment Percentage": as to any Bank, the percentage of the aggregate Commitments constituted by such Bank's Commitment.

"Commitment Period": the period from and including the Closing Date to but not including the Termination Date or such earlier date on which the Commitments shall terminate as provided herein.

"Commitment Transfer Supplement": a Commitment Transfer Supplement, substantially in the form of Exhibit B.

"Consolidated Assets": the consolidated assets of the Company and its Subsidiaries, determined in accordance with GAAP.

"Consolidated Earnings Before Interest and Taxes": for any period for which the amount thereof is to be determined, Consolidated Net Income for such period plus (i) all amounts deducted in computing such Consolidated Net Income in respect of interest expense on Indebtedness and income taxes and (ii) non-cash non-recurring charges (including charges as a result of changes in method of accounting) and adjustments for impairment of long-lived assets in accordance with original pronouncement number 121 of the Financial Accounting Standards Board incurred or made as of or for the fiscal quarters ending September 30, 1997 and December 31, 1997 not exceeding in the aggregate \$1,200,000,000 on a pre-tax basis, all determined in accordance with GAAP.

"Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization": for any period for which the amount thereof is to be determined, consolidated net revenues for such period minus consolidated operating expenses plus or minus equity in earnings of affiliates of the Company and its Subsidiaries (excluding Value Health and home health operations included in discontinued operations) for such period (which consolidated operating expenses shall, in any event, include and be limited to salaries and benefits, supplies, other operating expenses and provision for doubtful accounts), all determined in accordance with GAAP and consistent with the Company's reporting on Forms 10-Q and 10-K.

"Consolidated Interest Expense": for any period for which the amount thereof is to be determined, all amounts deducted in computing Consolidated Net Income for such period in respect of interest expense on Indebtedness determined in accordance with GAAP.

"Consolidated Net Income": for any period, the consolidated net income, if any, after taxes, of the Company and its Subsidiaries for such period determined in accordance with GAAP; provided, however, that Consolidated Net Income shall not include any gain or loss attributable to extraordinary items, any sale of assets not in the ordinary course of business or any taxes or tax savings as a result thereof.

"Consolidated Net Tangible Assets": means the total amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (i) all current liabilities as disclosed on the consolidated balance sheet of the Company (excluding any thereof which are by their terms extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed and excluding any deferred income taxes that are included in current liabilities), and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent consolidated balance sheet of the Company and computed in accordance with GAAP.

"Consolidated Net Worth": as of the date of determination, all items which in conformity with GAAP would be included under shareholders' equity on a consolidated balance sheet of the Company and its Subsidiaries at such date.

"Consolidated Total Capitalization": for any period for which the amount thereof is to be determined, the sum of Consolidated Net Worth at such date and Consolidated Total Debt at such date.

"Consolidated Total Debt": the aggregate of all Indebtedness (including the current portion thereof) of the Company and its Subsidiaries on a consolidated basis.

"Continuing Director": any member of the Board of Directors of the Company who is a member of such Board on the date of this Agreement, and any Person who is a member of such Board and whose nomination as a director was approved by a majority of the Continuing Directors then on such Board.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Control Group Person": any Person which is a member of the controlled group or is under common control with the Company within the meaning of Section 414(b) or 414(c) of the Code or Section 4001(b)(1) of ERISA.

"Default": any of the events specified in subsection 6.1, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Distribution": (a) the declaration or payment of any dividend on or in respect of any shares of any class of capital stock of the Company other than dividends payable solely in shares of common stock of the Company; (b) the purchase, redemption or other acquisition of any shares of any class of capital stock of the Company directly or indirectly through a Subsidiary or otherwise; and (c) any other distribution on or in respect of any shares of any class of capital stock of the Company.

"Dollars" and "\$": dollars in lawful currency of the United States of America.

"Domestic Lending Office": the office of each Bank designated as such in Schedule I.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic,

supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto), dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) maintained by a member bank of such System.

"Eurodollar Lending Office": the office of each Bank designated as such in Schedule I.

"Eurodollar Loans": Loans hereunder at such time as they are made and/or are being maintained at a rate of interest based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the average (rounded upwards to the nearest whole multiple of one sixteenth of one percent) of the respective rates notified to the Agent by the Reference Banks as the rate at which each of their Eurodollar Lending Offices is offered Dollar deposits two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar and foreign currency and exchange operations of such Eurodollar Lending Office are then being conducted at or about 10:00 A.M., New York City time, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of the Eurodollar Loan of such Reference Bank to be outstanding during such Interest Period.

"Eurodollar Tranche": the collective reference to Eurodollar Loans having the same Interest Period (whether or not originally made on the same day).

"Event of Default": any of the events specified in subsection 6.1, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, event or act has been satisfied.

"February 1997 Five-Year Agreement and Amendment": the Agreement and Amendment, dated as of February 26, 1997 (as amended, modified or supplemented), among the Company, the Co-Agents (as defined therein), Chase, as Agent and as CAF Loan Agent (as defined therein), and the several banks and other financial institutions parties thereto, which adopts and incorporates by reference to the extent provided therein the Five-Year Composite Credit Agreement dated as of February 28, 1996.

"Financing Lease": any lease of property, real or personal, if the then present value of the minimum rental commitment thereunder should, in accordance with GAAP, be capitalized on a balance sheet of the lessee.

"GAAP": (a) with respect to determining compliance by the Company with the provisions of subsections 5.6, 5.7 and 5.10, generally accepted accounting principles in the United States of America consistent with those utilized in preparing the audited financial statements referred to in subsection 3.3 and (b) with respect to the financial

statements referred to in subsection 3.3 or the furnishing of financial statements pursuant to subsection 5.5 and otherwise, generally accepted accounting principles in the United States of America from time to time in effect.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee Obligation": any arrangement whereby credit is extended to one party on the basis of any promise of another, whether that promise is expressed in terms of an obligation to pay the Indebtedness of another, or to purchase an obligation owed by that other, to purchase assets or to provide funds in the form of lease or other types of payments under circumstances that would enable that other to discharge one or more of its obligations, whether or not such arrangement is listed in the balance sheet of the obligor or referred to in a footnote thereto, but shall not include endorsements of items for collection in the ordinary course of business.

"Indebtedness": of a Person, at a particular date, the sum (without duplication) at such date of (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services or which is evidenced by a note, bond, debenture or similar instrument, (b) all obligations of such Person under Financing Leases, (c) all obligations of such Person in respect of letters of credit, acceptances, or similar obligations issued or created for the account of such Person in excess of \$1,000,000, (d) all liabilities secured by any Lien on any property owned by the Company or any Subsidiary even though such Person has not assumed or otherwise become liable for the payment thereof and (e) all Guarantee Obligations relating to any of the foregoing in excess of \$1,000,000.

"Insolvency" or "Insolvent": at any particular time, a Multiemployer Plan which is insolvent within the meaning of Section 4245 of ERISA.

"Interest Payment Date": (a) as to any Alternate Base Rate Loan, the last day of each March, June, September and December, commencing on the first of such days to occur after Alternate Base Rate Loans are made or Eurodollar Loans are converted to Alternate Base Rate Loans, (b) as to any Eurodollar Loan in respect of which the Company has selected an Interest Period of one, two or three months, the last day of such Interest Period and (c) as to any Eurodollar Loan in respect of which the Company has selected a longer Interest Period than the periods described in clause (b), the last day of each March, June, September and December falling within such Interest Period and the last day of such Interest Period.

"Interest Period": with respect to any Eurodollar Loans:

(i) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loans and ending one, two, three or six months thereafter (or, with the consent of all the Banks, nine or

twelve months thereafter), as selected by the Company in its notice of borrowing as provided in subsection 2.1(c) or its notice of conversion as provided in subsection 2.5(a), as the case may be; and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loans and ending one, two, three or six months thereafter (or, with the consent of all the Banks, nine or twelve months thereafter), as selected by the Company by irrevocable notice to the Agent not less than three Business Days prior to the last day of the then current Interest Period with respect to such Eurodollar Loans;

provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(1) if any Interest Period pertaining to a Eurodollar Loan would otherwise end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(2) if the Company shall fail to give notice as provided above, the Company shall be deemed to have selected an Alternate Base Rate Loan to replace the affected Eurodollar Loan;

(3) any Interest Period pertaining to a Eurodollar Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

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

(5) the Company shall select Interest Periods so as not to require a payment or prepayment of any Eurodollar Loan during an Interest Period for such Loan.

"June 1997 364-Day Agreement and Amendment": the \$3,000,000,000 Agreement and Amendment, dated as of June 17, 1997, among the Company, the several banks and other financial institutions from time to time parties thereto, the co-agents and lead managers named therein and The Chase Manhattan Bank, as Agent and as CAF Loan Agent therein, as the same has been and may be amended, supplemented or otherwise modified or replaced or extended from time to time.

"Level I Period": any period during which the lower of the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced,

long-term Indebtedness of the Company that has been publicly issued are BBB - or better or Baa3 or better, respectively.

"Level II Period": any period during which the lower of the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company that has been publicly issued are BB+ or Ba1, respectively.

"Level III Period": any period during which the lower of the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company that has been publicly issued are BB or Ba2, respectively.

"Level IV Period": any period during which either of the publicly announced ratings by S&P or Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company that has been publicly issued is equal to or below BB- or unrated or equal to or below Ba3 or unrated, as the case may be.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing).

"Loan": as defined in subsection 2.1(a).

"Loan Documents": this Agreement and the Notes.

"Moody's": Moody's Investors Service, Inc., or any successor thereto.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds": means, with respect to any sale or disposition by the Company of assets, cash payments received by the Company or any of its Subsidiaries from such sale or disposition net of bona fide direct costs of sale including, without limitation, (i) income taxes reasonably estimated to be actually payable as a result of such sale or disposition within one year of the date of receipt of such cash payments, (ii) transfer, sales, use and other taxes payable in connection with such sale or disposition, (iii) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness (other than on the revolving credit loans under the June 1997 364-Day Amendment and Agreement) that is secured by a Lien on the stock or assets in question and that is required to be repaid under the terms thereof as a result of such sale or disposition, and (iv) broker's commissions and reasonable fees and expenses of counsel, accountants and other professional advisors in connection with such sale or disposition.

"Notes": as defined in subsection 2.1(b).

"Participants": as defined in subsection 8.6(b).

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"Person": an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan which is covered by ERISA and in respect of which the Company or a Control Group Person is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Principal Property": means each acute care hospital providing general medical and surgical services (including real property but excluding equipment, personal property and hospitals which primarily provide specialty medical services, such as psychiatric and obstetrical and gynecological services) at least 50% of which is owned by the Company and its Subsidiaries on a consolidated basis and located in the United States of America.

"Purchasing Banks": as defined in subsection 8.6(c).

"Reference Banks": Chase and Citibank, N.A.

