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FORM 10-K405

HCA Holdings, Inc. - HCA

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-11239

COLUMBIA/HCA HEALTHCARE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)
ONE PARK PLAZA
NASHVILLE, TENNESSEE
(Address of Principal Executive Offices)

75-2497104
(I.R.S. Employer Identification No.)
37203
(Zip Code)

Registrant's Telephone Number, Including Area Code: (615) 344-9551

Securities Registered Pursuant to Section 12(b) of the Act:

| TITLE OF EACH CLASS ----- | NAME OF EACH EXCHANGE ON WHICH REGISTERED ----- |
|-------------------------------|---|
| Common Stock, \$.01 Par Value | New York Stock Exchange |

Securities Registered Pursuant to Section 12(g) of the Act: None

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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

As of March 15, 2000, there were outstanding 543,479,300 shares of the Registrant's Voting Common Stock and 21,000,000 shares of the Registrant's Nonvoting Common Stock. As of March 15, 2000 the aggregate market value of the Common Stock held by non-affiliates was approximately \$10,992,420,000. For purposes of the foregoing calculation only, the Registrant's directors, executive officers, The Columbia/HCA Healthcare Corporation Stock Bonus Plan, the Columbia/HCA Healthcare Corporation Salary Deferral Plan, the EPIC Profit Sharing Plan and the Healthtrust 401(k) Retirement Program have been deemed to be affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its 2000 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

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PART I

ITEM 1. BUSINESS

GENERAL

Columbia/HCA Healthcare Corporation is one of the leading health care services companies in the United States. At December 31, 1999, the Company operated 207 hospitals, comprised of 184 general, acute care hospitals, 11 psychiatric hospitals, and 12 hospitals included in joint ventures, which are accounted for using the equity method. In addition, the Company operated 83 outpatient surgery centers, three of which are accounted for using the equity method. The Company's facilities are located in 24 states, England and Switzerland. The terms "Company" or "Columbia/HCA" as used herein refer to Columbia/HCA Healthcare Corporation and its affiliates unless otherwise stated or indicated by context. The term "affiliates" means direct and indirect subsidiaries of Columbia/HCA Healthcare Corporation and partnerships and joint ventures in which such subsidiaries are partners.

The Company's primary objective is to provide the communities it serves a comprehensive array of quality health care services in the most cost effective manner possible. The Company's general, acute care hospitals usually provide a full range of services commonly available in hospitals to accommodate such medical specialties as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics and obstetrics, as well as diagnostic and emergency services. Outpatient and ancillary health care services are provided by the Company's general, acute care hospitals and through the Company's freestanding outpatient surgery and diagnostic centers, and rehabilitation facilities. The Company's psychiatric hospitals provide a full range of mental health care services through inpatient, partial hospitalization and outpatient settings. The Company also operates preferred provider organizations in 47 states and the District of Columbia.

The Company, through various predecessor entities, began operations on July 1, 1988. The Company was incorporated in Nevada in January 1990 and reincorporated in Delaware in September 1993. The Company's principal executive offices are located at One Park Plaza, Nashville, Tennessee 37203, and its telephone number at such address is (615) 344-9551.

Prior to 1997, the Company grew substantially through a series of corporate mergers and acquisitions of individual facilities. In September 1993, the Company acquired Galen Health Care, Inc. ("Galen") in a merger accounted for as a pooling of interests. In February 1994, the Company acquired HCA-Hospital Corporation of America ("HCA") in a merger accounted for as a pooling of interests. In September 1994, the Company acquired Medical Care America, Inc. ("MCA") in a transaction accounted for as a purchase, and in April 1995, the Company acquired Healthtrust, Inc. -- The Hospital Company ("Healthtrust") in a merger accounted for as a pooling of interests. During the 1993-1996 time period, the Company also completed numerous joint ventures and other acquisitions of health care assets.

In August of 1997, following the inception of a Federal investigation into its business practices, the Company made substantial changes to its top management and initiated a plan to restructure its operations to create a smaller and more focused company. During 1998, the Company completed the sales of 36 hospitals and 36 ambulatory surgery centers, and substantially completed the sales of its home health businesses and three of the four units acquired in the August 1997 acquisition of Value Health, Inc. ("Value Health"). Throughout 1998, the Company acquired six hospitals and completed the construction of three hospitals.

During 1999, the Company completed the sales of 24 hospitals and closed four hospitals. The Company also terminated a lease to operate another facility and leased two hospitals to another party to operate. The Company completed the sales of four surgery centers and closed two surgery centers. In May 1999, the Company also completed the tax-free spin-offs of LifePoint Hospitals, Inc. ("LifePoint") and Triad Hospitals, Inc. ("Triad") creating two independent publicly traded companies, which together operated 57 hospitals at the time of the spin-offs.

The Company remains the subject of several Federal investigations into its business practices, as well as governmental investigations by numerous states. The Company is working closely with the appropriate governmental authorities to resolve these matters. The Company is also named in other various legal proceedings, which include qui tam actions, shareholder derivative and class action suits filed in Federal court,

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shareholder derivative actions filed in state courts, patient/payer actions and general liability claims. The Company is defending these actions vigorously. See Item 3 -- "Legal Proceedings."

BUSINESS STRATEGY

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

The Company has substantially implemented the action plan developed in August 1997, to become a smaller, more focused Company and to return the Company's emphasis to its primary goal of local, community-focused patient care. The Company has also redefined its approach to certain business practices that may have led to the investigations by certain government agencies and has instituted a values based culture to insure patient care is our primary focus.

This strategy will allow Company management to concentrate their efforts on the Company's strategic locations.

The Company and the health care industry are facing many challenges, including the growing number of uninsured, reimbursement pressures from government and non-government payers and the increasing costs of supplies, pharmaceuticals and new technologies. As a response to these challenges, the Company is implementing a shared services initiative. This initiative is a company-wide program designed to reduce operating costs and provide additional resources for patient care by consolidating hospitals' back-office functions such as billing and collections and standardizing and upgrading financial services. In addition, the Company is implementing company-wide supply improvement and distribution programs that will include consolidating purchasing and accounts payable functions regionally, combining warehouses and developing division-based procurement programs.

HEALTH CARE FACILITIES

The Company currently owns, manages or operates hospitals, ambulatory surgery centers, diagnostic centers, cardiac rehabilitation centers, physical therapy centers, radiation oncology centers, comprehensive outpatient rehabilitation centers and various other facilities.

At December 31, 1999, the Company operated 184 general, acute care hospitals with 41,080 licensed beds and an additional 12 hospitals with 3,179 licensed beds that are operated through joint ventures which are accounted for using the equity method. Most of the Company's general, acute care hospitals provide medical and surgical services, including inpatient care, intensive care, cardiac care, diagnostic services and emergency services. The general, acute care hospitals also provide outpatient services such as outpatient surgery, laboratory, radiology, respiratory therapy, cardiology and physical therapy. Each hospital has an organized medical staff and a local board of trustees or governing board, made up of members of the local community.

Like most hospitals, the Company's hospitals do not engage in extensive medical research and medical education programs. However, some of the Company's hospitals are affiliated with medical schools, and, among other things, may participate in the clinical rotation of medical students.

At December 31, 1999, the Company operated 11 psychiatric hospitals with 1,404 licensed beds. The Company's psychiatric hospitals provide therapeutic programs including child, adolescent and adult psychiatric care, as well as, adult and adolescent alcohol and drug abuse treatment and counseling. The hospitals use the "treatment team" concept whereby the admitting physician, team psychologist, social workers, nurses, therapists and counselors coordinate each phase of therapy. Services provided by this team include crisis intervention, individual psychotherapy, group and family therapy, social services, chemical dependency

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counseling, behavioral modification and physical therapy. Certain of the Company's general, acute care hospitals also have a limited number of licensed psychiatric beds.

Other outpatient or related health care services operated by the Company include ambulatory surgery centers, diagnostic centers, outpatient physical therapy/rehabilitation centers, outpatient radiation therapy centers, cardiac rehabilitation centers and skilled nursing services. These outpatient and related services are an integral component of the Company's strategy to develop a comprehensive health care network in select communities.

In addition to providing capital resources, the Company makes available a variety of management services to its health care facilities, most significantly: ethics and compliance programs; national supply contracts; equipment purchasing and leasing contracts; accounting, financial and clinical

systems; governmental reimbursement assistance; construction planning and coordination; information technology systems and solutions; legal counsel; personnel management and internal audit.

SOURCES OF REVENUE

Hospital revenues depend upon inpatient occupancy levels, the ancillary services and therapy programs ordered by physicians and provided to patients, the volume of outpatient procedures and the charges or negotiated payment rates for such services. Charges and reimbursement rates for inpatient services vary significantly depending on the type of service (e.g., medical/surgical, intensive care or psychiatric) and the geographic location of the hospital.

The Company receives payment for patient services from the Federal government primarily under the Medicare program, state governments under their respective Medicaid or similar programs, HMOs, PPOs and private insurers, as well as directly from patients. The approximate percentages of patient revenues from continuing operations of the Company's facilities from such sources were as follows:

| | YEAR ENDED DECEMBER 31, | | |
|--------------------|----------------------------|------|------|
| | 1999 | 1998 | 1997 |
| Medicare..... | 29% | 30% | 34% |
| Medicaid..... | 7% | 6% | 6% |
| Managed care..... | 37% | 32% | 28% |
| Other sources..... | 27% | 32% | 32% |
| | ---- | ---- | ---- |
| Total..... | 100% | 100% | 100% |
| | ==== | ==== | ==== |

Medicare is a Federal program that provides certain hospital and medical insurance benefits to persons age 65 and over, some disabled persons and persons with end-stage renal disease. Medicaid is a Federal-state program, administered by the states, which provides hospital benefits to qualifying individuals who are unable to afford care. Substantially all of the Company's hospitals are certified as providers of Medicare and Medicaid services. Amounts received under the Medicare and Medicaid programs are generally significantly less than the hospital's customary charges for the services provided.

To attract additional volume, most of the Company's hospitals offer discounts from customary charges to certain large group purchasers of health care services, including Blue Cross, other private insurance companies, employers, HMOs, PPOs and other managed care plans. Blue Cross is a private health care program that funds hospital benefits through independent plans that vary in each state. These discount programs limit the Company's ability to increase charges in response to increasing costs. See "Competition." Patients are generally not responsible for any difference between customary hospital charges and amounts reimbursed for such services under Medicare, Medicaid, some Blue Cross plans, HMOs or PPOs, but are responsible to the extent of any exclusions, deductibles or co-insurance features of their coverage. The amount of such exclusions, deductibles and co-insurance has been increasing each year. Collection of amounts due from individuals is typically more difficult than from governmental or third party payers.

Under the Medicare program the Company receives reimbursement under a prospective payment system ("PPS") for inpatient hospital services. Psychiatric, long-term care, rehabilitation, specially designated children's hospitals and certain designated cancer research hospitals, as well as psychiatric or rehabilitation units that are distinct parts of a hospital and meet Health Care Financing Administration ("HCFA") criteria for exemption, are currently exempt from PPS and are reimbursed on a cost based system, subject to certain cost limits (known as TEFRA limits).

Under PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group ("DRG"). DRGs classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each principal diagnosis. DRG rates have been established for each hospital participating in the Medicare program. DRG weights are based upon a statistically normal distribution of severity. When the cost of treatment for certain patients falls well outside the normal distribution, providers receive additional payments (cost outliers). DRG payments do not consider a specific hospital's cost, but are adjusted for area wage differentials. The majority of inpatient capital costs for acute care facilities are reimbursed on a prospective payment system based on DRG weights multiplied by a Federal rate adjusted by a geographic adjustment factor. Outpatient capital costs are reimbursed at cost less 10%.

