

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2001

☐ OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 1-11239

HCA - THE HEALTHCARE COMPANY
(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 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 ☒ 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 APRIL 30, 2001

Voting common stock, \$.01 par value
Nonvoting common stock, \$.01 par value

516,521,300 shares
21,000,000 shares

HCA -- THE HEALTHCARE COMPANY

FORM 10-Q
MARCH 31, 2001

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HCA -- THE HEALTHCARE COMPANY
 CONDENSED CONSOLIDATED INCOME STATEMENTS
 FOR THE QUARTERS ENDED MARCH 31, 2001 AND 2000
 UNAUDITED
 (DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	2001	2000
	-----	-----
Revenues.....	\$ 4,501	\$ 4,271
Salaries and benefits.....	1,782	1,661
Supplies.....	711	670
Other operating expenses.....	757	764
Provision for doubtful accounts.....	325	302
Depreciation and amortization.....	257	256
Interest expense.....	142	119
Equity in earnings of affiliates.....	(46)	(32)
Gains on sales of facilities.....	(13)	--
Restructuring of operations and investigation related costs.....	14	13
	-----	-----
	3,929	3,753
	-----	-----
Income before minority interests and income taxes.....	572	518
Minority interests in earnings of consolidated entities.....	30	26
	-----	-----
Income before income taxes.....	542	492
Provision for income taxes.....	216	196
	-----	-----
Net income.....	\$ 326	\$ 296
	=====	=====
Per share data:		
Basic earnings.....	\$ 0.60	\$ 0.53
Diluted earnings.....	\$ 0.59	\$ 0.52
Cash dividends.....	\$ 0.02	\$ 0.02
Shares used in earnings per share calculations (in thousands):		
Basic.....	541,381	563,239
Diluted.....	554,818	573,054

See accompanying notes.

HCA -- THE HEALTHCARE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 188	\$ 314
Accounts receivable, less allowance for doubtful accounts of \$1,629 and \$1,583.....	2,412	2,211
Inventories.....	397	396
Income taxes receivable.....	--	197
Other.....	1,428	1,335
	-----	-----
	4,425	4,453
Property and equipment, at cost.....	14,388	14,290
Accumulated depreciation.....	(5,943)	(5,810)
	-----	-----
	8,445	8,480
Investments of insurance subsidiary.....	1,301	1,371
Investments in and advances to affiliates.....	822	779
Intangible assets, net.....	2,117	2,155
Other.....	433	330
	-----	-----
	\$17,543	\$17,568
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 691	\$ 693
Accrued salaries.....	339	352
Government settlement accrual.....	745	840
Other accrued expenses.....	1,084	1,135
Long-term debt due within one year.....	230	1,121
	-----	-----
	3,089	4,141
Long-term debt.....	6,426	5,631
Professional liability risks, deferred taxes and other liabilities.....	2,199	2,050
Minority interests in equity of consolidated entities.....	583	572
Forward purchase contracts and put options.....	747	769
Stockholders' equity:		
Common stock \$.01 par; authorized 1,650,000,000 shares; outstanding 537,221,700 shares in 2001 and 542,991,700 shares in 2000.....	5	5
Other.....	8	9
Accumulated other comprehensive income.....	8	52
Retained earnings.....	4,478	4,339
	-----	-----
	4,499	4,405
	-----	-----
	\$17,543	\$17,568
	=====	=====

See accompanying notes.

HCA -- THE HEALTHCARE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2001 AND 2000
UNAUDITED
(DOLLARS IN MILLIONS)

	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income.....	\$ 326	\$ 296
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts.....	325	302
Depreciation and amortization.....	257	256
Income taxes.....	356	163
Gains on sales of facilities.....	(13)	--
Changes in operating assets and liabilities.....	(694)	(601)
Payment to Federal government.....	(95)	--
Other.....	(24)	13
	-----	-----
Net cash provided by operating activities.....	438	429
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment.....	(273)	(272)
Acquisition of hospitals and health care entities.....	--	(18)
Investment in and advances to affiliates.....	(24)	--
Disposition of property and equipment.....	67	38
Change in investments.....	(17)	(22)
Other.....	5	(26)
	-----	-----
Net cash used in investing activities.....	(242)	(300)
	-----	-----
Cash flows from financing activities:		
Issuance of long-term debt.....	500	1,200
Net change in revolving bank credit.....	80	(550)
Repayment of long-term debt.....	(666)	(607)
Payment of cash dividends.....	(11)	(11)
Repurchases of common stock, net.....	(218)	(242)
Other.....	(7)	24
	-----	-----
Net cash used in financing activities.....	(322)	(186)
	-----	-----
Change in cash and cash equivalents.....	(126)	(57)
Cash and cash equivalents at beginning of period.....	314	190
	-----	-----
Cash and cash equivalents at end of period.....	\$ 188	\$ 133
	=====	=====
Interest payments.....	\$ 103	\$ 80
Income tax payments (refunds), net.....	\$(140)	\$ 32

See accompanying notes.

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

NOTE 1 -- BASIS OF PRESENTATION

HCA -- The Healthcare Company is a holding company whose affiliates own and operate hospitals and related health care entities. The term "affiliates" includes direct and indirect subsidiaries of HCA -- The Healthcare Company and partnerships and joint ventures in which such subsidiaries are partners. At March 31, 2001, these affiliates owned and operated 185 hospitals, 74 freestanding surgery centers and provided extensive outpatient and ancillary services. Affiliates of HCA -- The Healthcare Company are also partners in 50/50 joint ventures that own and operate nine hospitals and three freestanding surgery centers which are accounted for using the equity method. The Company's facilities are located in 24 states, England and Switzerland. The terms "HCA" or the "Company" as used in this Quarterly Report on Form 10-Q refer to HCA -- The Healthcare Company and its affiliates unless otherwise stated or indicated by context.

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 ended March 31, 2001, are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. 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, 2000.

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

NOTE 2 -- INVESTIGATIONS AND AGREEMENTS TO SETTLE CERTAIN GOVERNMENT CLAIMS

The Company continues to be the subject of governmental investigations and litigation relating to its business practices. Additionally, the Company is a defendant in several qui tam actions brought by private parties on behalf of the United States of America, some of which have been unsealed and served on the Company. The Company is aware of additional qui tam actions that remain under seal. There could also be other sealed qui tam cases of which it is unaware.

On December 14, 2000, the Company announced that it had entered into a Plea Agreement with the Criminal Division of the Department of Justice and various U.S. Attorney's Offices (the "Plea Agreement") and a Civil and Administrative Settlement Agreement with the Civil Division of the Department of Justice (the "Civil Agreement"). The agreements resolve all Federal criminal issues outstanding against the Company and, subject to court approval, certain issues involving Federal civil claims by or on behalf of the government against the Company relating to DRG coding, outpatient laboratory billing and home health issues. The Company also entered into a Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services.

Pursuant to the Plea Agreement, the Company and its affiliates received a full release from criminal liability for conduct arising from or relating to billing and reimbursement for services provided pursuant to Federal health care benefit programs regarding: Medicare cost reports; violations of the Anti-kickback Statute or the Physician Self-referral law, and any other conduct involving relations with referral sources and those in a position to influence referral sources; DRG billing; laboratory billing; the acquisition of home health agencies; and the provision of services by home health agencies. In addition, the government agreed not to prosecute the Company for other possible criminal offenses which are or have been under investigation by the Department of Justice arising from or relating to billing and reimbursement for services provided pursuant to Federal health care benefit programs. The Plea Agreement provided that the Company pay the government

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 2 -- INVESTIGATIONS AND AGREEMENTS TO SETTLE CERTAIN GOVERNMENT CLAIMS
(CONTINUED)

\$95 million, which payment was made during the first quarter of 2001, and that two non-operating subsidiaries enter certain criminal pleas, which pleas were entered in January 2001.

The Civil Agreement covers, in general, the following issues: DRG coding for calendar years 1990-1997; outpatient laboratory billings for calendar years 1989-1997; home health community education for Medicare cost report years 1994-1997; home health billing for calendar years 1995-1998; and certain home health management transactions for Medicare cost report years 1993-1998. The Civil Agreement provides that in return for releases on these issues, the Company will pay the government \$745 million, with interest accruing from May 18, 2000 to the payment date at a rate of 6.5%. The civil payment will be made upon receipt of court approval of the Civil Agreement. The civil issues that are not covered by the Civil Agreement include claims related to cost reports and physician relations issues.

Under the Civil Agreement, the Company's existing Letter of Credit Agreement with the Department of Justice will be reduced from \$1 billion to \$250 million at the time of the settlement payment. Any future civil settlement or court ordered payments related to cost report or physician relations issues will reduce the remaining amount of the letter of credit dollar for dollar. The amount of any such future settlement or court ordered payments is not related to the remaining amount of the letter of credit.

The CIA is structured to assure the government of the Company's overall Medicare compliance and specifically covers DRG coding, outpatient laboratory billing, outpatient prospective payment system ("PPS") billing and physician relations. The CIA resulted in a waiver of the government's discretionary right to exclude any of the Company's operations from participation in the Medicare program for matters settled in the Civil Agreement.

The Company remains the subject of a formal order of investigation by the Securities and Exchange Commission (the "SEC"). The Company understands that the investigation includes the anti-fraud, insider trading, periodic reporting and internal accounting control provisions of the Federal securities laws.

The Company continues to cooperate in the governmental investigations. Given the scope of the investigations and current litigation, the Company anticipates continued investigative activity to occur in these and other jurisdictions in the future.

While management remains unable to predict the outcome of any of the investigations and litigation or the initiation of any additional investigations or litigation, were the Company to be found in violation of Federal or state laws relating to Medicare, Medicaid or similar programs or breach of the CIA, the Company could be subject to substantial monetary fines, civil and criminal penalties and/or exclusion from participation in the Medicare and Medicaid programs. Any such sanctions or expenses could have a material adverse effect on the Company's financial position, results of operations and liquidity. See Note 9 -- Contingencies and Part II, Item 1: Legal Proceedings.

NOTE 3 -- FACILITY SALE

During the first quarter of 2001, HCA recognized a pretax gain of \$13 million (\$4 million after-tax) on the sale of one consolidating hospital. Proceeds from the sale were used to repay bank borrowings.

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 4 -- RESTRUCTURING OF OPERATIONS AND INVESTIGATION RELATED COSTS

HCA recorded the following pretax charges in connection with the restructuring of operations and investigations as discussed in Note 2 -- Investigations and Agreements to Settle Certain Government Claims (in millions):

	QUARTER	
	2001	2000
	----	----
Professional fees related to investigations.....	\$10	\$ 8
Other.....	4	5
	---	---
	\$14	\$13
	===	===

The professional fees related to investigations represent incremental legal and accounting expenses that are being recognized on the basis of when the costs are incurred. The liability balance for accrued severance and lease commitments was approximately \$7 million at March 31, 2001.

NOTE 5 -- INCOME TAXES

HCA 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 IRS in conjunction with its examinations of the Company's 1994-1996 Federal income tax returns, Columbia Healthcare Corporation's ("CHC") 1993 and 1994 Federal income tax returns, HCA -- Hospital Corporation of America's ("Hospital Corporation of America") 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 financing costs, system conversion costs and insurance premiums which were deducted in calculating taxable income, and the allocation of costs to fixed assets and goodwill in connection with hospitals acquired by the Company in 1995 and 1996. The IRS is claiming an additional \$207 million in income taxes and interest through March 31, 2001.

During the first quarter of 2000, the Company and the IRS filed a Stipulated Settlement with the Tax Court regarding the IRS' proposed disallowance of certain acquisition-related costs, executive compensation and systems conversion costs 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 settlement resulted in the Company's payment of tax and interest of \$156 million and had no impact on the Company's results of operations.

Tax Court decisions received in 1996 and 1997, related to the examination of Hospital Corporation of America'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 the second quarter of 2001. Because no final decisions have been made regarding appeals of the decisions, the Company is presently unable to estimate the amount of any additional income tax and interest which the IRS may claim.

During the first quarter of 2000, the IRS began an examination of the Company's 1997 and 1998 Federal income tax returns. The Company expects the IRS to complete its examination during the third quarter of 2001. HCA is presently unable to estimate the amount of any additional income tax and interest which the IRS may claim upon completion of the examination.

Management believes that adequate provisions have been recorded to satisfy final resolution of the disputed issues. Management believes that the Company, CHC, Hospital Corporation of America and Healthtrust properly reported taxable income and paid taxes in accordance with applicable laws and

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 5 -- INCOME TAXES (CONTINUED)

agreements established with the IRS during previous examinations and that the final resolution of these disputes will not have a material adverse effect on the results of operations or financial position of HCA.

NOTE 6 -- EARNINGS PER SHARE

Basic earnings per share is computed on the basis of the weighted average number of common shares outstanding. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the dilutive effect of outstanding stock options and warrants, using the treasury stock method, and the assumed net share settlement of structured repurchases of common stock.

The following table sets forth the computation of basic and diluted earnings per share for the quarters ended March 31, 2001 and 2000 (dollars in millions, except per share amounts and shares in thousands):

	QUARTER	
	2001	2000
Net income.....	\$ 326	\$ 296
Weighted average common shares outstanding.....	541,381	563,239
Effect of dilutive securities:		
Stock options.....	11,989	5,338
Other.....	1,448	4,477
Shares used for diluted earnings per share.....	554,818	573,054
	=====	=====
Earnings per share:		
Basic earnings per share.....	\$ 0.60	\$ 0.53
Diluted earnings per share.....	\$ 0.59	\$ 0.52

NOTE 7 -- LONG-TERM DEBT

In January 2001, HCA issued \$500 million of 7.875% notes due February 1, 2011. Proceeds from the notes were used to retire the outstanding balance under HCA's \$1.2 billion term loan agreement (the "2000 Term Loan").

In April 2001, HCA entered into a new credit agreement with a group of banks consisting of a \$1.75 billion revolving credit loan (the "2001 Revolving Loan") and a \$750 million term loan (the "2001 Term Loan"), collectively, the "2001 Bank Loans". The 2001 Bank Loans have a final maturity in April 2006. The 2001 Revolving Loan refinanced and replaced HCA's revolving credit facility which was scheduled to mature in February 2002. The 2001 Term Loan proceeds were used to reduce outstanding bank loans and resulted in the reclassification of \$900 million of debt from current liabilities to noncurrent liabilities. Interest under the 2001 Bank Loans is payable generally at either LIBOR plus 1% to 2% or the prime lending rate plus 0% to 1% (in each case depending on HCA's credit ratings) or a competitive bid rate.

In April 2001, Moody's Investors Service upgraded HCA's senior debt rating to Ba1 and maintained a positive outlook on the Company.

NOTE 8 -- STOCK REPURCHASE PROGRAM

In March 2000, HCA announced that its Board of Directors authorized the repurchase of up to \$1 billion of common stock. Through March 31, 2001, certain financial organizations purchased 30.3 million shares of the Company's common stock for \$941 million utilizing forward purchase contracts. During 2000, HCA settled forward purchase contracts associated with the March 2000 authorization representing 11.7 million shares at a cost of \$300 million. During the first quarter of 2001, HCA settled forward purchase contracts representing 1.9 million shares at a cost of \$66 million. In accordance with the terms of the contracts, 16.7

HCA -- THE HEALTHCARE COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 UNAUDITED

NOTE 8 -- STOCK REPURCHASE PROGRAM (CONTINUED)

million shares at a cost of \$575 million remain outstanding until settled by the Company. A component of the stock repurchase program has been the sale of put options, which entitle the holder to sell HCA's stock to HCA at a specified price on a specified date. At December 31, 2000, 3.8 million put options, with an average exercise price of \$35.66 per share, were outstanding. During the first quarter of 2001, 1.0 million put options, at an exercise price of \$35.25 per share, were exercised and 2.8 million put options expired unexercised. There were no put options outstanding at March 31, 2001. HCA expects to repurchase, from time to time, the remaining stock associated with the March 2000 repurchase authorization through open market purchases, privately negotiated transactions, forward purchase contracts or by utilizing the sale of put options.

In November 1999, HCA announced that its Board of Directors authorized the repurchase of up to \$1 billion of its common stock. During 2000, HCA settled forward purchase contracts associated with its November 1999 authorization representing 18.7 million shares at a cost of \$539 million. During the first quarter of 2001, HCA settled forward purchase contracts associated with its November 1999 authorization representing 5.6 million shares at a cost of \$163 million. In accordance with the terms of the forward purchase contracts, approximately 10.1 million shares at a cost of approximately \$297 million remain outstanding until the forward purchase contracts are settled by the Company.

The significant terms of the forward purchase contracts utilized in the repurchase transactions include: (1) in consideration for the purchases, the Company is obligated to pay the counterparties an amount equal to their average cost to acquire the stock plus a rate of return that varies by contract (from LIBOR plus 100 basis points to LIBOR plus 150 basis points), (2) the contracts generally have a stated term of one year, but the Company may settle the contracts at any time, subject to certain notification requirements and (3) the Company may settle the contracts, at its discretion, by one of three methods: (a) physical settlement -- where the Company would pay cash in exchange for the shares, (b) net share settlement -- where the Company would issue shares to the counterparties or the counterparties would return shares to the Company in amounts that provide value equal to the differential between the market value of the shares on the settlement date less transaction costs and the counterparties' cost to acquire the shares plus the specified rate of return or (c) net cash settlement -- where the Company would pay cash to the counterparties or the counterparties would pay cash to the Company in amounts that would provide value equal to the differential between the market value of the shares on the settlement date less transaction costs and the cost to acquire the shares plus the specified rate of return.

At the November 2000 meeting of the Emerging Issues Task Force ("EITF"), the SEC provided guidance that in situations where public companies have outstanding equity derivative contracts that are not compliant with the EITF guidance in Issue 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("Issue 00-19"), they are required to reclassify the maximum amount of the potential cash obligation (the forward price in a forward stock purchase contract or the strike price for a written put option) to temporary equity. Pursuant to this guidance, HCA reclassified \$747 million and \$769 million to temporary equity at March 31, 2001 and December 31, 2000, respectively. These reclassifications were made, though the transition provisions in Issue 00-19 do not require overall compliance until June 30, 2001. The Company believes that any equity derivative contracts that may remain unsettled at June 30, 2001 will be in compliance with the requirements of Issue 00-19 and does not expect the adoption of Issue 00-19 to have a material impact on the Company's results of operations or financial position.

In connection with the Company's share repurchase programs, the Company entered into a Letter of Credit Agreement with the United States Department of Justice. As part of the agreement, the Company provided the government with letters of credit totaling \$1 billion. The Civil Agreement with the government, as discussed in Note 2 -- Investigations and Agreements to Settle Certain Government Claims, provides that the letters of credit will be reduced from \$1 billion to \$250 million at the time of the civil settlement payment.

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 9 -- CONTINGENCIES

Significant Legal Proceedings

Various lawsuits, claims and legal proceedings (see Note 2 -- Investigations and Agreements to Settle Certain Government Claims and Part II, Item 1: Legal Proceedings, for descriptions of the ongoing government investigations and other legal proceedings) 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, claims and overcharging, 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 and other violations of law. 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 may seek punitive damages against the Company, which may not be 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.

NOTE 10 -- COMPREHENSIVE INCOME

The components of comprehensive income, net of related taxes, for the quarters ended March 31, 2001 and 2000 are as follows (in millions):

	QUARTER	
	2001	2000
Net income.....	\$326	\$296
Unrealized gains (losses) on securities.....	(39)	8
Foreign currency translation adjustments.....	(5)	--
	----	----
Comprehensive income.....	\$282	\$304
	====	====

The components of accumulated other comprehensive income, net of related taxes are as follows (in millions):

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
Net unrealized gains on securities.....	\$14	\$53
Foreign currency translation adjustments.....	(6)	(1)
	---	---
Accumulated other comprehensive income.....	\$ 8	\$52
	===	===

NOTE 11 -- SEGMENT AND GEOGRAPHIC INFORMATION

HCA operates in one line of business, which is operating hospitals and related health care entities. During the quarters ended March 31, 2001 and 2000 approximately 29.9% and 30.2%, respectively, of the Company's revenues related to patients participating in the Medicare program.