"Register": as defined in subsection 8.6(d).

"Regulation U": Regulation U of the Board of Governors of the Federal Reserve System.

"Regulation X": Regulation X of the Board of Governors of the Federal Reserve System.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of such term as used in Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .13, .14, .16, .18, .19 or .20 of PBGC Reg. (S) 2615.

"Required Banks": (i) during the Commitment Period, Banks whose Commitment Percentages aggregate at least 51% and (ii) after the Commitments have expired or been terminated, Banks whose outstanding Loans represent in the aggregate 51% of all outstanding Loans.

"Requirement of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer": the chief executive officer, the president, any executive or senior vice president or vice president of the Company, the chief financial officer, treasurer or controller of the Company.

"S&P": Standard & Poor's Ratings Service, or any successor thereto.

"Sale-and-Leaseback Transaction": means any arrangement entered into by the Company or any Significant Subsidiary with any person (other than the Company or a Significant Subsidiary), or to which any such person is a party, providing for the leasing to the Company or any Significant Subsidiary for a period of more than three years of any Principal Property which has been or is to be held or transferred by the Company or such Significant Subsidiary to such Person or to any other Person (other than the Company or a Significant Subsidiary), to which funds have been or are to be advanced by such Person on the security of the leased property.

"Significant Subsidiary": means, at any particular time, any Subsidiary of the Company having total assets of \$15,000,000 or more at that time.

"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Subsidiary": as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company.

"Taxes": as defined in subsection 2.13.

"Termination Date": February 25, 2002.

"Transfer Effective Date": as defined in each Commitment Transfer Supplement.

"Transferee": as defined in subsection 8.6(f).

"Type": as to any Loan, its nature as an Alternate Base Rate Loan or Eurodollar Loan.

"Voting Stock": of any corporation, shares of capital stock or other securities of such corporation entitled to vote generally in the election of directors of such corporation.

"Working Day": any Business Day on which dealings in foreign currencies and exchange between banks may be carried on in London, England.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Company and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF LOANS

2.1 Loans and Notes. (a) Subject to the terms and conditions hereof, each Bank severally agrees to make loans ("Loans") to the Company on the Closing Date in an aggregate principal amount not to exceed the Commitment of such Bank. The Loans may be (i) Eurodollar Loans, (ii) Alternate Base Rate Loans or (iii) a combination thereof, as determined by the Company and notified to the Agent in accordance with subsection 2.1(c).

(b) Upon the request by any Bank, the Loan made by such Bank shall be evidenced by a promissory note of the Company, substantially in the form of Exhibit A with appropriate insertions as to payee, date and principal amount (a "Note"), payable to the order of such Bank and evidencing the obligation of the Company to pay a principal amount equal to the amount of the initial Commitment of such Bank or, if a lesser amount, the aggregate unpaid principal amount of all Loans made by such Bank. Each Bank is hereby authorized to record the date, Type and amount of each Loan made or converted by such Bank, and the date and amount of each payment or prepayment of principal thereof, and, in the case of Eurodollar Loans, the Interest Period with respect thereto, on the schedule annexed to and constituting a part of such Note, and any such recordation shall constitute prima facie evidence of the accuracy of the

information so recorded; provided, however, that the failure to make any such recordation shall not affect the obligations of the Company hereunder or under any Note. Each such Note shall (x) be dated the Closing Date, (y) be stated to mature on the Termination Date, and (z) bear interest on the unpaid principal amount thereof from time to time outstanding at the applicable interest rate per annum determined as provided in subsection 2.6.

(c) The Company may borrow under the Commitments on the Closing Date; provided that the Company shall give the Agent irrevocable notice (which notice must be received by the Agent (i) prior to 11:30 A.M., New York City time three Business Days prior to the Closing Date, in the case of Eurodollar Loans, and (ii) prior to 10:00 A.M., New York City time, on the Closing Date, in the case of Alternate Base Rate Loans), specifying (A) the amount to be borrowed, (B) whether the borrowing is to be of Eurodollar Loans, Alternate Base Rate Loans, or a combination thereof, and (C) if the borrowing is to be entirely or partly of Eurodollar Loans, the length of the Interest Period therefor. Upon receipt of such notice from the Company, the Agent shall promptly notify each Bank thereof. Each Bank will make the amount of its pro rata share of each borrowing available to the Agent for the account of the Company at the office of the Agent set forth in subsection 8.2 prior to 12:00 P.M., New York City time, on the Closing Date in funds immediately available to the Agent. The proceeds of all such Loans will then be made available to the Company by the Agent at such office of the Agent by crediting the account of the Company on the books of such office with the aggregate of the amounts made available to the Agent by the Banks.

2.2 Fees. The Company agrees to pay to the Agent the other fees in the amounts, and on the date, agreed to by the Company and the Agent in the fee letter, dated June 4, 1998, between the Agent and the Company.

2.3 Termination or Reduction of Commitments. The Company shall have the right, upon not less than five Business Days' notice to the Agent, to terminate the Commitments or, from time to time, to reduce ratably the amount of the Commitments, provided that no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the then outstanding principal amount of the Loans would exceed the amount of the Commitments then in effect. Any such reduction shall be in an amount of \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof, and shall reduce permanently the amount of the Commitments then in effect.

2.4 Optional Prepayments. The Company may on the last day of the relevant Interest Period if the Loans to be prepaid are in whole or in part Eurodollar Loans, or at any time and from time to time if the Loans to be prepaid are Alternate Base Rate Loans, prepay the Loans, in whole or in part, without premium or penalty, upon at least three Business Days' irrevocable notice to the Agent, specifying the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or Alternate Base Rate Loans or a combination thereof, and if of a combination thereof, the amount of prepayment allocable to each. Upon receipt of such notice the Agent shall promptly notify each Bank thereof. If such notice is given, the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid. Partial prepayments shall be in an aggregate principal amount of \$5,000,000, or a whole multiple of \$1,000,000 in excess thereof,

and may only be made if, after giving effect thereto, subsection 2.5(c) shall not have been contravened. Partial prepayments under this subsection 2.4 shall be applied ratably to scheduled installments of the Loans pursuant to subsection 2.6(e).

2.5 Conversion Options; Minimum Amount of Loans. (a) The Company may elect from time to time to convert Eurodollar Loans to Alternate Base Rate Loans by giving the Agent at least two Business Days' prior irrevocable notice of such election (given before 10:00 A.M., New York City time, on the date on which such notice is required), provided that any such conversion of Eurodollar Loans shall, subject to the fourth following sentence, only be made on the last day of an Interest Period with respect thereto. The Company may elect from time to time to convert Alternate Base Rate Loans to Eurodollar Loans by giving the Agent at least three Business Days' prior irrevocable notice of such election (given before 11:30 A.M., New York City time, on the date on which such notice is required). Upon receipt of such notice, the Agent shall promptly notify each Bank thereof. Promptly following the date on which such conversion is being made each Bank shall take such action as is necessary to transfer its portion of such Loans to its Domestic Lending Office or its Eurodollar Lending Office, as the case may be. All or any part of outstanding Eurodollar Loans and Alternate Base Rate Loans may be converted as provided herein, provided that, unless the Required Banks otherwise agree, (i) no Loan may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing, (ii) partial conversions shall be in an aggregate principal amount of \$5,000,000 or a whole multiple thereof, and (iii) any such conversion may only be made if, after giving effect thereto, subsection 2.5(c) shall not have been contravened.

(b) Any Eurodollar Loans may be continued as such upon the expiration of an Interest Period with respect thereto by compliance by the Company with the notice provisions contained in subsection 2.5(a); provided that, unless the Required Banks otherwise agree, no Eurodollar Loan may be continued as such when any Event of Default has occurred and is continuing, but shall be automatically converted to an Alternate Base Rate Loan on the last day of the then current Interest Period with respect thereto. The Agent shall notify the Banks promptly that such automatic conversion contemplated by this subsection 2.5(b) will occur.

(c) All borrowings, conversions, payments, prepayments and selection of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of the Loans comprising any Eurodollar Tranche shall not be less than \$10,000,000. At no time shall there be more than 10 Eurodollar Tranches.

2.6 Interest Rate and Payment Dates for Loans. (a) The Eurodollar Loans comprising each Eurodollar Tranche shall bear interest for each day during each Interest Period with respect thereto on the unpaid principal amount thereof at a rate per annum equal to the Eurodollar Rate plus the Applicable Margin.

(b) Alternate Base Rate Loans shall bear interest for each day from and including the date thereof on the unpaid principal amount thereof at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin.

(c) If all or a portion of the principal amount of any Loans shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), each Eurodollar Loan shall, unless the Required Banks otherwise agree, be converted to an Alternate Base Rate Loan at the end of the last Interest Period with respect thereto. Any such overdue principal amount shall bear interest at a rate per annum which is 2% above the rate which would otherwise be applicable pursuant to subsection 2.6(a) or (b), and any overdue interest or other amount payable hereunder shall bear interest at a rate per annum which is 2% above the Alternate Base Rate, in each case from the date of such non-payment until paid in full (after as well as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date.

(e) The Company shall make principal payments on the Loans in installments on the dates and in the amounts set forth below:

Installment Date -----	Principal Amount -----
August 1, 1999	\$100,000,000
February 1, 2000	\$100,000,000
August 1, 2000	\$150,000,000
February 1, 2001	\$150,000,000
August 1, 2001	\$250,000,000
February 25, 2002	\$250,000,000

2.7 Computation of Interest and Fees. (a) Interest in respect of Alternate Base Rate Loans shall be calculated on the basis of a (i) 365-day (or 366-day, as the case may be) year for the actual days elapsed when such Alternate Base Rate Loans are based on the Prime Rate, and (ii) a 360-day year for the actual days elapsed when based on the Base CD Rate or the Federal Funds Effective Rate. Interest in respect of Eurodollar Loans shall be calculated on the basis of a 360-day year for the actual days elapsed. The Agent shall as soon as practicable notify the Company and the Banks of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate or the Applicable Margin or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change in the Alternate Base Rate is announced, such Applicable Margin changes as provided herein or such change in or the Eurocurrency Reserve Requirements shall become effective, as the case may be. The Agent shall as soon as practicable notify the Company and the Banks of the effective date and the amount of each such change.

(b) Each determination of an interest rate by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Company and the Banks in the absence of manifest error. The Agent shall, at the request of the Company, deliver to the Company a statement showing the quotations used by the Agent in determining any interest rate pursuant to subsection 2.6(a) or (c).

(c) If any Reference Bank's Commitment shall terminate (otherwise than on termination of all the commitments), or its Loan shall be assigned for any reason whatsoever, such Reference Bank shall thereupon cease to be a Reference Bank, and if, as a result of the

foregoing, there shall only be one Reference Bank remaining, then the Agent (after consultation with the Company and the Banks) shall, by notice to the Company and the Banks, designate another Bank as a Reference Bank so that there shall at all times be at least two Reference Banks.