DRG rates are updated and DRG weights are recalibrated annually and have been affected by several recent Federal enactments. The index used to adjust the DRG rates (the "market basket") gives consideration to the inflation experienced by hospitals (within the hospital market basket) in purchasing goods and services. However, for several years the percentage increases to the DRG rates have been lower than the percentage increases in the costs of goods and services purchased by hospitals. The DRG rates are adjusted each Federal fiscal year, which begins on October 1. The historical DRG rate increases were 1.1%, 1.5%, 2.0%, 0.0%, 0.5% and 1.1% for Federal fiscal years 1995, 1996, 1997, 1998, 1999, and 2000, respectively. The budgeted updates for Federal fiscal years 2001 and 2002 are market basket minus 1.1% for both years.

Outpatient services provided at general, acute care hospitals typically are reimbursed by Medicare at the lower of customary charges, a blend of fee schedule amounts and costs that are subject to limits, or actual costs, subject to limits. The Balanced Budget Act of 1997 ("BBA-97"), enacted August 5, 1997, contains provisions that affect outpatient services, including a requirement that HCFA adopt a prospective payment system for outpatient hospital services to begin January 1, 1999. However, implementation of the outpatient PPS was delayed because of Year 2000 systems concerns. The outpatient PPS is currently anticipated to be implemented in July 2000. At such time as outpatient PPS is implemented, the rates will be based on the rates that would have been in effect January 1, 1999, updated by the rate of increase in the hospital market basket minus one percentage point. The Company is not able to predict the effect, if any, that the new payment system will have on its financial results. After the fee schedule is established for this new PPS system, the fee schedule is to be updated by the market basket minus 1.0% for each of Federal fiscal years 2000 through 2002. Similarly, effective January 1, 1999, therapy services rendered by hospitals to outpatients and inpatients not covered under a Part A stay are reimbursed according to the Medicare physician fee schedule.

Payments to PPS-exempt hospitals and units, (i.e., inpatient psychiatric, rehabilitation and long-term hospital services), are based upon reasonable cost, subject to a cost per discharge target (the TEFRA limit). These limits are updated annually by a market basket index. For Federal fiscal years 1995, 1996 and 1997, the market basket rate of increase was 3.7%, 3.4%, and 2.5% respectively. For Federal fiscal years 1994 through 1997, the market basket was reduced by the lesser of 1% or the percentage difference between 10% and the percentage by which the hospital's allowable operating costs exceeded the target amount in Federal fiscal year 1990. For Federal fiscal year 1998, there was no increase. The update for cost reporting periods beginning on or after October 1, 1998 (i.e., FY 1999) is the market basket less a percentage point between 0% and 2.4% depending on the hospital's or unit's costs in relation to the ceiling (target). Furthermore, limits have been established for the cost per discharge target at the 75th percentile for each category of PPS-exempt hospitals and

hospital units. For Federal fiscal year 1998, these limits were \$10,534, \$19,104, and \$37,688 per discharge for inpatient psychiatric, rehabilitation and long-term hospital services, respectively. For Federal fiscal year

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1999, these new limits were \$10,787, \$19,562 and \$38,593 per discharge, respectively. For Federal fiscal year 2000, these limits are \$11,100, \$20,129 and \$39,712 per discharge respectively. In addition the cost per discharge for new hospitals/hospital units cannot exceed 110% of the national median target rate for hospitals in the same category. For Federal fiscal year 1998 these amounts were \$8,517, \$16,738, and \$18,947 per discharge for inpatient psychiatric, rehabilitation and long-term hospital services, respectively, and are wage adjusted. For Federal fiscal year 1999, these amounts are \$8,686, \$17,077 and \$22,010 per discharge for inpatient psychiatric, rehabilitation and long-term hospital services, respectively. For Federal fiscal year 2000, these amounts are \$8,938, \$17,573 and \$22,649 per discharge for inpatient psychiatric, rehabilitation and long-term hospital services, respectively.

Skilled nursing facilities ("SNF") have historically been reimbursed by Medicare on the basis of actual costs, subject to certain limits. BBA-97 requires the establishment of a prospective payment system for Medicare skilled nursing facilities under which facilities will be paid a Federal per diem rate for virtually all covered services. The new payment system is being phased in over three cost reporting periods, starting with cost reporting periods beginning on or after July 1, 1998. The law also institutes consolidated billing for skilled nursing facility services, under which payments for most non-physician Part B services for beneficiaries no longer eligible for Part A skilled nursing facility care will be made to the facility, regardless of whether the item or service was furnished by the facility, by others under arrangement, or under any other contracting or consulting arrangement. The consolidated billing and coding requirements are effective for services and items furnished on or after July 1, 1998. Originally, HCFA provided for a "transition period", but this instruction was subsequently superseded. The transition period was eliminated and instead HCFA provided that a SNF must consolidate its bills as of its PPS start date, for those of its residents who are in a covered Part A stay.

BBA-97 also requires the United States Department of Health and Human Services ("HHS") to establish a PPS for home health services, to be implemented beginning October 1, 1999. Prior to implementation, BBA-97 establishes certain interim payment reforms for cost reporting periods beginning on or after October 1, 1997, including reduced per visit costs limits, and agency-specific per beneficiary annual limits on an agency's costs. Effective for cost reporting periods beginning on or after October 1, 1997, home health agencies are paid the lower of (i) their reasonable costs, (ii) per visit limits or (iii) blended agency specific per beneficiary limits based on 98% of 1994 base year costs. The interim payment system will continue to be utilized until the PPS for home health services is implemented. HCFA intends to implement full transition to the PPS on October 1, 2000. The Company substantially divested its home health care services in 1998.

Currently, physicians are paid by Medicare on a physician fee schedule. However, physicians working in rural health clinics, such as those maintained by the Company, are reimbursed for their professional and administrative services through the rural health clinic at cost, subject to per visit limits, unless the rural health clinic is based at a rural hospital with less than 50 beds.

Medicare has special payment provisions for "sole community hospitals." A sole community hospital is generally the only hospital in at least a 35-mile radius. Five of the Company's facilities qualify as sole community hospitals under Medicare regulations. Special payment provisions related to sole community hospitals include a higher reimbursement rate, which is based on a blend of hospital-specific costs and the national DRG rate, and a 90% payment "floor" for capital costs which guarantees the sole community hospital capital reimbursement equal to 90% of capital cost. In addition, the Tricare (formally known as

CHAMPUS) program has special payment provisions for hospitals recognized as sole community hospitals for Medicare purposes (i.e., exempt from Tricare DRG-based payment system).

BBA-97 mandates a prospective payment system for skilled nursing facility services for Medicare cost reporting periods commencing after June 30, 1998, hospital outpatient services beginning January 1, 1999 (delayed until July 1, 2000), home health services for Medicare cost reporting periods beginning after September 30, 1999 (delayed until October 1, 2000), and inpatient rehabilitation hospital services for Medicare cost reporting periods beginning after September 30, 2000. Prior to the commencement of the prospective payment systems, payment constraints will be applied to PPS-exempt hospitals and units for Medicare cost reporting periods beginning on or after October 1, 1997. As of December 31, 1999, the

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Company had 59 rehabilitation hospitals/units, 103 skilled nursing facility units, one long-term care hospital and 78 psychiatric hospitals/units.

On November 29, 1999 President Clinton signed the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999. This significant legislation will likely have a positive impact on the BBA-97 provisions described above. Changes were made to medical education payments and adjustments, inpatient PPS disproportionate share payments, limits for the cost per discharge target at the 75th percentile for each category of PPS-exempt hospitals and hospital units, rural health clinic payments (Critical Access Hospitals), sole community hospitals payment rate options, SNF payment rates, home health payment rates and many other payment rate provisions. Transition provisions for outpatient PPS and suspension of the outpatient therapy caps for Federal fiscal years 2000 and 2001 were also included. With the exception of a few program memoranda, HCFA has not yet begun to translate this legislation into published regulations.

Medicaid

Most state Medicaid payments are made under a prospective payment system or under programs which negotiate payment levels with individual hospitals. Medicaid reimbursement is often less than a hospital's cost of services. Medicaid is currently funded jointly by the states and Federal government. The amount of the Federal government's portion is at least 50% of the state's qualifying costs. The Federal government and many states are currently considering significant reductions in the level of Medicaid funding while at the same time expanding Medicaid benefits, which could adversely affect future levels of Medicaid reimbursement received by the Company's hospitals.

On November 27, 1991, Congress enacted the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 which limit the amount of voluntary contributions and provider-specific taxes that can be used by states to fund Medicaid and require the use of broad-based taxes for such funding. As a result of enactment of these amendments, certain states in which the Company operates have adopted broad-based provider taxes to fund their Medicaid programs. The impact of these new taxes upon the Company has not been materially adverse. However, the Company is unable to predict whether any additional broad-based provider taxes will be adopted by the states in which it operates and, accordingly, is unable to assess the effect of such additional taxes on its results of operations or financial position.

Annual Cost Reports

All hospitals participating in the Medicare program, whether paid on a reasonable cost basis or under PPS, are required to meet certain financial reporting requirements. Federal regulations require the submission of annual cost reports covering the revenue, costs and expenses associated with the services provided by each hospital to Medicare beneficiaries.

Annual cost reports required under the Medicare and Medicaid programs are

subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due to the Company under these reimbursement programs. These audits often require several years to reach the final determination of amounts earned under the programs. Providers also have rights of appeal, and it is common to contest issues raised in audits of prior years' reports. As a result of the ongoing government investigations, the annual audits of many of the Company's cost reports are being delayed. The Company believes that adequate provisions have been made in its financial statements for any material retroactive adjustments that might result from such audits and that final resolution of the contested issues will not have a material adverse effect upon its results of operations or financial position.

Reviews of previously submitted annual cost reports and the cost report preparation process are areas included in the ongoing government investigations of the Company. We remain unable to predict the outcome of these investigations; however, if the Company or any of its facilities were found to be in violation of Federal or state laws relating to Medicare, Medicaid or similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Any such sanctions could have a material adverse effect on the financial position and results of operations of the Company. See Item 3 -- "Legal Proceedings."

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Managed Care

Pressures to control the costs of health care have resulted in increases to the percentage of admissions and revenues attributable to managed care payers. The percentage of the Company's admissions attributable to managed care payers increased from 38.7% for the year ended December 31, 1998 to 41.4% for the year ended December 31, 1999. The percentage of the Company's revenues from continuing operations attributable to managed care payers increased from 31.7% for the year ended December 31, 1998 to 36.7% for the year ended December 31, 1999. The Company expects that the trend toward increasing percentages of admissions and revenues related to managed care payers will continue in the future. The Company generally receives lower payments from managed care payers than from traditional commercial/indemnity insurers.

Commercial Insurance

The Company's hospitals provide services to individuals covered by private health care insurance. Private insurance carriers make direct payments to such hospitals or, in some cases, reimburse their policyholders based upon the particular hospital's established charges and the particular coverage provided in the insurance policy.

Commercial insurers are continuing efforts to limit the costs of hospital services by adopting discounted payment mechanisms, including prospective payment or DRG-based payment systems for more inpatient and outpatient services. To the extent that such efforts are successful and reduce the insurers' reimbursement to hospitals for the costs of providing services to their beneficiaries, such reduced levels of reimbursement may have a negative impact on the operating results of the Company's hospitals.