HCA's operations are structured into two geographically organized groups: the Eastern Group includes 95 consolidating hospitals located in the Eastern United States and the Western Group includes 78 consolidating hospitals located in the Western United States. These two groups represent HCA's core

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 11 -- SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

operations and are typically located in urban areas that are characterized by highly integrated facility networks. An additional group, the National Group, includes 4 consolidating hospitals which HCA intends to sell or close and the residual operations of certain other hospitals which have been sold. HCA also operates eight consolidating hospitals in England and Switzerland.

HCA's Chief Executive Officer reviews geographic distributions of HCA's revenues, EBITDA, depreciation and amortization, and assets. EBITDA is defined as income before depreciation and amortization, interest expense, gains on sales of facilities, restructuring of operations and investigation related costs, minority interests and income taxes. HCA uses EBITDA as an analytical indicator for purposes of allocating resources to geographic areas and assessing their performance. EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from EBITDA are significant components in understanding and assessing financial performance. Because EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. The geographic distributions, restated for the transfers of certain facilities to the National Group, of HCA's revenues, EBITDA and depreciation and amortization are summarized in the following table (dollars in millions):

	QUARTER ENDED MARCH 31,	
	2001	2000
Revenues:		
Eastern Group.....	\$2,249	\$2,143
Western Group.....	2,055	1,883
Corporate and other(a).....	158	89
National Group.....	39	156
	-----	-----
	\$4,501	\$4,271
	=====	=====
EBITDA:		
Eastern Group.....	\$ 552	\$ 538
Western Group.....	434	368
Corporate and other(a).....	(4)	(2)
National Group.....	(10)	2
	-----	-----
	\$ 972	\$ 906
	=====	=====
Depreciation and amortization:		
Eastern Group.....	\$ 109	\$ 114
Western Group.....	108	110
Corporate and other(a).....	37	23
National Group.....	3	9
	-----	-----
	\$ 257	\$ 256
	=====	=====

(a) Includes the Company's eight consolidating hospitals located in England and Switzerland.

NOTE 12 -- DERIVATIVES

Effective January 1, 2001, HCA adopted Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities -- an amendment of FASB Statement 133" ("SFAS 138"). SFAS 138 and 133 require HCA to recognize all derivatives on the balance sheet at fair value. The adoption of SFAS 138 had no impact on the Company's financial statements.

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains disclosures which contain "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current facts, and may be identified by the use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," "initiative," "should," "intends" or "continue." These forward-looking statements are based on the current plans and expectations of the Company and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the Company's control, that could significantly affect current plans and expectations and the Company's future financial condition and results. These factors include, but are not limited to, (i) the outcome of the known and unknown litigation and governmental investigations and litigation involving the Company's business practices, including the ability to negotiate, execute and timely consummate definitive settlement agreements in the government's remaining civil cases and to obtain court approval thereof, (ii) the highly competitive nature of the health care business, (iii) the efforts of insurers, health care providers and others to contain health care costs, (iv) possible changes in the Medicare and Medicaid programs that may limit reimbursements to health care providers and insurers, (v) changes in Federal, state or local regulation affecting the health care industry, (vi) the possible enactment of Federal or state health care reform, (vii) the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical support personnel, (viii) liabilities and other claims asserted against the Company, (ix) fluctuations in the market value of the Company's common stock, (x) ability to complete the share repurchase program and to settle related forward purchase contracts, (xi) changes in accounting practices, (xii) changes in general economic conditions, (xiii) future divestitures which may result in additional charges, (xiv) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms, (xv) the availability and terms of capital to fund the expansion of the Company's business, (xvi) changes in business strategy or development plans, (xvii) slowness of reimbursement, (xviii) the ability to implement the Company's shared services and other initiatives and realize a decrease in costs, (xix) the outcome of pending and future tax audits and litigation associated with the Company's tax positions, (xx) the outcome of the Company's continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures and the Company's corporate integrity agreement with the government, (xxi) increased reviews of the Company's cost reports, (xxii) the ability to maintain and increase patient volumes and control the costs of providing services, and (xxiii) other risk factors. As a consequence, current plans, anticipated actions and future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report, including in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

INVESTIGATIONS AND AGREEMENTS TO SETTLE CERTAIN GOVERNMENT CLAIMS

The Company continues to be the subject of governmental investigations and litigation relating to its business practices. Additionally, the Company is a defendant in several qui tam actions brought by private parties on behalf of the United States of America, some of which have been unsealed and served on the Company. The Company is aware of additional qui tam actions that remain under seal. There could also be other sealed qui tam cases of which it is unaware.

On December 14, 2000, the Company announced that it had entered into a Plea Agreement with the Criminal Division of the Department of Justice and various U.S. Attorney's Offices (the "Plea Agreement") and a Civil and Administrative Settlement Agreement with the Civil Division of the Department of Justice (the "Civil Agreement"). The agreements resolve all Federal criminal issues outstanding against the Company and, subject to court approval, certain issues involving Federal civil claims by or on behalf of the government against the Company relating to DRG coding, outpatient laboratory billing and home health

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

INVESTIGATIONS AND AGREEMENTS TO SETTLE CERTAIN GOVERNMENT CLAIMS (CONTINUED)

issues. The Company also entered into a Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services.

Pursuant to the Plea Agreement, the Company and its affiliates received a full release from criminal liability for conduct arising from or relating to billing and reimbursement for services provided pursuant to Federal health care benefit programs regarding: Medicare cost reports; violations of the Anti-kickback Statute or the Physician Self-referral law, and any other conduct involving relations with referral sources and those in a position to influence referral sources; DRG billing; laboratory billing; the acquisition of home health agencies; and the provision of services by home health agencies. In addition, the government agreed not to prosecute the Company for other possible criminal offenses which are or have been under investigation by the Department of Justice arising from or relating to billing and reimbursement for services provided pursuant to Federal health care benefit programs. The Plea Agreement provided that the Company pay the government \$95 million, which payment was made during the first quarter of 2001, and that two non-operating subsidiaries enter certain criminal pleas, which pleas were entered in January 2001.

The Civil Agreement covers, in general, the following issues: DRG coding for calendar years 1990-1997; outpatient laboratory billings for calendar years 1989-1997; home health community education for Medicare cost report years 1994-1997; home health billing for calendar years 1995-1998; and certain home health management transactions for Medicare cost report years 1993-1998. The Civil Agreement provides that in return for releases on these issues, the Company will pay the government \$745 million, with interest accruing from May 18, 2000 to the payment date at a rate of 6.5%. The civil payment will be made upon receipt of court approval of the Civil Agreement. The civil issues that are not covered by the Civil Agreement include claims related to cost reports and physician relations issues.

Under the Civil Agreement, the Company's existing Letter of Credit Agreement with the Department of Justice will be reduced from \$1 billion to \$250 million at the time of the settlement payment. Any future civil settlement or court ordered payments related to cost report or physician relations issues will reduce the remaining amount of the letter of credit dollar for dollar. The amount of any such future settlement or court ordered payments is not related to the remaining amount of the letter of credit.

The CIA is structured to assure the government of the Company's overall Medicare compliance and specifically covers DRG coding, outpatient laboratory billing, outpatient PPS billing and physician relations. The CIA resulted in a waiver of the government's discretionary right to exclude any of the Company's operations from participation in the Medicare Program for matters settled in the Civil Agreement.

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

The Company continues to cooperate in the governmental investigations. Given the scope of the investigations and current litigation, the Company anticipates continued investigative activity to occur in these and other jurisdictions in the future.

While management is unable to predict the outcome of any of the investigations and litigation or the initiation of any additional investigations or litigation, were the Company to be found in violation of Federal or state laws relating to Medicare, Medicaid or similar programs or breach of the CIA, the Company could be subject to substantial monetary fines, civil and criminal penalties and/or exclusion from participation in the Medicare and Medicaid programs. Any such sanctions or expenses could have a material adverse effect on the Company's financial position, results of operations and liquidity. See Note 2 -- Investigations and Agreements to Settle Certain Government Claims and Note 9 -- Contingencies in the Notes to Condensed Consolidated Financial Statements and Part II, Item 1: Legal Proceedings.

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

BUSINESS STRATEGY

HCA's primary objective is to provide the communities it serves a comprehensive array of quality health care services in the most cost-effective manner and consistent with the Company's ethics and compliance program, the CIA and governmental regulations. HCA also seeks to enhance financial performance by increasing utilization and improving operating efficiencies of the Company's facilities. To achieve these objectives, HCA pursues the following strategies:

- Emphasize a "patients first" philosophy and a commitment to ethics and compliance: HCA is committed to a values-based corporate culture that prioritizes the care and improvement of human life above all else. The values highlighted by the Company's corporate culture -- compassion, honesty, integrity, fairness, loyalty, respect and kindness -- are the cornerstone of HCA. To reinforce the Company's dedication to these values and to ensure integrity in all that HCA does, the Company has developed and implemented a comprehensive ethics and compliance program that articulates a high set of values and behavioral standards. HCA believes that this program has reinforced the Company's dedication to excellent patient care.
- Focus on strong assets in select, core communities: HCA focuses on communities where the Company is, or can be, the number one or number two health care provider. To achieve this goal, management initiated a comprehensive restructuring process in 1997 that has transformed HCA into a smaller, more focused company. This restructuring allows HCA to focus its efforts on core communities, which are typically located in urban areas characterized by highly integrated health care facility networks. This restructuring included the divestiture of home health operations and the Value Health, Inc. business units, the spin-offs of LifePoint Hospitals, Inc. and Triad Hospitals, Inc. to HCA's stockholders, and the sales of various other hospitals and surgery centers outside HCA's strategic locations. HCA intends to continue to optimize core assets through selected divestitures, acquisitions and capital expenditures.
- Develop comprehensive local health care networks with a broad range of health care services: HCA seeks to operate each of the Company's facilities as part of a network with other health care facilities that HCA's affiliates own or operate within a common region. Being a comprehensive provider of quality health care services in selected communities should enable the Company to attract and serve patients and physicians.
- Grow through increased patient volume, expansion of specialty and outpatient services and selective acquisitions: HCA intends to identify opportunities in areas where demand for comprehensive health services is not adequately met. Expansion of specialty services should strengthen the Company's health care delivery networks and attract new patients. To support this expansion, HCA plans to actively recruit additional specialists. Recognizing that within the health care industry, the shift from inpatient to outpatient care is likely to continue, HCA intends to enhance the Company's outpatient services by devoting additional capital resources to outpatient facilities.
- Improve operating efficiencies through enhanced cost management and resource utilization, and the implementation of shared services initiatives: HCA has initiated several measures to improve the financial performance of the Company's facilities. To address labor costs, HCA implemented, in many communities, a flexible staffing model. To curtail supply costs, HCA formed a group purchasing organization that allows the Company to achieve better pricing in negotiating purchasing and supply contracts. In addition, as HCA grows in select core markets, the Company should continue to benefit from economies of scale, including supply chain efficiencies and volume discount cost savings. The Company expects to be able to reduce operating costs and to be better positioned to work with health maintenance organizations, preferred provider organizations and employers, by sharing certain services among several facilities in the same market.

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

BUSINESS STRATEGY (CONTINUED)

- Recruit, develop and maintain relationships with physicians: HCA plans to actively recruit physicians to enhance patient care and fulfill the needs of the communities the Company serves. HCA believes that recruiting and retaining quality physicians is essential to being a premier provider of health care services.
- Streamline and decentralize management, consistent with our local focus: HCA's strategy to streamline and decentralize the Company's management structure affords management of the Company's facilities greater flexibility to make decisions that are specific to the respective local communities. This operating structure creates a more nimble, responsive organization.
- Effectively allocate capital to maximize return on investments: Management carefully evaluates investment opportunities and invests in projects that add to the primary objective of providing comprehensive, high-quality health care services in the most cost-effective manner. HCA maintains and replaces equipment, renovates and constructs replacement facilities and adds new services to increase the attractiveness of the Company's hospitals and other facilities to patients and physicians. In addition, HCA evaluates acquisitions that complement the Company's strategies and assesses opportunities to enhance stockholder value, including repayment of indebtedness and stock repurchases.

RESULTS OF OPERATIONS

Revenue/Volume Trends

HCA's revenues are affected by pressure on payment rates by government, managed care providers and others. Under the Balanced Budget Act of 1997 ("BBA-97"), the Company's reimbursement from the Medicare and Medicaid programs was reduced. Subsequent to BBA-97, two relief bills were passed by Congress. The Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999 ("BBRA") was passed in November 1999 and was primarily directed at reducing potential future Medicare cuts that would have occurred as a result of BBA-97. The Medicare, Medicaid and SCHIP Benefit Improvement and Protection Act of 2000 ("BIPA") was enacted in December 2000. Under BIPA, HCA believes it may realize Medicare rate increases over the next five years beginning in April 2001. BBA-97 contained a requirement that the Health Care Financing Administration adopt a prospective payment system ("PPS") for outpatient hospital services, which was implemented during August 2000. The outpatient PPS has not had a measurable effect on the Company's financial results. During the first quarter of 2001, the Company experienced an increase in revenue per equivalent admission of 5% over the first quarter of 2000 primarily the result of renegotiating and renewing certain managed care contracts on more favorable terms. Payer pressure to utilize outpatient and alternative health care delivery services also presents a challenge to the Company and the health care industry in general. Admissions related to Medicare, Medicaid and managed care plans and other discounted arrangements for the quarters ended March 31, 2001 and 2000 are set forth below.

	QUARTER	
	2001	2000
Medicare.....	39.0%	38.4%
Medicaid.....	10.7	10.8
Managed care and other discounted.....	40.3	41.6
Other.....	10.0	9.2
	100.0%	100.0%
	=====	=====

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

RESULTS OF OPERATIONS (CONTINUED)

Revenue/Volume Trends (continued)

The approximate percentages of inpatient revenues of the Company's facilities related to Medicare, Medicaid and managed care plans and other discounted arrangements for the quarters ended March 31, 2001 and 2000 are set forth below:

	QUARTER	
	2001	2000
Medicare.....	40.7%	41.8%
Medicaid.....	6.6	7.8
Managed care and other discounted.....	38.3	35.1
Other.....	14.4	15.3
	-----	-----
	100.0%	100.0%
	=====	=====

Payment pressure on payment rates and pressure by payers for patients to utilize outpatient or alternative delivery services presents an ongoing challenge. The challenges presented by these trends are enhanced by HCA's inability to control these trends and the associated risks. To maintain and improve its operating margins in future periods, HCA must increase patient volumes while controlling the cost of providing services.

Management believes that the proper response to these challenges includes the delivery of a broad range of quality health care services to physicians and patients, with operating decisions being made by the local management teams and local physicians, and a focus on reducing operating costs through implementation of its shared services initiative.

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

RESULTS OF OPERATIONS (CONTINUED)

Operating Results Summary

The following are comparative summaries of results from operations for the quarters ended March 31, 2001 and 2000 (dollars in millions, except per share amounts):

	QUARTER			
	2001		2000	
	AMOUNT	RATIO	AMOUNT	RATIO
Revenues.....	\$4,501	100.0	\$4,271	100.0
Salaries and benefits.....	1,782	39.6	1,661	38.9
Supplies.....	711	15.8	670	15.7
Other operating expenses.....	757	16.8	764	17.8
Provision for doubtful accounts.....	325	7.2	302	7.1
Depreciation and amortization.....	257	5.7	256	6.0
Interest expense.....	142	3.2	119	2.8
Equity in earnings of affiliates.....	(46)	(1.0)	(32)	(0.7)
Gains on sales of facilities.....	(13)	(0.3)	--	--
Restructuring of operations and investigation related costs.....	14	0.3	13	0.3
	3,929	87.3	3,753	87.9
Income before minority interests and income taxes.....	572	12.7	518	12.1
Minority interests in earnings of consolidated entities.....	30	0.7	26	0.6
Income before income taxes.....	542	12.0	492	11.5
Provision for income taxes.....	216	4.8	196	4.6
Net income.....	\$ 326	7.2	\$ 296	6.9
	=====	=====	=====	=====
Basic earnings per share.....	\$ 0.60		\$ 0.53	
Diluted earnings per share.....	\$ 0.59		\$ 0.52	
% changes from prior year:				
Revenues.....	5.4%		(8.2)%	
Income before income taxes.....	10.3		(13.7)	
Net income.....	10.3		(8.0)	
Basic earnings per share.....	13.2		6.0	
Diluted earnings per share.....	13.5		4.0	
Admissions(a).....	1.0		(14.5)	
Equivalent admissions(b).....	0.3		(15.3)	
Revenue per equivalent admission.....	5.0		8.3	
Same facility % changes from prior year(c):				
Revenues.....	6.8		6.4	
Admissions(a).....	2.3		2.2	
Equivalent admissions(b).....	1.8		2.5	
Revenue per equivalent admission.....	4.9		3.8	

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- (a) Represents the total number of patients admitted (in the facility for a period in excess of 23 hours) to the Company's hospitals and is used by management and certain investors as a general measure of inpatient volume.
- (b) Equivalent admissions are 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 period.

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

RESULTS OF OPERATIONS (CONTINUED)

Quarters Ended March 31, 2001 and 2000

Income before income taxes increased 10.3% from income of \$492 million in 2000 to \$542 million in 2001 and pretax margins increased to 12.0% in 2001 from 11.5% in 2000. The increase in pretax income was primarily attributable to an increase in revenue per equivalent admission and improvement in other operating expenses as a percentage of revenue.

Revenues increased 5.4% to \$4.5 billion in 2001 from \$4.3 billion in 2000. The increase was primarily the result of renegotiating and renewing certain managed care contracts on more favorable terms. Admissions increased 1.0% from 2000 and equivalent admissions (adjusted to reflect combined inpatient and outpatient volume) increased 0.3%. Revenue per equivalent admission increased 5.0% over 2000. On a same facility basis, revenues increased 6.8%, admissions increased 2.3% and equivalent admissions increased 1.8% from 2000. Revenue per equivalent admission on a same facility basis increased 4.9% over 2000.

Salaries and benefits, as a percentage of revenues increased to 39.6% in 2001 from 38.9% in 2000. Increasing wage rates, as evidenced by labor cost per man-hour increasing approximately 7.0% over the first quarter of 2000, continue to present a management and industry challenge. Salaries and benefits, as a percentage of revenues, also increased due to manhours associated with HCA's shared services initiatives.

Supply costs increased slightly as a percentage of revenues to 15.8% in the first quarter of 2001 compared to 15.7% in the first quarter of 2000. The rate of increase in the cost of pharmaceutical, orthopedic and cardiac supplies was generally consistent with the increase in revenue per equivalent admission.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes) as a percentage of revenues, decreased to 16.8% in 2001 from 17.8% in 2000 due to small decreases in several of these areas as a percentage of revenues.

The provision for doubtful accounts, as a percentage of revenues, increased to 7.2% in the first quarter of 2001 from 7.1% in 2000. The Company continues to experience trends that make it difficult to maintain or reduce the provision for doubtful accounts as a percentage of revenues. These trends include delays in payments and the denial of claims by managed care payers and increases in the volume of health care services provided to uninsured patients in the Company's facilities.

Equity in earnings of affiliates increased as a percentage of revenues to 1.0% in the first quarter of 2001 from 0.7% in 2000 due primarily to improved operations during 2001 in the Denver market joint venture.