(d) Each Reference Bank shall use its best efforts to furnish quotations of rates to the Agent as contemplated hereby. If any of the Reference Banks shall be unable or otherwise fails to supply such rates to the Agent upon its request, the rate of interest shall be determined on the basis of the quotations of the remaining Reference Banks or Reference Bank.

2.8 Inability to Determine Interest Rate. In the event that:

(i) the Agent shall have determined (which determination shall be conclusive and binding upon the Company) that, by reason of circumstances affecting the interbank eurodollar market generally, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for any requested Interest Period;

(ii) only one of the Reference Banks is able to obtain bids for its Dollar deposits for such Interest Period in the manner contemplated by the term "Eurodollar Rate"; or

(iii) the Agent shall have received notice prior to the first day of such Interest Period from Banks constituting the Required Banks that the interest rate determined pursuant to subsection 2.6(a) for such Interest Period does not accurately reflect the cost to such Banks (as conclusively certified by such Banks) of making or maintaining their affected Loans during such Interest Period;

with respect to (A) proposed Loans that the Company has requested be made as Eurodollar Loans, (B) Eurodollar Loans that will result from the requested conversion of Alternate Base Rate Loans into Eurodollar Loans or (C) the continuation of Eurodollar Loans beyond the expiration of the then current Interest Period with respect thereto, the Agent shall forthwith give facsimile or telephonic notice of such determination to the Company and the Banks at least one day prior to, as the case may be, the requested Borrowing Date for such Eurodollar Loans, the conversion date of such Loans or the last day of such Interest Period. If such notice is given (x) any requested Eurodollar Loans shall be made as Alternate Base Rate Loans, (y) any Alternate Base Rate Loans that were to have been converted to Eurodollar Loans shall be continued as Alternate Base Rate Loans and (z) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period with respect thereto, to Alternate Base Rate Loans. Until such notice has been withdrawn by the Agent, no further Eurodollar Loans shall be made, nor shall the Company have the right to convert Alternate Base Rate Loans to Eurodollar Loans.

2.9 Pro Rata Borrowings and Payments. (a) Borrowing by the Company of Loans shall be made ratably from the Banks in accordance with their Commitment Percentages.

(b) All payments (including prepayments) to be made by the Company on account of principal, interest and fees shall be made without set-off or counterclaim and shall be made to the Agent, for the account of the Banks, at the Agent's office set forth in subsection 8.2, in lawful money of the United States of America and in immediately available funds. The Agent shall distribute such payments to the Banks promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month in which event such payment shall be made on the immediately preceding Business Day.

2.10 Illegality. Notwithstanding any other provisions herein, if after the date hereof the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Bank to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the Bank shall, within 30 Business Days after it becomes aware of such fact, notify the Company, through the Agent, of such fact, (b) the commitment of such Bank hereunder to make Eurodollar Loans or convert Alternate Base Rate Loans to Eurodollar Loans shall forthwith be cancelled and (c) such Bank's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Alternate Base Rate Loans on the respective last days of the then current Interest Periods for such Loans or within such earlier period as required by law. Each Bank shall take such action as may be reasonably available to it without legal or financial disadvantage (including changing its Eurodollar Lending Office) to prevent the adoption of or any change in any such Requirement of Law from becoming applicable to it.

2.11 Requirements of Law. (a) If after the date hereof the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Bank with any request or directive (whether or not having the force of law) after the date hereof from any central bank or other Governmental Authority:

(i) shall subject any Bank to any tax of any kind whatsoever with respect to this Agreement, any Note or any Eurodollar Loans made by it, or change the basis of taxation of payments to such Bank of principal, facility fee, interest or any other amount payable hereunder in respect of Loans (except for changes in the rate of tax on the overall net income of such Bank);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Bank which are not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Bank any other condition;

and the result of any of the foregoing is to increase the cost to such Bank, by any amount which such Bank deems to be material, of making, renewing or maintaining advances or extensions of credit or to reduce any amount receivable hereunder, in each case, in respect of its Eurodollar Loans, then, in any such case, the Company shall promptly pay such Bank, upon its demand, any additional amounts necessary to compensate such Bank for such additional cost or reduced amount receivable. If a Bank becomes entitled to claim any additional amounts pursuant to this subsection 2.11(a), it shall, within 30 Business Days after it becomes aware of such fact, notify the Company, through the Agent, of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by such Bank, through the Agent, to the Company shall be conclusive in the absence of manifest error. Each Bank shall take such action as may be reasonably available to it without legal or financial disadvantage (including changing its Eurodollar Lending Office) to prevent any such Requirement of Law or change from becoming applicable to it. This covenant shall survive the termination of this Agreement and payment of the outstanding Indebtedness hereunder or pursuant to the Notes.

(b) In the event that after the date hereof a Bank is required to maintain reserves of the type contemplated by the definition of "Eurocurrency Reserve Requirements", such Bank may require the Company to pay, promptly after receiving notice of the amount due, additional interest on the related Eurodollar Loan of such Bank at a rate per annum determined by such Bank up to but not exceeding the excess of (i) (A) the applicable Eurodollar Rate divided by (B) one minus the Eurocurrency Reserve Requirements over (ii) the applicable Eurodollar Rate. Any Bank wishing to require payment of any such additional interest on account of any of its Eurodollar Loans shall notify the Company no more than 30 Business Days after each date on which interest is payable on such Eurodollar Loan of the amount then due it under this subsection 2.11(b), in which case such additional interest on such Eurodollar Loan shall be payable to such Bank at the place indicated in such notice. Each such notification shall be accompanied by such information as the Company may reasonably request.

2.12 Capital Adequacy. If any Bank shall have determined that after the date hereof the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Bank or any corporation controlling such Bank with any request or directive after the date hereof regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority, does or shall have the effect of reducing the rate of return on such Bank's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Bank or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy) by an amount which is reasonably deemed by such Bank to be material, then from time to time, promptly after submission by such Bank, through the Agent, to the Company of a written request therefor (such request shall include details reasonably sufficient to establish the basis for such additional amounts payable and shall be submitted to the Company within 30 Business Days after it becomes aware of such fact), the Company shall promptly pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction. The agreements in this subsection 2.12 shall survive the termination of this Agreement and payment of the Loans and the Notes and all other amounts payable hereunder.

2.13 Taxes. (a) All payments made by the Company under this Agreement shall be made free and clear of, and without reduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority excluding, in the case of the Agent and each Bank, net income and franchise taxes imposed on the Agent or such Bank by the jurisdiction under the laws of which the Agent or such Bank is organized or any political subdivision or taxing authority thereof or therein, or by any jurisdiction in which such Bank's Domestic Lending Office or Eurodollar Lending Office, as the case may be, is located or any political subdivision or taxing authority thereof or therein (all such non-excluded taxes, levies, imposts, deductions, charges or withholdings being hereinafter called "Taxes"). If any Taxes are required to be withheld from any amounts payable to the Agent or any Bank hereunder or under the Notes, the amounts so payable to the Agent or such Bank shall be increased to the extent necessary to yield to the Agent or such Bank (after payment of all Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the Notes. Whenever any Taxes are payable by the Company, as promptly as possible thereafter, the Company shall send to the Agent for its own account or for the account of such Bank, as the case may be, a certified copy of an original official receipt received by the Company showing payment thereof. If the Company fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Agent the required receipts or other required documentary evidence, the Company shall indemnify the Agent and the Banks for any incremental taxes, interest or penalties that may become payable by the Agent or any Bank as a result of any such failure.

(b) Each Bank that is not incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to the Company and the Agent (i) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Bank is entitled to receive payments under this Agreement and the Notes payable to it, without deduction or withholding of any United States federal income taxes, and (ii) an Internal Revenue Service Form W-8 or W-9 or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax. Each Bank which delivers to the Company and the Agent a Form 1001 or 4224 and Form W-8 or W-9 pursuant to the next preceding sentence further undertakes to deliver to the Company and the Agent two further copies of the said letter and Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms, or other manner of certification, as the case may be, on or before the date that any such letter or form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent letter and form previously delivered by it to the Company, and such extensions or renewals thereof as may reasonably be requested by the Company, certifying in the case of a Form 1001 or 4224 that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless in any such cases an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such letter or form with respect to it and such Bank advises the Company that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of a Form W-8 or W-9, establishing an exemption from United States backup withholding tax.

(c) The agreements in subsection 2.13 shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder.

2.14 Indemnity. The Company agrees to indemnify each Bank and to hold each Bank harmless from any loss or expense (other than any loss of anticipated margin or profit) which such Bank may sustain or incur as a consequence of (a) default by the Company in payment when due of the principal amount of or interest on any Eurodollar Loans of such Bank, (b) default by the Company in making a borrowing or conversion after the Company has given a notice of borrowing in accordance with subsection 2.1(c) or a notice of continuation or conversion pursuant to subsection 2.5, (c) default by the Company in making any prepayment after the Company has given a notice in accordance with subsection 2.4 or (d) the making of a prepayment of a Eurodollar Loan on a day which is not the last day of an Interest Period with respect thereto, including, without limitation, in each case, any such loss or expense arising from the reemployment of funds obtained by it to maintain its Eurodollar Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained. Any Bank claiming any amount under this subsection 2.14 shall provide calculations, in reasonable detail, of the amount of its loss or expense. This covenant shall survive termination of this Agreement and payment of the outstanding indebtedness hereunder or pursuant to the Notes.

2.15 Application of Proceeds of Loans. Subject to the provisions of the following sentence, the Company may use the proceeds of the Loans for any lawful corporate purpose, including for the repurchase of shares of common stock of the Company and the repayment of loans under the February 1997 Five-Year Agreement and Amendment. The Company will not, directly or indirectly, apply any part of the proceeds of any such Loan for the purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose, except in a manner which is not in violation of Regulations U and X.

2.16 Notice of Certain Circumstances; Assignment of Commitments Under Certain Circumstances. (a) Any Bank claiming any additional amounts payable pursuant to subsections 2.11, 2.12 or 2.13 or exercising its rights under subsection 2.10, shall, in accordance with the respective provisions thereof, provide notice to the Company and the Agent. Such notice to the Company and the Agent shall include details reasonably sufficient to establish the basis for such additional amounts payable or the rights to be exercised by the Bank.

(b) Any Bank claiming any additional amounts payable pursuant to subsections 2.11, 2.12 or 2.13 or exercising its rights under subsection 2.10, shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Company or to change the jurisdiction of its applicable lending office if the making of such filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue or avoid the circumstances giving rise to such exercise and would not, in the sole determination of such Bank, be otherwise disadvantageous to such Bank.