HOSPITAL UTILIZATION

The Company believes that the two most important factors relating to the overall utilization of a hospital are the quality and market position of the hospital and the number and quality of physicians providing patient care within the facility. Generally, the Company believes that the ability of a hospital to be a market leader is determined by its breadth of services, level of technology, emphasis on quality of care and convenience for patients and physicians. Other factors which impact utilization include the growth in local population, local economic conditions and market penetration of managed care programs.

The following table sets forth certain operating statistics for hospitals owned by the Company. Medical/surgical hospital operations are subject to certain seasonal fluctuations, including decreases in patient utilization during holiday periods and increases in the cold weather months. Psychiatric hospital operations are also subject to certain seasonal fluctuations, including decreases in patient occupancy during the summer months and holiday periods.

| | YEARS ENDED DECEMBER 31, | | | | |
|--|--------------------------|-----------|-----------|-----------|-----------|
| | 1999 | 1998 | 1997 | 1996 | 1995 |
| Number of hospitals at end of period(a)... | 195 | 281 | 309 | 319 | 319 |
| Number of licensed beds at end of period(b)..... | 42,484 | 53,693 | 60,643 | 61,931 | 61,347 |
| Weighted average licensed beds(c)..... | 46,291 | 59,104 | 61,096 | 62,708 | 61,617 |
| Admissions(d)..... | 1,625,400 | 1,891,800 | 1,915,100 | 1,895,400 | 1,774,800 |
| Equivalent admissions(e)..... | 2,425,100 | 2,875,600 | 2,901,400 | 2,826,000 | 2,598,300 |
| Average length of stay (days)(f)..... | 4.9 | 5.0 | 5.0 | 5.1 | 5.3 |
| Average daily census(g)..... | 22,002 | 25,719 | 26,006 | 26,583 | 25,917 |
| Occupancy rate(h)..... | 48% | 44% | 43% | 42% | 42% |

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- (a) Excludes 12 facilities in 1999, 24 facilities in 1998, 27 facilities in 1997, 22 facilities in 1996 and 19 facilities in 1995 that are not consolidated (accounted for using the equity method) for financial reporting purposes.
 - (b) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
 - (c) Represents the average number of licensed beds, weighted based on periods owned.

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- (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) Represents the average number of patients in the Company's hospital beds each day.
- (h) Represents the percentage of hospital licensed beds occupied by patients. Both average daily census and occupancy rate provide measures of the utilization of inpatient rooms.

Hospitals have experienced significant shifts from inpatient to outpatient care as well as decreases in average lengths of inpatient stay, primarily as a result of improvements in technology and clinical practices and hospital payment changes by Medicare, insurance carriers, managed care programs and self-insured employers. These changes generally encourage the utilization of outpatient, rather than inpatient, services whenever possible, and shorter lengths of stay for inpatient care.

COMPETITION

Generally, other hospitals in the local communities served by most of the Company's hospitals provide services similar to those offered by the Company's

hospitals. Additionally, in the past several years the number of freestanding outpatient surgery and diagnostic centers in the geographic areas in which the Company operates has increased significantly. As a result, most of the Company's hospitals operate in an increasingly competitive environment. The rates charged by the Company's hospitals are intended to be competitive with those charged by other local hospitals for similar services. In some cases, competing hospitals are more established than the Company's hospitals. Some competing hospitals are owned by tax-supported government agencies and many others by not-for-profit entities which may be supported by endowments and charitable contributions and are exempt from sales, property and income taxes. Such exemptions and support are not available to the Company's hospitals. In addition, in certain localities served by the Company there are large teaching hospitals which provide highly specialized facilities, equipment and services which may not be available at most of the Company's hospitals. Psychiatric hospitals frequently attract patients from areas outside their immediate locale and, therefore, the Company's psychiatric hospitals compete with both local and regional hospitals, including the psychiatric units of general, acute care hospitals.

The Company believes that its hospitals compete within local communities on the basis of many factors, including the quality of care, ability to attract and retain quality physicians, location, breadth of services, technology offered and prices charged. The competition among hospitals and other health care providers has intensified in recent years as hospital occupancy rates have declined. The Company's strategies are designed, and management believes that its hospitals are positioned, to be competitive under these changing circumstances.

One of the most significant factors in the competitive position of a hospital is the number and quality of physicians affiliated with the hospital. Although physicians may at any time terminate their affiliation with a hospital operated by the Company, the Company's hospitals seek to retain physicians of varied specialties on the hospitals' medical staffs and to attract other qualified physicians. The Company believes that physicians refer patients to a hospital primarily on the basis of the quality of services it renders to patients and physicians, the quality of other physicians on the medical staff, the location of the hospital and the quality of the hospital's facilities, equipment and employees. Accordingly, the Company strives to maintain high ethical and professional standards and quality facilities, equipment, employees and services for physicians and their patients.

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Another major factor in the competitive position of a hospital is management's ability to negotiate service contracts with purchasers of group health care services. HMOs and PPOs attempt to direct and control the use of hospital services through managed care programs and to obtain discounts from hospitals' established charges. In addition, employers and traditional health insurers are increasingly interested in containing costs through negotiations with hospitals for managed care programs and discounts from established charges. Generally, hospitals compete for service contracts with group health care services purchasers on the basis of price, market reputation, geographic location, quality and range of services, quality of the medical staff and convenience. The importance of obtaining contracts with managed care organizations varies from community to community depending on the market strength of such organizations.

State certificate of need ("CON") laws, which place limitations on a hospital's ability to expand hospital services and add new equipment, may also have the effect of restricting competition. The application process for approval of covered services, facilities, changes in operations and capital expenditures is, therefore, highly competitive. In those states which have no CON laws or which set relatively high levels of expenditures before they become reviewable by state authorities, competition in the form of new services, facilities and capital spending is more prevalent. The Company has not experienced, and does not expect to experience, any material adverse effects from state CON requirements or from the imposition, elimination or relaxation of such requirements. See "Regulation and Other Factors."

The Company, and the health care industry as a whole, face the challenge of continuing to provide quality patient care while dealing with rising costs, strong competition for patients and a general reduction of reimbursement rates by both private and government payers. As both private and government payers reduce the scope of what may be reimbursed and reduce reimbursement levels for what is covered, Federal and state efforts to reform the United States health care system may further impact reimbursement rates. Changes in medical technology, existing and future legislation, regulations and interpretations and competitive contracting for provider services by private and government payers may require changes in the Company's facilities, equipment, personnel, rates and/or services in the future.

The hospital industry and the Company's hospitals continue to have significant unused capacity. Inpatient utilization, average lengths of stay and average occupancy rates continue to be negatively affected by payer-required pre-admission authorization, utilization review and by payer pressure to maximize outpatient and alternative health care delivery services for less acutely ill patients. Increased competition, admissions constraints and payer pressures are expected to continue. To meet these challenges, the Company expands many of its facilities to include outpatient centers, offers discounts to private payer groups, upgrades facilities and equipment and offers new programs and services.

REGULATION AND OTHER FACTORS

Licensure, Certification and Accreditation

Health care facility construction and operation is subject to Federal, state and local regulations relating to the adequacy of medical care, equipment, personnel, operating policies and procedures, fire prevention, rate-setting and compliance with building codes and environmental protection laws. Facilities are subject to periodic inspection by governmental and other authorities to assure continued compliance with the various standards necessary for licensing and accreditation. The Company's health care facilities are properly licensed under appropriate state laws. Substantially all of the Company's general, acute care hospitals are certified for participation in the Medicare program and are accredited by the Joint Commission on Accreditation of Healthcare Organizations ("Joint Commission"). Certain of the Company's psychiatric hospitals do not participate in these programs. Should any facility lose its Joint Commission accreditation, or otherwise lose its certification under the Medicare program, the facility would be unable to receive reimbursement from the Medicare and Medicaid programs. Management believes that the Company's facilities are in substantial compliance with current applicable Federal, state, local and independent review body regulations and standards. The requirements for licensure, certification and accreditation are subject to change and, in order to remain qualified, it may be necessary for the Company to make changes in its facilities, equipment, personnel and services.

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Certificates of Need

The construction of new facilities, the acquisition of existing facilities and the addition of new beds or services may be subject to review by state regulatory agencies under a CON program. The Company operates hospitals in some states that require approval under a CON program. Such laws generally require appropriate state agency determination of public need and approval prior to the addition of beds or services or certain other capital expenditures. Failure to obtain necessary state approval can result in the inability to expand facilities, complete an acquisition or change ownership. Further, violation may result in the imposition of civil or, in some cases, criminal sanctions, the denial of Medicare or Medicaid reimbursement or the revocation of a facility's license.

State Rate Review

Some states in which the Company owns hospitals have adopted legislation mandating rate or budget review for hospitals or have adopted taxes on hospital revenues, assessments or licensure fees to fund indigent health care within the state.

In the aggregate, state rate or budget review and indigent tax provisions have not materially adversely affected the Company's results of operations. The Company is unable to predict whether any additional state rate or budget review or indigent tax provisions will be adopted and, accordingly, is unable to assess the effect thereof on its results of operations or financial condition.

Utilization Review

Federal law contains numerous provisions designed to ensure that services rendered by hospitals to Medicare and Medicaid patients meet professionally recognized standards, are medically necessary and that claims for reimbursement are properly filed. These provisions include a requirement that a sampling of admissions of Medicare and Medicaid patients must be reviewed by peer review organizations ("PROs"), to assess the appropriateness of Medicare and Medicaid patient admissions and discharges, the quality of care provided, the validity of DRG classifications and the appropriateness of cases of extraordinary length of stay or cost. PROs may deny payment for services provided, may assess fines and also have the authority to recommend to the HHS that a provider which is in substantial noncompliance with the standards of the PROs be excluded from participating in the Medicare program. Utilization review is also a requirement of most non-governmental managed care organizations.

Federal Health Care Program Regulations

Participation in the Medicare program is heavily regulated by Federal statute and regulation. If a hospital provider fails substantially to comply with the numerous conditions of participation in the Medicare program or performs certain prohibited acts (e.g., (i) making false claims to Medicare for services not rendered or misrepresenting actual services rendered in order to obtain higher reimbursement; (ii) including improper costs in a cost report; (iii) paying remuneration for Medicare referrals (so called "fraud and abuse" which is prohibited by the "anti-kickback" provisions of the Social Security Act, hereinafter the "Anti-Fraud Amendments"); (iv) failing to stabilize or appropriately transfer all individuals who come to its emergency room who have an "emergency medical condition" (whether or not any such individual is eligible for Medicare), such hospital's participation in the Medicare program may be terminated or civil or criminal penalties may be imposed upon such hospital under certain provisions of the Social Security Act.

The provisions of the Anti-Fraud Amendments prohibit providers and others from soliciting, receiving, offering or paying, directly or indirectly, any remuneration in return for either making a referral for a service or item covered by a Federal or state health care program, or ordering (or recommending or arranging for the ordering of) any covered service or item. Courts have interpreted these laws broadly so that many otherwise reasonable business arrangements may implicate the Anti-Fraud Amendments or other Federal health care laws. Violations of the Anti-Fraud Amendments may be punished by a criminal fine of up to \$50,000 or imprisonment for each violation, civil money penalties ("CMP") of \$50,000 and damages of up to three times the total amount of the remuneration, and exclusion from participation in Federal or state health care programs.