Depreciation and amortization decreased as a percentage of revenues to 5.7% in the first quarter of 2001 from 6.0% in the first quarter of 2000, primarily due to depreciation and amortization levels remaining relatively unchanged while revenues increased.

Interest expense increased to \$142 million in the first quarter of 2001 from \$119 million in the first quarter of 2000. The Company recognized \$12 million of interest expense during the first quarter of 2001 related to the proposed settlement with the Federal government. The increase was also due to an increase in the average debt balance outstanding during the first quarter of 2001 compared to the first quarter of 2000. The average debt balance outstanding was \$6.6 billion for the first quarter 2001 compared to \$6.3 billion for the first quarter of 2000.

During 2001 and 2000, respectively, the Company incurred \$14 million and \$13 million of restructuring of operations and investigation related costs. In 2001, the restructuring of operations and investigation related costs included \$10 million of legal and accounting fees related to the governmental investigations and \$4 million of other costs. In 2000, the costs included \$8 million of legal and accounting fees and \$5 million of other costs.

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

RESULTS OF OPERATIONS (CONTINUED)

Quarters Ended March 31, 2001 and 2000 (continued)

During the first quarter of 2001, HCA recognized a pretax gain of \$13 million (\$4 million after-tax) on the sale of one consolidating hospital. Proceeds from the sale were used to repay bank borrowings.

Minority interests increased slightly as a percentage of revenues to 0.7% during the first quarter of 2001 compared to 0.6% during the first quarter of 2000 due to improved operations at certain joint ventures.

Liquidity and Capital Resources

Cash provided by operating activities totaled \$438 million in 2001 compared to \$429 million in 2000. The increase in cash provided by operating activities during 2001 was primarily due to an increase in net income. HCA received an income tax refund of \$140 million during the first quarter of 2001, but this was partially offset by the payment of \$95 million to the government pursuant to the Plea Agreement.

Working capital totaled \$1.336 billion at March 31, 2001 and \$312 million at December 31, 2000. During 2001, HCA refinanced \$900 million which was included in current liabilities at December 31, 2000.

Cash used in investing activities was \$242 million in 2001 compared to \$300 million in 2000. Excluding acquisitions, capital expenditures were \$273 million in 2001 and \$272 million in 2000. Planned capital expenditures in 2001 are expected to approximate \$1.3 billion. At March 31, 2001, there were projects under construction, which had an estimated additional cost to complete and equip over the next five years of approximately \$1.9 billion. HCA expects to finance capital expenditures with internally generated and borrowed funds. Available sources of capital include amounts available under HCA's credit agreement (approximately \$664 million as of April 30, 2001) and anticipated access to public and private debt markets. Management believes that its capital expenditure program is adequate to expand, improve and equip its existing health care facilities.

HCA 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 HCA, within specific periods at fixed prices or prices based on certain formulas. The combined put price under all such agreements was approximately \$513 million at March 31, 2001. During 2000, two of HCA's joint venture partners exercised their put options whereby HCA purchased the partners' interests in the joint ventures for approximately \$95 million. HCA cannot predict if, or when, other joint venture partners will exercise such options.

During 1998, the Internal Revenue Service ("IRS") issued guidance regarding certain tax consequences of joint ventures between for-profit and not-for-profit hospitals. As a result of the tax ruling, the IRS has proposed and may in the future propose to revoke the tax-exempt or public charity status of certain not-for-profit entities, which participate in such joint ventures, or to treat joint venture income as unrelated business taxable income. HCA is continuing to review the impact of the tax ruling on its existing joint ventures, or the development of future ventures, and is consulting with its joint venture partners and tax advisers to develop appropriate courses of action. In January 2001, a not-for-profit entity which participates in a joint venture with HCA filed a refund suit in Federal District Court seeking to recover taxes, interest and penalties assessed by the IRS in connection with the IRS' proposed revocation of the not-for-profit entity's tax-exempt status. In the event that the not-for-profit entity's tax-exempt status is upheld, the IRS has proposed to treat the not-for-profit entity's share of joint venture income as unrelated business taxable income. HCA is not a party to this lawsuit. The tax ruling or any adverse determination by the IRS or the courts regarding the tax-exempt or public charity status of a not-for-profit partner or the characterization of joint venture income as unrelated business taxable income could limit joint venture development with not-for-profit hospitals, require the restructuring of certain existing joint ventures with not-for-profits and influence the exercise of the put agreements by certain existing joint venture partners.

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

RESULTS OF OPERATIONS (CONTINUED)

Liquidity and Capital Resources (continued)

Investments of the Company's professional liability insurance subsidiary to maintain statutory equity and pay claims totaled \$1.6 billion at March 31, 2001 and \$1.7 billion at December 31, 2000. HCA's wholly-owned insurance subsidiary has entered into certain reinsurance contracts. The obligations covered by the reinsurance contracts remain on the balance sheet as HCA remains liable to the extent that the reinsurers do not meet their obligations under the reinsurance contracts. The unamortized balance of the amounts receivable related to the reinsurance contracts of \$222 million at March 31, 2001 and \$230 million at December 31, 2000, are included in other assets.

HCA has entered into retroactive insurance contracts in regards to certain workers' compensation and professional liability risks. As a result of the reinsurance and retroactive contracts, deferred gains of \$86 million at March 31, 2001 and \$21 million at December 31, 2000 are included in other liabilities and will be recognized over the estimated recovery period using the interest method.

Cash flows used in financing activities totaled approximately \$322 million during 2001 and \$186 million during 2000. The cash flows provided by continuing operating activities and investing activities were primarily used to repurchase common stock.

In March 2000, HCA announced that its Board of Directors authorized the repurchase of up to \$1 billion of the Company's common stock. Through March 31, 2001, certain financial organizations purchased approximately 30.3 million shares of the Company's common stock for \$941 million, utilizing forward purchase contracts. During 2000, HCA settled forward purchase contracts associated with the March 2000 authorization representing 11.7 million shares at a cost of \$300 million. During 2001, HCA settled forward purchase contracts representing 1.9 million shares at a cost of \$66 million. In accordance with the terms of the contracts, approximately 16.7 million shares at a cost of \$575 million remain outstanding until settled by the Company. A component of the stock repurchase program has been the sale of put options, which entitle the holder to sell HCA's stock to HCA at a specified price on a specified date. At December 31, 2000, 3.8 million put options, with an average exercise price of \$35.66 per share, were outstanding. During the first quarter of 2001, 1.0 million put options, at an exercise price of \$35.25 per share, were exercised and 2.8 million put options expired unexercised. There were no put options outstanding at March 31, 2001. HCA expects to repurchase the remaining stock associated with the March 2000 repurchase authorization through open market purchases, privately negotiated transactions, forward purchase contracts or by utilizing the sale of put options.

In November 1999, HCA announced that its Board of Directors had authorized the repurchase of up to \$1 billion of its common stock. During 2000, HCA settled forward purchase contracts associated with its November 1999 authorization representing 18.7 million shares at a cost of \$539 million. During the first quarter of 2001, HCA settled forward purchase contracts associated with its November 1999 authorization representing 5.6 million shares at a cost of \$163 million. In accordance with the terms of the forward purchase contracts, the shares purchased remain outstanding until the Company settles the forward purchase contracts. Approximately 10.1 million shares at a cost of \$297 million remain outstanding until the forward purchase contracts are settled by HCA.

At the November 2000 meeting of the Emerging Issues Task Force ("EITF"), the SEC provided guidance that in situations where public companies have outstanding equity derivative contracts that are not compliant with the EITF guidance in Issue 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("Issue 00-19"), they are required to reclassify the maximum amount of the potential cash obligation (the forward price in a forward stock purchase contract or the strike price for a written put option) to temporary equity. Pursuant to this guidance, HCA reclassified \$747 million and \$769 million to temporary equity at March 31, 2001 and December 31, 2000, respectively.

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

RESULTS OF OPERATIONS (CONTINUED)

Liquidity and Capital Resources (continued)

In connection with the Company's share repurchase programs, the Company entered into a Letter of Credit Agreement with the United States Department of Justice. As part of the agreement, the Company provided the government with letters of credit totaling \$1 billion. The settlement reached with the government in December 2000, as discussed in Note 2 -- Investigations and Agreements to Settle Certain Government Claims in the Notes to Condensed Consolidated Financial Statements, provides that the letters of credit will be reduced from \$1 billion to \$250 million at the time of the civil settlement payment. Any future civil settlement or court ordered payments related to cost report or physician relations issues will reduce the remaining amount of the letter of credit dollar for dollar. The amount of any such future settlement or court ordered payments is not related to the remaining amount of the letter of credit.

The resolution of the remaining government investigations and litigation, and the various other 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 the resolution of certain of the contingencies could have a material adverse effect on the Company's results of operations, financial position and liquidity.

In December 2000, HCA filed a "shelf" registration statement and prospectus with the SEC relating to \$1.5 billion in debt securities.

In January 2001, the Company issued \$500 million of 7.875% notes due 2011. Proceeds from the notes were used to retire the outstanding balance under the 2000 Term Loan.

In April 2001, HCA entered into a new credit agreement with a group of banks consisting of a \$1.75 billion revolving credit loan (the "2001 Revolving Loan") and a \$750 million term loan (the "2001 Term Loan"), collectively, the "2001 Bank Loans". The 2001 Bank Loans have a final maturity in April 2006. The 2001 Revolving Loan refinanced and replaced HCA's revolving credit facility which was scheduled to mature in February 2002. The 2001 Term Loan proceeds were used to reduce outstanding bank loans and resulted in the reclassification of \$900 million of debt from current liabilities to noncurrent liabilities. Interest under the 2001 Bank Loans is payable generally at either LIBOR plus 1% to 2% or the prime lending rate plus 0% to 1% (in each case depending on HCA's credit ratings) or a competitive bid rate.

The 2001 Bank Loans contain customary covenants which include (i) limitations on additional debt, (ii) limitations on sales of assets, mergers and changes of ownership, and (iii) maintenance of certain interest coverage ratios. HCA is currently in compliance with all such covenants.

In April 2001, Moody's Investors Service upgraded HCA's senior debt rating to Ba1 and maintained a positive outlook on the Company.

Management believes that cash flows from operations, amounts available under the 2001 Bank Loans and the Company's anticipated access to public and private debt markets are sufficient to meet expected liquidity needs during the next twelve months.

Market Risk

The Company is exposed to market risk related to changes in interest rates and market values of securities. HCA currently does not use derivative instruments to offset the market risk exposure of the investments in debt or equity securities of HCA's wholly-owned insurance subsidiary or to alter the interest rate characteristics of the Company's debt instruments.

The investments of HCA's wholly-owned insurance subsidiary were \$1.09 billion in debt securities and \$514 million in equity securities at March 31, 2001. These investments are carried at fair value with changes

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

RESULTS OF OPERATIONS (CONTINUED)

Market Risk (continued)

in unrealized gains and losses being recorded as adjustments to comprehensive income. The fair value of investments is generally based on quoted market prices. Changes in interest rates and market values of securities are not expected to be material in relation to the financial position and operating results of the Company.

With respect to the Company's interest-bearing liabilities, approximately \$1.28 billion of long-term debt at March 31, 2001 was subject to variable rates of interest, while the remaining balance in long-term debt of \$5.38 billion at March 31, 2001 was subject to fixed rates of interest. The Company's variable interest rate is affected by both the general level of U.S. interest rates and the Company's credit rating. The Company's variable rate debt at March 31, 2001 was comprised of the Company's revolving credit facility of which interest was payable generally at LIBOR plus 0.45% to 1.5% (depending on the Company's credit ratings), and bank term loans of which interest was payable generally at LIBOR plus 0.75% to 2.5%. Due to decreases in LIBOR, the average rate for the Company's revolving credit facility decreased from 6.8% for the quarter ended March 31, 2000 to 6.3% for the quarter ended March 31, 2001, and the average rate for the Company's term loans decreased from 7.4% for the quarter ended March 31, 2000 to 7.3% for the quarter ended March 31, 2001. The estimated fair value of the Company's total long-term debt was \$6.6 billion at March 31, 2001. The estimates of fair value are based upon the quoted market prices for the same or similar issues of long-term debt with the same maturities. In April 2001, HCA entered into the 2001 Bank Loans which did not change significantly the allocation of HCA's debt between variable and fixed rates of interest. Interest under the 2001 Bank Loans is payable generally at either LIBOR plus 1% to 2% or the prime lending rate plus 0% to 1% (in each case depending on HCA's credit ratings) or a competitive bid rate. Based on a hypothetical 1% increase in interest rates, the potential annualized losses in future pretax earnings would be approximately \$13 million. The impact of such a change in interest rates on the carrying value of long-term debt would not be significant. The estimated changes to interest expense and the fair value of long-term debt are determined considering the impact of hypothetical interest rates on the Company's borrowing cost and long-term debt balances. To mitigate the impact of fluctuations in interest rates, the Company generally targets a portion of its debt portfolio at a fixed rate, either by borrowing on a fixed or floating rate basis or entering into interest rate swap transactions. The Company has not, during 2001 or 2000, participated in any interest rate swap agreements.

Foreign operations and the related market risks associated with foreign currency are currently insignificant to the Company's results of operations and financial position.

PENDING IRS DISPUTES

The Company is contesting income taxes and related interest proposed by the IRS for prior years aggregating approximately \$207 million as of March 31, 2001. Management believes that final resolution of these disputes will not have a material adverse effect on the results of operations or liquidity of the Company. See Note 5 -- Income Taxes in 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)

OPERATING DATA

	2001 -----	2000 -----
CONSOLIDATING		
Number of hospitals in operation at:		
March 31.....	185	192
June 30.....		195
September 30.....		189
December 31.....		187
Number of freestanding outpatient surgical centers in operation at:		
March 31.....	74	80
June 30.....		80
September 30.....		76
December 31.....		75
Licensed hospital beds at(a):		
March 31.....	40,895	42,006
June 30.....		42,240
September 30.....		41,298
December 31.....		41,009
Weighted average licensed beds(b):		
Quarter:		
First.....	40,950	42,184
Second.....		41,923
Third.....		41,409
Fourth.....		41,128
Year.....		41,659
Average daily census(c):		
Quarter:		
First.....	22,842	22,697
Second.....		20,526
Third.....		20,028
Fourth.....		20,572
Year.....		20,952
Admissions(d):		
Quarter:		
First.....	412,000	408,100
Second.....		380,600
Third.....		381,200
Fourth.....		383,600
Year.....		1,553,500
Equivalent admissions(e):		
Quarter:		
First.....	597,800	595,900
Second.....		570,600
Third.....		568,500
Fourth.....		565,800
Year.....		2,300,800
Average length of stay (days)(f):		
Quarter:		
First.....	5.0	5.1
Second.....		4.9
Third.....		4.8
Fourth.....		4.9
Year.....		4.9

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

OPERATING DATA (CONTINUED)

	2001 -----	2000 -----
NON-CONSOLIDATING(G)		
Number of hospitals in operation at:		
March 31.....	9	13
June 30.....		9
September 30.....		9
December 31.....		9
Number of freestanding outpatient surgical centers in operation at:		
March 31.....	3	3
June 30.....		3
September 30.....		3
December 31.....		3
Licensed hospital beds at:		
March 31.....	2,698	3,251
June 30.....		2,697
September 30.....		2,697
December 31.....		2,715

- -----

- (a) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
- (b) Weighted average licensed beds represents the average number of licensed beds, weighted based on periods owned.
- (c) Represents the average number of patients in the Company's hospital beds each day.
- (d) Represents the total number of patients admitted (in the facility for a period in excess of 23 hours) to the Company's hospitals and is used by management and certain investors as a general measure of inpatient volume.
- (e) Equivalent admissions are 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.
- (f) Represents the average number of days admitted patients stay in the Company's hospitals.
- (g) The non-consolidating facilities include facilities operated through 50/50 joint ventures which are not controlled by the Company and are accounted for using the equity method of accounting.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK.

The information called for by this item is provided under the caption "Market Risk" under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS.

The Company is facing significant legal challenges. The Company is the subject of various government investigations and litigation, qui tam actions, shareholder derivative and class action suits filed in Federal court, shareholder derivative actions filed in state court, patient/payer actions and general liability claims.

GOVERNMENT INVESTIGATIONS AND LITIGATION

The Company continues to be the subject of governmental investigations and litigation relating to its business practices. Additionally, the Company is a defendant in several qui tam actions brought by private parties on behalf of the United States of America, some of which have been unsealed and served on the Company. The Company is aware of additional qui tam actions that remain under seal. There could also be other sealed qui tam cases of which it is unaware.

On December 14, 2000, the Company announced that it had entered into a Plea Agreement with the Criminal Division of the Department of Justice and various U.S. Attorney's Offices (the "Plea Agreement") and a Civil and Administrative Settlement Agreement with the Civil Division of the Department of Justice (the "Civil Agreement"). The agreements resolve all Federal criminal issues outstanding against the Company and, subject to court approval, certain issues involving Federal civil claims by or on behalf of the government against the Company relating to DRG coding, outpatient laboratory billing and home health issues. The Company also entered into a Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services.

Pursuant to the Plea Agreement, the Company and its affiliates received a full release from criminal liability for conduct arising from or relating to billing and reimbursement for services provided pursuant to Federal health care benefit programs regarding: Medicare cost reports; violations of the Anti-kickback Statute or the Physician Self-referral law, and any other conduct involving relations with referral sources and those in a position to influence referral sources; DRG billing; laboratory billing; the acquisition of home health agencies; and the provision of services by home health agencies. In addition, the government agreed not to prosecute the Company for other possible criminal offenses which are or have been under investigation by the Department of Justice arising from or relating to billing and reimbursement for services provided pursuant to Federal health care benefit programs. The Plea Agreement provided that the Company pay the government \$95 million, which payment was made during the first quarter of 2001, and that two non-operating subsidiaries enter certain criminal pleas, which pleas were entered in January 2001.

The Civil Agreement covers, in general, the following issues: DRG coding for calendar years 1990-1997; outpatient laboratory billings for calendar years 1989-1997; home health community education for Medicare cost report years 1994-1997; home health billing for calendar years 1995-1998; and certain home health management transactions for Medicare cost report years 1993-1998. The Civil Agreement provides that in return for releases on these issues, the Company will pay the government \$745 million, with interest accruing from May 18, 2000 to the payment date at a rate of 6.5%. The civil payment will be made upon receipt of court approval of the Civil Agreement. The civil issues that are not covered by the Civil Agreement include claims related to cost reports and physician relations issues.

Under the Civil Agreement, the Company's existing Letter of Credit Agreement with the Department of Justice will be reduced from \$1 billion to \$250 million at the time of the settlement payment. Any future civil settlement or court ordered payments related to cost report or physician relations issues will reduce the remaining amount of the letter of credit dollar for dollar. The amount of any such future settlement or court ordered payments is not related to the remaining amount of the letter of credit.

The CIA is structured to assure the government of the Company's overall Medicare compliance and specifically covers DRG coding, outpatient laboratory billing, outpatient PPS billing and physician relations. The CIA resulted in a waiver of the government's discretionary right to exclude any of the Company's operations from participation in the Medicare program for matters settled in the Civil Agreement.

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

The Company continues to cooperate in government investigations. Given the scope of the investigations and current litigation, the Company anticipates continued investigative activity to occur in these and other jurisdictions in the future.