(c) In the event that the Company shall be required to make any additional payments to any Bank pursuant to subsections 2.11, 2.12 or 2.13 or any Bank shall exercise its rights under subsection 2.10, the Company shall have the right at its own expense, upon notice

to such Bank and the Agent, to require such Bank to transfer and to assign without recourse (in accordance with and subject to the terms of subsection 8.6) all its interest, rights and obligations under this Agreement to another financial institution (including any Bank) acceptable to the Agent (which approval shall not be unreasonably withheld) which shall assume such obligations; provided that (i) no such assignment shall conflict with any Requirement of Law and (ii) such assuming financial institution shall pay to such Bank in immediately available funds on the date of such assignment the outstanding principal amount of such Bank's Loans hereunder together with accrued interest thereon and all other amounts accrued for its account or owed to it hereunder, including, but not limited to additional amounts payable under subsections 2.2, 2.10, 2.11, 2.12, 2.13 and 2.14.

SECTION 3. REPRESENTATIONS AND WARRANTIES

The Company hereby represents and warrants that:

3.1 Corporate Organization and Existence. Each of the Company and each Subsidiary is a corporation, partnership or other entity duly organized and validly existing and in good standing under the laws of the jurisdiction in which it is organized (except, in the case of Subsidiaries, where the failure to be in good standing would not be material to the Company and its Subsidiaries on a consolidated basis) and has all necessary power to carry on the business now conducted by it. The Company has all necessary corporate power and has taken all corporate action required to make all the provisions of this Agreement and the Notes and all other agreements and instruments executed in connection herewith and therewith, the valid and enforceable obligations they purport to be. Each of the Company and each Subsidiary is duly qualified and in good standing in all jurisdictions other than that of its organization in which the physical properties owned, leased or operated by it are located (except, in the case of Subsidiaries, where the failure to be in good standing would not be material to the Company and its Subsidiaries on a consolidated basis), and is duly authorized, qualified and licensed under all laws, regulations, ordinances or orders of Governmental Authorities, or otherwise, to carry on its business in the places and in the manner presently conducted.

3.2 Subsidiaries. As of the date hereof, the Company has only the Subsidiaries set forth in Schedule II. Schedule II indicates all Subsidiaries of the Company which are not wholly-owned Subsidiaries. The capital stock and securities owned by the Company and its Subsidiaries in each of the Company's Subsidiaries are owned free and clear of any mortgage, pledge, lien, encumbrance, charge or restriction on the transfer thereof other than restrictions on transfer imposed by applicable securities laws and restrictions, liens and encumbrances outstanding on the date hereof and listed in said Schedule II.

3.3 Financial Information. The Company has furnished to the Agent and each Bank copies of the following:

- (a) the Annual Report of the Company for the fiscal year ended December 31, 1997, 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 Ernst-Young LLP;

(b) the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 1997;

(c) Quarterly Report of the Company on Form 10-Q for the fiscal quarter ended March 31, 1998; and

(d) Current Reports on Form 8-K filed with the Securities and Exchange Commission on February 6, 1998, February 13, 1998, March 6, 1998 and May 27, 1998, respectively.

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 and except as disclosed in the above-referenced reports, 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.

3.4 Changes in Condition. Since December 31, 1997 there has been no material adverse change in the business or assets or in the condition, financial or otherwise, of the Company and its Subsidiaries, on a consolidated basis.

3.5 Assets. The Company and each Subsidiary have good and marketable title to all material assets carried on their books and reflected in the most recent balance sheet referred to in subsection 3.3 or furnished pursuant to subsection 5.5, except for assets held on Financing Leases or purchased subject to security devices providing for retention of title in the vendor, and except for assets disposed of as permitted by this Agreement.

3.6 Litigation. Except as disclosed in the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1997 and its Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 1998, 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. With respect to the matters disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and its Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 1998, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks, and the matters set forth on Schedule V hereto, since the date of such disclosures there has been no development which is material and adverse to the business or assets or to the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis.

3.7 Tax Returns. The Company and each of its Subsidiaries have filed all tax returns which are required to be filed and have paid, or made adequate provision for the payment of, all taxes which have or may become due pursuant to said returns or to assessments received. The Company knows of no material additional assessments since said date for which adequate reserves appearing in the said balance sheet have not been established.

3.8 Contracts, etc. Attached hereto as Schedule III is a statement of outstanding Indebtedness of the Company and its Subsidiaries for borrowed money as of the date set forth therein and a complete and correct list of all agreements, contracts, indentures, instruments, documents and amendments thereto to which the Company or any Subsidiary is a party or by which it is bound pursuant to which any such Indebtedness of the Company and its Subsidiaries in excess of \$25,000,000 is outstanding on the date hereof. Said Schedule III also includes a complete and correct list of all such Indebtedness of the Company and its Subsidiaries outstanding on the date indicated in respect of Guarantee Obligations in excess of \$1,000,000 and letters of credit in excess of \$1,000,000, and there have been no increases in such Indebtedness since said date other than as permitted by this Agreement.

3.9 No Legal Obstacle to Agreement. Neither the execution and delivery of this Agreement or of any Notes, nor the making by the Company of any borrowings hereunder, nor the consummation of any transaction herein or therein referred to or contemplated hereby or thereby nor the fulfillment of the terms hereof or thereof or of any agreement or instrument referred to in this Agreement, has constituted or resulted in or will constitute or result in a breach of the provisions of any contract to which the Company or any of its Subsidiaries is a party or by which it is bound or of the charter or by-laws of the Company, or the violation of any law, judgment, decree or governmental order, rule or regulation applicable to the Company or any of its Subsidiaries, or result in the creation under any agreement or instrument of any security interest, lien, charge or encumbrance upon any of the assets of the Company or any of its Subsidiaries. Other than those which have already been obtained, no approval, authorization or other action by any governmental authority or any other Person is required to be obtained by the Company or any of its Subsidiaries in connection with the execution, delivery and performance of this Agreement or the transactions contemplated hereby, or the making of any borrowing by the Company hereunder.

3.10 Defaults. Neither the Company nor any Subsidiary is in default under any provision of its charter or by-laws or, so as to affect adversely in any material manner the business or assets or the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis, under any provision of any agreement, lease or other instrument to which it is a party or by which it is bound or of any Requirement of Law.

3.11 Burdensome Obligations. Neither the Company nor any Subsidiary is a party to or bound by any agreement, deed, lease or other instrument, or subject to any charter, by-law or other corporate restriction which, in the opinion of the management thereof, is so unusual or burdensome as to in the foreseeable future 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. The Company does not presently anticipate that future expenditures of the Company and its Subsidiaries needed to meet the provisions of any federal or state statutes, orders, rules or regulations will be so burdensome as to 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.

3.12 Pension Plans. Each Plan maintained by the Company, any Subsidiary or any Control Group Person or to which any of them makes or will make contributions is in material compliance with the applicable provisions of ERISA and the Code. Neither the Company nor any Subsidiary nor any Control Group Person maintains, contributes to or participates in any Plan that is a "defined benefit plan" as defined in ERISA. Neither the Company, any Subsidiary, nor any Control Group Person has since June 30, 1993 maintained, contributed to or participated in any Multiemployer Plan, with respect to which a complete withdrawal would result in any withdrawal liability. The Company and its Subsidiaries have met all of the funding standards applicable to all Plans that are not Multiemployer Plans, and there exists no event or condition which would permit the institution of proceedings to terminate any Plan that is not a Multiemployer Plan. The current value of the benefits guaranteed under Title IV of ERISA of each Plan that is not a Multiemployer Plan does not exceed the current value of such Plan's assets allocable to such benefits.

3.13 Disclosure. Neither this Agreement nor any agreement, document, certificate or statement furnished to the Banks by the Company in connection herewith contains any untrue statement of material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

3.14 Environmental and Public and Employee Health and Safety Matters. The Company and each Subsidiary has complied with all applicable Federal, state, and other laws, rules and regulations relating to environmental pollution or to environmental regulation or control or to public or employee health or safety, except to the extent that the failure to so comply would not be reasonably likely to result in 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's and the Subsidiaries' facilities do not contain, and have not previously contained, any hazardous wastes, hazardous substances, hazardous materials, toxic substances or toxic pollutants regulated under the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, the

Hazardous Materials Transportation Act, the Toxic Substance Control Act, the Clean Air Act, the Clean Water Act or any other applicable law relating to environmental pollution or public or employee health and safety, in violation of any such law, or any rules or regulations promulgated pursuant thereto, except for violations that would not be reasonably likely to result in 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 is aware of no events, conditions or circumstances involving environmental pollution or contamination or public or employee health or safety, in each case applicable to it or its Subsidiaries, that would be reasonably likely to result in 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.

3.15 Federal Regulations. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect (except in a manner which is not in violation of Regulation U or X) or for any purpose which violates the provisions of the Regulations of the Board of Governors of the Federal Reserve System. If requested by any Bank or the Agent, the Company will furnish to the Agent and each Bank a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U.

3.16 Investment Company Act; Other Regulations. The Company is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. The Company is not subject to regulation under any Federal or State statute or regulation which limits its ability to incur Indebtedness.

3.17 Year 2000 Matters. Any reprogramming required to permit the proper functioning (but only to the extent that such proper functioning would otherwise be materially impaired by the occurrence of the year 2000) in the year 2000 of computer systems and other equipment containing embedded microchips, in either case owned or operated by the Company or any of its Subsidiaries or used or relied upon in the conduct of their business (including any such systems and other equipment supplied by others or with which the computer systems of the Company or any of its Subsidiaries interface), and the testing of all material systems and other equipment as so reprogrammed, will be completed by September 30, 1999. The costs to the Company and its Subsidiaries that have not been incurred as of the date hereof for such reprogramming and testing and for the other reasonably foreseeable consequences to them of any improper functioning of other computer systems and equipment containing embedded microchips due to the occurrence of the year 2000 could not reasonably be expected to result in a Default or Event of Default or to have a material adverse change in the business or assets or in the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis.

SECTION 4. CONDITIONS

The obligations of each Bank to make the Loans contemplated by subsection 2.1 shall be subject to the compliance by the Company with its agreements herein contained and to the satisfaction on or before the Closing Date and each Borrowing Date of such of the following further conditions as are applicable on the Closing Date or such Borrowing Date, as the case may be:

4.1 Loan Documents. The Agent shall have received (i) this 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, if requested by such Bank, a Note conforming to the requirements hereof and executed by a duly authorized officer of the Company.

4.2 Legal Opinions. On the Closing Date and on any Borrowing Date as the Agent shall request, each Bank shall have received from any general, associate, or assistant general counsel to the Company, such opinions as the Agent shall have reasonably requested with respect to the transactions contemplated by this Agreement.