In 1976 Congress established the Office of Inspector General ("OIG") at HHS to identify and eliminate fraud, abuse and waste in HHS programs and to promote efficiency and economy in HHS departmental operations. The OIG carries out this mission through a nationwide program of audits, investigations and inspections. In order to provide guidance to health care providers on ways to engage in legitimate business practices and avoid scrutiny under the Anti-Fraud Amendments, the OIG has from time to time issued "fraud alerts" that do not have

the force of law, but identify features of transactions, which, if present, may indicate that the transaction violates the Anti-Fraud Amendments or other Federal health care laws. The OIG has identified the following incentive arrangements as suspect practices: (a) payment of any sort of incentive by the hospital each time a physician refers a patient to the hospital, (b) the use of free or significantly discounted office space or equipment (in facilities usually located close to the hospital), (c) provision of free or significantly discounted billing, nursing or other staff services, (d) free training for a physician's office staff in areas such as management techniques and laboratory techniques, (e) guarantees which provide that, if the physician's income fails to reach a predetermined level, the hospital will supplement the remainder up to a certain amount, (f) low-interest or interest-free loans, or loans which may be forgiven if a physician refers patients (or some number of patients) to the hospital, (g) payment of the costs of a physician's travel and expenses for conferences, (h) coverage on the hospital's group health insurance plans at an inappropriately low cost to the physician, (i) payment for services (which may include consultations at the hospital) which require few, if any, substantive duties by the physician, or payment for services in excess of the fair market value of services rendered or (j) "gainsharing," the practice of giving physicians a percentage share of any reduction in a hospital's costs for patient care attributable in part to the physician's efforts. The OIG has encouraged persons having information about hospitals who offer the above types of incentives to physicians to report such information to the OIG.

In addition, in July 1991, the OIG issued final regulations outlining certain "safe harbors" for practices that potentially implicate the Antifraud Amendments, but would not be subject to enforcement action under the Anti-Fraud Amendments. The practices protected by the regulations include certain investment interests, rental of space and equipment, personal services and management contracts, sales of physician practices, referral services, warranties, discounts, payments to employees, group purchasing organizations and waivers of beneficiary deductibles and co-payments. These safe harbors were updated and expanded in November 1999, and additional new safe harbors were established for practitioner recruitment, obstetrical malpractice insurance subsidies, group practices, cooperative hospital service organizations, ambulatory surgery centers, specialty referrals and certain managed care arrangements. Certain of the Company's current arrangements with physicians, including joint ventures, do not qualify for the current safe harbor protection. The failure of these arrangements to satisfy all of the conditions of the applicable safe harbor criteria does not mean that the arrangements are illegal; rather, it may subject such arrangements to additional scrutiny by the OIG. Certain of the Company's current financial arrangements with physicians, including joint ventures, and the Company's future financial arrangements with physicians, could be adversely affected by the failure of such arrangements to comply with the safe harbor regulations, or the future adoption of other legislation or regulation in these areas.

Section 1877 of the Social Security Act (commonly known as the "Stark Law") prohibits referrals of Medicare and Medicaid patients by physicians to entities with which the physician has a financial relationship for the provision of certain "designated health services" which are reimbursable by Medicare or Medicaid. "Designated health services" include among other things, clinical laboratory services, physical and occupational therapy services, radiology services, durable medical equipment, home health, and inpatient and outpatient hospital services. Sanctions for violating the Stark Law include civil monetary penalties up to \$15,000 per prohibited service provided, assessments equal to twice the dollar value of each such service provided and exclusion from the Medicare and Medicaid programs. The statute also provides a penalty of up to \$100,000 for a circumvention scheme. There are exceptions to the self-referral prohibition for certain financial relationships, including an exception if the physician has an ownership interest in the entire hospital. Where a financial relationship exists, the arrangement must meet a statutory exception or referrals are prohibited. Proposed regulations implementing the Stark Law, as amended, have not been implemented. The Company cannot predict the final form that such regulations will take or the effect that the Stark Law or the regulations promulgated thereunder will have on the Company.

Many states in which the Company operates also have laws that prohibit payments to physicians for patient referrals with statutory language similar to the Anti-Fraud Amendments, but with broader effect since they apply regardless of the source of payment for care. These statutes typically provide criminal and civil penalties as well as loss of licensure. Many states also have passed legislation similar to the Stark Law, but with broader effect, since the legislation applies regardless of the source of payment for care. The scope of these state laws is broad, and little precedent exists for their interpretation or enforcement.

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), which became effective January 1, 1997, amends, among other things, Title XI (42 U.S.C. sec. 1301 et seq.), to broaden the scope of certain fraud and abuse laws to include all health care services whether or not they are reimbursed under a Federal program, and creates new enforcement mechanisms to combat fraud and abuse, including an incentive program under which individuals can receive up to \$1,000 for providing information on Medicare fraud and abuse that leads to the recovery of at least \$100 of Medicare funds. Under HIPAA, health care fraud, now defined as knowingly and willfully executing or attempting to execute a "scheme or device" to defraud any health care benefit program, is made a Federal criminal offense. In addition, Federal enforcement officials will have the ability to exclude from Medicare and Medicaid any investors, officers and managing employees associated with business entities that have committed health care fraud, even if the officer or managing employee had no knowledge of the fraud. HIPAA also establishes a new violation for the payment of inducements to Medicare or Medicaid beneficiaries in order to influence those beneficiaries to order or receive services from a particular provider or practitioner.

HIPAA was followed by BBA-97 which was enacted by Congress in August 1997. BBA-97 contains a significant number of new fraud and abuse provisions. CMP may now be imposed for violations of the anti-kickback provisions of the Medicare and Medicaid statute (previously, exclusion or criminal prosecution were the only actions under the anti-kickback statute) as well as contracting with an individual or entity that the provider knows or should know is excluded from a Federal health care program. BBA-97 provides for a CMP of \$50,000 and damages of not more than three times the amount of remuneration in the prohibited activity. In addition, BBA-97 also has important discharge planning and reimbursement provisions as well as surety bond requirements for home health agencies.

The Social Security Act also imposes criminal and civil penalties for making false claims to Medicare and Medicaid. False claims include, but are not limited to, billing for services not rendered or for misrepresenting actual services rendered in order to obtain higher reimbursement and cost report fraud. Like the Anti-Fraud Amendments, this statute is very broad. Careful and accurate coding of claims for reimbursement, including cost reports, must be performed to avoid liability under the false claims statutes.

Certain of the Company's current financial arrangements with physicians, including joint ventures, and the Company's future development of joint ventures and other financial arrangements with physicians, do not and will not meet all of the requirements for safe harbor protection. The Company's operations could be adversely affected by the failure of such arrangements to comply with the Anti-Fraud Amendments, the Stark Law, current state laws or other legislation or regulation in these areas adopted in the future. The Company is unable to predict the effect of such regulations, whether other legislation or regulations at the Federal or state level in any of these areas will be adopted, what form such legislation or regulations may take or their impact on the Company. The Company is continuing to enter into new financial arrangements with physicians and other providers in a manner structured to comply in all material respects with these laws. There can be no assurance, however, that (i) governmental officials charged with the responsibility for enforcing these laws will not assert that the Company is in violation thereof or (ii) such statutes will ultimately be interpreted by the courts in a manner consistent with the Company's interpretation.

Medicare Regulations and Fraud and Abuse are areas included in the

government investigation of the Company. See Item 3 -- "Legal Proceedings."

All the Company's hospitals are subject to the Emergency Treatment and Active Labor Act ("EMTALA"), a Federal law that requires any hospital that participates in the Medicare program to conduct an appropriate medical screening examination of every person who presents to the hospital's emergency room to determine if that person is suffering from an emergency medical condition and, if the patient is suffering

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from an emergency medical condition, to either stabilize that condition or make an appropriate transfer of the patient to a facility that can handle the condition. The obligation to screen and stabilize emergency medical conditions exists regardless of a patient's ability to pay for treatment. There are severe penalties under EMTALA if a hospital refuses to screen or appropriately stabilize or transfer a patient or if the hospital delays appropriate treatment in order to first inquire about the patient's ability to pay. Penalties for violation of EMTALA include fines and possibly the exclusion from participation in the Medicare program. In addition, an injured patient or the patient's family can bring a civil suit against the hospital.

The government has adopted a broad interpretation of EMTALA to cover situations in which patients do not actually present to a hospital's emergency room but present to a hospital-based clinic or are transported in a hospital-owned ambulance. The government also has expressed its intent to investigate and enforce EMTALA violations actively in the future. Moreover, patients are increasingly including in malpractice lawsuits EMTALA violation allegations.

Management believes the Company's hospitals operate in compliance with EMTALA. However, there can be no assurance that the regulatory authorities empowered to investigate a Company hospital will not conclude that it has violated EMTALA, or that a patient will not sue a hospital alleging a violation of EMTALA.

State Legislation

Some of the states in which the Company operates have laws that prohibit corporations and other entities from employing physicians and practicing medicine for a profit or that prohibit certain direct and indirect payments or fee-splitting arrangements between health care providers that are designed to induce or encourage the referral of patients to, or the recommendation of, particular providers for medical products and services. In addition, some states restrict certain business relationships between physicians and pharmacies. Possible sanctions for violation of these restrictions include loss of license and civil and criminal penalties. These statutes vary from state to state, are often vague and have seldom been interpreted by the courts or regulatory agencies. Although the Company exercises care in an effort to structure its arrangements with health care providers to comply with the relevant state statutes, and although management believes that the Company is in substantial compliance with these laws, there can be no assurance that (i) governmental officials charged with responsibility for enforcing these laws will not assert that the Company or certain transactions in which it is involved are in violation of such laws and (ii) such state laws will ultimately be interpreted by the courts in a manner consistent with the practices of the Company.

Health Care Reform

Health care, as one of the largest industries in the United States, continues to attract much legislative interest and public attention. In recent years, an increasing number of legislative proposals have been introduced or proposed in Congress and in some state legislatures that would effect major changes in the health care system, either nationally or at the state level. Among the proposals under consideration are cost controls on hospitals, insurance market reforms to increase the availability of group health insurance to small businesses, requirements that all businesses offer health insurance

coverage to their employees and the creation of a single government health insurance plan that would cover all citizens. The costs of certain proposals would be funded in significant part by reductions in payments by governmental programs, including Medicare and Medicaid, to health care providers such as hospitals. There can be no assurance that future health care legislation or other changes in the administration or interpretation of governmental health care programs will not have a material adverse effect on the Company's business, financial condition or results of operations.

Conversion Legislation

Many states have enacted or are considering enacting laws affecting the conversion or sale of not-for-profit hospitals. These laws, in general, include provisions relating to attorney general approval, advance notification and community involvement. In addition, state attorneys general in states without specific

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conversion legislation may exercise authority over these transactions based upon existing law. In many states there has been an increased interest in the oversight of not-for-profit conversions. The adoption of conversion legislation and the increased review of not-for-profit hospital conversions may limit the Company's ability to grow through acquisitions of not-for-profit hospitals.

Revenue Ruling 98-15

In March 1998, the IRS issued guidance regarding the tax consequences of joint ventures between for-profit and not-for-profit hospitals. As a result of the tax ruling, the IRS may 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. The Company 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 an appropriate course of action. The tax ruling or any adverse determination by the IRS 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 "put agreements" (that require the Company to purchase the partner's interest in the joint venture) by certain existing joint venture partners.

ENVIRONMENTAL MATTERS

The Company is subject to various Federal, state and local statutes and ordinances regulating the discharge of materials into the environment. Management does not believe that the Company will be required to expend any material amounts in order to comply with these laws and regulations or that compliance will materially affect its capital expenditures, results of operations or competitive position.