While management remains unable to predict the outcome of any of the investigations and litigation or the initiation of any additional investigations or litigation, were the Company to be found in violation of Federal or state laws relating to Medicare, Medicaid or similar programs or breach of the CIA, the Company could be subject to substantial monetary fines, civil and criminal penalties and/or exclusion from participation in the Medicare and Medicaid programs. Any such sanctions or expenses could have a material adverse effect on the Company's financial position, results of operations and liquidity. See Note 2 -- Investigations and Agreements to Settle Certain Government Claims and Note 9 -- Contingencies in 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 and have been unsealed and served on the Company. To the best of the Company's knowledge the actions allege, in general, that the Company and certain affiliates violated the False Claims Act, 31 U.S.C. 3729 et seq., for improper claims submitted to the government for reimbursement. The lawsuits generally seek damages of three times the amount of excessive Medicare or Medicaid claims (involving false claims) presented by the defendants to the Federal government, civil penalties of not less than \$5,000 or more than \$11,000 for each such Medicare or Medicaid claim, attorneys' fees and costs. In many instances there are additional common law claims. There are qui tam cases that have been unsealed but have not yet been served on the Company. The Company is aware of additional qui tam actions that remain under seal, and there may be other sealed qui tam cases of which it is unaware.

On February 12, 1999, the United States filed a motion before the Judicial Panel on Multidistrict Litigation ("MDL") seeking to transfer and consolidate, pursuant to 28 U.S.C. 1407, qui tam actions against the Company, including those sealed and unsealed, for purposes of discovery and pretrial matters, to the United States District Court for the District of Columbia. The MDL panel granted the motion and all of the qui tam cases subject to the motion have been consolidated to the U.S. District Court of the District of Columbia. There are some qui tam actions that remain outside the consolidation.

On January 30, 2001, the District Court in the District of Columbia entered an order establishing an initial schedule for the consolidated qui tam cases. Among other things, the Court ordered that for those qui tam cases which will be dismissed in full or in part pursuant to the Civil Agreement, the parties must file motions to dismiss by February 14, 2001. The Court ordered that, by March 15, 2001, the government must make an intervention decision on the remaining cases and file and serve a Complaint for those cases in which it intervenes. On March 15, 2001, the government filed its notice of intervention or notice declining intervention (where it had not already declined intervention) in each qui tam action in the MDL proceeding. In each case where the government intervened, it served the complaint on the Company. In those cases where the government declined intervention, the respective relators were required to serve the complaint by March 15, 2001 or within 15 days after the government's notice declining intervention, whichever is later.

The unsealed qui tam Complaints included in the consolidated MDL proceeding include the following:

In October 1998, the U.S. District Court for the Middle District of Florida unsealed United States ex rel. Alderson v. Columbia/HCA et al, Case No. 97-2-35-CIV-T-23E. The case had been pending under seal since 1992, and is a qui tam action alleging various violations of the Federal False Claims Act concerning the Company's claims for reimbursement under various Federal programs including Medicare, Medicaid and other federally funded programs. The complaint focuses on the alleged creation of certain "cost report

reserves" in connection with the preparation of hospital cost reports submitted for the purpose of federal reimbursement. On October 1, 1998, the government intervened in this case and on March 15, 2001, served an amended complaint on the Company. The Company filed an answer and counterclaim in response to the complaint. The counterclaim seeks payment which includes, but is not limited to, the amounts owed to the Company, with interest, for all outstanding cost reports not settled by the Government dating back to cost report years ended in 1994 and thereafter. In addition, the relator has served a complaint to preserve the non-intervened claims.

In December 1998, the U.S. District for the Middle District of Florida unsealed United States, ex rel. Schilling v. Columbia/HCA, Civil Action No. 96-1264-CIV-T-23B. The case alleges violations of the False Claims Act, also concerning cost reporting issues. On December 30, 1998, the government intervened in this case and, on March 15, 2001, the government served an amended complaint on the Company. Certain claims alleging home health issues have been dismissed as being covered by the Civil Agreement. The Company filed an answer and counterclaim in response to the complaint. The counterclaim seeks payment which includes, but is not limited to, the amounts owed to the Company, with interest, for all outstanding cost reports not settled by the Government dating back to cost report years ended in 1994 and thereafter. In addition, the relator has served a complaint to preserve the non-intervened claims.

On July 31, 1998, the U.S. District Court for the Western District of Texas, unsealed United States ex rel. Sara Ortega v. Columbia/HCA Healthcare Corp., et al. No. EP 95-CA-259H. The case had been pending under seal since 1995, and alleges various violations of the False Claims Act concerning statements made to the Joint Commission on Accreditation of Healthcare Organizations ("Joint Commission"). In 1997, the relator filed an amended complaint alleging other issues, including DRG upcoding, physician referral violations and certain cost reporting issues. In September 1998, the government intervened in some of these allegations, but not the allegations relating to the Joint Commission issues. The court has dismissed the DRG upcoding allegations as being covered by the Civil Agreement. On March 15, 2001, the government moved to dismiss relator's physician referral allegations and certain of the relator's cost report allegations on jurisdictional grounds. The government also withdrew its intervention on the one cost-shifting allegation, and relator has dismissed that allegation. The government retained intervention in the surviving cost-shifting allegations. The first amended complaint was served on the Company on March 9, 2001. The Company has filed a Motion to Dismiss the complaint, which is pending before the Court.

The matter of United States ex rel. James Thompson v. Columbia/HCA Healthcare Corp., et al., Civ. Action No. C-95-110 was filed on March 10, 1995 in the United States District Court for the Southern District of Texas. The relator alleges that the Company engaged in improper financial arrangements with physicians to induce referrals. 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 was denied on August 18, 1998. On August 21, 1998, relator filed a Third Amended Complaint. Discovery in this matter is currently stayed. Effective February 16, 2001, the government intervened in this case and, on March 15, 2001, served its amended complaint on the Company. The Company intends to file a response to the complaint on or before May 14, 2001.

The matter of United States 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. The relator filed a motion for partial summary judgment. The court ordered the relator's motion for partial summary judgment stricken. The relator did not file an amended motion for summary judgment.

In June 1998, the case United States ex rel. Joseph "Mickey" Parslow v. Columbia/HCA Healthcare Corporation and Curative Health Services, Incorporated, No 98-1260-CIV-T-23F, in the Middle District of

Florida, Tampa Division, was filed. The government intervened in this action on March 31, 1999. This action alleges that the Company submitted false claims relating to contracts with Curative for the management of certain wound care centers. The complaint further alleges that management fees paid to Curative included non-allowable costs which were reimbursed and that the claims for reimbursement for these management fees violated the Anti-kickback Statute. On March 15, 2001, the government withdrew its intervention as to certain claims and served a complaint on the Company. The relator has moved to dismiss the remaining non-intervened claims. The Company intends to file a response to the complaint on or before May 14, 2001.

The case United States ex rel. Lanni v. Curative Health Services, et al., 98 Civ. 2501 (S.D. N.Y.) was filed on April 8, 1998 in the United States District Court for the Southern District of New York. The government has intervened in the case, in part, in order to seek dismissal of any outpatient laboratory claims covered by the Civil Agreement and has dismissed those allegations. On March 15, 2001, the government intervened in certain claims relating to the request for reimbursement for non-allowable costs and served its complaint on the Company. The relator has moved to dismiss the remaining claims. The Company intends to file a response to the complaint on or before May 14, 2001.

The matter of United States ex rel. McLendon v. Columbia/HCA, et al., Civ. No. 1 97 CV 0890, was filed under seal on April 4, 1997 in the U.S. District Court for the Northern District of Georgia, Atlanta Division. On July 19, 1999, the court unsealed this action. The complaint alleges that the Company acted to illegally obtain Medicare reimbursement for costs incurred in purchasing home health agencies. The complaint also alleges that the Company illegally billed Medicare for certain sales and marketing activities and for certain home care visits. The government has intervened in this action and has served the complaint. On February 16, 2001, the court dismissed this case as released under the Civil Agreement.

In August 1999, the Company was made aware that the case of United States ex rel. Tonya M. Atchison v. Col/HCA Healthcare, Inc., El Paso Healthcare System, Ltd. Columbia West Radiology Group, P.A. West Texas Radiology Group, Rio Grande Physicians' Services Inc., El Paso Nurses Unlimited inc., El Paso Healthcare Systems Limited, and El Paso Healthcare Systems United Partnership, No. EP 97-CA234, was unsealed in the U.S. District Court for the Western District of Texas and the Company was served on or about September 16, 1999. In general, the complaint alleges that the defendants submitted false claims regarding the 72-hour rule, cost reports and central business office billings, wrote off bad debt on international patients, inflated financial information on the sale of a hospital, improperly billed pharmacy and radiology charges, improperly billed skilled nursing facility charges, improperly accounted for discounts and rebates, and improperly billed charges for certified first assistants in surgery, home health visits, senior health centers, diabetic treatment centers and wound care centers. Also in 1997, the relator filed a case, United States ex rel. Atchison v. Columbia/HCA Healthcare, Inc., Civ. Action No. 3-97-0571 (M.D. Tenn.) in the United States District Court for the Middle District of Tennessee alleging the same violations. The court has dismissed claims relating to the home health issues as being covered by the Civil Agreement. On March 15, 2001, the government declined to intervene on both complaints. Relator has served both complaints on the Company, and the Company intends to respond.

In December 1997, United States ex rel. Michael R. Marine v. Columbia Aventura Medical Center, et al., Case No. 97-4368 (S.D. Fla.) was filed in the United States District Court for the Southern District of Florida. In general, the case alleges that the Company engaged in improper cost shifting between facilities to improperly maximize reimbursement and then filing false claims on its cost reports. The government intervened on February 11, 2000. On March 15, 2001, the government withdrew its intervention on certain claims and served the complaint on the Company. The Company intends to respond to the complaint on or before May 14, 2001. Relator has served a complaint to preserve its non-intervened counts, and the Company intends to respond.

In 1997, United States ex rel. Adams v. Columbia/HCA Healthcare Corp., Civ. Action No. SA-97-CA-1230 (W.D. Tex.) was filed in the United States District Court for the Western District of Texas. In general, the complaint alleges that the Company engaged in improper financial arrangements with physicians to induce referrals, in violation of the Anti-kickback Statute. On March 15, 2001, the government declined to intervene in this case. Relator has served the complaint on the Company, and the Company intends to respond.

In August 1997, United States ex rel. Baker, Trent & Ekery v. Columbia/HCA Healthcare Corp., et al., Civ. Action No. SA-97-CA-0955 (W.D. Tex.) was filed in the United States District Court for the Western District of Texas. In general, the case alleges that the Company engaged in improper financial arrangements with physicians to induce referrals in violation of the Anti-kickback Statute as well as engaging in improper cost shifting, allegedly creating the filing of false cost report claims. On March 15, 2001, the government declined to intervene in this case. Relator did not serve a complaint on the Company.

In 1996, United States ex rel. King v. Columbia/HCA Healthcare Corp., et al., Civ. Action No. EP-96-CA-342 (W.D. Tex.) was filed in the United States District Court for the Western District of Texas. In general, the case alleges that the Company engaged in improper financial relationships with physicians to induce referrals in violation of the Anti-kickback Statute as well as other alleged improper cost reporting practices in violation of the False Claims Act, including improper billing, laboratory fraud, falsification of records, upcoding, and lack of certification to perform specific services. On March 15, 2001, the government intervened in part and declined to intervene as to the billing fraud allegations. The government served the complaint on the Company. The Company intends to respond to the complaint on or before May 14, 2001. Relator has withdrawn the non-intervened counts.

On September 2, 1997, United States ex rel. Ann Mroz v. Columbia/HCA Healthcare Corp., Civ. Action No. 97-2828 (S.D. Fla.) was filed in the United States District Court for the Southern District of Florida. This case alleges that the Company engaged in improper arrangements with physicians to induce referrals in violation of the Anti-kickback Statute. On March 15, 2001, the government intervened in this case and served the complaint on the Company. The Company intends to respond to this complaint on or before May 14, 2001.

In 1998, United States ex rel Barrett and Goodwin v. Columbia/HCA Healthcare Corp., et al., Civ. Action No. H-98-0861 (S.D. Tex.) was filed in the United States District Court for the Southern District of Texas. In general, the complaint alleges that the Company engaged in improper financial arrangements with physicians to induce referrals in violation of the Anti-kickback Statute as well as improper upcoding of DRG codes. On March 15, 2001, the government declined to intervene in this case. Relator served the complaint and the Company filed a Motion to Dismiss, which is currently pending before the Court.

In 1996, United States ex rel Rappaport v. Hospital Corp. of America, et al., Civ. Action No. CV 96-N-1491-S (A)(N.D. Ala.) was filed in the United States District Court for the Northern District of Alabama. In general, the complaint alleges the Company engaged in improper financial arrangements with physicians to induce referrals in violation of the Anti-kickback Statute as well as upcoding, improper lab billing, cost-shifting and other improper cost reporting practices in violation of the False Claims Act. On February 16, 2001 the court dismissed the DRG upcoding claims. On March 9, 2000, the government declined to intervene in this case. Relator did not serve a complaint on the Company.

In 1999, United States ex rel. Hampton v. Columbia/HCA Healthcare Corp., et al., Civ. Action No. 5:99-CV-59-2 (M.D. Ga.) was filed in the United States District Court for the Middle District of Georgia. In general, the case alleges improper billing and improper practices with regard to home health agencies. The government has intervened in this case for the purpose of dismissing the relator's home health claims as being covered by the Civil Agreement. On March 15, 2001, the government moved to dismiss the claims. The government also declined to intervene in the kickback allegations. The relator served the complaint on the Company on March 15, 2001.

In 1998, United States ex rel. Buck v. St. Petersburg General Hospital, et al., Civ. Action No. 98-1631-CIV-T26B (M.D. Fla.) was filed in United States District Court for the Middle District of Florida. In general, the complaint alleges that the Company improperly billed Medicare for private rooms for patients when they were actually put in semi-private rooms. On December 27, 1999, the government declined to intervene in this case. Relator did not serve a complaint on the Company.

In 1997, United States ex rel. Hockett, Thompson & Staley v. Columbia/HCA Healthcare Corp., et al., Civ. Action No. 97-MC-29-A (W.D. Va.) was filed in the United States District Court for the Western District of Virginia. In general, the case alleges that the Company filed false claims in connection with the filing of its cost reports by improper inflation of cost basis relating to the gero-psych ward. On March 15, 2001,

the government declined to intervene in this case. The relator served the complaint on the Company, and the Company intends to respond.

In 1997, United States ex rel. Christian, Long & Kuhn v. Columbia Homecare Group, Inc., et al., Civ. Action No. CA-H-97-3083 (S.D. Tex.) was filed in the United States District Court for the Southern District of Texas. In general, the complaint alleges improper billing with respect to home health agencies and other false claims in connection with the filing of cost reports. On February 16, 2001, the court dismissed the case.

In 1998, United States ex rel. Scussel v. Patton Medical. Inc. et al, Civ. Action No. 4:98-CV-145 (M.D. Ga.) was filed in the United States District Court for the Middle District of Georgia. In general, the complaint alleges that the Company entered into an improper referral arrangement with a durable medical equipment supplier. On February 2, 2001, the government declined to intervene in this case. On March 8, 2001, the Company was served with a complaint by the relator.

In 1999, United States ex rel. McCready v. Columbia North Monroe Hospital, Civil Action No. 99-1099M was filed in the United States District Court for the Western District of Louisiana. In general, the case alleges that a Company hospital failed to timely transfer patients to the rehabilitation unit, a practice which allegedly resulted in improper cost allocation to the hospital's acute care services and thus improperly increased reimbursement. On February 13, 2001, the government declined to intervene in this case. The relator served the complaint on the Company, and the Company intends to respond.

In 1996, United States ex rel. Health Outcomes v. Columbia Medical Center East, et al., Civ. Action No. 96-1552 (E.D. Pa.) was filed in the United States District Court for the Eastern District of Pennsylvania. In general, the complaint alleges improper upcoding of DRG codes. The government has intervened for the purpose of dismissing the claims covered by the Civil Agreement. On February 16, 2001, the court dismissed this case.

In 1999, United States ex rel. Cianci v. Columbia/HCA Healthcare Corp., et al., was filed in United States District Court for the Middle District of Florida. The complaint alleges improper upcoding of DRG codes. On February 13, 2001, the government intervened in this case for the purpose of dismissing the claims in the complaint. The relator has objected to the dismissal.

In 1995, United States ex rel. Wyman & Rothfeder v. Healthtrust, Inc. et al., Civ. Action No. 2:95CV-0079-K (D. Utah) was filed in the United States District Court for the District of Utah. In general, the case alleges improper billing of laboratory tests. On February 16, 2001, the court dismissed this action in its entirety as being covered by the Civil Agreement.

In August 1997, United States ex rel. Boston v. Columbia/HCA Healthcare Corp., No. 3-97-CV1943-R (N.D. Tex.), was filed in the United States District Court for the Northern District of Texas. In general, the Complaint alleges improper billing relating to home health agencies. The government has intervened in this action for the purpose of dismissing the claims covered by the Civil Agreement, and on February 16, 2001, the court dismissed the case.

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

During the April 1997 to October 1997 period, numerous securities class action and derivative lawsuits were 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 the above-mentioned 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.

On October 10, 1997, the court entered an order consolidating the above-mentioned 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 involving improperly increasing 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 allegedly engaging in improper 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 expenses. 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. In September 1999, the District Court entered an order granting the defendants' motion to dismiss McCall with prejudice. The plaintiffs in the McCall lawsuit filed an appeal from that order. On February 13, 2001, the United States Court of Appeals for the Sixth Circuit entered an order reversing, in part, the district court's dismissal order and remanding the case to the trial court. On April 23, 2001, the Sixth Circuit denied defendants' motion for rehearing, or certification to the Delaware Supreme Court.

On July 28, 2000, the District Court entered an order granting the defendants' motions to dismiss in Morse. The District Court's order dismissed Morse with prejudice. On or about August 10, 2000, plaintiffs filed a motion to alter or amend judgment and for leave to file an amended complaint and requested oral argument on their motion. The plaintiffs' motion to alter or amend was denied in October 2000. On October 18, 2000, plaintiffs filed their Notice of Appeal. That appeal is currently pending before the Sixth Circuit.

Shareholder Derivative Actions Filed in State Courts

Several derivative actions have been filed in state courts 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. In addition, a purported derivative action entitled Williams v. Averhoff, (Civil Action No. 15055-NC) was filed on August 5, 1997, in the Court of Chancery of the State of Delaware in and for New Castle County, but has not been served on any defendants. 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 the Company's 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 and Williams lawsuits, 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 the Company's 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. The parties have stipulated to a temporary stay of the Kovalchick and Williams lawsuits. Plaintiffs in both Barron and Kovalchick have granted the defendants an indefinite extension of time to respond to the Complaints. 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 court has entered an order temporarily staying the lawsuit.

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 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 United States District Court, Middle District of Tennessee (Case No. 3:98-0846). By agreement of the parties, the case has been administratively closed pending the outcome of the court's ruling on the defendants' motions to dismiss the McCall action referred to above. As a result of the court's September 1, 1999, order dismissing the McCall lawsuit, this lawsuit was also dismissed with prejudice. The plaintiffs in this lawsuit filed an appeal from that order. On February 13, 2001, the United States Court of Appeals for the Sixth Circuit entered an order reversing, in part, the district court's dismissal order and remanding the case to the trial court, and, on April 23, 2001, the Sixth Circuit denied defendants' motion for rehearing, or, in the alternative, certification to the Delaware Supreme Court. (See Carl H. McCall, 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., above.)