4.3 Company Officers' Certificate. The representations and warranties contained in Section 3 (as qualified by the disclosures in (i) the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1997, (ii) the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended June 30, 1997, September 30, 1997 and March 31, 1998 and (iii) the Company's Reports on Form 8-K dated February 6, 1998, February 13, 1998, March 6, 1998 and May 27, 1998, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks) shall be true and correct in all material respects on the Closing Date and on and as of each Borrowing Date with the same force and effect as though made on and as of such date; 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; between December 31, 1997 and such Borrowing Date, neither the business nor assets, nor the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis shall have been adversely affected in any material manner as a result of any fire, flood, explosion, accident, drought, strike, lockout, riot, sabotage, confiscation, condemnation, or any purchase of any property by Governmental Authority, activities of armed forces, acts of God or the public enemy, new or amended legislation, regulatory order, judicial decision or any other event or development whether or not related to those enumerated above (all subject to the disclosures referred to above); and the Agent shall have received a certificate containing a representation to these effects dated such Borrowing Date and signed by a Responsible Officer.

4.4 Legality, etc. The making of the Loan to be made by such Bank on each Borrowing Date shall not subject such Bank to any penalty or special tax, shall not be prohibited by any Requirement of Law applicable to such Bank or the Company, and all necessary consents, approvals and authorizations of any Governmental Authority or any Person to or of any such Loan shall have been obtained and shall be in full force and effect.

4.5 General. All instruments and legal and corporate proceedings in 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.

4.6 Fees. The Agent shall have received the fees to be received on the Closing Date referred to in subsection 2.2.

4.7 Amendments to Existing Agreements. The conditions to the effectiveness of the Fourth Amendment to the February 1997 Five-year Agreement and Amendment and the Third Amendment to the June 1997 364-Day Agreement and Amendment shall have been satisfied.

SECTION 5. GENERAL COVENANTS

On and after the date hereof, until all of the Notes and all other amounts payable pursuant hereto shall have been paid in full and so long as the Commitments shall remain in effect, the Company covenants that the Company will comply, and will cause each of its Subsidiaries to comply, with such of the provisions of this Section 5 and such other provisions of this Agreement as are applicable to the Person in question.

5.1 Taxes, Indebtedness, etc. (a) Each of the Company and its Subsidiaries will duly pay and discharge, or cause to be paid and discharged, before the same shall become in arrears, all taxes, assessments, levies and other governmental charges imposed upon such corporation and its properties, sales and activities, or any part thereof, or upon the income or profits therefrom; provided, however, that any such tax, assessment, charge or levy need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if the Company or the Subsidiary in question shall have set aside on its books appropriate reserves with respect thereto.

(b) Each of the Company and its Subsidiaries will promptly pay when due, or in conformance with customary trade terms, all other Indebtedness and liabilities incident to its operations; provided, however, that any such Indebtedness or liability need not be paid if the validity or amount thereof shall currently be contested in good faith and if the Company or the Subsidiary in question shall have set aside on its books appropriate reserves with respect thereto. The Subsidiaries will not create, incur, assume or suffer to exist any Indebtedness, except: (i) Indebtedness outstanding on the date hereof and listed on Schedule III; (ii) Indebtedness that is owing to the Company or any other Subsidiary; (iii) Indebtedness incurred pursuant to an accounts receivable program; and (iv) additional Indebtedness at any time outstanding in an aggregate principal amount not to exceed 10% of Consolidated Assets.

5.2 Maintenance of Properties; Compliance with Law. Each of the Company and its Subsidiaries (a) will keep its material properties in good repair, working order and

condition and will from time to time make all necessary and proper repairs, renewals, replacements, additions and improvements thereto and will comply at all times with the provisions of all material leases and other material agreements to which it is a party so as to prevent any loss or forfeiture thereof or thereunder unless compliance therewith is being currently contested in good faith by appropriate proceedings and (b) in the case of the Company or any Subsidiary of the Company while such Person remains a Subsidiary, will do all things necessary to preserve, renew and keep in full force and effect and in good standing its corporate existence and franchises necessary to continue such businesses. The Company and its Subsidiaries will comply in all material respects with all valid and applicable Requirements of Law (including any such laws, rules, regulations or governmental orders relating to the protection of environmental or public or employee health or safety) of the United States, of the States thereof and their counties, municipalities and other subdivisions and of any other jurisdiction, applicable to the Company and its Subsidiaries, except where compliance therewith shall be contested in good faith by appropriate proceedings, the Company or the Subsidiary in question shall have set aside on its books appropriate reserves in conformity with GAAP with respect thereto, and the failure to comply therewith could not reasonably be expected to, in the aggregate, 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.

5.3 Transactions with Affiliates. Neither the Company nor any of its Subsidiaries will enter into any transactions, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any of their Affiliates (other than the Company and its Subsidiaries) unless such transaction is otherwise permitted under this Agreement, is in the ordinary course of the Company's or such Subsidiary's business and is upon fair and reasonable terms no less favorable to the Company or such Subsidiary, as the case may be, than it would obtain in an arm's-length transaction.

5.4 Insurance. The Company will, and will cause each of its Subsidiaries to, maintain or cause to be maintained, with financially sound and reputable insurers including any Subsidiary which is engaged in the business of providing insurance protection, insurance (including, without limitation, professional liability insurance against claims for malpractice) with respect to its properties and business and the properties and business of its Subsidiaries against loss or damage of the kinds customarily insured against of such types and such amounts as are customarily carried under similar circumstances by other corporations. Such insurance may be subject to co-insurance, deductibility or similar clauses which, in effect, result in self-insurance of certain losses, and the Company may self-insure against such loss or damage, provided that adequate insurance reserves are maintained in connection with such self-insurance.

5.5 Financial Statements. The Company will and will cause each of its Subsidiaries to maintain a standard modern system of accounting in which full, true and correct entries will be made of all dealings or transactions in relation to its business and affairs in accordance with GAAP consistently applied, and will furnish the following to each Bank (in duplicate if so requested):

(a) Annual Statements. As soon as available, and in any event within 120 days after the end of each fiscal year, the consolidated balance sheet as at the end of each fiscal year and consolidated statements of profit and loss and of retained earnings for such fiscal year of the Company and its Subsidiaries, together with comparative consolidated figures for the next preceding fiscal year, accompanied by reports or certificates of an Auditor, to the effect that such balance sheet and statements were prepared in accordance with GAAP consistently applied and fairly present the financial position of the Company and its Subsidiaries as at the end of such fiscal year and the results of their operations and changes in financial position for the year then ended and the statement of such Auditor and of a Responsible Officer of the Company that such Auditor and Responsible Officer have caused the provisions of this Agreement to be reviewed and that nothing has come to their attention to lead them to believe that any Default exists hereunder or, if such is not the case, specifying such Default or possible Default and the nature thereof. In addition, such financial statements shall be accompanied by a certificate of a Responsible Officer of the Company containing computations showing compliance with subsections 5.6 through 5.8, 5.10, 5.12, 5.14 and 5.15.

(b) Quarterly Statements. As soon as available, and in any event within 60 days after the close of each of the first three fiscal quarters of the Company and its Subsidiaries in each year, consolidated balance sheets as at the end of such fiscal quarter and consolidated profit and loss and retained earnings statements for the portion of the fiscal year then ended, of the Company and its Subsidiaries, together with computations showing compliance with subsections 5.6 through 5.8, 5.10, 5.12, 5.14 and 5.15, accompanied by a certificate of a Responsible Officer of the Company that such statements and computations have been properly prepared in accordance with GAAP, consistently applied, and fairly present the financial position of the Company and its Subsidiaries as at the end of such fiscal quarter and the results of their operations and changes in financial position for such quarter and for the portion of the fiscal year then ended, subject to normal audit and year-end adjustments, and to the further effect that he has caused the provisions of this Agreement and all other agreements to which the Company or any of its Subsidiaries is a party and which relate to Indebtedness to be reviewed, and has no knowledge that any Default has occurred under this Agreement or under any such other agreement, or, if said Responsible Officer has such knowledge, specifying such Default and the nature thereof.

(c) Notice of Material Litigation; Defaults. The Company will promptly notify each Bank in writing, by delivery of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission or otherwise, as to any litigation or administrative proceeding to which it or any of its Subsidiaries may hereafter be a party which, after giving effect to any applicable insurance, may involve any material risk of any material judgment or liability or which may otherwise result in any material adverse change in the business or assets or in the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis. Promptly

upon acquiring knowledge thereof, the Company will notify each Bank of the existence of any Default, including, without limitation, any default in the payment of any Indebtedness for money borrowed of the Company or any Subsidiary or under the terms of any agreement relating to such Indebtedness, specifying the nature of such Default and what action the Company has taken or is taking or proposes to take with respect thereto. Promptly upon acquiring knowledge thereof, the Company will notify each Bank of a change in the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company.

(d) ERISA Reports. The Company will furnish the Agent with copies of any request for waiver of the funding standards or extension of the amortization periods required by Sections 303 and 304 of ERISA or Section 412 of the Code promptly after any such request is submitted by the Company to the Department of Labor or the Internal Revenue Service, as the case may be. Promptly after a Reportable Event occurs, or the Company or any of its Subsidiaries receives notice that the PBGC or any Control Group Person has instituted or intends to institute proceedings to terminate any pension or other Plan, or prior to the Plan administrator's terminating such Plan pursuant to Section 4041 of ERISA, the Company will notify the Agent and will furnish to the Agent a copy of any notice of such Reportable Event which is required to be filed with the PBGC, or any notice delivered by the PBGC evidencing its institution of such proceedings or its intent to institute such proceedings, or any notice to the PBGC that a Plan is to be terminated, as the case may be. The Company will promptly notify each Bank upon learning of the occurrence of any of the following events with respect to any Plan which is a Multiemployer Plan: a partial or complete withdrawal from any Plan which may result in the incurrence by the Company or any of its Subsidiaries of withdrawal liability in excess of \$1,000,000 under Subtitle E of Title IV of ERISA, or of the termination, insolvency or reorganization status of any Plan under such Subtitle E which may result in liability to the Company or any of its Subsidiaries in excess of \$1,000,000. In the event of such a withdrawal, upon the request of the Agent or any Bank, the Company will promptly provide information with respect to the scope and extent of such liability, to the best of the Company's knowledge.

(e) Reports to Stockholders, etc. Promptly after the sending, making available or filing of the same, copies of all reports and financial statements which the Company shall send or make available to its stockholders including, without limitation, all reports on Form 8-K, 10-Q or 10-K or any similar form hereafter in use which the Company shall file with the Securities and Exchange Commission.

(f) Other Information. From time to time upon request of the Agent or any Bank, the Company will furnish information regarding the business affairs and condition, financial or otherwise, of the Company and its Subsidiaries. The Company agrees that any authorized officers and representatives of any Bank shall have the right during reasonable business hours to examine the books and records of the Company and its Subsidiaries, and to make notes and abstracts therefrom, to make an

independent examination of its books and records for the purpose of verifying the accuracy of the reports delivered by the Company and its Subsidiaries pursuant to this Agreement or otherwise, and ascertaining compliance with this Agreement.