INSURANCE

As is typical in the health care industry, the Company is subject to claims and legal actions by patients in the ordinary course of business. Through a wholly-owned insurance subsidiary, the Company insures a substantial portion of its professional and general liability risks. The Company's health care facilities are insured by the insurance subsidiary for losses of up to \$25 million per occurrence, a portion of which is reinsured with unrelated commercial carriers. The Company also maintains professional and general liability insurance with unrelated commercial carriers for losses in excess of amounts insured by its insurance subsidiary.

The Company and its insurance subsidiary maintain allowances for loss for

professional and general liability risks which totalled \$1.3 billion at December 31, 1999. Management considers such allowances, which are based on actuarially determined estimates, to be adequate for such liability risks. Any losses incurred in excess of the established allowances for loss will be reflected as a charge to earnings of the Company. Any losses incurred in excess of amounts funded and maintained with commercial excess liability insurance carriers will be funded from the Company's working capital. While the Company's cash flow has been adequate to provide for professional and general liability claims in the past, there can be no assurance that such amounts will continue to be adequate. If payments for professional and general liabilities exceed anticipated losses, the results of operations and financial condition of the Company could be adversely affected.

EMPLOYEES AND MEDICAL STAFFS

At December 31, 1999, the Company had approximately 168,000 employees, including approximately 50,000 part-time employees. Employees at 7 hospitals are represented by various labor unions. The Company considers its employee relations to be satisfactory. While the Company's hospitals experience union organizational activity from time to time, the Company does not expect such efforts to materially affect its future operations. The Company's hospitals, like most hospitals, have experienced labor costs rising faster than the general inflation rate. In recent years, the Company generally has not experienced material difficulty in

recruiting and retaining employees, including nurses and professional staff members, primarily as a result of staff retention programs and general economic conditions. There can be no assurance as to future availability and cost of qualified medical personnel. References herein to "employees" refer to employees of affiliates of the Company.

The Company's hospitals are staffed by licensed physicians who have been accepted to the medical staff of individual hospitals. With certain exceptions, physicians generally are not employees of the Company's hospitals. However, some physicians provide services in the Company's hospitals under contracts, which generally describe a term of service, provide and establish the duties and obligations of such physicians, require the maintenance of certain performance criteria and fix compensation for such services. Any licensed physician may apply to be accepted to the medical staff of any of the Company's hospitals, but acceptance to the staff must be approved by the hospital's medical staff and the appropriate governing board of the hospital in accordance with established credentialing criteria. Members of the medical staffs of the Company's hospitals often also serve on the medical staffs of other hospitals and may terminate their affiliation with a hospital at any time.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company as of March 15, 2000, were as follows:

| NAME ---- | AGE --- | POSITION(S) ----- |
|--------------------------------|------------|---|
| Thomas F. Frist, Jr., M.D..... | 61 | Chairman of the Board and Chief Executive Officer |
| Jack O. Bovender, Jr..... | 54 | President, Chief Operating Officer and Director |
| David G. Anderson..... | 52 | Senior Vice President -- Finance and Treasurer |
| Richard M. Bracken..... | 47 | President -- Western Group |
| Victor L. Campbell..... | 53 | Senior Vice President |
| W. Leon Drennan..... | 44 | President -- Physician Services |
| Rosalyn S. Elton..... | 38 | Senior Vice President -- Operations Finance |
| James A. Fitzgerald, Jr..... | 45 | Senior Vice President -- Contracts and Operations Support |
| V. Carl George..... | 56 | Senior Vice President -- Development |
| Jay Grinney..... | 49 | President -- Eastern Group |
| Samuel N. Hazen..... | 39 | Chief Financial Officer -- Western Group |

| | | |
|----------------------------|----|--|
| Frank M. Houser, M.D..... | 59 | Senior Vice President -- Quality and Medical Director |
| R. Milton Johnson..... | 43 | Senior Vice President and Controller |
| Patricia T. Lindler..... | 52 | Senior Vice President -- Government Programs |
| A. Bruce Moore, Jr..... | 40 | Senior Vice President -- Operations Administration |
| Philip R. Patton..... | 47 | Senior Vice President -- Human Resources |
| Gregory S. Roth..... | 43 | President -- Ambulatory Surgery Group |
| William B. Rutherford..... | 36 | Chief Financial Officer -- Eastern Group |
| Joseph N. Steakley..... | 45 | Senior Vice President -- Internal Audit & Consulting Services |
| Beverly B. Wallace..... | 49 | Senior Vice President -- Revenue Cycle Operations Management |
| Robert A. Waterman..... | 46 | Senior Vice President and General Counsel |
| Noel Brown Williams..... | 45 | Senior Vice President and Chief Information Officer |
| Alan R. Yuspeh..... | 50 | Senior Vice President -- Ethics, Compliance and Corporate Responsibility |

Thomas F. Frist, Jr., M.D. has served as Chairman of the Board and Chief Executive Officer since July 1997. Previously, he served as Vice Chairman of the Board of the Company from April 1995 until July 1997. From February 1994 to April 1995, he was Chairman of the Board of the Company. Dr. Frist was Chairman of the Board, President and Chief Executive Officer of HCA -- Hospital Corporation of America ("HCA") from 1988 to February 1994.

Jack O. Bovender, Jr. has served as President and Chief Operating Officer of the Company since August 1997. Mr. Bovender was appointed as a Director of the Company in July 1999. From April 1994 to August 1997, he was retired after serving as Chief Operating Officer of HCA from 1992 until 1994. Prior to 1992, Mr. Bovender held several senior level positions with HCA.

David G. Anderson has served as Senior Vice President -- Finance of the Company since July 1999. Mr. Anderson served as Vice President -- Finance of the Company from September 1993 to July 1999 and was elected to the additional position of Treasurer in November 1996. From March 1993 until September 1993, Mr. Anderson served as Vice President -- Finance and Treasurer of Galen Health Care, Inc. From July 1988 to March 1993, Mr. Anderson served as Vice President -- Finance and Treasurer of Humana Inc.

Richard M. Bracken has served as President -- Western Group of the Company since August 1997. From January 1995 to August 1997, Mr. Bracken served as President of the Pacific Division of the Company. From July 1993 to December 1994, he served as President of Nashville Healthcare Network, Inc. From December 1981 to June 1993, he served in various hospital Chief Executive Officer and Administrator positions with HCA.

Victor L. Campbell has served as Senior Vice President of the Company since February 1994. Prior to that time, Mr. Campbell served as HCA's Vice President for Investor, Corporate and Government Relations. Mr. Campbell joined HCA in 1972. Mr. Campbell is currently a director of the Federation of American Health Systems and serves on the operations committee of the American Hospital Association.

W. Leon Drennan has served as President -- Physician Services for the Company since January 1998. Mr. Drennan served as Senior Vice President from February 1996 to December 1997. Mr. Drennan served as Senior Vice President -- Internal Audit of the Company from January 1995 to February 1996. From February 1994 to January 1995, Mr. Drennan served as Vice President -- Internal Audit of the Company. Mr. Drennan served as Vice President -- Internal Audit for HCA from 1987 until 1994.

Rosalyn S. Elton has served as Senior Vice President -- Operations Finance of the Company since July 1999. Ms. Elton served as Vice President -- Operations Finance of the Company from August 1993 to July 1999. From October 1990 to August 1993, Ms. Elton served as Vice President -- Financial Planning and Treasury for the Company.

James A. Fitzgerald, Jr. has served as Senior Vice President -- Contracts

and Operations Support of the Company since July 1999. Mr. Fitzgerald served as Vice President -- Contracts and Operations Support of the Company from 1994 to July 1999. From 1993 to 1994, he served as the Vice President of Operations Support for HCA. From July 1981 to 1993, Mr. Fitzgerald served as Director of Internal Audit for HCA.

V. Carl George has served as Senior Vice President -- Development of the Company since July 1999. Mr. George served as Vice President -- Development of the Company from April 1995 to July 1999. From September 1987 to April 1995, Mr. George served as Director of Development for Healthtrust. Prior to working for Healthtrust, Mr. George served with Hospital Corporation of America in various positions.

Jay Grinney has served as President -- Eastern Group of the Company since March 1996. From October 1993 to March 1996, Mr. Grinney served as President of the Greater Houston Division of the Company. From November 1992 to October 1993, Mr. Grinney served as Chief Operating Officer of the Houston Region of the Company. From June 1990 to November 1992, Mr. Grinney served as President and Chief Executive Officer of Rosewood Medical Center in Houston, Texas.

Samuel N. Hazen has served as Chief Financial Officer -- Western Group of the Company since August 1995. Mr. Hazen served as Chief Financial Officer -- North Texas Division of the Company from February 1994 to July 1995. Prior to that time, Mr. Hazen served in various hospital and regional Chief Financial Officer positions with Humana Inc. and Galen Health Care, Inc.

Frank M. Houser, M.D. has served as Senior Vice President -- Quality and Medical Director of the Company since November 1997. Dr. Houser served as President -- Physician Management Services of the Company from May 1996 to November 1997. Dr. Houser served as President of the Georgia Division of the

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Company from December 1994 to May 1996. From May 1993 to December 1994, Dr. Houser served as the Medical Director of External Operations at The Emory Clinic, Inc. in Atlanta, Georgia. Dr. Houser served as State Public Health Director, Georgia Department of Human Resources, from July 1991 to May 1993.

R. Milton Johnson has served as Senior Vice President and Controller of the Company since July 1999. Mr. Johnson served as Vice President and Controller of the Company from November 1998 to July 1999. Prior to that time, Mr. Johnson served as Vice President -- Tax of the Company from April 1995 to October 1998. Prior to that time, Mr. Johnson served as Director of Tax of Healthtrust from September 1987 to April 1995.

Patricia T. Lindler has served as Senior Vice President -- Government Programs of the Company since July 1999. Ms. Lindler served as Vice President -- Reimbursement of the Company from September 1998 to July 1999. Prior to that time, Ms. Lindler was the President of Health Financial Directions, Inc. from March 1995 to November 1998. From September 1980 to February 1995, Ms. Lindler served as Director of Reimbursement of the Company's Florida Group.

A. Bruce Moore, Jr. has served as Senior Vice President -- Operations Administration since July 1999. Mr. Moore served as Vice President -- Operations Administration of the Company from September 1997 to July 1999. From October 1996 to September 1997, Mr. Moore served as Vice President -- Benefits of the Company. Mr. Moore served as Vice President of Compensation of the Company from March 1995 until October 1996. From February 1994 to March 1995, Mr. Moore served as Director -- Compensation of the Company. Mr. Moore also served as Director -- Compensation for HCA from November 1987 until February 1994.

Philip R. Patton has served as Senior Vice President -- Human Resources of the Company since September 1998. Mr. Patton served as Vice President of Human Resources of Quorum Health Group, Inc. from 1996 to August 1998. From 1994 to 1996, Mr. Patton served as a part-time consultant and community volunteer after

serving as Senior Vice President of Human Resources of HCA from 1979 to 1994.

Gregory S. Roth has served as President -- Ambulatory Surgery Group of the Company since July 1998. From May 1997 to July 1998, Mr. Roth served as Senior Vice President -- Ambulatory Surgery Division of the Company. Mr. Roth served as Chief Financial Officer -- Ambulatory Surgery Division of the Company from January 1995 to May 1997. Prior to that time, Mr. Roth held various multi-facility and hospital chief financial officer positions with OrNda HealthCorp and EPIC Healthcare Group, Inc.

William B. Rutherford has served as Chief Financial Officer -- Eastern Group of the Company since January 1996. From 1994 to January 1996, Mr. Rutherford served as Chief Financial Officer -- Georgia Division of the Company. Prior to that time, Mr. Rutherford held several positions with Hospital Corporation of America, including Director of Internal Audit and Director of Operations Support.