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 is a party to several purported class action lawsuits which have been filed by patients and/or payers against the Company and/or certain of its current and former officers and 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 In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation, Master File No. MDL 1227, was commenced by Order of the MDL Panel entered on June 11, 1998 granting the Company's petition to consolidate the Boyson and Operating Engineers cases (see cases below) for pretrial purposes in the Middle District of Tennessee pursuant to 28 U.S.C. 1407. Three other cases (see cases below) that have been consolidated with Boyson and Operating Engineers in the MDL proceeding are (i) Board of Trustees of the Carpenters & Millwrights of Houston & Vicinity Welfare Trust Fund, (ii) Board of Trustees of the Texas Ironworkers' Health Benefit Plan, and (iii) Tennessee Laborers Health and Welfare Fund. On September 21, 1998, the plaintiffs in five consolidated cases filed a Coordinated Class Action Complaint, which the Company answered on October 13, 1998. The plaintiffs seek certification of two proposed classes including all private individuals and all employee welfare benefit plans that have paid for health-related goods or services provided by the Company. The plaintiffs allege, among other things, that the Company has engaged in a pattern and practice of inflating charges, concealing the true nature of patients' illnesses, providing unnecessary medical care, and billing for services never rendered. The plaintiffs seek damages, attorneys' fees and costs, as well as disgorgement and injunctive relief. A scheduling order was entered that provided for class certification motions to be filed by February 22, 1999 and for discovery to be completed by June 30, 1999. In February 1999, plaintiffs filed a motion to extend the time periods in the scheduling order, which was granted by the court on August 24, 1999. However, the court has not entered a new scheduling order. Effective November 2, 1999, a sixth case, The United Paperworkers International Union, et al. v. Columbia/HCA Healthcare Corporation, et al., was transferred by the MDL Panel for consolidated pretrial proceedings. On December 30, 1999, plaintiffs filed a motion seeking leave to file a first amended coordinated complaint. On March 15, 2000, the court entered an order granting the plaintiffs' motion. The amended complaint did not include Board of Trustees of the Texas Ironworkers' Health Benefit Plan as a plaintiff but added a new plaintiff, Board of Trustees of the Pipefitters Local 522 Hospital, Medical and Life Benefit Fund. Defendants have filed an answer to the amended complaint. The parties are currently engaged in discovery pending a ruling on plaintiffs' motion to modify the case schedule. In addition, in an order and memorandum opinion dated April 12, 2000, the Court ordered the Company to produce certain documents that the Company listed as subject to the attorney-client privilege and/or the attorney work product doctrine on privilege logs. The Company appealed the court's decision to the United States Court of Appeals for the Sixth Circuit. The matter has been fully briefed in the Court of Appeals. No oral argument date has been set.

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 original complaint, which sought 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. In an Order entered on June 11, 1998 by the MDL Panel, other lawsuits against the Company were consolidated with the Boyson case in the Middle District of Tennessee. The amended complaint in Boyson was withdrawn and superseded by the Coordinated Class Action Complaint filed in the MDL proceeding on September 21, 1998. (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation.)

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 Organizations Act ("RICO") based on allegations that the defendant 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 misrepresenta-

tion. 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 in June 1998, and this action was transferred to the Middle District of Tennessee. The amended complaint in Operating Engineers was withdrawn and superseded by the Coordinated Class Action Complaint filed in the MDL proceeding on September 21, 1998. (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation.)

On April 24, 1998, two matters, Board of Trustees of the Carpenters & Millwrights of Houston & Vicinity Welfare Trust Fund v. Columbia/HCA Healthcare Corporation, Case 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 amended complaints in these suits were withdrawn and superseded by the Coordinated Class Action Complaint filed in the MDL proceeding on September 21, 1998. (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation.)

The matter of Tennessee Laborers Health and Welfare Fund, on behalf of itself and all others similarly situated vs. Columbia/HCA Healthcare Corporation, Case 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. This suit has been consolidated by the court with Boyson and the other cases transferred by the MDL Panel to the Middle District of Tennessee. The complaint in Tennessee Laborers was withdrawn and superseded with the filing of the Coordinated Class Action Complaint in the MDL proceeding on September 21, 1998. (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation.)

The matter of The United Paperworkers International Union, et al. v. Columbia/HCA Healthcare Corporation, et al., was filed on September 3, 1998 in the Circuit Court for Washington County, Tennessee, Civil Action No. 19350. The lawsuit contains billing fraud allegations similar to those in the Ferguson case (below) and seeks certification of a national class comprised of all self-insured employers who paid or were obligated to pay any portion of a bill for, among other things, pharmaceuticals, medical supplies or medical services. The suit seeks declaratory relief, damages, interest, attorneys' fees and other litigation costs. In addition, the suit seeks an Order (i) requiring defendants to provide an accounting to plaintiffs and class members who overpaid or were obligated to overpay, (ii) requiring defendants to disgorge all monies illegally collected from plaintiffs and the class, and (iii) rescinding all contracts of defendants with plaintiffs and all class members. Following the service of this complaint on the Company on August 20, 1999, the Company subsequently removed this lawsuit to the United States District Court for the Eastern District of Tennessee

and it was conditionally transferred by the MDL Panel to the Middle District of Tennessee for consolidated pretrial proceedings with In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation and was later formally joined in plaintiffs' amended complaint (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation.)

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 Fifteenth Judicial Circuit Court in and for Palm Beach County, Florida, Case No. 95-9102 AD. The suit alleges that Palms West Hospital charged excessive amounts for goods and services associated with patient care and treatment, including items such as pharmaceuticals, medical supplies, laboratory tests, medical equipment and related medical services such as x-rays. The suit seeks the certification of a nationwide class, and damages for patients who have paid bills for the allegedly unreasonable portion of the charges as well as interest, attorneys' fees and costs. In response to defendant's amended motion to dismiss filed in January 1996, plaintiff amended the Complaint and defendant subsequently filed an answer and defenses in June 1996. On October 15, 1997, Harald Jackson moved to intervene in the lawsuit (see case below). The court denied Jackson's motion on December 19, 1997. To date, discovery is proceeding and no class has been certified.

The matter of Jackson, Harald F., individually and on behalf of all others similarly situated v. Columbia/HCA Healthcare Corporation was initially filed as a motion to intervene in the Brown matter (above) in October 1997 in the Fifteenth Judicial Circuit Court in and for Palm Beach County, Florida. The court denied Jackson's motion on December 19, 1997, and Jackson subsequently filed a complaint in the same state court on December 23, 1997, Case No. 97-011419-AI. This suit seeks certification of a national class of persons or entities who were allegedly overcharged for medical services by the Company through an alleged practice of systematically and unlawfully inflating prices, concealing its practice of inflating prices, and engaging in, and concealing, a uniform practice of overbilling. The proposed class is broad enough to encompass all private payers, including individuals, insurers and health and welfare plans. This suit seeks damages on behalf of the plaintiff and individual members of the class as well as interest, attorneys' fees and costs. In January 1998, the case was removed to the United States District Court, Southern District of Florida, Case No. 98-CIV-8050. In February 1998, Jackson filed an amended complaint, and the case was remanded to state court. The Company has filed motions in response to the amended complaint which are pending. Jackson moved to transfer the case to the judge handling the Brown case which is also pending, but the motion to transfer was denied on April 8, 1999. Discovery has commenced.

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., d/b/a HCA Donelson Hospital n/k/a 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 ("Summit") 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. In July 1997, Summit filed a Motion for Summary Judgment. In March 1998, 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. Summit filed an application for permission to appeal to the Supreme Court of Tennessee, which the Supreme Court granted on November 9, 1998, and remanded the case to the Court of Appeals for review on the merits. On August 27, 1999, the Court of Appeals issued an opinion affirming the trial court's denial of Summit's Motion for Summary Judgment. Summit filed an application for permission to appeal to the Tennessee Supreme Court in October 1999. On December 10, 1999, the Tennessee Supreme Court granted permission for the Tennessee Hospital Association and Adventist Health System Sunbelt

Healthcare Corporation to file an amicus brief in this case. On October 3, 2000, the Tennessee Supreme Court heard oral arguments in this case.

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 individuals and entities 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 diagnoses, and improperly and illegally recruiting doctors to refer patients to the Company's hospitals. The proposed class is broad enough to encompass all private payers, including individuals, insurers and health and welfare plans. 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. No ruling has been made on the motion. 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. In June 1998, plaintiff filed a Motion for Leave of Court to File a Third Amended Class Action Complaint, and in October 1998 plaintiff filed a Motion for Leave of Court to File a Fourth Amended Class Action Complaint. Both proposed Amended Complaints seek to add new named plaintiffs to represent the proposed class. Both seek to add additional allegations of billing fraud, including improper billing for laboratory tests, inducing doctors to perform unnecessary medical procedures, improperly admitting patients from emergency rooms and maximizing patients' lengths of stay as inpatients in order to increase charges, and improperly inducing doctors to refer patients to the Company's home health care units or psychiatric hospitals. Both seek an additional order that the Company's contracts with plaintiffs and all class members are rescinded and that the Company must repay all monies received from plaintiffs and the class members. The court has not ruled on either Motion for Leave to Amend. Discovery is underway in the case. The Company in September 1998 filed another Motion for Summary Judgment contesting the standing of the named plaintiffs to bring the alleged claims. That motion has not been ruled on by the court. Amended motions for summary judgment were filed in January 2000. Those motions have not yet been ruled on by the court.

The matter of Hoop, Kemp, et al. v. Columbia/HCA Health 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 denying the claims. Discovery has commenced.

The matter of Ultimate Home Healthcare, Inc., on behalf of itself and all other entities similarly situated in the states of Tennessee, Texas, Florida and Georgia v. Columbia/HCA Healthcare Corporation, Columbia Homecare Group, Olsten Corporation, and Olsten Health Management a/k/a Hospital Contract Management Services was filed in the United States District Court for the Middle District of Tennessee on June 14, 2000, as Civil Case No. 3-00-0560. The case is filed as a purported class action on behalf of home health care companies and agencies that conducted business in Tennessee, Texas, Florida and Georgia during the years 1994 through 1996. On July 21, 2000 an amended complaint was filed. The amended complaint alleges violations of civil RICO, antitrust and consumer protection laws, and other business torts arising out of transactions and operations in which the Company's affiliates purchased home health care agencies, or assets

of agencies, from Olsten Corporation affiliates. The District Court dismissed plaintiff's RICO, intentional interference with prospective economic advantage, and unjust enrichment claims. The complaint seeks compensatory and punitive damages in an unstated amount plus costs and attorneys' fees. The suit is in its early stages. The Company has filed a response denying the allegations.

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 in question are substantial. It is possible that an adverse resolution, individually or in the aggregate, could have a material adverse impact on the Company's liquidity, financial position and results of operations. See Note 2 -- Investigations and Agreements to Settle Certain Government Claims and Note 9 -- Contingencies in the Notes to Condensed Consolidated Financial Statements.

General Liability and Other Claims

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 originally 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 and transferred by agreement of the parties to the United States District Court for the Middle District of Tennessee, Civil Action No. 3-98-0090. The plaintiffs filed a second amended complaint on April 24, 1998 against the Company and certain members of the Company's Retirement Committee during 1997 alleging breach of fiduciary duty owed to the participants in the Company's Stock Bonus Plan by failing to sell the Plan holdings of Company stock based upon knowledge of material public and non-public adverse information and by failing to act solely in the interests and for the benefit of the participants. The suit generally alleges that the defendants fraudulently concealed information from the public and fraudulently inflated the Company's stock price through billing fraud, overcharges, inaccurate Medicare cost reports and illegal kickbacks for physician referrals. The suit seeks an order allowing the plaintiffs to proceed on behalf of the plan as in a derivative action, a judgment for compensatory and restitutionary damages for the losses allegedly experienced by the Plan because of breaches of fiduciary duty, an order transferring management of the plan to a competent, neutral third-party, and an award of pre-judgment interest, reasonable attorneys' fees and costs. A bench trial was held from June 8 through July 1, 1999. Additional oral arguments were held on March 23, 2000. On May 24, 2000, the court issued a memorandum opinion and an order dismissing the plaintiffs' action with prejudice and entered a judgment in favor of defendants. The court ruled that the defendants did not breach their fiduciary duty to the Stock Bonus Plan. On June 12, 2000, plaintiffs filed a notice of appeal. The appeal has been fully briefed. Oral argument has not been set by the Court of Appeals.

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 payers in connection with the rendering 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 in excess of \$2 billion, as well as injunctive relief. The court denied the plaintiff's motion for a preliminary injunction. On October 15, 1998, the Company filed a counterclaim and third-party complaint against Florida Software Systems, Inc., Receivable Dynamics Inc., Nevada Communications Corporation, Norman R. Dobiesz, Maureen Donovan Dobiesz, Stuart M. Lopata, and Samuel A. Greco (a former senior officer at the Company). The counterclaim alleges racketeering, conspiracy, breach of fiduciary duty, and breach of contract. Defendants in the counterclaim and third-party complaint have filed answers to the counterclaim and third-party complaint. Discovery has been conducted and several dispositive motions are pending with the court. A related pending lawsuit, Nevada Communications Corporation, a Delaware Corporation v. Columbia/HCA Healthcare Corporation, a Delaware Corporation, which was filed in the 12th Judicial Circuit Court for Manatee County, Florida (Civil Action No. CA 98-3039) involves similar issues and alleges a breach of a telecommunications contract. The Company has filed a counterclaim containing allegations similar to the counterclaim in the Florida Software lawsuit. A trial on the Nevada Communications

matter was commenced on April 9, 2001. The Nevada Communications and Florida Software matters were settled on April 30, 2001, with no payments required of the Company.

Two law firms representing groups of health insurers have approached the Company and alleged that the Company's affiliates may have overcharged or otherwise improperly billed the health insurers for various types of medical care during the time frame from 1994 through 1997. The Company is engaged in discussions with these insurers, but no litigation has been filed. The Company is unable to determine if litigation will be filed, and if filed, what damages would be asserted.

The Company intends to pursue the defense of these actions and prosecution of its counterclaims and third-party claims vigorously.

The Company from time to time is a party to certain proceedings in the United States Tax Court and the United States Court of Federal Claims. For a description of those proceedings, see Note 5 -- Income Taxes in the Notes to Condensed Consolidated Financial Statements.

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 may not be 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.

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

(a) List of Exhibits:

Exhibit 10.1 -- HCA -- The Healthcare Company 2001 Performance Equity Incentive Plan (which plan is filed herewith).*

Exhibit 10.2 -- \$2.5 Billion Credit Agreement, dated April 30, 2001, among the Company, The Several Banks and Other Financial Institutions, JPMorgan, a Division of Chase Securities, Inc., as Sole Advisor, Lead Arranger and Bookrunner and The Chase Manhattan Bank, as Administrative Agent (which agreement is filed herewith).*

Exhibit 12 -- Statement re Computation of Ratio of Earnings to Fixed Charges.

*Included only in filings under the Electronic Data, Gathering, Analysis and Retrieval System.

(b) Reports on Form 8-K filed during the quarter ended March 31, 2001:

On January 31, 2001, the Company filed a report on Form 8-K which announced the issuance of \$500 million of 7 7/8% Notes due 2011.

On February 20, 2001, the Company filed a report on Form 8-K which announced its operating results for the year and fourth quarter ended December 31, 2000.

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.

HCA -- THE HEALTHCARE COMPANY

/s/ R. MILTON JOHNSON

R. Milton Johnson
Senior Vice President and Controller

Date: May 11, 2001

HCA - THE HEALTHCARE COMPANY
2001 PERFORMANCE EQUITY INCENTIVE PLAN

Purpose and Administration of the Plan

The Performance Equity Incentive Plan ("Plan") has been established to encourage outstanding performance of employees who are in a position to make substantial contributions to the success of the Company. This plan is governed by the HCA - The Healthcare Company 2000 Equity Incentive Plan.

Participation

Eligibility to participate in the Plan shall be extended generally to all full time regular/corporate payroll Director and above with at least three months employment in the fiscal year ("Participants") subject to approval by the CEO of HCA. For a Participant added during the Fiscal Year, the consideration shall be determined pursuant to the Plan and prorated. Proration may also apply to employees who transfer to a position eligible for a different incentive target.

Incentive Calculation and Payment

Plan payments for Participants are based on a combination of financial/non financial measurements (see chart below). As soon as practical, after the Fiscal Year, when the financial results of the Company are known, the appropriate senior officer will review and recommend plan payments. The Committee may make adjustments to performance targets deemed necessary to avoid unwarranted penalties or windfalls. Such adjustments will recognize uncontrollable outside factors and will be kept to a minimum. Payments shall be made as soon as practicable, after the annual audit report has been issued, but in no event later than three months after the Fiscal Year. Payments will be in the form of restricted stock that will vest at 50% per year over the following two years. This Plan is not a "qualified" plan for tax purposes, and any payments are subject to tax withholding requirements.

Plan Measurements

	EPS (CORP) OR EBITDA (HOSPITALS) -----	DEPARTMENT BUDGET* -----	SWB/AA, CASH FLOW, AR/BAD DEBT, SUPPLY EXP/AA, MED RECORDS UNBILLED, EBITDA, EE TURNOVER -----	SATISFACTION CORP - CLIENT OPS - PATIENT -----	INDIVIDUAL SPECIFIC GOALS -----
COVERED OFFICERS**	100%				
CORPORATE	25%	25%		10%	40%
HOSPITALS/ DIVISIONS	50%		20%	15%	15%

*Other financial measures may be substituted for either department budget or both department budget and EPS as approved by the company CEO.

**Covered Officers will be measured on EBITDA.

	NET REVENUE/AA -----	BAD DEBT / CHARITY EXP V. BUDGET -----	TOTAL COST PER REGISTRATION V. BUDGET -----	AR DAYS V. BUDGET -----	INDIVIDUAL SPECIFIC GOALS -----
RSC O'S	20%	20%	20%	20%	20%

Termination of Participant

In the event a payment is due pursuant to the Plan and a Participant's employment with the Company is terminated prior to the payment by reason of retirement, total and permanent disability or death, such Participant (or estate in the event of death) shall receive a pro rata payment. A Participant who is otherwise voluntarily or involuntarily separated prior to the payment of any Incentive Compensation shall cease to be a Participant and shall not have earned any right to receive any payments pursuant to the Plan. In addition, a Participant will forfeit all unvested shares at the time of separation.

CONFORMED COPY

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\$2,500,000,000

CREDIT AGREEMENT

among

HCA - THE HEALTHCARE COMPANY,

THE SEVERAL BANKS AND OTHER FINANCIAL INSTITUTIONS FROM TIME
TO TIME PARTIES HERETO,JPMORGAN, a division of Chase Securities Inc.,
as Sole Advisor, Lead Arranger and Bookrunner,BANK OF AMERICA, N.A.,
as Documentation Agent and Co-Arranger,CITICORP USA, INC.,
DEUTSCHE BANK AG NEW YORK BRANCH, and
SUNTRUST BANK
as Syndication Agents and Co-Arrangers,THE INDUSTRIAL BANK OF JAPAN, LIMITED,
as Co-Arranger,FLEET NATIONAL BANK and
THE BANK OF NOVA SCOTIA,
as Senior Managing Agents,THE BANK OF NEW YORK and
WACHOVIA BANK, N.A.,
as Managing Agents,TORONTO DOMINION BANK and
SUMITOMO BANK, as Co-Agents,AMSOUTH BANK,
CREDIT SUISSE FIRST BOSTON,
MERRILL LYNCH,
THE NORTHERN TRUST COMPANY and
KEY BANK,
as Lead Managers

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

Dated as of April 30, 2001

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EXHIBITS:

Exhibit A-1. Form of Revolving Note
 Exhibit A-2. Form of Term Note
 Exhibit A-3. Form of Competitive Loan Note
 Exhibit B. Form of Commitment Transfer Supplement
 Exhibit C-1. Form of CAF Advance Request
 Exhibit C-2. Form of CAF Advance Offer
 Exhibit C-3. Form of CAF Advance Confirmation
 Exhibit D. Form of Exemption Certificate

CREDIT AGREEMENT (this "Agreement"), dated as of April 30, 2001, among HCA - THE HEALTHCARE COMPANY, a Delaware corporation (the "Company"), the several banks and other financial institutions from time to time parties hereto (the "Banks"), BANK OF AMERICA, N.A., as Documentation Agent and Co-Arranger, CITICORP USA, INC., DEUTSCHE BANK AG NEW YORK BRANCH and SUNTRUST BANK and as Syndication Agents and Co-Arrangers, THE INDUSTRIAL BANK OF JAPAN, LIMITED, as Co-Arranger, FLEET NATIONAL BANK and THE BANK OF NOVA SCOTIA, as Senior Managing Agents, THE BANK OF NEW YORK and WACHOVIA BANK, N.A., as Managing Agents, TORONTO DOMINION BANK and SUMITOMO BANK, as Co-Agents, AMSOUTH BANK, CREDIT SUISSE FIRST BOSTON, MERRILL LYNCH, THE NORTHERN TRUST COMPANY and KEY BANK, as Lead Managers, JPMORGAN, a division of Chase Securities Inc., as Sole Advisor, Lead Arranger and Bookrunner, and THE CHASE MANHATTAN BANK, as agent (the "Agent").