(g) Confidentiality of Information. Each Bank acknowledges that some of the information furnished to such Bank pursuant to this subsection 5.5 may be received by such Bank prior to the time it shall have been made public, and each Bank agrees that it will keep all information so furnished confidential and shall make no use of such information until it shall have become public, except (i) in connection with matters involving operations under or enforcement of this Agreement or the Notes, (ii) in accordance with each Bank's obligations under law or pursuant to subpoenas or other process to make information available to governmental agencies and examiners or to others, (iii) to each Bank's corporate Affiliates and Transferees and prospective Transferees so long as such Persons agree to be bound by this subsection 5.5(g) or (iv) with the prior consent of the Company.

5.6 Ratio of Consolidated Total Debt to Consolidated Total Capitalization. The Company and its Subsidiaries will not at any time have outstanding Consolidated Total Debt in an amount in excess of 65% of Consolidated Total Capitalization.

5.7 Interest Coverage Ratio. On the last day of each fiscal quarter of the Company, commencing with the fiscal quarter ending December 31, 1998, the Consolidated Earnings Before Interest and Taxes of the Company and its Subsidiaries for the four consecutive fiscal quarters of the Company then ending will be an amount which equals or exceeds 200% of the Consolidated Interest Expense of the Company and its Subsidiaries for the same four consecutive fiscal quarters.

5.8 Distributions. The Company will not make any Distribution except that, so long as no Event of Default exists or would exist after giving effect thereto, the Company may make a Distribution; provided however, that at any time the Commitments under the February 1997 Five-Year Agreement and Amendment plus the commitments under the June 1997 364-Day Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) shall exceed \$2,000,000,000 in aggregate amount, the Company will not purchase, repurchase, redeem or otherwise acquire (including any "synthetic" acquisitions through equity derivatives) any shares of any class of capital stock of the Company directly or indirectly through a Subsidiary or otherwise, except for such acquisitions funded with the proceeds of Loans made pursuant to this Agreement or the February 1997 Five-Year Agreement and Amendment in an aggregate principal amount not to exceed \$1,000,000,000.

5.9 Merger or Consolidation. The Company will not become a constituent corporation in any merger or consolidation unless the Company shall be the surviving or resulting corporation and immediately before and after giving effect to such merger or consolidation there shall exist no Default; provided that the Company may merge into another Subsidiary owned by the Company for the purpose of causing the Company to be incorporated in a different jurisdiction in the United States.

5.10 Sales of Assets. The Company and its Subsidiaries may from time to time sell or otherwise dispose of all or any part of their respective assets; provided, however, that in any fiscal year, the Company and its Subsidiaries will not (a) sell or dispose of (including, without limitation, any disposition resulting from any merger or consolidation involving a Subsidiary of the Company, and any Sale-and-Leaseback Transaction), outside of the ordinary course of business, to Persons other than the Company and its Subsidiaries, assets constituting in the aggregate more than 12% of Consolidated Assets of the Company and its Subsidiaries as at the end of the immediately preceding fiscal year (excluding an amount equal to the book value of those assets the Net Cash Proceeds from the disposition of which have been applied to prepay the outstanding revolving credit loans under the June 1997 364-Day Agreement and Amendment in accordance with subsection 2.18 thereof) and (b) exchange with any Persons other than the Company and its Subsidiaries any asset or group of assets for another asset or group of assets unless (i) such asset or group of assets are exchanged for an asset or group of assets of a substantially similar type or nature, (ii) on a pro forma basis both before and after giving effect to such exchange, no Default or Event of Default shall have occurred and be continuing, (iii) the aggregate fair market value (as determined in good faith by the Board of Directors of the Company) of the asset or group of assets being transferred by the Company or such Subsidiary and the asset or group of assets being acquired by the Company or such Subsidiary are substantially equal and (iv) the aggregate of (x) all assets of the Company and its Subsidiaries sold pursuant to subsection 5.10(a) (including, without limitation, any disposition resulting from any merger or consolidation involving a Subsidiary of the Company, and any Sale-and-Leaseback Transaction) (excluding an amount equal to the book value of those assets the Net Cash Proceeds from the disposition of which have been applied to prepay the outstanding revolving credit loans under the June 1997 364-Day Agreement and Amendment in accordance with subsection 2.18 thereof) and (y) the aggregate fair market value (as determined in good faith by the Board of Directors of the Company) of all assets of the Company and its Subsidiaries exchanged pursuant to this subsection 5.10(b) does not exceed 20% of Consolidated Assets of the Company and its Subsidiaries as at the end of the immediately preceding fiscal year.

5.11 Compliance with ERISA. Each of the Company and its Subsidiaries will meet, and will cause all Control Group Persons to meet, all minimum funding requirements applicable to any Plan imposed by ERISA or the Code (without giving effect to any waivers of such requirements or extensions of the related amortization periods which may be granted), and will at all times comply, and will cause all Control Group Persons to comply, in all material respects with the provisions of ERISA and the Code which are applicable to the Plans. At no time shall the aggregate actual and contingent liabilities of the Company under Sections 4062, 4063, 4064 and other provisions of ERISA (calculated as if the 30% of collective net worth amount referred to in Section 4062(b)(1)(A)(i)(II) of ERISA exceeded the actual total amount of unfunded guaranteed benefits referred to in Section 4062(B)(1)(A)(i)(I) of ERISA) with respect to all Plans (and all other pension plans to which the Company, any Subsidiary, or any Control Group Person made contributions prior to such time) exceed \$7,500,000. Neither the Company nor its Subsidiaries will permit any event or condition to exist which could permit any Plan which is not a Multiemployer Plan to be terminated under circumstances which would cause the lien provided for in Section 4068 of ERISA to attach to the assets of the Company or any of its Subsidiaries.

5.12 Negative Pledge. The Company will not and will ensure that no Subsidiary will create or have outstanding any security on or over any Principal Property in respect of any Indebtedness and the Company will not create or have outstanding any security on or over the capital stock of any of its Subsidiaries that own a Principal Property and will ensure that no Subsidiary will create or have outstanding any security on or over the capital stock of any of its respective Subsidiaries that own a Principal Property except in either case for:

(a) any security for the purchase price or cost of construction of real property acquired by the Company or any of its Subsidiaries (or additions, substantial repairs, alterations or substantial improvements thereto) or equipment, provided that such Indebtedness and such security are incurred within 18 months of the acquisition or completion of construction (or alteration or repair) and full operation;

(b) any security existing on property or on capital stock, as the case may be, at the time of acquisition of such property or capital stock, as the case maybe, by the Company or a Subsidiary or on the property or capital stock, as the case may be, of a corporation at the time of the acquisition of such corporation by the Company or a Subsidiary (including acquisitions through merger or consolidation);

(c) any security created in favor of the Company or a Subsidiary;

(d) any security created by operation of law in favor of government agencies of the United States of America or any State thereof;

(e) any security created in connection with the borrowing of funds if within 120 days such funds are used to repay Indebtedness in at least the same principal amount as secured by other security of Principal Property or capital stock of a Subsidiary that owns a Principal Property, as the case may be, with an independent appraised fair market value at least equal to the appraised fair market value of the Principal Property or capital stock of a Subsidiary that owns a Principal Property, as the case may be, secured by the new security; and

(f) any extension, renewal or replacement of any security referred to in the foregoing clauses (a) through (e) provided that the amount thereby secured is not increased;

unless any Loans made and/or to be made to and all other sums payable by the Company under this Agreement shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured. Notwithstanding the foregoing, the Company and any one or more Subsidiaries may, without securing the Loans made and/or to be made to and all other sums payable by the Company under this Agreement, create, issue or assume Indebtedness which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with all other such Indebtedness of the Company and its Subsidiaries (not including Indebtedness permitted to be secured pursuant to the foregoing clauses (a) through (f) and the aggregate Attributable Debt),

including Indebtedness in respect of Sale-and-Lease-back Transactions (other than those permitted by subsection 5.13(b)), does not exceed 10% of Consolidated Net Tangible Assets of the Company and its Subsidiaries.

5.13 Sale-and-Lease-back Transactions. Neither the Company nor any Significant Subsidiary will enter into any Sale-and-Lease-back Transaction with respect to any Principal Property with any Person (other than the Company or a Subsidiary) unless either (a) the Company or such Significant Subsidiary would be entitled, pursuant to the provisions described in subsection 5.12(a) through (f) to incur Indebtedness secured by a security on the property to be leased without equally and ratably securing the Loans made and/or to be made to and all other sums payable by the Company under this Agreement, or (b) the Company during or immediately after the expiration of 120 days after the effective date of such transaction applies to the voluntary retirement of its Indebtedness and/or the acquisition or construction of Principal Property an amount equal to the greater of the net proceeds of the sale of the property leased in such transaction or the fair value in the opinion of the chief financial officer of the Company of the leased property at the time such transaction was entered into.

5.14 Maximum Consolidated Total Debt. The Company and its Subsidiaries will not at any time to and including September 30, 1998 have outstanding Consolidated Total Debt in an amount in excess of \$10,000,000,000.

5.15 Minimum Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization. The Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization of the Company and its Subsidiaries will be, for each period specified below, an amount which equals or exceeds the amount set forth opposite such period:

Period -----	Amount -----
Two fiscal quarters ending June 30, 1998	\$1,500,000,000
Three fiscal quarters ending September 30, 1998	\$2,250,000,000

5.16 Limitation on Optional Payments and Modifications of Debt Instruments. At any time the commitments under the February 1997 Five-Year Agreement and Amendment plus the commitments under the June 1997 364-Day Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) exceed \$2,000,000,000 in aggregate amount, the Company will not make, and will not permit any of its Subsidiaries to make, any optional payment or prepayment on or redemption, defeasance or purchase of any Indebtedness of the Company or any of its Subsidiaries (other than Indebtedness under this Agreement, the February 1997 Five-Year Agreement and Amendment or under the June 1997 364-Day Agreement and Amendment or under Financing Leases in an aggregate amount not to exceed \$50,000,000 in any fiscal year of the Company), or amend, modify or change, or consent or agree to any amendment, modification or change to any of

the terms relating to the payment or prepayment or principal of or interest on, any such Indebtedness, other than any amendment, modification or change which would extend the maturity or reduce the amount of any payment of principal thereof or which would reduce the rate or extend the date for payment of interest thereon or which would not be adverse to the Banks.