Joseph N. Steakley has served as Senior Vice President -- Internal Audit & Consulting Services of the Company since July 1999. Mr. Steakley served as Vice President -- Internal Audit & Consulting Services from November 1997 to July 1999. From December 1975 until October 1997, Mr. Steakley worked for Ernst & Young LLP where he served as a partner from October 1989.

Beverly B. Wallace has served as Senior Vice President -- Revenue Cycle Operations Management of the Company since July 1999. Ms. Wallace served as Vice President -- Managed Care of the Company from July 1998 to July 1999. From 1997 to 1998, Ms. Wallace served as President -- Homecare Division of the Company. From 1996 to 1997, Ms. Wallace served as Chief Financial Officer -- Nashville Division of the Company. From 1994 to 1996, Ms. Wallace served as Chief Financial Officer -- Mid-American Division of the Company.

Robert A. Waterman has served as Senior Vice President and General Counsel of the Company since November 1997. Mr. Waterman served as a partner in the law firm of Latham & Watkins from September 1993 to October 1997; he was also Chair of the firm's healthcare group during 1997.

Noel Brown Williams has served as Senior Vice President and Chief Information Officer of the Company since October 1997. From October 1996 to September 1997, Ms. Williams served as Chief Information

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Officer for American Service Group/Prison Health Services, Inc. From September 1995 to September 1996, Ms. Williams worked as an independent consultant. From June 1993 to June 1995, Ms. Williams served as Vice President, Information Services for Columbia/HCA Information Services. From February 1979 to June 1993, she held various positions with HCA Information Services.

Alan R. Yuspeh has served as Senior Vice President -- Ethics, Compliance and Corporate Responsibility of the Company since October 1997. From September 1991 until October 1997, Mr. Yuspeh was a partner with the law firm of Howrey & Simon. As a part of his law practice, Mr. Yuspeh served from 1987 to 1997 as Coordinator of the Defense Industry Initiative on Business Ethics and Conduct.

ITEM 2. PROPERTIES

The following table lists, by state, the number of hospitals (general, acute care and psychiatric), directly or indirectly, owned and operated by the Company as of December 31, 1999:

| STATE | HOSPITALS | LICENSED BEDS |
|-------|-----------|---------------|
| ----- | ----- | ----- |

| | | |
|---------------------|-----|--------|
| Alaska..... | 1 | 254 |
| California..... | 8 | 2,103 |
| Colorado..... | 6 | 2,063 |
| Florida..... | 46 | 11,096 |
| Georgia..... | 18 | 2,999 |
| Idaho..... | 2 | 462 |
| Illinois..... | 3 | 563 |
| Indiana..... | 2 | 460 |
| Kansas..... | 1 | 760 |
| Kentucky..... | 3 | 732 |
| Louisiana..... | 13 | 2,177 |
| Mississippi..... | 1 | 130 |
| Nevada..... | 2 | 808 |
| New Hampshire..... | 2 | 295 |
| North Carolina..... | 1 | 60 |
| Oklahoma..... | 6 | 1,163 |
| South Carolina..... | 4 | 950 |
| Tennessee..... | 13 | 2,547 |
| Texas..... | 45 | 10,055 |
| Utah..... | 6 | 879 |
| Virginia..... | 12 | 3,048 |
| Washington..... | 1 | 119 |
| West Virginia..... | 5 | 1,203 |
| INTERNATIONAL | | |
| Switzerland..... | 2 | 220 |
| United Kingdom..... | 4 | 517 |
| | --- | ----- |
| | 207 | 45,663 |
| | === | ===== |

In addition to the hospitals listed in the above table, the Company, directly or indirectly operates 83 outpatient surgery centers. The Company also operates medical office buildings in conjunction with its hospitals. These office buildings are primarily occupied by physicians who practice at the Company's hospitals.

The Company owns and maintains its headquarters in approximately 580,000 square feet of space in five office buildings in Nashville, Tennessee.

The Company's headquarters, hospitals and other facilities are suitable for their respective uses and are, in general, adequate for the Company's present needs.

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ITEM 3. LEGAL PROCEEDINGS

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

FEDERAL AND STATE INVESTIGATIONS

In March 1997, various facilities of the Company's El Paso, Texas operations were searched by Federal authorities pursuant to search warrants, and the government removed various records and documents. In February 1998, also in El Paso, an additional warrant was executed and a single computer was seized.

In July 1997, various Company affiliated facilities and offices were searched pursuant to search warrants issued by the United States District Court in several states. During July, September and November 1997, the Company was also served with subpoenas requesting records and documents related to laboratory billing and DRG coding in various states and home health operations

in various jurisdictions, including, but not limited to, Florida. In January 1998, the Company received a subpoena which requested records and documents relating to physician relationships. In June 1999, Columbia Home Care Group received a subpoena seeking records related to home health operations. In March 2000, the Company received a subpoena that requested records relating to wound care centers.

Also, in July 1997, the United States District Court for the Middle District of Florida, in Fort Myers, issued an indictment against three employees of a subsidiary of the Company. The indictment related to the alleged false characterization of interest payments on certain debt resulting in Medicare and Tricare (formerly CHAMPUS) overpayments since 1986 to Fawcett Memorial Hospital, a Port Charlotte, Florida hospital that was acquired by the Company in 1992. The Company has been served with subpoenas for various records and documents. A fourth employee of a subsidiary of the Company was indicted in July 1998 by a superseding indictment. The trial on this matter commenced on May 3, 1999. On July 2, 1999, the jury returned a mixed verdict, finding two such employees guilty and acquitting one. The jury was unable to reach a verdict as to the fourth employee. The government and the fourth employee executed an agreement to defer prosecution for 18 months after which charges will be dismissed. The two convicted employees were sentenced in December 1999 and both have appealed to the 11th Circuit.

Several hospital and other facilities affiliated with the Company in various states have also received individual Federal and/or state government inquiries, both informal and formal, requesting information related to reimbursement from government programs.

In general, the Company believes that the United States Department of Justice and other Federal and state governmental authorities are investigating certain acts, practices or omissions alleged to have been engaged in by the Company with respect to Medicare, Medicaid and Tricare patients regarding (a) allegedly improper DRG coding (commonly referred to as "upcoding") relating to bills submitted for medical services, (b) allegedly improper outpatient laboratory billing (e.g., unbundling of services and medically unnecessary tests), (c) inclusion of allegedly improper items in cost reports submitted as a basis for reimbursement under Medicare, Medicaid and similar government programs, (d) arrangements with physicians and other parties that allegedly violate certain Federal and state laws governing fraud and abuse, anti-kickback and "Stark" laws and (e) allegedly improper acquisitions of home health care agencies and allegedly excessive billing for home health care services.

The Company is cooperating in these investigations and understands, through written notice and other means, that it is a target in these investigations. Given the scope of the ongoing investigations, the Company expects additional subpoenas and other investigative and prosecutorial activity to occur in these and other jurisdictions in the future.

In July 1999, Olsten Corporation and its subsidiary, Kimberly Home Health (neither of which is affiliated with Columbia/HCA), announced that they will pay \$61 million to settle allegations that both companies defrauded the Medicare program. Kimberly pled guilty to three separate felony charges filed by the U.S. Attorneys in the Middle and Southern District of Florida and the Northern District of Georgia, the three

separate charges being conspiracy, mail fraud and violating the Medicare anti-kickback statute. While Columbia/HCA was not specifically named in these guilty pleas, the guilty pleas refer to the involvement of a "Company A" or a "company not named as a defendant." The Company believes these references refer to Columbia/HCA or its subsidiaries.

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

While we remain unable to predict the outcome of any of the ongoing investigations or the initiation of any additional investigations, were the Company to be found in violation of Federal or state laws relating to Medicare, Medicaid or similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Any such sanctions could have a material adverse effect on the Company's financial position and results of operations. (See Note 2 -- Investigations and Note 12 -- Contingencies in the Notes to Consolidated Financial Statements.)

LAWSUITS

Qui Tam Actions

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

On February 12, 1999, the United States filed a Motion before the Judicial Panel on Multidistrict Litigation ("MDL Panel") seeking to transfer and consolidate, pursuant to 28 U.S.C. sec. 1407, all 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 denied the Motion on procedural grounds. On August 12, 1999, the United States Government filed an Application to Conduct 28 U.S.C. sec. 1407 Consolidated Proceedings under seal with the MDL Panel. The underlying motion to consolidate the proceedings relates to the qui tam cases against the Company, both sealed and unsealed.

On October 5, 1998, the matter of United States of America ex rel. James F. Alderson v. Columbia/HCA Healthcare Corp., Healthtrust-The Hospital Company and Quorum Health Group, et al., Case No. 97-2035-CIV-T-23E, in the Middle District of Florida, Tampa Division, was unsealed. The government intervened in this action on October 1, 1998. The Complaint was originally filed in Montana in 1993 but was later transferred to Florida. The Complaint alleges that defendants made false statements in annual Medicare cost reports over a period of ten years. The Complaint further alleges that defendants engaged in a scheme of filing improper reimbursement claims while keeping a "secret" set of books which were known as "reserve cost reports" and concealing these books from Medicare auditors. The government filed and served an Amended Complaint against Quorum Health Group. The government has not yet served an Amended Complaint on the Columbia/HCA defendants.

The matter of United States of America ex rel. Sara Ortega v. Columbia/HCA Healthcare Corp., et al., No. EP95-CA-259H, was unsealed on July 31, 1998 in the Western District of Texas, El Paso Division. The Complaint alleges that defendants submitted false statements to the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) in order to be eligible for Medicare payments, thereby rendering false defendants' claims for Medicare reimbursement. An Amended Complaint, which has not been served on the

practices, paid kickbacks for patient referrals, upcoded claims for reimbursement from Federal health care programs and shifted costs to its Medicare cost reports. Defendants have moved to dismiss the Complaint, and that motion is pending. Defendants have also moved to stay discovery while the motion to dismiss is pending. The government announced that it intervened on all counts of the Amended Complaint except for the count alleging false statements to JCAHO.

The matter of United States of America, ex rel. Scott Pogue v. Diabetes Treatment Centers of America, Inc., et al., Civil Action No. 3-94-0515, was filed under seal on June 23, 1994 in the United States District Court for the Middle District of Tennessee. On February 6, 1995, the United States filed its Notice of Non-Intervention and on that same date, the District Court ordered the complaint unsealed. In general, the relator contends that sums paid to physicians by the Diabetes Treatment Centers of America, who served as Medical Directors at a hospital affiliated with the Company, were unlawful payments for the referrals of their patients. Relator filed a motion for partial summary judgment. The court ordered relator's motion for partial summary judgment stricken. The relator did not file an amended motion for summary judgment and the court's deadline for filing such a motion has passed. This action is currently stayed.

In December 1998, the matter of United States of America ex rel. John W. Schilling v. Columbia/HCA Healthcare Corporation, et al., Civil Action No. 96-1264-CIV-T-23B, in the Middle District of Florida, was unsealed. The government has intervened in this action. The Complaint alleges that defendants made false statements in annual Medicare cost reports. The Complaint further alleges, as in Alderson (above), that the Company kept "reserve cost reports." The government has not yet served the Complaint on Defendants, and the case is currently stayed.

In June 1998, the case United States of America 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. This complaint was unsealed by the court on April 9, 1999. The government has intervened in this lawsuit but has not yet served the complaint on the Company. This qui tam 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 were excessive and not reasonable and that the claims for reimbursement for these management fees violated the anti-kickback statutes.