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

SECTION 1. DEFINITIONS

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

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Agent.

"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.

"Agent" means The Chase Manhattan Bank, in its capacity as administrative agent for the Banks hereunder.

"Aggregate Exposure": with respect to any Bank at any time, an amount equal to (a) until the Closing Date, the aggregate amount of such Bank's Commitments at such time and (b) thereafter, the sum of (i) the aggregate then unpaid principal amount of such Bank's Term Loans and (ii) the amount of such Bank's Revolving Commitment then in effect or, if the Revolving Commitments have been terminated, the amount of such Bank's Revolving Extensions of Credit then outstanding.

"Aggregate Exposure Percentage": with respect to any Bank at any time, the ratio (expressed as a percentage) of such Bank's Aggregate Exposure at such time to the Aggregate Exposure of all Banks at such time.

"Agreement": as defined in the preamble hereto.

"Alternate Base Rate": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/100 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. The Applicable Margin shall be fixed at Level II for the period beginning on the Closing Date and ending on the date that is six months after the Closing Date. 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.

"Application": an application, in such form as the Issuing Bank may specify from time to time, requesting the Issuing Bank to open a Letter of Credit.

"Approved Fund": with respect to any Bank that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Bank or by an Affiliate of such investment advisor.

"Attributable Debt": (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 Revolving Commitments": as to any Revolving Bank at any time, an amount equal to the excess, if any, of (a) such Bank's Revolving Commitment then in effect over (b) the sum of (i) such Bank's Revolving Extensions of Credit then outstanding plus (ii) such Bank's Revolving Percentage of the aggregate principal amount of the CAF Advances then outstanding, calculated as if such outstanding CAF Advances were pro rata among the Revolving Banks.

"Bank Obligations": as defined in subsection 7.1.

"Banks": as defined in the preamble hereto.

"Benefitted Bank": as defined in subsection 9.7.

"Business Day": any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan or LIBO Rate CAF Advances,

the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"CAF Advance": each CAF Advance made pursuant to subsection 2.6.

"CAF Advance Agent": Chase, in its capacity as CAF Advance Agent.

"CAF Advance Availability Period": the period from and including the Closing Date to and including the date which is 14 days prior to the Revolving Termination Date.

"CAF Advance Confirmation": each confirmation by the Company of its acceptance of CAF Advance Offers, which confirmation shall be substantially in the form of Exhibit C-3 and shall be delivered to the CAF Advance Agent by facsimile transmission.

"CAF Advance Interest Payment Date": as to each CAF Advance, each interest payment date specified by the Company for such CAF Advance in the related CAF Advance Request.

"CAF Advance Maturity Date": as to any CAF Advance, the date specified by the Company pursuant to subsection 2.7(d)(ii) in its acceptance of the related CAF Advance Offer.

"CAF Advance Offer": each offer by a Bank to make CAF Advances pursuant to a CAF Advance Request, which offer shall contain the information specified in Exhibit C-2 and shall be delivered to the CAF Advance Agent by telephone, immediately confirmed by facsimile transmission.

"CAF Advance Request": each request by the Company for Banks to submit bids to make CAF Advances, which request shall contain the information in respect of such requested CAF Advances specified in Exhibit C-1 and shall be delivered to the CAF Advance Agent in writing, by facsimile transmission, or by telephone, immediately confirmed by facsimile transmission.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"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.

"Closing Date": the date on which the conditions precedent set forth in subsection 5.1 shall have been satisfied, which date is April 30, 2001.

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

"Commitment": as to any Bank, the sum of the Term Commitment and Revolving Commitment of such Bank.

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

"Company": HCA - The Healthcare Company, a Delaware corporation.

"Confidential Information Memorandum": the Confidential Information Memorandum dated March 2001 and/or April 2001 and furnished to certain Banks.

"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-recurring charges incurred or made as of or for fiscal quarters ending on or after June 30, 2000 related to the Company's partial settlement with the Department of Justice not exceeding in the aggregate \$745,000,000 on a pre-tax basis.

"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": 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 and Temporary 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 in conformity with GAAP 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" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"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" or "\$": 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 Base Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "Eurodollar Base Rate" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Agent or, in the absence of such availability, by reference to the rate at which the Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

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

"Eurodollar Loans": Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

Eurodollar Base Rate

1.00 - Eurocurrency Reserve Requirements

"Eurodollar Tranche": the collective reference to Eurodollar Loans under a particular Facility, the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Event of Default": any of the events specified in subsection 7.1, 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.

"Facility": each of (a) the Term Commitments and the Term Loans made thereunder (the "Term Facility") and (b) the Revolving Commitments and the extensions of credit made thereunder (the "Revolving Facility").

"Facility Fee": as defined in subsection 2.11(a).

"Facility Fee Rate": 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. The Facility Fee Rate shall be fixed at Level II for the period beginning on the Closing Date and ending on the date that is six months after the Closing Date. Increases or decreases in the Facility Fee Rate 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 maybe, to which such Facility Fee Rate relates.

"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.

"Fixed Rate CAF Advance": any CAF Advance made pursuant to a Fixed Rate CAF Advance Request.

"Fixed Rate CAF Advance Request": any CAF Advance Request requesting the Banks to offer to make CAF Advances at a fixed rate (as opposed to a rate composed of the LIBO Rate plus (or minus) a margin).

"GAAP": (a) with respect to determining compliance by the Company with the provisions of subsections 6.6, 6.7, 6.10 and 6.12, generally accepted accounting principles in the United States of America consistent with those utilized in preparing the audited financial statements referred to in subsection 4.3 and (b) with respect to the financial statements referred to in subsection 4.3 or the furnishing of financial statements pursuant to subsection 6.5 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.

"Granting Bank": as defined in subsection 9.6(h).

"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), each day that is three months, or a whole multiple thereof, after the first day of 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 or its notice of conversion, 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 Revolving Termination Date or the Term Maturity Date shall end on the Revolving Termination Date or Term Maturity Date, as the case may be; 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.

"Issuing Bank": Chase, in its capacity as the issuer of any Letter of Credit.

"L/C Commitment": \$1,250,000,000.

"L/C Fee Commitment Date": the last day of each March, June, September and December and the last day of the Revolving Commitment Period.

"L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to subsection 3.5.

"L/C Participants": the collective reference to all the Revolving Banks other than the Issuing Bank.

"Letters of Credit": as defined in subsection 3.1(a).

"Level I Period": any period during which 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 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 which 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 which 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 are equal to or below BB- or unrated or equal to or below Ba3 or unrated, as the case may be.

provided, that if on any day the ratings by S&P and Moody's do not coincide for any rating category and the Level differential is (x) one level, then the higher rating will be the applicable Level; (y) two levels, the Level at the midpoint will be the applicable Level; and (z) more than two levels, the lower of the intermediate Levels will be the applicable Level.

"LIBO Rate": in respect of any LIBO Rate CAF Advance, the Eurodollar Base Rate for an interest period commencing on the date of such CAF Advance and ending on the CAF Advance Maturity Date with respect thereto.

"LIBO Rate CAF Advance": any CAF Advance made pursuant to a LIBO Rate CAF Advance Request.

"LIBO Rate CAF Advance Request": any CAF Advance Request requesting the Banks to offer to make CAF Advances at an interest rate equal to the LIBO Rate plus (or minus) a margin.

"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 Documents": this Agreement and the Notes.

"Loans": the loans made by the Banks to the Company pursuant to this Agreement.

"Majority Facility Banks": with respect to any Facility, the holders of more than 50% of the aggregate unpaid principal amount of the Term Loans or the Total Revolving Extensions of Credit, as the case may be, outstanding under such Facility (or, in the case of the Revolving Facility, prior to any termination of the Revolving Commitments, the holders of more than 50% of the Total Revolving Commitments).

"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.

"Non-Excluded Taxes": as defined in subsection 2.21(a).

"Non-U.S. Banks": as defined in subsection 2.21(d).

"Notes": the collective reference to any promissory note evidencing Loans.

"Other Taxes": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participants": as defined in subsection 9.6(b).

"PBGC": the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"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 9.6(c).

"Register": as defined in subsection 9.6(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 for which reporting is required under such Section, 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. ss. 2615.

"Required Banks": at any time, the holders of more than 50% of (a) until the Closing Date, the Commitments then in effect and (b) thereafter, the sum of (i) the aggregate unpaid principal amount of the Term Loans then outstanding and (ii) the Total Revolving Commitments then in effect or, if the Revolving Commitments have been terminated, the Total Revolving Extensions of Credit then outstanding; provided, that for the purposes of declaring the Loans to be due and payable pursuant to Section 7, and for all purposes after the Loans become due and payable pursuant to Section 7 or the Revolving Commitments shall have been expired or terminated, the outstanding CAF Advances of each Bank shall be included in its Revolving Extensions of Credit in determining the Required Banks.

"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.

"Revolving Bank": each Bank that has a Revolving Commitment or that holds Revolving Loans.

"Revolving Commitment": as to any Bank, the obligation of such Bank, if any, to make Revolving Loans and participate in Letters of Credit in an aggregate principal and/or face amount not to exceed the amount set forth under the heading "Revolving Commitment" opposite such Bank's name on Schedule I or in the Commitment Transfer Supplement pursuant to which such Bank became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original amount of the Total Revolving Commitments is \$1,750,000,000.

"Revolving Commitment Period": the period from and including the Closing Date to the Revolving Termination Date.

"Revolving Extensions of Credit": as to any Revolving Bank at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Loans held by such Bank then outstanding and (b) such Bank's Revolving Percentage of the L/C Obligations then outstanding.

"Revolving Loans": as defined in subsection 2.4(a).

"Revolving Percentage": as to any Revolving Bank at any time, the percentage which such Bank's Revolving Commitment then constitutes of the Total Revolving Commitments or, at any time after the Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Bank's Revolving Loans then outstanding constitutes of the aggregate principal amount of the Revolving Loans then outstanding, provided, that, in the event that the Revolving Loans are paid in full prior to the reduction to zero of the Total Revolving Extensions of Credit, the Revolving Percentages shall be determined in a manner designed to ensure that the other outstanding Revolving Extensions of Credit shall be held by the Revolving Banks on a comparable basis.

"Revolving Termination Date": April 30, 2006.

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

"Sale-and-Leaseback Transaction": 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": at any particular time, any Subsidiary of the Company having total assets of \$25,000,000 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.

"SPC": as defined in subsection 9.6(h).

"Subsidiary": as to any Person, a corporation, partnership or other entity (i) 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 directly or indirectly through one or more intermediaries, by such Person or (ii) which otherwise is consolidated with the Company for financial statement purposes as determined in accordance with GAAP. 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": any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Temporary Equity": any amount included on the consolidated balance sheet of the Company and its Subsidiaries at such date as it pertains to (i) the repurchase of the Company's common stock using derivative financial instruments indexed to, and potentially settled in, the Company's own stock and (ii) amounts attributed to the consolidation of special purpose vehicle(s) that are created for the sole purpose of engaging in transactions to effect the Company's repurchase of its own stock.

"Term Bank": each Bank that has a Term Commitment or that holds a Term Loan.

"Term Commitment": as to any Bank, the obligation of such Bank, if any, to make a Term Loan to the Company in a principal amount not to exceed the amount set forth under the heading "Term Commitment" opposite such Bank's name on Schedule I. The original aggregate amount of the Term Commitments is \$750,000,000.

"Term Loan": as defined in subsection 2.1.

"Term Maturity Date": April 30, 2006.

"Term Percentage": as to any Term Bank at any time, the percentage which such Bank's Term Commitment then constitutes of the aggregate Term Commitments (or, at any time after the Closing Date, the percentage which the aggregate principal amount of such Bank's Term Loans then outstanding constitutes of the aggregate principal amount of the Term Loans then outstanding).

"Total Revolving Commitments": at any time, the aggregate amount of the Revolving Commitments then in effect.

"Total Revolving Extensions of Credit": at any time, the aggregate amount of the Revolving Extensions of Credit of the Revolving Banks outstanding at such time.

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

"Transferee": as defined in subsection 9.6(f).

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

"United States": the United States of America.

"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.

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 COMMITMENTS

2.1 Term Commitments. Subject to the terms and conditions hereof, (a) each Term Bank severally agrees to make a term loan (a "Term Loan") to the Company on the Closing Date in an amount not to exceed the amount of the Term Commitment of such Bank. The Term Loans may from time to time be Eurodollar Loans and/or Alternate Base Rate Loans, as determined by the Company and notified to the Agent in accordance with subsections 2.2 and 2.14.

2.2 Procedure for Term Loan Borrowing. The Company shall give the Agent irrevocable notice (which notice must be received by the Agent (i) prior to 12:00 Noon, New York City time, three Business Days prior to the Closing Date, in the case of Eurodollar Loans and (ii) prior to 12:00 Noon, New York City time, one Business Day prior to the anticipated

Closing Date, in the case of Alternate Base Rate Loans) requesting that the Term Banks make the Term Loans on the Closing Date and specifying the amount and Type(s) to be borrowed. Upon receipt of such notice the Agent shall promptly notify each Term Bank thereof. Not later than 12:00 Noon, New York City time, on the Closing Date each Term Bank shall make available to the Agent at the Funding Office an amount in immediately available funds equal to the Term Loan to be made by such Bank. The Agent shall credit the account of the Company on the books of such office of the Agent with the aggregate of the amounts made available to the Agent by the Term Banks in immediately available funds.

2.3 Repayment of Term Loans. The Term Loan of each Term Bank shall mature and be payable by the Company in 16 consecutive quarterly installments commencing July 31, 2002, each of which shall be in an amount equal to such Term Bank's Term Percentage multiplied by the amount set forth below opposite such installment:

Installment Date -----	Principal Amount -----
July 31, 2002	\$18,750,000
October 31, 2002	\$18,750,000
January 31, 2003	\$18,750,000
April 30, 2003	\$18,750,000
July 31, 2003	\$37,500,000
October 31, 2003	\$37,500,000
January 31, 2004	\$37,500,000
April 30, 2004	\$37,500,000
July 31, 2004	\$56,250,000
October 31, 2004	\$56,250,000
January 31, 2005	\$56,250,000
April 30, 2005	\$56,250,000
July 31, 2005	\$75,000,000
October 31, 2005	\$75,000,000
January 31, 2006	\$75,000,000
Term Maturity Date	\$75,000,000

2.4 Revolving Commitments. (a) Subject to the terms and conditions hereof, each Revolving Bank severally agrees to make revolving credit loans ("Revolving Loans") to the Company from time to time during the Revolving Commitment Period in an aggregate principal amount at any one time outstanding which, when added to such Bank's Revolving Percentage of the sum of the L/C Obligations then outstanding, does not exceed the amount of such Bank's Revolving Commitment. The Company shall not request, and the Banks shall not make, any Revolving Loan if, after giving effect to the making of such Revolving Loan, the aggregate amount of the Available Revolving Commitments would be less than zero. During the Revolving Commitment Period the Company may use the Revolving Commitments by borrowing, prepaying the Revolving Loans in whole or in part, and reborrowing, all in

accordance with the terms and conditions hereof. The Revolving Loans may from time to time be Eurodollar Loans and/or Alternate Base Rate Loans, as determined by the Company and notified to the Agent in accordance with subsections 2.5 and 2.14.

(b) The Company shall repay all outstanding Revolving Loans on the Revolving Termination Date.

2.5 Procedure for Revolving Loan Borrowing. The Company may borrow under the Revolving Commitments during the Revolving Commitment Period on any Business Day, provided that the Company shall give the Agent irrevocable notice (which notice must be received by the Agent (a) prior to 12:00 Noon, New York City time, three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) prior to 10:00 A.M., New York City time, on the requested Borrowing Date, in the case of Alternate Base Rate Loans), specifying (i) the amount and Type of Revolving Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the respective amounts of each such Type of Loan and the respective lengths of the initial Interest Periods therefor. Each borrowing under the Revolving Commitments shall be in an amount equal to (x) in the case of Alternate Base Rate Loans, \$1,000,000 or a whole multiple thereof (or, if the then aggregate Available Revolving Commitments are less than \$1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof. Upon receipt of any such notice from the Company, the Agent shall promptly notify each Revolving Bank thereof. Each Revolving 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 Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Company in funds immediately available to the Agent. Such borrowing will then be made available to the Company by the Agent 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 Revolving Banks and in like funds as received by the Agent.

2.6 CAF Advances. Subject to the terms and conditions of this Agreement, the Company may borrow CAF Advances from time to time on any Business Day during the CAF Advance Availability Period. The Company shall not request, and the Banks shall not make, any CAF Advance if, after giving effect to the making of such CAF Advance, the aggregate amount of the Available Revolving Commitments would be less than zero. Within the limits and on the conditions hereinafter set forth with respect to CAF Advances, the Company from time to time may borrow, repay and reborrow CAF Advances.

2.7 Procedure for CAF Advance Borrowing. (a) The Company shall request CAF Advances by delivering a CAF Advance Request to the CAF Advance Agent, not later than 12:00 Noon, New York City time, four Business Days prior to the proposed Borrowing Date (in the case of a LIBO Rate CAF Advance Request), and not later than 10:00 A.M., New York City time, one Business Day prior to the proposed Borrowing Date (in the case of a Fixed Rate CAF Advance Request). Each CAF Advance Request in respect of any Borrowing Date may solicit bids for CAF Advances on such Borrowing Date in an aggregate principal amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and having not more than three alternative CAF Advance Maturity Dates. The CAF Advance Maturity Date for each CAF Advance shall be the date set forth therefor in the relevant CAF Advance Request, which date

shall be (i) not less than 7 days nor more than 360 days after the Borrowing Date therefor, in the case of a Fixed Rate CAF Advance, (ii) one, two, three or six months after the Borrowing Date therefor, in the case of a LIBO CAF Advance and (iii) not later than the Revolving Termination Date, in the case of any CAF Advance. The CAF Advance Agent shall notify each Bank promptly by facsimile transmission of the contents of each CAF Advance Request received by the CAF Advance Agent.

(b) In the case of a LIBO Rate CAF Advance Request, upon receipt of notice from the CAF Advance Agent of the contents of such CAF Advance Request, each Bank may elect, in its sole discretion, to offer irrevocably to make one or more CAF Advances at the applicable LIBO Rate plus (or minus) a margin determined by such Bank in its sole discretion for each such CAF Advance. Any such irrevocable offer shall be made by delivering a CAF Advance Offer to the CAF Advance Agent, before 10:30 A.M., New York City time, on the day that is three Business Days before the proposed Borrowing Date, setting forth:

(i) the maximum amount of CAF Advances for each CAF Advance Maturity Date and the aggregate maximum amount of CAF Advances for all CAF Advance Maturity Dates which such Bank would be willing to make (which amounts may, subject to subsection 2.6, exceed such Bank's Revolving Commitments); and

(ii) the margin above or below the applicable LIBO Rate at which such Bank is willing to make each such CAF Advance.