SECTION 6. DEFAULTS

6.1 Events of Default. Upon the occurrence of any of the following events:

(a) any default shall be made by the Company in any payment in respect of: (i) interest payable hereunder as the same shall become due and such default shall continue for a period of five days; or (ii) principal of any of the Indebtedness hereunder or evidenced by the Notes as the same shall become due, whether at maturity, by prepayment, by acceleration or otherwise; or

(b) any default shall be made by either the Company or any Subsidiary of the Company in the performance or observance of any of the provisions of subsections 5.6 through 5.10 and 5.12 through 5.15; or

(c) any default shall be made in the due performance or observance of any other covenant, agreement or provision to be performed or observed by either the Company or any Subsidiary under this Agreement, and such default shall not be rectified or cured to the satisfaction of the Required Banks within a period expiring 30 days after written notice thereof by the Agent to the Company; or

(d) any representation or warranty of or with respect to the Company or any Subsidiary of the Company to the Banks in connection with this Agreement shall have been untrue in any material respect on or as of the date made and the facts or circumstances to which such representation or warranty relates shall not have been subsequently corrected to make such representation or warranty no longer incorrect; or

(e) any default shall be made in the payment of any item of Indebtedness of the Company or any Subsidiary or under the terms of any agreement relating to such Indebtedness and such default shall continue without having been duly cured, waived or consented to, beyond the period of grace, if any, therein specified; provided, however, that such default shall not constitute an Event of Default unless (i) the outstanding principal amount of such item of Indebtedness exceeds \$10,000,000, or (ii) the aggregate outstanding principal amount of such item of Indebtedness and all other items of Indebtedness of the Company and its Subsidiaries as to which such defaults exist and have continued without being duly cured, waived or consented to beyond the respective periods of grace, if any, therein specified exceeds \$25,000,000, or (iii) such default shall have continued without being rectified or cured to the satisfaction of the

Required Banks for a period of 30 days after written notice thereof by the Agent to the Company; or

(f) either the Company or any Significant Subsidiary shall be involved in financial difficulties as evidenced:

(i) by its commencement of a voluntary case under Title 11 of the United States Code as from time to time in effect, or by its authorizing, by appropriate proceedings of its board of directors or other governing body, the commencement of such a voluntary case;

(ii) by the filing against it of a petition commencing an involuntary case under said Title 11 which shall not have been dismissed within 60 days after the date on which said petition is filed or by its filing an answer or other pleading within said 60-day period admitting or failing to deny the material allegations of such a petition or seeking, consenting or acquiescing in the relief therein provided;

(iii) by the entry of an order for relief in any involuntary case commenced under said Title 11;

(iv) by its seeking relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or by its consenting to or acquiescing in such relief;

(v) by the entry of an order by a court of competent jurisdiction (i) finding it to be bankrupt or insolvent, (ii) ordering or approving its liquidation, reorganization or any modification or alteration of the rights of its creditors, or (iii) assuming custody of, or appointing a receiver or other custodian for, all or a substantial part of its property;

(vi) by its making an assignment for the benefit of, or entering into a composition with, its creditors, or appointing or consenting to the appointment of a receiver or other custodian for all or a substantial part of its property; or

(g) a Change in Control of the Company shall occur;

then and in each and every such case, (x) the Agent may, with the consent of the Required Banks, or shall, at the direction of the Required Banks, proceed to protect and enforce the rights of the Banks by suit in equity, action at law and/or other appropriate proceeding either for specific performance of any covenant or condition contained in this Agreement or any Note or in any instrument delivered to each Bank pursuant to this Agreement, or in aid of the exercise of any power granted in this Agreement or any Note or any such instrument or assignment, and (y) the Agent may, with the consent of the Required Banks, or shall, at the direction of the Required Banks, by notice in writing to the Company terminate the

obligations of the Banks to make the Loans hereunder, and thereupon such obligations shall terminate forthwith and (z) (unless there shall have occurred an Event of Default under subsection 6.1(f), in which case the obligations of the Banks to make the Loans hereunder shall automatically terminate and the unpaid balance of the Indebtedness hereunder and accrued interest thereon and all other amounts payable hereunder (the "Bank Obligations") shall automatically become due and payable) the Agent may, with the consent of the Required Banks, or shall, at the direction of the Required Banks, by notice in writing to the Company declare all or any part of the unpaid balance of the Bank Obligations then outstanding to be forthwith due and payable, and thereupon such unpaid balance or part thereof shall become so due and payable without presentment, protest or further demand or notice of any kind, all of which are hereby expressly waived, the obligations of the Banks to make further Loans hereunder shall terminate forthwith, and the Agent may, with the consent of the Required Banks, or shall, at the direction of the Required Banks, proceed to enforce payment of such balance or part thereof in such manner as the Agent may elect, and each Bank may offset and apply toward the payment of such balance or part thereof, and to the curing of any such Event of Default, any Indebtedness from such Bank to the Company, including any Indebtedness represented by deposits in any general or special account maintained with such Bank.

6.2 Annulment of Defaults. An Event of Default shall not be deemed to be in existence for any purpose of this Agreement if the Agent, with the consent of or at the direction of the Required Banks, subject to subsection 8.1, shall have waived such event in writing or stated in writing that the same has been cured to its reasonable satisfaction, but no such waiver shall extend to or affect any subsequent Event of Default or impair any rights of the Agent or the Banks upon the occurrence thereof.

6.3 Waivers. The Company hereby waives to the extent permitted by applicable law (a) all presentments, demands for performance, notices of nonperformance (except to the extent required by the provisions hereof), protests, notices of protest and notices of dishonor in connection with any of the Indebtedness hereunder or evidenced by the Notes, (b) any requirement of diligence or promptness on the part of any Bank in the enforcement of its rights under the provisions of this Agreement or any Note, and (c) any and all notices of every kind and description which may be required to be given by any statute or rule of law and any defense of any kind which the Company may now or hereafter have with respect to its liability under this Agreement or any Note.

6.4 Course of Dealing. No course of dealing between the Company and any Bank shall operate as a waiver of any of the Banks' rights under this Agreement or any Note. No delay or omission on the part of any Bank in exercising any right under this Agreement or any Note or with respect to any of the Bank Obligations shall operate as a waiver of such right or any other right hereunder. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. No waiver or consent shall be binding upon any Bank unless it is in writing and signed by the Agent or such of the Banks as may be required by the provisions of this Agreement. The making of a Loan hereunder during the existence of a Default shall not constitute a waiver thereof.

SECTION 7. THE AGENT

7.1 Appointment. Each Bank hereby irrevocably designates and appoints Chase as the Agent of such Bank under this Agreement, and each such Bank irrevocably authorizes Chase, as the Agent for such Bank, to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to the Agent, by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Agent.

7.2 Delegation of Duties. The Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

7.3 Exculpatory Provisions. Neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement (except for its or such Person's own gross negligence or willful misconduct), or (b) responsible in any manner to any of the Banks for any recitals, statements, representations or warranties made by the Company or any officer thereof contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the Notes or for any failure of the Company to perform its obligations hereunder. The Agent shall not be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Company.

7.4 Reliance by Agent. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Company), independent accountants and other experts selected by the Agent. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first receive such advice or concurrence of the Required Banks as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent

shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the Notes in accordance with a request of the Required Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks and all future holders of the Notes.

7.5 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall promptly give notice thereof to the Banks. The Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Banks; provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Banks.

7.6 Non-Reliance on Agent and Other Banks. Each Bank expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent hereinafter taken, including any review of the affairs of the Company, shall be deemed to constitute any representation or warranty by the Agent to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Company and made its own decision to make its Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

7.7 Indemnification. The Banks agree to indemnify the Agent in its capacity as such (to the extent not reimbursed by the Company and without limiting the obligation of the Company to do so), ratably according to the respective amounts of their then existing Loans hereunder, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Indebtedness hereunder or pursuant to the Notes) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement, or any documents

contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by the Agent under or in connection with any of the foregoing; provided that no Bank shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Notes and all other amounts payable hereunder.

7.8 Agent in Its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Company as though the Agent was not the Agent hereunder. With respect to its Loans made or renewed by it and any Note issued to it, the Agent shall have the same rights and powers under this Agreement as any Bank and may exercise the same as though it were not the Agent, and the terms "Bank" and "Banks" shall include the Agent in its individual capacity.

7.9 Successor Agent. The Agent may resign as Agent, as the case may be, upon 10 days' notice to the Banks. If the Agent shall resign as Agent, under this Agreement, then the Required Banks shall appoint from among the Banks a successor agent for the Banks which successor agent shall be approved by the Company, whereupon such successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Agent's resignation hereunder as Agent, the provisions of this subsection 7.9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 8. MISCELLANEOUS

8.1 Amendments and Waivers. Neither this Agreement, any Note, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this subsection. With the written consent of the Required Banks, the Agent and the Company may, from time to time, enter into written amendments, supplements or modifications hereto for the purpose of adding any provisions to this Agreement or the Notes or changing in any manner the rights of the Banks or of the Company hereunder or thereunder or waiving, on such terms and conditions as the Agent may specify in such instrument, any of the requirements of this Agreement or the Notes or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (a) extend the maturity (whether as stated, by acceleration or otherwise) of any Indebtedness hereunder, or reduce the rate or extend the time of payment of interest thereon, or reduce any fee payable to the Banks hereunder, or reduce the principal amount thereof, or change the amount of any Bank's Commitment or amend, modify or waive any provision of this subsection 8.1 or reduce the percentage specified in the definition of Required Banks, or consent to the assignment or transfer by the Company of any of its rights and obligations under this Agreement, in each case without the written consent of each Bank directly affected thereby, or (b) amend, modify or waive any

provision of Section 7 without the written consent of the then Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Banks and shall be binding upon the Company, the Banks, the Agent and all future holders of the Notes. In the case of any waiver, the Company, the Banks and the Agent shall be restored to their former position and rights hereunder and under the outstanding Notes, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

8.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or three days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when sent, confirmation of receipt received, addressed as follows in the case of the Company and the Agent and as set forth in Schedule I in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Notes:

The Company: Columbia/HCA Healthcare Corporation
One Park Plaza
Nashville, Tennessee 37203
Attention: David Anderson
Telecopy: (615) 344-2015

The Agent: The Chase Manhattan Bank
270 Park Avenue - 48th Floor
New York, New York 10017
Attention: Dawn Lee Lum
Telecopy: (212) 270-3279

with a copy to: Chase Agent Bank Services
1 Chase Manhattan Plaza - 8th Floor
New York, New York 10081
Attention: Janet Belden
Telecopy: (212) 552-5658

provided that any notice, request or demand to or upon the Agent or the Banks pursuant to Section 2 shall not be effective until received.

8.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

8.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Notes.

8.5 Payment of Expenses and Taxes; Indemnity. (a) The Company agrees (i) to pay or reimburse the Agent for all 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, (ii) to pay or reimburse each Bank and the Agent for all their reasonable costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Notes and any such other documents, including, without limitation, reasonable fees and disbursements of counsel to the Agent and to each of the Banks and (iii) to pay, indemnify, and hold each Bank and the Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the Notes and any such other documents.