A lawsuit captioned United States of America ex rel. James Thompson v. Columbia/ HCA Healthcare Corporation, et al. was filed on March 10, 1995 in the United States District Court for the Southern District of Texas, Corpus Christi Division (Civil Action No. C-95-110). In general, the relator claims that the defendants (the Company and certain subsidiaries and affiliated partnerships) engaged in a widespread strategy to pay physicians money for referrals and engaged in other conduct to induce referrals, such as: (i) offering physicians equity interests in hospitals; (ii) offering loans to physicians; (iii) paying money under the guise of "consultation fees" to physicians to guarantee their capital investment; (iv) paying consultation fees, rent or other monies to physicians; (v) providing office space for free or reduced rent; (vi) providing free or reduced rate vacations and trips; (vii) providing free or reduced rate opportunities for additional medical training; (viii) providing income guarantees; and (ix) granting physicians exclusive rights to perform procedures in particular fields of practice. The defendants filed a Motion to Dismiss the Second Amended Complaint in November 1995 which was granted by the court in July 1996. In August 1996, the relator appealed to the United States Court of Appeals for the Fifth Circuit, and in October 1997, the Fifth Circuit affirmed in part and vacated and remanded in part the Trial Court's rulings. Defendants filed a Second Amended Motion to Dismiss which was denied on August 18, 1998. On August 21, 1998, relator filed a Third Amended Complaint. Although some discovery has occurred, there is currently a stay of discovery.

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

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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 but has not served the Complaint.

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 charges and radiology charges, improperly billed skilled nursing facility charges, improperly accounted for discounts and rebates, improperly billed certified first assistants in surgery, home health visits, senior health centers, diabetic treatment and wound care centers. The government has not intervened in this action. The parties have agreed to extend the time within which to respond to the complaint.

On October 18, 1999, three subsidiaries of the Company received a qui tam complaint from the relator, entitled United States ex rel. Dan R. Williams v. West Regional Medical Center, West Florida Medical Center Clinic, West Florida Behavioral Health, filed on May 28, 1999, in the U.S. District Court of the Northern District of Florida, No. 3:99CV221LAC. The complaint alleges, in general, that the defendants billed the Federal Employees Health Benefit Program for a physician visit on days during relator's hospitalization when, according to the relator, a physician visit had not occurred. The complaint alleges this was a standard practice. The complaint also alleges that blood tests and laboratory services submitted during relator's hospitalization were inaccurate, and that the three defendants engaged in a system of self-referral designed to increase usage of each others' services. The United States did not intervene in this case. The case was dismissed with prejudice, the parties agreed to a mutual release of claims and the Company paid no money on the claim other than the plaintiff's filing fees.

On November 10, 1999, the Company was served with the case of United States ex rel. Ronald L. Campbell and Daniel C. Rice v. Montgomery County Hospital District, Montgomery County Health Care Foundation, and Conroe Hospital Corp., Case No. H-97-3502, in the Southern District of Texas. The complaint alleges that the Company conspired with Montgomery County Hospital District ("MCHD") to conceal the fact that MCHD knowingly overstated capital losses, resulting in the avoidance of "recapture liability" on the cost reports. The court has stayed this case. The government has not intervened in this case.

In February 2000, the matter of United States of America, ex rel. Michael R. Marine v. Columbia Aventura Medical Center, Columbia Cedars Medical Center, Columbia Hospital, Columbia/HCA Healthcare Corporation, Columbia JFK Medical Center, Columbia Kendall Regional Medical Center, Columbia Miami Heart Institute, Columbia Northwest Medical Center, Columbia University Hospital and Medical Center, and Columbia Westside Regional Medical Center Case No. 97-4368 (S.D. Fla.) was unsealed. The government intervened on or about February 15, 2000. The complaint alleges that the Company submitted false claims pertaining to the costs incurred by its nine south Florida hospitals for home health services furnished to homebound patients. The Company has not been served with the Complaint.

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

vigorously.

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

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

On October 10, 1997, the court entered an order consolidating all of the 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

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or entities who acquired the Company's common stock from April 9, 1994 to September 9, 1997. The consolidated lawsuit was brought against the Company, Richard Scott, David Vandewater, Thomas Frist, Jr., R. Clayton McWhorter, Carl E. Reichardt, Magdalena Averhoff, M.D., T. Michael Long and Donald S. MacNaughton. The lawsuit alleges, among other things, that the defendants committed violations of the Federal securities laws by materially inflating the Company's revenues and earnings through a number of practices, including upcoding, maintaining reserve cost reports, disseminating false and misleading statements, cost shifting, illegal reimbursements, improper billing, unbundling and violating various Medicare laws. The lawsuit seeks damages, costs and expenses. Plaintiffs filed their Motion for Class Certification in February 1998, and defendants filed responsive briefs. No ruling has been made on class certification.

On October 10, 1997, the court entered an order consolidating 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 to improperly increase revenue, upcoding, improper cost reporting, improper referrals, improper acquisition practices and overbilling. In addition, the lawsuit asserts a derivative claim against some of the individual defendants for breaching their fiduciary duties by 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. These motions were referred to the Magistrate Judge for consideration. In June 1998, the Magistrate Judge recommended that the court grant the motions to dismiss in both cases. Plaintiffs in both cases filed objections to the Magistrate's recommendations with the District Court, and defendants filed responsive pleadings. In September 1999, the District Court entered an Order granting the defendants' motion to dismiss McCall, H. Carl, as Comptroller of

the State of New York and as Trustee of the New York State Retirement Fund, derivatively on behalf of Columbia/HCA Healthcare Corporation v. Richard L. Scott, et al., No. 3-97-0838 with prejudice. The plaintiffs in the McCall lawsuit have filed an appeal from that order. Defendants filed their brief in opposition to the appeal in March 2000.

Shareholder Derivative Actions Filed in State Courts

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

Two purported derivative actions entitled Barron, Evelyn, et al. v. Magdalena Averhoff, et al., (Civil Action No. 15822NC), filed on July 22, 1997, and Kovalchick, John E. v. Magdalena Averhoff, et al., (Civil Action No. 15829NC), filed on July 29, 1997, have been filed in the Court of Chancery of the State of Delaware in and for New Castle County. The actions were brought on behalf of the Company by certain purported shareholders of the Company against certain of the Company's current and former officers and directors. The suits seek damages, attorneys' fees and costs. In the Barron lawsuit, plaintiffs also seek an Order (i) requiring individual defendants to return to the Company all salaries or remunerations paid them by the Company, together with proceeds of the sale of the Company's stock made in breach of their fiduciary duties;

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(ii) prohibiting the Company from paying any individual defendant any benefits pursuant to the terms of employment, consulting or partnership agreements; and (iii) terminating all improper business relationships between the Company and any individual defendant. In the Kovalchick lawsuit, plaintiffs also seek an Order (i) requiring individual defendants to return to the Company all salaries or remunerations paid to them by the Company and all proceeds from the sale of 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. 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 have filed an appeal from that order. Defendants filed their brief in opposition to the appeal in March 2000.

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/or former officers and/or directors alleging, in general, improper and fraudulent billing, overcharging, coding and physician referrals, as well as other violations of law. Certain of the lawsuits have been conditionally certified as class actions.

The matter of 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 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

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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 has not been ruled on by the court. 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, which has not been ruled on by the court. The parties are currently engaged in discovery pending a ruling by the court on plaintiffs' motion.

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, above.)

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

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, above.)

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, above.)

The matter of The United Paper Workers 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 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 has been 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. (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation, above.)

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, Harold 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.

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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 charges for hospital services and supplies for medical services (a hysterectomy in the plaintiff's case) exceeded the reasonable costs of its goods and services, that the overcharges constitute a breach of contract and an unfair or deceptive trade practice as well as a breach of the duty of good faith and fair dealing. This suit seeks damages, costs and attorneys' fees. In addition, the suit seeks a declaratory judgment recognizing plaintiffs' rights to be free from predatory billing and collection practices and an Order (i) requiring defendants to notify plaintiff class members of entry of declaratory judgment

and (ii) enjoining defendants from further efforts to collect charges from the plaintiffs. In 1997, this case was certified as a class action consisting of all past, present and future patients at Summit Medical Center. 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.

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 diagnosis, 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 which has not been ruled on. In December 1997, the Company filed a Motion for Summary Judgment which was denied. In January 1998, plaintiff filed a Motion for Leave to File a Second Amended Class Action Complaint to Add an Additional Class Representative which was granted but the court dismissed the claims asserted by the additional plaintiff. 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.

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 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.

The matter of Johnson, Bruce A., et al. v. Plantation General Hospital, Limited Partnership was filed on March 9, 1992 in the Circuit Court for the Seventeenth Judicial Circuit, State of Florida, Broward County, Case No. 92-06823 Division 2. In general, the suit alleged that the hospital charged excessive amounts for pharmaceuticals, medical supplies and laboratory tests. The suit sought certification of a class. Count I sought a price reduction on all outstanding bills in the amount of the allegedly excessive portion of the charges. Counts II and III sought damages for patients who have paid bills containing allegedly excessive amounts for the alleged unreasonable portion of the charges. Plaintiff's Complaint also claimed the right to recover attorneys' fees and costs. In September 1995, the trial court certified a class and the Fourth District Court of Appeals affirmed. In October 1996, the hospital filed a Motion for Summary Judgment on Counts II and III on the basis of the voluntary payment defense. The court granted the motion in November 1997. In April 1998, following the hospital's statement that it would deem the six to eleven year old outstanding debt of class members to be fully satisfied, the court granted defendant's motion for summary judgment on Count I on the ground of mootness. No monetary judgment was recovered. In September 1998, the court entered an order denying plaintiff's motion for attorneys' fees and granting their motion for costs. Both parties have appealed the September 1998 orders. Those appeals are pending. There have been no appeals of the final judgments.

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 Note 12 -- Contingencies in the Notes to Consolidated Financial Statements.

The Company is unable to measure the effect or predict the magnitude that any of the above matters and the related media coverage could have on the Company's future results of operations and financial position.

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,

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.

A class action styled Mary Forsyth, et al. v. Humana, Inc., et al., Case No. CV-S-89-249-DWH, was filed on March 2, 1989, in the United States District Court for the District of Nevada. Plaintiffs are two classes of individuals who paid for, or received coverage under, group insurance policies sold in the State of Nevada by Humana Insurance. They allege violations of antitrust laws, ERISA and RICO which arise from the sale of the policies and from incentives provided under the policies for insureds to use Humana Sunrise Hospital in Las Vegas, a facility now owned by the Company. The suit seeks attorneys' fees and costs, as well as injunctive relief and insurance benefits for plaintiffs. In 1993, the United States District Court granted summary judgment dismissing most of plaintiffs' claims but granted plaintiffs judgment on one claim. Plaintiffs appealed to the United States Court of Appeals for the Ninth Circuit which, in May 1997, affirmed the judgment on the ERISA claims; reversed as to the antitrust claims; and reversed in part as to the RICO claims, but affirmed the District Court's grant of summary judgment limiting RICO damages to three times the ERISA damages. In their current complaint, plaintiffs claim approximately \$133 million in antitrust damages that is subject to statutory trebling. However, in their most recent expert report, plaintiffs' expert claims antitrust damages of approximately \$13-\$21 million. Humana Inc. ("Humana") petitioned the United States Supreme Court for a Writ of Certiorari on the RICO claims which was granted. On January 20, 1999, the Supreme Court affirmed the Ninth Circuit's decision that the plaintiffs could proceed with their RICO claims. The Supreme Court did not address the amount of damages that plaintiffs could seek on their claim. The entire case is now back in the Nevada district court, where Humana has filed several motions seeking dismissal of the antitrust claims. A settlement was negotiated and received final approval from the court on November 30, 1999.