The CAF Advance Agent shall advise the Company before 11:00 A.M., New York City time, on the date which is three Business Days before the proposed Borrowing Date of the contents of each such CAF Advance Offer received by it. If the CAF Advance Agent, in its capacity as a Bank, shall elect, in its sole discretion, to make any such CAF Advance Offer, it shall advise the Company of the contents of its CAF Advance Offer before 10:15 A.M., New York City time, on the date which is three Business Days before the proposed Borrowing Date.

(c) In the case of a Fixed Rate CAF Advance Request, upon receipt of notice from the CAF Advance Agent of the contents of such CAF Advance Request, each Bank may elect, in its sole discretion, to offer irrevocably to make one or more CAF Advances at a rate of interest determined by such Bank in its sole discretion for each such CAF Advance. Any such irrevocable offer shall be made by delivering a CAF Advance Offer to the CAF Advance Agent before 9:30 A.M., New York City time, on the proposed Borrowing Date, setting forth:

(i) the maximum amount of CAF Advances for each CAF Advance Maturity Date, and the aggregate maximum amount for all CAF Advance Maturity Dates, which such Bank would be willing to make (which amounts may, subject to subsection 2.6, exceed such Bank's Revolving Commitment); and

(ii) the rate of interest at which such Bank is willing to make each such CAF Advance.

The CAF Advance Agent shall advise the Company before 10:00 A.M., New York City time, on the proposed Borrowing Date of the contents of each such CAF Advance Offer received by it. If the CAF Advance Agent, in its capacity as a Bank, shall elect, in its sole discretion, to make any

such CAF Advance Offer, it shall advise the Company of the contents of its CAF Advance Offer before 9:15 A.M., New York City time, on the proposed Borrowing Date.

(d) Before 11:30 A.M., New York City time, three Business Days before the proposed Borrowing Date (in the case of CAF Advances requested by a LIBO Rate CAF Advance Request) and before 10:30 A.M., New York City time, on the proposed Borrowing Date (in the case of CAF Advances requested by a Fixed Rate CAF Advance Request), the Company, in its absolute discretion, shall:

(i) cancel such CAF Advance Request by giving the CAF Advance Agent telephone notice to that effect, or

(ii) by giving telephone notice to the CAF Advance Agent (immediately confirmed by delivery to the CAF Advance Agent of a CAF Advance Confirmation by facsimile transmission) (A) subject to the provisions of subsection 2.7(e), accept one or more of the offers made by any Bank or Banks pursuant to subsection 2.7(b) or subsection 2.7(c), as the case may be, and (B) reject any remaining offers made by Banks pursuant to subsection 2.7(b) or subsection 2.7(c), as the case may be.

(e) The Company's acceptance of CAF Advances in response to any CAF Advance Offers shall be subject to the following limitations:

(i) the amount of CAF Advances accepted for each CAF Advance Maturity Date specified by any Bank in its CAF Advance Offer shall not exceed the maximum amount for such CAF Advance Maturity Date specified in such CAF Advance Offer;

(ii) the aggregate amount of CAF Advances accepted for all CAF Advance Maturity Dates specified by any Bank in its CAF Advance Offer shall not exceed the aggregate maximum amount specified in such CAF Advance Offer for all such CAF Advance Maturity Dates;

(iii) the Company may not accept offers for CAF Advances for any CAF Advance Maturity Date in an aggregate principal amount in excess of the maximum principal amount requested in the related CAF Advance Request; and

(iv) if the Company accepts any of such offers, it must accept offers based solely upon pricing for each relevant CAF Advance Maturity Date and upon no other criteria whatsoever, and if two or more Banks submit offers for any CAF Advance Maturity Date at identical pricing and the Company accepts any of such offers but does not wish to (or, by reason of the limitations set forth in subsection 2.6, cannot) borrow the total amount offered by such Banks with such identical pricing, the Company shall accept offers from all of such Banks in amounts allocated among them pro rata according to the amounts offered by such Banks (with appropriate rounding, in the sole discretion of the Company, to assure that each accepted CAF Advance is an integral multiple of \$1,000,000); provided that if the number of Banks that submit offers for any CAF Advance Maturity Date at identical pricing is such that, after the Company accepts such offers pro rata in accordance with the foregoing provisions of this paragraph, the CAF Advance to be made by any such Bank would be less than \$5,000,000 principal amount,

the number of such Banks shall be reduced by the CAF Advance Agent by lot until the CAF Advances to be made by each such remaining Bank would be in a principal amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof.

(f) If the Company notifies the CAF Advance Agent that a CAF Advance Request is cancelled pursuant to subsection 2.7(d)(i), the CAF Advance Agent shall give prompt telephone notice thereof to the Banks.

(g) If the Company accepts pursuant to subsection 2.7(d)(ii) one or more of the offers made by any Bank or Banks, the CAF Advance Agent promptly shall notify each Bank which has made such an offer of (i) the aggregate amount of such CAF Advances to be made on such Borrowing Date for each CAF Advance Maturity Date and (ii) the acceptance or rejection of any offers to make such CAF Advances made by such Bank. Before 12:00 Noon, New York City time, on the Borrowing Date specified in the applicable CAF Advance Request, each Bank whose CAF Advance Offer has been accepted shall make available to the Agent at the Funding Office the amount of CAF Advances to be made by such Bank, in immediately available funds. The Agent will make such funds available to the Company as soon as practicable on such date at such office of the Agent. As soon as practicable after each Borrowing Date, the CAF Advance Agent shall notify each Bank of the aggregate amount of CAF Advances advanced on such Borrowing Date and the respective CAF Advance Maturity Dates thereof.

2.8 CAF Advance Payments. (a) The Company shall pay to the Administrative Agent, for the account of each Bank which has made a CAF Advance, on the applicable CAF Advance Maturity Date the then unpaid principal amount of such CAF Advance. The Company shall not have the right to prepay any principal amount of any CAF Advance without the consent of the Bank to which such CAF Advance is owed.

(b) The Company shall pay interest on the unpaid principal amount of each CAF Advance from the Borrowing Date to the applicable CAF Advance Maturity Date at the rate of interest specified in the CAF Advance Offer accepted by the Company in connection with such CAF Advance (calculated on the basis of a 360-day year for actual days elapsed), payable on each applicable CAF Advance Interest Payment Date.

(c) If any principal of, or interest on, any CAF Advance shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such CAF Advance shall, without limiting any rights of any Bank under this Agreement, bear interest from the date on which such payment was due at a rate per annum which is 2% above the rate which would otherwise be applicable to such CAF Advance until the stated CAF Advance Maturity Date of such CAF Advance, and for each day thereafter at a rate per annum which is 2% above the Alternate Base Rate, in each case until paid in full (as well after as before judgment). Interest accruing pursuant to this paragraph (c) shall be payable from time to time on demand.

2.9 Evidence of Debt. (a) The Company unconditionally promises to pay to the Agent, for the account of each Bank that makes a CAF Advance, on the CAF Advance Maturity Date with respect thereto, the principal amount of such CAF Advance. The Company further unconditionally promises to pay interest on each such CAF Advance for the period from and including the Borrowing Date of such CAF Advance on the unpaid principal amount thereof

from time to time outstanding at the applicable rate per annum determined as provided in, and payable as specified in, subsection 2.8(b). Each Bank shall maintain in accordance with its usual practice appropriate records evidencing indebtedness of the Company to such Bank resulting from each CAF Advance of such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time in respect of such CAF Advance. The Agent shall maintain the Register pursuant to subsection 9.6(d), and a record therein for each Bank, in which shall be recorded (i) the amount of each CAF Advance made by such Bank, the CAF Advance Maturity Date thereof, the interest rate applicable thereto and each CAF Advance Interest Payment Date applicable thereto, and (ii) the amount of any sum received by the Agent hereunder from the Company on account of such CAF Advance. The entries made in the Register and the records of each Bank maintained pursuant to this subsection 2.9 shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Company therein recorded; provided, however, that the failure of any Bank or the Agent to maintain the Register or any such record, or any error therein, shall not in any manner affect the obligation of the Company to repay (with applicable interest) the CAF Advances made by such Bank in accordance with the terms of this Agreement.

(b) At the request of any Bank at any time, the Company agrees that it will execute and deliver to such Bank a Note evidencing the Revolving Loans, the Term Loans or the CAF Advances of such Bank.

2.10 Certain Restrictions. A CAF Advance Request may request offers for CAF Advances to be made on not more than one Borrowing Date and to mature on not more than three CAF Advance Maturity Dates. No CAF Advance Request may be submitted earlier than five Business Days after submission of any other CAF Advance Request.

2.11 Facility Fees, etc. (a) The Company agrees to pay to the Agent for the account of each Revolving Bank a facility fee ("Facility Fees"; each a "Facility Fee") for the period from and including the Closing Date to the earlier of the last day of the Revolving Commitment Period and the date upon which this Agreement is otherwise terminated, computed at the Facility Fee Rate on the average daily amount of the Revolving Commitment of such Bank during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the earlier of the Revolving Termination Date and the date upon which this Agreement is otherwise terminated, commencing on the first of such dates to occur after the date hereof.

(b) The Company agrees to pay to the Agent the fees in the amounts and on the dates set forth in the fee letter dated March 14, 2001 between the Company and the Agent.

2.12 Termination or Reduction of Revolving Commitments. The Company shall have the right, upon not less than three Business Days' notice to the Agent, to terminate the Revolving Commitments or, from time to time, to reduce the amount of the Revolving Commitments; provided that no such termination or reduction of Revolving Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Loans made on the effective date thereof, the Total Revolving Extensions of Credit and the aggregate amount of CAF Advances outstanding would exceed the Total Revolving Commitments. Any such

reduction shall be in an amount equal to \$10,000,000, or a whole multiple of \$1,000,000 in excess thereof, and shall reduce permanently the Revolving Commitments then in effect.

2.13 Optional Prepayments. The Company may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty, upon irrevocable notice delivered to the Agent at least three Business Days prior thereto in the case of Eurodollar Loans and at least one Business Day prior thereto in the case of Alternate Base Rate Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or Alternate Base Rate Loans or a combination thereof; provided, that if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Company shall also pay any amounts owing pursuant to subsection 2.22. Upon receipt of any such notice the Agent shall promptly notify each relevant Bank thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Revolving Loans that are Alternate Base Rate Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Term Loans and/or Revolving Loans shall be in an aggregate principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof.

2.14 Conversion and Continuation Options. (a) The Company may elect from time to time to convert all or any part of outstanding Eurodollar Loans to Alternate Base Rate Loans by giving the Agent at least two Business Days' prior irrevocable notice of such election, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Company may elect from time to time to convert all or any part of outstanding Alternate Base Rate Loans to Eurodollar Loans by giving the Agent at least three Business Days' prior irrevocable notice of such election (which notice shall specify the length of the initial Interest Period therefor), provided that no Alternate Base Rate Loan under a particular Facility may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Agent or the Majority Facility Banks in respect of such Facility have determined in its or their sole discretion not to permit such conversions. Upon receipt of any such notice the Agent shall promptly notify each relevant Bank thereof.

(b) All or any portion of any Eurodollar Loan may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Company giving irrevocable notice to the Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in subsection 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan under a particular Facility may be continued as such when any Event of Default has occurred and is continuing and the Agent has or the Majority Facility Banks in respect of such Facility have determined in its or their sole discretion not to permit such continuations, and provided, further, that if the Company shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso such Loans shall be automatically converted to Alternate Base Rate Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Agent shall promptly notify each relevant Bank thereof.

2.15 Limitations on Eurodollar Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions and continuations of Eurodollar Loans under each Facility and all selections of Interest Periods shall be in such amounts and be made

pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof and (b) no more than 15 Eurodollar Tranches shall be outstanding at any one time.

2.16 Interest Rates and Payment Dates. (a) Each Eurodollar Loan under each Facility (other than a LIBO Rate CAF Advance) shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin for such Facility.

(b) Each Alternate Base Rate Loan under each Facility shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin for such Facility.

(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to (x) in the case of the Loans (other than CAF Advances), the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection plus 2% or (y) in the case of Reimbursement Obligations, the rate applicable to Alternate Base Rate Loans under the Revolving Facility plus 2%, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any Facility Fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Alternate Base Rate Loans under the relevant Facility plus 2%, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this subsection shall be payable from time to time on demand.

2.17 Computation of Interest and Fees. (a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to Alternate Base Rate Loans the rate of interest on which is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Agent shall as soon as practicable notify the Company and the relevant 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 Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Agent shall as soon as practicable notify the Company and the relevant Banks of the effective date and the amount of each such change in interest rate.

(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 2.16(a).

2.18 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Agent shall have determined (which determination shall be conclusive and binding upon the Company) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Agent shall have received notice from the Majority Facility Banks in respect of the relevant Facility that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Banks (as conclusively certified by such Banks) of making or maintaining their affected Loans during such Interest Period,

the Agent shall give telecopy or telephonic notice thereof to the Company and the relevant Banks as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans under the relevant Facility requested to be made on the first day of such Interest Period shall be made as Alternate Base Rate Loans, (y) any Loans under the relevant Facility that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Alternate Base Rate Loans and (z) any outstanding Eurodollar Loans under the relevant Facility shall be converted, on the last day of the then-current Interest Period, to Alternate Base Rate Loans. Until such notice has been withdrawn by the Agent, no further Eurodollar Loans under the relevant Facility shall be made or continued as such, nor shall the Company have the right to convert Loans under the relevant Facility to Eurodollar Loans.

2.19 Pro Rata Treatment and Payments. (a) Each borrowing by the Company from the Banks hereunder (other than borrowing of CAF Advances), each payment by the Company on account of any commitment fee and any reduction of the Commitments of the Banks shall be made pro rata according to the respective Term Percentages or Revolving Percentages, as the case may be, of the relevant Banks.

(b) Each payment (including each prepayment) by the Company on account of principal of and interest on the Term Loans shall be made pro rata according to the respective outstanding principal amounts of the Term Loans then held by the Term Banks. Amounts prepaid on account of the Term Loans may not be reborrowed.

(c) Each payment (including each prepayment) by the Company on account of principal of and interest on the Revolving Loans shall be made pro rata according to the respective outstanding principal amounts of the Revolving Loans then held by the Revolving Banks.

(d) All payments (including prepayments) to be made by the Company hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 1:00 P.M., New York City time, on the due date thereof to the Agent, for the account of the Banks, at the Agent's office set forth in subsection

9.2, in Dollars 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. 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. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(e) Unless the Agent shall have been notified in writing by any Bank prior to a borrowing that such Bank will not make the amount that would constitute its share of such borrowing available to the Agent, the Agent may assume that such Bank is making such amount available to the Agent, and the Agent may, in reliance upon such assumption, make available to the Company a corresponding amount. If such amount is not made available to the Agent by the required time on the Borrowing Date therefor, such Bank shall pay to the Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Bank makes such amount immediately available to the Agent. A certificate of the Agent submitted to any Bank with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Bank's share of such borrowing is not made available to the Agent by such Bank within three Business Days after such Borrowing Date, the Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to Alternate Base Rate Loans under the relevant Facility, on demand, from the Company.

(f) Unless the Agent shall have been notified in writing by the Company prior to the date of any payment due to be made by the Company hereunder that the Company will not make such payment to the Agent, the Agent may assume that the Company is making such payment, and the Agent may, but shall not be required to, in reliance upon such assumption, make available to the Banks their respective pro rata shares of a corresponding amount. If such payment is not made to the Agent by the Company within three Business Days after such due date, the Agent shall be entitled to recover, on demand, from each Bank to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Agent or any Bank against the Company.

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

(i) shall subject any Bank to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Bank in respect thereof (except for Non-Excluded Taxes covered by subsection 2.21 and 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, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Bank that is not otherwise included in the determination of the Eurodollar Rate; 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 an amount that such Bank deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, 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 increased cost or reduced amount receivable. If any Bank becomes entitled to claim any additional amounts pursuant to this paragraph, it shall, within 90 days after it becomes aware of such fact, notify the Company (with a copy to the Agent) of the event by reason of which it has become so entitled.

(b) If any Bank shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof after the date hereof or compliance by such Bank or any corporation controlling such Bank with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof 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 or under or in respect of any Letter of Credit 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 deemed by such Bank to be material, then from time to time, after submission by such Bank to the Company (with a copy to the Agent) of a written request therefore (such request shall include details reasonably sufficient to establish the basis for such additional costs and shall be submitted to the Company within 30 Business Days after it becomes aware of such fact), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank or such corporation for such reduction; provided that the Company shall not be required to compensate a Bank pursuant to this paragraph for any amounts incurred more than 90 days prior to the date that such Bank notifies the Company of such Bank's intention to claim compensation therefor; and provided further that, if the circumstances giving rise to such claim have a retroactive effect, then such 90 day period shall be extended to include the period of such retroactive effect.

(c) A certificate as to any additional amounts payable pursuant to this subsection submitted by any Bank to the Company (with a copy to the Agent) shall be conclusive in the absence of manifest error. The obligations of the Company pursuant to this subsection shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.21 Taxes. (a) All payments made by the Company under this Agreement shall be made free and clear of, and without deduction 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 net income taxes, franchise taxes and excise taxes (imposed in lieu of net income taxes) imposed on the Agent or any Bank as a result of a present or former connection between the Agent or such Bank and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Agent or such Bank having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to the Agent or any Bank hereunder, 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 Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Company shall not be required to increase any such amounts payable to any Bank with respect to any Non-Excluded Taxes (i) that are attributable to such Bank's failure to comply with the requirements of paragraph (d) or (e) of this subsection or (ii) that are United States withholding taxes imposed on amounts payable to such Bank at the time such Bank becomes a party to this Agreement, except to the extent that such Bank's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Company with respect to such Non-Excluded Taxes pursuant to this paragraph.

(b) In addition, the Company shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other 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 the relevant 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 Non-Excluded Taxes or Other 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.

(d) Each Bank (or Transferee) that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Bank") shall deliver to the Company and the Agent (or, in the case of a Participant, to the Bank from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Bank claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit D and a Form W-8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Bank claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Company under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Bank on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related

participation). In addition, each Non-U.S. Bank shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Bank. Each Non-U.S. Bank shall promptly notify the Company at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Company (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Bank shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Bank is not legally able to deliver.

(e) A Bank that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Company is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Company (with a copy to the Agent), at the time or times prescribed by applicable law or reasonably requested by the Company, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Bank is legally entitled to complete, execute and deliver such documentation and in such Bank's judgment such completion, execution or submission would not materially prejudice the legal position of such Bank.

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

2.22 Indemnity. The Company agrees to indemnify each Bank for, and to hold each Bank harmless from, any loss (excluding the Applicable Margin, if included therein) or expense that such Bank may sustain or incur as a consequence of (a) default by the Company in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Company has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Company in making any prepayment of or conversion from Eurodollar Loans after the Company has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Bank) that would have accrued to such Bank on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A certificate as to any amounts payable pursuant to this subsection 2.22, together with calculations in reasonable detail, submitted to the Company by any Bank shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.23 Change of Lending Office. Each Bank agrees that, upon the occurrence of any event giving rise to the operation of subsection 2.20 or 2.21(a) with respect to such Bank, it will, if requested by the Company, use reasonable efforts (subject to overall policy

considerations of such Bank) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Bank, cause such Bank and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this subsection shall affect or postpone any of the obligations of the Company or the rights of any Bank pursuant to subsection 2.20 or 2.21(a).