(b) The Company will indemnify each of the Agent and the Banks and the directors, officers and employees thereof and each Person, if any, who controls each one of the Agent and the Banks (any of the foregoing, an "Indemnified Person") and hold each Indemnified Person harmless from and against any and all claims, damages, liabilities and expenses (including without limitation all fees and disbursements of counsel with whom an Indemnified Person may consult in connection therewith and all expenses of litigation or preparation therefor) which an Indemnified Person may incur or which may be asserted against it in connection with any litigation or investigation involving this Agreement, the use of any proceeds of any Loans under this Agreement by the Company or any Subsidiary, any officer, director or employee thereof other than litigation commenced by the Company against any of the Agent or the Banks which (i) seeks enforcement of any of the Company's rights hereunder and (ii) is determined adversely to any of the Agent or the Banks.

(c) The agreements in this subsection 8.5 shall survive repayment of the Notes and all other amounts payable hereunder.

8.6 Successors and Assigns; Participations; Purchasing Banks. (a) This Agreement shall be binding upon and inure to the benefit of the Company, the Banks, the Agent, all future holders of the Notes and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Bank.

(b) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loans owing to such Bank, any Notes held by such Bank, any Commitments of such Bank or any other interests of such Bank hereunder. In the event of any such sale by a Bank of a participating interest to a Participant, such Bank's obligations under this Agreement to the other parties under this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Notes for all purposes under this Agreement, and the Company and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. The Company agrees that if amounts outstanding under this Agreement and the Notes are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of offset in respect of its participating interest in amounts owing under this Agreement and any Notes to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement or any Notes, provided that such right of offset shall be subject to the obligation of such Participant to share with the Banks, and the Banks agree to share with such Participant, as provided in subsection 8.7. The Company also agrees that each Participant shall be entitled to the benefits of subsections 2.11, 2.12 and 2.14 with respect to its participation in the Commitments and the Eurodollar Loans outstanding from time to time; provided that no Participant shall be entitled to receive any greater amount pursuant to such subsections than the transferor Bank would have been entitled to receive in respect of the amount of the participation transferred by such transferor Bank to such Participant had no such transfer occurred. No Participant shall be entitled to consent to any amendment, supplement, modification or waiver of or to this Agreement or any Note, unless the same is subject to clause (a) of the proviso to subsection 8.1.

(c) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to any Bank or any affiliate thereof, and, with the consent of the Company and the Agent (which in each case shall not be unreasonably withheld) to one or more additional banks or financial institutions ("Purchasing Banks") all or any part of its rights and obligations under this Agreement and the Notes pursuant to a Commitment Transfer Supplement, executed by such Purchasing Bank, such transferor Bank and the Agent (and, in the case of a Purchasing Bank that is not then a Bank or an affiliate thereof, by the Company); provided, however, that (i) the Commitments purchased by such Purchasing Bank that is not then a Bank shall be equal to or greater than \$10,000,000 and (ii) the transferor Bank which has transferred part of its Loans and Commitments to any such Purchasing Bank shall retain a minimum Commitment, after giving effect to such sale, equal to or greater than \$10,000,000. Upon (i) such execution of such Commitment Transfer Supplement, (ii) delivery of an executed copy thereof to the Company and (iii) payment by such Purchasing Bank, such Purchasing Bank shall for all purposes be a Bank party to this Agreement and shall have all the rights and obligations of a Bank under this Agreement, to the same extent as if it were an original party hereto with the Commitment Percentage of the Commitments set forth in such Commitment Transfer Supplement. Such Commitment Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Bank and the

resulting adjustment of Commitment Percentages arising from the purchase by such Purchasing Bank of all or a portion of the rights and obligations of such transferor Bank under this Agreement and the Notes. Upon the consummation of any transfer to a Purchasing Bank, pursuant to this subsection 8.6(c), the transferor Bank, the Agent and the Company shall make appropriate arrangements so that, if required, replacement Notes are issued to such transferor Bank and new Notes or, as appropriate, replacement Notes, are issued to such Purchasing Bank, in each case in principal amounts reflecting their Commitment Percentages or, as appropriate, their outstanding Loans as adjusted pursuant to such Commitment Transfer Supplement.

(d) The Agent shall maintain at its address referred to in subsection 8.2 a copy of each Commitment Transfer Supplement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Loans owing to, each Bank from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Company, the Agent and the Banks may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Company or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a Commitment Transfer Supplement executed by a transferor Bank and a Purchasing Bank (and, in the case of a Purchasing Bank that is not then a Bank or an affiliate thereof, by the Company and the Agent) together with payment to the Agent of a registration and processing fee of \$2,500, the Agent shall (i) promptly accept such Commitment Transfer Supplement (ii) on the Transfer Effective Date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Banks and the Company.

(f) Subject to subsection 5.5(g), the Company authorizes each Bank to disclose to any Participant or Purchasing Bank (each, a "Transferee") and any prospective Transferee any and all financial information in such Bank's possession concerning the Company which has been delivered to such Bank by the Company pursuant to this Agreement or which has been delivered to such Bank by the Company in connection with such Bank's credit evaluation of the Company prior to entering into this Agreement.

(g) If, pursuant to this subsection 8.6, any interest in this Agreement or any Note is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Bank (for the benefit of the transferor Bank, the Agent and the Company) that under applicable law and treaties no taxes will be required to be withheld by the Agent, the Company or the transferor Bank with respect to any payments to be made to such Transferee in respect of the Loans, (ii) to furnish to the transferor Bank (and, in the case of any Purchasing Bank registered in the Register, the Agent and the Company) either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Transferee claims entitlement to complete exemption from U.S. federal withholding tax on all

interest payments hereunder) and (iii) to agree (for the benefit of the transferor Bank, to provide the transferor Bank (and, in the case of any Purchasing Bank registered in the Register, the Agent and the Company) a new form 4224 or Form 1001 upon the obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such Transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(h) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection 8.6 concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including any pledge or assignment by a Bank of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

8.7 Adjustments; Set-off. If any Bank (a "Benefitted Bank") shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by offset, pursuant to events or proceedings of the nature referred to in subsection 6.1(f), or otherwise) in a greater proportion than any such payment to and collateral received by any other Bank, if any, in respect of such other Bank's Loans, or interest thereon, such Benefitted Bank shall purchase for cash from the other Banks such portion of each such other Bank's Loans, or shall provide such other Banks with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefitted Bank to share the excess payment or benefits of such collateral or proceeds ratably with each of the Banks; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Bank, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Company agrees that each Bank so purchasing a portion of another Bank's Loan may exercise all rights of a payment (including, without limitation, rights of offset) with respect to such portion as fully as if such Bank were the direct holder of such portion.

8.8 Counterparts. This Agreement may be executed by one or 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.

8.9 GOVERNING LAW. THIS AGREEMENT AND THE NOTES AND THE 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.

8.10 WAIVERS OF JURY TRIAL. THE COMPANY, THE AGENT AND THE BANKS EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING

TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

8.11 Submission To Jurisdiction; Waivers. The Company hereby irrevocably and unconditionally:

(i) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof; and

(ii) consents that any such action or proceeding may be brought in such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same.

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 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/ Thomas S. Thornhill

 Name: Thomas S. Thornhill
 Title: Group Vice President

By: /s/ Larry K. Kelley

 Name: Larry K. Kelley
 Title: Group Vice President

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

By: /s/ J. Gregory Seibly

 Name: J. Gregory Seibly
 Title: Vice President

THE BANK OF NEW YORK, as Co-Agent

By: /s/ Ann Marie Hughes

 Name: Ann Marie Hughes
 Title: Vice President

THE BANK OF NOVA SCOTIA, as Co-Syndication
 Agent and as a Bank

By: /s/ W.J. Brown

 Name: W.J. Brown
 Title: Vice President

DEUTSCHE BANK SECURITIES, INC.,
 as Co-Syndication Agent

By: /s/ Jean M. Hannigan Iain Stewart

 Name: Jean M. Hannigan Iain Stewart
 Title: Vice President Vice President

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

By: /s/ Jean M. Hannigan Susan L. Pearson

 Name: Jean M. Hannigan Susan L. Pearson
 Title: Vice President Director

FIRST AMERICAN NATIONAL BANK, as a Bank

By: /s/ Sandy Hamrick

 Name: Sandy Hamrick
 Title: Senior Vice President

THE FIRST NATIONAL BANK OF CHICAGO,
as Co-Agent

By: /s/ L. Richard Schiller

Name: L. Richard Schiller
Title: Vice President

FIRST UNION NATIONAL BANK, as a Bank

By: /s/ James A. Hobensack

Name: James A. Hobensack
Title: Senior Vice President

FLEET NATIONAL BANK, as Co-Agent

By: /s/ Maryann S. Smith

Name: Maryann S. Smith
Title: Vice President

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: /s/ Thomas J. Purcell

Name: Thomas J. Purcell
Title: Vice President

NATIONSBANK, N.A. as Documentation Agent and
as a Bank

By: /s/ Kevin Wagley

Name: Kevin Wagley
Title: Vice President

SUNTRUST BANK, NASHVILLE, N.A., as a Bank

By: /s/ Mark D. Mattson

Name: Mark D. Mattson
Title: Vice President

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

By: /s/ Jorge A. Garcia

Name: Jorge A. Garcia
Title: Vice President

UNION PLANTERS BANK OF MIDDLE TENNESSEE,
N.A., as a Bank

By: /s/ William A. Collier

Name: William A. Collier
Title: Vice President

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

By: /s/ Kenneth Washington

Name: Kenneth Washington
Title: Vice President

COLUMBIA/HCA HEALTHCARE CORPORATION
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 FOR THE QUARTERS AND SIX MONTHS ENDED JUNE 30, 1998 AND 1997
 (DOLLARS IN MILLIONS)

	QUARTER		SIX MONTHS	
	1998	1997	1998	1997
EARNINGS:				
Income from continuing operations before minority				
interests and income taxes.....	\$309	\$688	\$ 710	\$1,495
Fixed charges, excluding capitalized interest.....	179	156	367	302
	\$488	\$844	\$1,077	\$1,797
	====	====	=====	=====
FIXED CHARGES:				
Interest charged to expense.....	\$145	\$123	\$ 298	\$ 236
Interest portion of rental expense and amortization of				
deferred loan costs.....	34	33	69	66
Fixed charges, excluding capitalized interest.....	179	156	367	302
Capitalized interest.....	6	4	10	10
	\$185	\$160	\$ 377	\$ 312
	====	====	=====	=====
Ratio of earnings to fixed charges.....	2.64	5.26	2.86	5.75
	====	====	=====	=====

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENTS OF INCOME AND BALANCE SHEETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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	JAN-01-1998	
	JUN-30-1998	25
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	4,086	
	1,659	
	462	
	4,046	16,814
	6,442	
	21,048	
	5,019	5,693
	0	0
		6
		7,574
21,048		0
	9,682	0
	5,476	
	1,901	
	683	
	298	
	672	
	280	
	392	
	(117)	
	0	0
		275
		.43
		.43

Basic per SFAS No. 128
Diluted per SFAS No. 128