2.24 Replacement of Banks. The Company shall be permitted to replace any Bank that (a) requests reimbursement for amounts owing pursuant to subsection 2.20 or 2.21(a) or (b) defaults in its obligation to make Loans hereunder, with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) prior to any such replacement, such Bank shall have taken no action under subsection 2.23 so as to eliminate the continued need for payment of amounts owing pursuant to subsection 2.20 or 2.21(a), (iii) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Bank on or prior to the date of replacement, (iv) the Company shall be liable to such replaced Bank under subsection 2.22 if any Eurodollar Loan owing to such replaced Bank shall be purchased other than on the last day of the Interest Period relating thereto, (v) the replacement financial institution, if not already a Bank, shall be reasonably satisfactory to the Agent, (vi) the replaced Bank shall be obligated to make such replacement in accordance with the provisions of subsection 9.6 (provided that the Company shall be obligated to pay the registration and processing fee referred to therein), (vii) until such time as such replacement shall be consummated, the Company shall pay all additional amounts (if any) required pursuant to subsection 2.20 or 2.21(a), as the case may be, and (viii) any such replacement shall not be deemed to be a waiver of any rights that the Company, the Agent or any other Bank shall have against the replaced Bank.

SECTION 3. LETTERS OF CREDIT

3.1 L/C Commitment. (a) Subject to the terms and conditions hereof, the Issuing Bank, in reliance on the agreements of the other Revolving Banks set forth in subsection 3.4(a), agrees to issue letters of credit ("Letters of Credit") for the account of the Company on any Business Day during the Revolving Commitment Period in such form as may be approved from time to time by the Issuing Bank; provided that the Issuing Bank shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate amount of the Available Revolving Commitments would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date that is five Business Days prior to the Revolving Termination Date, provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(b) The Issuing Bank shall not at any time be obligated to issue any Letter of Credit if such issuance would conflict with, or cause the Issuing Bank or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

3.2 Procedure for Issuance of Letter of Credit. The Company may from time to time request that the Issuing Bank issue a Letter of Credit by delivering to the Issuing Bank at its address for notices specified herein an Application therefor, completed to the satisfaction of the Issuing Bank, and such other certificates, documents and other papers and information as the Issuing Bank may request. Upon receipt of any Application, the Issuing Bank will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Bank be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by the Issuing Bank and the Company. The Issuing Bank shall furnish a copy of such Letter of Credit to the Company promptly following the issuance thereof. The Issuing Bank shall promptly furnish to the Agent, which shall in turn promptly furnish to the Banks, notice of the issuance of each Letter of Credit (including the amount thereof).

3.3 Fees and Other Charges. (a) The Company will pay a fee on all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans under the Revolving Facility, shared ratably among the Revolving Banks and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, the Company shall pay to the Issuing Bank for its own account a fronting fee of 0.125% per annum on the undrawn and unexpired amount of each Letter of Credit, payable quarterly in arrears on each L/C Fee Payment Date after the Issuance Date.

(b) In addition to the foregoing fees, the Company shall pay or reimburse the Issuing Bank for such normal and customary costs and expenses as are incurred or charged by the Issuing Bank in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

3.4 L/C Participations. (a) The Issuing Bank irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Bank to issue Letters of Credit, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Bank, on the terms and conditions set forth below, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Revolving Percentage in the Issuing Bank's obligations and rights under and in respect of each Letter of Credit and the amount of each draft paid by the Issuing Bank thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Bank that, if a draft is paid under any Letter of Credit for which the Issuing Bank is not reimbursed in full by the Company in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Bank upon demand at the Issuing Bank's address for notices specified herein an amount equal to such L/C Participant's Revolving Percentage of the amount of such draft, or any part thereof, that is not so reimbursed.

(b) If any amount required to be paid by any L/C Participant to the Issuing Bank pursuant to subsection 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Bank under any Letter of Credit is paid to the Issuing Bank within three Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Bank on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds

Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Bank, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to subsection 3.4(a) is not made available to the Issuing Bank by such L/C Participant within three Business Days after the date such payment is due, the Issuing Bank shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Alternate Base Rate Loans under the Revolving Facility. A certificate of the Issuing Bank submitted to any L/C Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Bank has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with subsection 3.4(a), the Issuing Bank receives any payment related to such Letter of Credit (whether directly from the Company or otherwise, including proceeds of collateral applied thereto by the Issuing Bank), or any payment of interest on account thereof, the Issuing Bank will distribute to such L/C Participant its pro rata share thereof; provided, however, that in the event that any such payment received by the Issuing Bank shall be required to be returned by the Issuing Bank, such L/C Participant shall return to the Issuing Bank the portion thereof previously distributed by the Issuing Bank to it.

3.5 Reimbursement Obligation of the Company. The Company agrees to reimburse the Issuing Bank on the Business Day next succeeding the Business Day on which the Issuing Bank notifies the Company of the date and amount of a draft presented under any Letter of Credit and paid by the Issuing Bank for the amount of (a) such draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by the Issuing Bank in connection with such payment. Each such payment shall be made to the Issuing Bank at its address for notices referred to herein in Dollars and in immediately available funds. Interest shall be payable on any such amounts from the date on which the relevant draft is paid until payment in full at the rate set forth in (i) until the Business Day next succeeding the date of the relevant notice, subsection 2.16(b) with respect to Revolving Loans and (ii) thereafter, subsection 2.16(c).

3.6 Obligations Absolute. The Company's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that the Company may have or have had against the Issuing Bank, any beneficiary of a Letter of Credit or any other Person. The Company also agrees with the Issuing Bank that the Issuing Bank shall not be responsible for, and the Company's Reimbursement Obligations under subsection 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Company and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Company against any beneficiary of such Letter of Credit or any such transferee. The Issuing Bank shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Issuing Bank.

The Company agrees that any action taken or omitted by the Issuing Bank under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Company and shall not result in any liability of the Issuing Bank to the Company.

3.7 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the Issuing Bank shall promptly notify the Company of the date and amount thereof. The responsibility of the Issuing Bank to the Company in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are substantially in conformity with such Letter of Credit.

3.8 Applications. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

SECTION 4. REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Banks that:

4.1 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 (except where such failure would not be material to the Company and its Subsidiaries on a consolidated basis).

4.2 Subsidiaries. As of the date hereof, the Company has only the Subsidiaries set forth in Schedule II. 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.

4.3 Financial Information. The Company has furnished to the Agent and made available to each Bank copies of the following (the "SEC Reports"):

(a) the Annual Report of the Company for the fiscal year ended December 31, 2000, containing the consolidated balance sheet of the Company and its Subsidiaries as at said date and the related consolidated statements of operations, stockholders' equity and cash flows for the fiscal year then ended, accompanied by the report of Ernst & Young LLP;

(b) the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2000; and

(c) Current Reports on Form 8-K filed with the Securities and Exchange Commission dated January 30, 2001, February 20, 2001 and April 24, 2001, respectively, and Schedule V attached hereto.

Such financial statements (including any notes thereto) have been prepared in accordance with GAAP and fairly present the financial condition of the corporations covered thereby at the dates thereof and the results of their operations for the periods covered thereby. 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.

4.4 Changes in Condition. Since December 31, 2000 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.

4.5 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 4.3 or furnished pursuant to subsection 6.5, 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.

4.6 Litigation. Except as disclosed in the Company's SEC Reports, 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, 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 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 could reasonably be expected to have 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 SEC Reports, 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.

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

4.8 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.

4.9 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.

4.10 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.

4.11 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.

4.12 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. The Company and its Subsidiaries have met all of the funding standards applicable to all 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 aggregate current value of the vested liabilities under the Plans that are subject to Title IV of ERISA and that are not Multiemployer Plans does not exceed the aggregate current value of such Plans' assets.

4.13 Disclosure. No statement or information contained in this Agreement, any other Loan Document, the Confidential Information Memorandum or any other document, certificate or written statement furnished by or on behalf of the Company to the Agent or the Banks, or any of them, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished (or, in the case of the Confidential Information Memorandum, as of the date of this Agreement), any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Company to be reasonable at the time made, it being recognized by the Banks that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount.

4.14 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.

4.15 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.

4.16 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.

SECTION 5. CONDITIONS

The obligations of each Bank to make the Loans contemplated hereunder 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:

5.1 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.

5.2 Legal Opinions. On the Closing Date, each Bank shall have received from any general, associate, or assistant general counsel or Vice President-Legal to the Company, such opinions as the Agent shall have reasonably requested with respect to the transactions contemplated by this Agreement.

5.3 Company Officers' Certificate. The representations and warranties contained in Section 4 (as qualified by the disclosures in (i) the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2000, (ii) the Company's Reports on Form 8-K dated January 31, 2001, February 20, 2001 and April 24, 2001, respectively, in the case of each of the items referred to in clauses (i) and (ii), as filed with the Securities and Exchange Commission and previously distributed to the Agent and made available to each Bank and (iii) Schedule V

attached hereto) 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 (except for representations and warranties made as of a specified date, which shall be true and correct as of such dates); no Default shall have occurred (except a Default which shall have been waived in writing or which shall have been cured) and no Default shall exist after giving effect to the Loan to be made, and the Agent shall have received a certificate containing a representation to these effects dated such Borrowing Date and signed by a Responsible Officer.

5.4 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.

5.5 Termination of Existing Credit Facilities. On the Closing Date, the Agent shall have received satisfactory evidence that the Company's credit agreements listed on Schedule VI attached hereto shall have been terminated and all amounts thereunder shall have been paid in full by the proceeds of the Loans hereunder.

5.6 General. On the Closing Date, 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.

5.7 Fees. The Agent shall have received the fees to be received on the Closing Date referred to in subsection 2.11.

SECTION 6. GENERAL COVENANTS

On and after the date hereof, until all of the Loans 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 6 and such other provisions of this Agreement as are applicable to the Person in question.

6.1 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.

6.2 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.

6.3 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 not material to the Company and its Subsidiaries on a consolidated basis or 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.

6.4 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.

6.5 Financial Statements. The Company will and will cause each of its Subsidiaries to maintain a standard 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 operations and cash flows and of stockholders' equity 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 cash flows 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 6.6, 6.7, 6.10 and 6.12.

(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, condensed consolidated balance sheets as at the end of such fiscal quarter and condensed consolidated statements of operations and cash flows for the portion of the fiscal year then ended, of the Company and its Subsidiaries, together with computations showing compliance with subsections 6.6, 6.7, 6.10 and 6.12, accompanied by a certificate of a Responsible Officer of the Company that such statements and computations have been properly prepared in accordance with GAAP for interim financial information, 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 cash flows for such quarter and for the portion of the fiscal year then ended, and to the further effect that such Responsible Officer 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 and which litigation or proceeding is otherwise required to be disclosed in such reports. 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 that is a "defined benefit plan" as defined in ERISA, 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 the Agent 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. Representatives of any Bank (at such Bank's expense) may accompany the Agent during any examination referred to in the preceding sentence.

(g) Confidentiality of Information. Each Bank acknowledges that some of the information furnished to such Bank pursuant to this subsection 6.5 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 or regulatory 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 6.5(g) or (iv) with the prior consent of the Company.

6.6 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.

6.7 Interest Coverage Ratio. On the last day of each fiscal quarter of the Company, 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.

6.8 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 Distributions.

6.9 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 purposes of causing the Company to be incorporated in a different jurisdiction in the United States or causing the Company to change its name.

6.10 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 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 (in the case of any exchange of any material asset or group of assets, 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 6.10(a) (including, without limitation, any disposition resulting from any merger or consolidation involving a Subsidiary of the Company, and any Sale-and-Leaseback Transaction) 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 6.10(b) does not exceed 20% of Consolidated Assets of the Company and its Subsidiaries as at the end of the immediately preceding fiscal year.

6.11 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, except where the failure to do so could not reasonably be expected to have a material adverse effect. At no time shall the aggregate actual and contingent liabilities of the Company under Sections 4062, 4063, 4064 and other provisions 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 \$10,000,000. 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.

6.12 Negative Pledge. The Company will not and will ensure that no Subsidiary will create or have outstanding any lien or security interest on or over any Principal Property in respect of any Indebtedness and the Company will not create or have outstanding any lien or security interest 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 lien or security interest 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 may be, 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 and such security is not extended to other property of the Company or its Subsidiaries;

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-Leaseback Transactions (other than those permitted by subsection 6.13(b)), does not exceed 10% of Consolidated Net Tangible Assets of the Company and its Subsidiaries.

6.13 Sale-and-Leaseback Transactions. Neither the Company nor any Significant Subsidiary will enter into any Sale-and-Leaseback 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 6.12(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 a Responsible Officer of the Company of the leased property at the time such transaction was entered into.

6.14 Use of Proceeds. 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 Regulation U and X.

SECTION 7. DEFAULTS

7.1 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 6.6 through 6.10, 6.12, 6.13 and 6.14; 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 7.1(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, whether or not such Bank is fully secured.

7.2 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 7.1, 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.

7.3 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.

7.4 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 8. THE AGENT

8.1 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.

8.2 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.

8.3 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.

8.4 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.

8.5 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.

8.6 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.

8.7 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 respective Aggregate Exposure Percentages, 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.

8.8 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, any Letter of Credit issued or participated in 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.

8.9 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 8.9 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 9. MISCELLANEOUS

9.1 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 and the Required Banks 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 (i) forgive any principal amount or extend the final scheduled date of maturity of any Loan or extend the expiry date of any Letter of Credit beyond the Revolving Termination Date, reduce the principal of any Loan or L/C Obligation or the stated rate of any interest or fee payable hereunder or any other Loan Document, or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Bank's Revolving Commitment, in each case without the written consent of each Bank directly affected thereby; (ii) eliminate or reduce the voting rights of any Bank under this subsection 9.1 without the written consent of such Bank; (iii) reduce any percentage specified in the definition of Required Banks, consent to the assignment or transfer by the Company of any of its rights and obligations under this Agreement and the other Loan Documents, without the written consent of all Banks; (iv) amend, modify or waive any provision of Section 8 without the written consent of the Agent;

or (v) amend, modify or waive any provision of Section 3 without the written consent of the Issuing Bank. 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.

9.2 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:	HCA - The Healthcare Company One Park Plaza Nashville, Tennessee 37203 Attention: Keith Giger Telecopy: (615) 344-5720
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.

9.3 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.

9.4 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.

9.5 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, attempted enforcement or preservation of any rights or remedies 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 reasonable expenses (including without limitation all reasonable fees and disbursements of counsel with whom an Indemnified Person may consult in connection therewith and all reasonable 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 9.5 shall survive

repayment of the Notes and all other amounts payable hereunder.

9.6 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 9.7. The Company also agrees that each Participant shall be entitled to the benefits of subsections 2.20, 2.21 and 2.22 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 (i) of the proviso to subsection 9.1.

(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, any affiliate of any Bank or any Approved Fund, and, with the consent of the Company (unless an Event of Default has occurred and is continuing) and the Agent (which consent in each case shall not be unreasonably withheld or delayed) to one or more additional banks or financial institutions ("Purchasing Banks") all or any part of its rights and/or obligations under this Agreement and the Notes pursuant to a Commitment Transfer Supplement, if any, 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, an affiliate of any Bank or any Approved Fund shall be equal to or greater than \$2,500,000 or such lesser amount as may be agreed to by the Company and the Agent 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 \$5,000,000 or such lesser amount as may be agreed to by the Company and the Agent. For purposes of the proviso contained in the preceding sentence, the amount described therein shall be aggregated in respect of each Bank and its related Approved Funds, if any. 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 9.6(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 9.2 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 \$3,500, 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 6.5(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 9.6, 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 W-8BEN or U.S. Internal Revenue Service Form W-8ECI (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

W-8BEN or Form W-8ECI 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) Notwithstanding anything to the contrary contained herein, any Bank (a "Granting Bank") may grant to a special purpose funding vehicle that is an Affiliate of such Bank (an "SPC"), identified as such in writing from time to time by the Granting Bank to the Agent and the Company, the option to provide to the Company all or any part of any Loan that such Granting Bank would otherwise be obligated to make to the Company pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Bank shall be obligated to make such Loan pursuant to the terms of this Agreement. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent and as if, such Loan were made by such Granting Bank. The liability for any indemnity of similar payment obligations under this Agreement shall at all times remain with the Granting Bank. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this subsection 9.6, any SPC may (i) with notice to, but without the prior written consent of, the Company and the Agent and without paying any processing fee thereof, assign all or a portion of its interests in any Loans to its Granting Bank or to any other financial institutions (consented to by the Company and the Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC.

(i) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection 9.6 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.

9.7 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 7.1(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.

9.8 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.

9.9 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.

9.10 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.

9.11 Submission To Jurisdiction; Waivers. The Company hereby irrevocably and unconditionally:

(a) 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

(b) 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.

HCA - THE HEALTHCARE COMPANY

By: /s/ David G. Anderson

Name: David G. Anderson
Title: Senior 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

BANK OF AMERICA, N.A.

By: /s/ Kevin Wagley

Name: Kevin Wagley
Title: Principal

CITICORP USA, INC.

By: /s/ Jonathan Kim

Name: Jonathan Kim
Title: Vice President

DEUTSCHE BANK AG

By: /s/ William W. Archer

Name: William W. Archer
Title: Managing Director

SUNTRUST BANK

By: /s/ Mark D. Mattson

Name: Mark D. Mattson
Title: Director

THE BANK OF NOVA SCOTIA

By: /s/ W. J. Brown

Name: W. J. Brown
Title: Vice President

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: /s/ James W. Masters

Name: James W. Masters
Title: Senior Vice President

FLEET NATIONAL BANK, N.A.

By: /s/ G. Stolzenhaler

Name: G. Stolzenhaler
Title: Managing Director

THE BANK OF NEW YORK

By: /s/ Ann Marie Hughes

Name: Ann Marie Hughes
Title: Vice President

WACHOVIA BANK, N.A.

By: /s/ Jessica S. Wright

Name: Jessica S. Wright
Title: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ Eric Seeley

Name: Eric Seeley
Title: Vice President

TORONTO DOMINION SECURITIES (USA) INC.

By: /s/ Alva J. Jones

Name: Alva J. Jones
Title: Vice President

AMSOUTH BANK

By: /s/ William H. Berrell

Name: William H. Berrell
Title: Vice President

CREDIT SUISSE FIRST BOSTON

By: /s/ William S. Lutkins

Name: William S. Lutkins
Title: Vice President

By: /s/ Robert Hetu

Name: Robert Hetu
Title: Director

MERRILL LYNCH CAPITAL CORPORATION

By: /s/ Christopher Birosak

Name: Christopher Birosak
Title: Director

THE NORTHERN TRUST COMPANY

By: /s/ Craig Smith

Name: Craig Smith
Title: Vice President

KEYBANK NATIONAL ASSOCIATION

By: /s/ Mary K. Young

Name: Mary K. Young
Title: Vice President

WELLS FARGO BANK, N.A.

By: /s/ Carol Polasky

Name: Carol Polasky
Title: Vice President

COMERICA BANK

By: /s/ Colleen M. Murphy

Name: Colleen M. Murphy
Title: Vice President

NATIONAL CITY BANK

By: /s/ Robert S. Coleman

Name: Robert S. Coleman
Title: Senior Vice President

HCA -- THE HEALTHCARE COMPANY
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 FOR THE QUARTERS MARCH 31, 2001 AND 2000
 (DOLLARS IN MILLIONS)

	QUARTER	
	2001	2000
	-----	-----
EARNINGS:		
Income before minority interests and income taxes.....	\$572	\$518
Fixed charges, excluding capitalized interest.....	169	144
	-----	-----
	\$741	\$662
	=====	=====
FIXED CHARGES:		
Interest charged to expense.....	\$142	\$119
Interest portion of rental expense and amortization of deferred loan costs.....	27	25
	-----	-----
Fixed charges, excluding capitalized interest.....	169	144
Capitalized interest.....	4	5
	-----	-----
	\$173	\$149
	=====	=====
Ratio of earnings to fixed charges.....	4.29	4.43