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.

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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 has engaged in discussions with these law firms, 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 7 -- Income Taxes in the Notes to 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 are usually not covered by insurance. In the opinion of management, the ultimate resolution of these pending claims and legal proceedings will not have a material adverse effect on the Company's results of operations or financial position.

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

No matters were submitted to a vote of security holders during the fourth quarter of 1999.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the New York Stock Exchange, Inc. (the "NYSE") (symbol "COL"). The table below sets forth, for the calendar quarters indicated, the high and low sales prices per share reported on the NYSE Composite Tape for the Company's Common Stock. The Company completed the spin-offs of LifePoint and Triad through a distribution of one share of LifePoint common stock and one share of Triad common stock for every 19 shares of the Company's common stock outstanding. The sales prices for periods prior to May 11, 1999 have been restated to reflect the effect of the spin-offs of LifePoint and Triad.

| | HIGH ----- | LOW ----- |
|---------------------|---------------|--------------|
| 1999 | | |
| First Quarter..... | \$23.67 | \$16.38 |
| Second Quarter..... | 27.47 | 17.44 |

| | | |
|---------------------|---------|---------|
| Third Quarter..... | 25.63 | 20.19 |
| Fourth Quarter..... | 29.44 | 20.25 |
| 1998 | | |
| First Quarter..... | \$30.86 | \$22.91 |
| Second Quarter..... | 32.88 | 26.34 |
| Third Quarter..... | 30.80 | 18.88 |
| Fourth Quarter..... | 25.88 | 16.14 |

At the close of business on March 15, 2000, there were approximately 18,100 holders of record of the Company's Common Stock and one holder of record of the Company's Nonvoting Common Stock.

The Company currently pays a regular quarterly dividend of \$.02 per share. While it is the present intention of the Company's Board of Directors to continue paying a quarterly dividend of \$.02 per share, the declaration and payment of future dividends by the Company will depend upon many factors, including the Company's earnings, financial condition, business needs, capital and surplus and regulatory considerations.

ITEM 6. SELECTED FINANCIAL DATA

COLUMBIA/HCA HEALTHCARE CORPORATION
SELECTED FINANCIAL DATA
AS OF AND FOR THE YEARS ENDED DECEMBER 31
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|-----------|-----------|-----------|-----------|-----------|
| SUMMARY OF OPERATIONS: | | | | | |
| Revenues..... | \$ 16,657 | \$ 18,681 | \$ 18,819 | \$ 18,786 | \$ 17,132 |
| Salaries and benefits..... | 6,749 | 7,811 | 7,631 | 7,205 | 6,779 |
| Supplies..... | 2,645 | 2,901 | 2,722 | 2,655 | 2,536 |
| Other operating expenses..... | 3,196 | 3,771 | 4,263 | 3,689 | 3,203 |
| Provision for doubtful accounts..... | 1,269 | 1,442 | 1,420 | 1,196 | 994 |
| Depreciation and amortization..... | 1,094 | 1,247 | 1,238 | 1,143 | 976 |
| Interest expense..... | 471 | 561 | 493 | 488 | 458 |
| Equity in earnings of affiliates..... | (90) | (112) | (68) | (173) | (28) |
| Gains on sales of facilities..... | (297) | (744) | -- | -- | -- |
| Impairment of long-lived assets..... | 220 | 542 | 442 | -- | -- |
| Restructuring of operations and investigation related costs..... | 116 | 111 | 140 | -- | -- |
| Merger, facility consolidation and other costs..... | -- | -- | -- | -- | 387 |
| | 15,373 | 17,530 | 18,281 | 16,203 | 15,305 |
| Income from continuing operations before minority interests and income taxes..... | 1,284 | 1,151 | 538 | 2,583 | 1,827 |
| Minority interests in earnings of consolidated entities.... | 57 | 70 | 150 | 141 | 113 |
| Income from continuing operations before income taxes..... | 1,227 | 1,081 | 388 | 2,442 | 1,714 |
| Provision for income taxes..... | 570 | 549 | 206 | 981 | 689 |
| Income from continuing operations..... | 657 | 532 | 182 | 1,461 | 1,025 |
| Discontinued operations, net of income taxes: | | | | | |
| Income (loss) from operations of discontinued businesses..... | -- | (80) | 12 | 44 | 39 |
| Losses on disposals of discontinued businesses..... | -- | (73) | (443) | -- | -- |
| Extraordinary charges on debt extinguishments, net of income taxes..... | -- | -- | -- | -- | (103) |
| Cumulative effect of accounting change, net of income taxes..... | -- | -- | (56) | -- | -- |
| Net income (loss)..... | \$ 657 | \$ 379 | \$ (305) | \$ 1,505 | \$ 961 |
| Basic earnings (loss) per share: | | | | | |
| Income from continuing operations..... | \$ 1.12 | \$.82 | \$.28 | \$ 2.17 | \$ 1.54 |
| Discontinued operations: | | | | | |
| Income (loss) from operations of discontinued businesses..... | -- | (.12) | .02 | .07 | .06 |
| Losses on disposals of discontinued businesses..... | -- | (.11) | (.67) | -- | -- |
| Extraordinary charges on debt extinguishments..... | -- | -- | -- | -- | (.16) |
| Cumulative effect of accounting change..... | -- | -- | (.09) | -- | -- |
| Net income (loss)..... | \$ 1.12 | \$.59 | \$ (.46) | \$ 2.24 | \$ 1.44 |
| Shares used in computing basic earnings (loss) per share (in thousands)..... | 585,216 | 643,719 | 657,931 | 670,774 | 665,407 |
| Diluted earnings (loss) per share: | | | | | |
| Income from continuing operations..... | \$ 1.11 | \$.82 | \$.27 | \$ 2.15 | \$ 1.52 |
| Discontinued operations: | | | | | |

| | | | | | |
|--|---------|---------|----------|---------|---------|
| Income (loss) from operations of discontinued businesses..... | -- | (.12) | .02 | .07 | .06 |
| Losses on disposals of discontinued businesses..... | -- | (.11) | (.67) | -- | -- |
| Extraordinary charges on debt extinguishments..... | -- | -- | -- | -- | (.15) |
| Cumulative effect of accounting change..... | -- | -- | (.08) | -- | -- |
| Net income (loss)..... | \$ 1.11 | \$.59 | \$ (.46) | \$ 2.22 | \$ 1.43 |
| Shares used in computing diluted earnings (loss) per share (in thousands)..... | 591,029 | 646,649 | 663,090 | 677,886 | 673,071 |
| Cash dividends per common share..... | \$.08 | \$.08 | \$.07 | \$.08 | \$.08 |
| Redemption of preferred stock purchase rights..... | -- | -- | \$.01 | -- | -- |

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COLUMBIA/HCA HEALTHCARE CORPORATION
SELECTED FINANCIAL DATA
AS OF AND FOR THE YEARS ENDED DECEMBER 31 -- (CONTINUED)
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|-----------|-----------|-----------|-----------|-----------|
| FINANCIAL POSITION: | | | | | |
| Assets..... | \$ 16,885 | \$ 19,429 | \$ 22,002 | \$ 21,116 | \$ 19,805 |
| Working capital..... | 265 | 304 | 1,650 | 1,389 | 1,409 |
| Net assets of discontinued operations..... | -- | -- | 841 | 212 | 142 |
| Long-term debt, including amounts due within one year.... | 6,444 | 6,753 | 9,408 | 6,982 | 7,380 |
| Minority interests in equity of consolidated entities.... | 763 | 765 | 836 | 836 | 722 |
| Stockholders' equity..... | 5,617 | 7,581 | 7,250 | 8,609 | 7,129 |
| CASH FLOW DATA: | | | | | |
| Cash provided by operating activities..... | \$ 1,223 | \$ 1,916 | \$ 1,483 | \$ 2,589 | \$ 2,264 |
| Cash provided by (used in) investing activities..... | 925 | 970 | (2,746) | (2,219) | (3,610) |
| Cash provided by (used in) financing activities..... | (2,255) | (2,699) | 1,260 | (489) | 1,510 |
| OPERATING DATA: | | | | | |
| Number of hospitals at end of period(a)..... | 195 | 281 | 309 | 319 | 319 |
| Number of licensed beds at end of period(b)..... | 42,484 | 53,693 | 60,643 | 61,931 | 61,347 |
| Weighted average licensed beds(c)..... | 46,291 | 59,104 | 61,096 | 62,708 | 61,617 |
| Admissions(d)..... | 1,625,400 | 1,891,800 | 1,915,100 | 1,895,400 | 1,774,800 |
| Equivalent admissions(e)..... | 2,425,100 | 2,875,600 | 2,901,400 | 2,826,000 | 2,598,300 |
| Average length of stay (days) (f)..... | 4.9 | 5.0 | 5.0 | 5.1 | 5.3 |
| Average daily census(g)..... | 22,002 | 25,719 | 26,006 | 26,538 | 25,917 |
| Occupancy (h)..... | 48% | 44% | 43% | 42% | 42% |

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- (a) Excludes 12 facilities in 1999, 24 facilities in 1998, 27 facilities in 1997, 22 facilities in 1996 and 19 facilities in 1995 that are not consolidated (accounted for using the equity method) for financial reporting purposes.
- (b) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
- (c) Weighted average licensed beds represents the average number of licensed beds, weighted based on periods owned.
- (d) 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. Average length of stay has declined due to the continuing pressures from managed care and other payers to restrict admissions and reduce the number of days that are covered by the payers for certain procedures, and by technological and pharmaceutical improvements.
- (g) Represents the average number of patients in the Company's hospital beds each day.
- (h) Represents the percentage of hospital licensed beds occupied by patients. Both average daily census and occupancy rate provide measures of the utilization of inpatient rooms.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

The Selected Financial Data and the accompanying consolidated financial statements present certain information with respect to the financial position, results of operations and cash flows of Columbia/HCA Healthcare Corporation which should be read in conjunction with the following discussion and analysis. The term the "Company" or "Columbia/HCA" as used herein refers to Columbia/HCA Healthcare Corporation and its affiliates unless otherwise stated or indicated by context. The term "affiliates" means direct and indirect subsidiaries of Columbia/HCA Healthcare Corporation and partnerships and joint ventures in which such subsidiaries are partners.

FORWARD-LOOKING STATEMENTS

This "Annual Report on Form 10-K" includes certain 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" 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 governmental investigations and litigation involving the Company's business practices, (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 program that may further 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 physicians, (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, (xi) changes in accounting practices, (xii) changes in general economic conditions, (xiii) future divestitures which may result in additional charges, (xiv) the ability to enter into 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 its shared services strategy, and (xix) 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

The Company is currently the subject of several Federal investigations into certain of its business practices, as well as governmental investigations by various states. The Company is cooperating in these investigations and understands, through written notice and other means, that it is a target in these investigations. Given the breadth of the ongoing investigations, the Company expects additional investigative and prosecutorial activity to occur in these and other jurisdictions in the future. The Company is the subject of a formal order of investigation by the Securities and Exchange Commission ("SEC").

The Company understands that the SEC investigation includes the anti-fraud, insider trading, periodic reporting and internal accounting control provisions of the Federal securities laws.

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COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS -- (CONTINUED)

INVESTIGATIONS (CONTINUED)

The Company cannot predict the outcome or quantify effects that the ongoing investigations and the initiation of additional investigations, if any, will have on the Company's financial condition or results of operations in future periods. Were the Company to be found in violation of Federal or state laws relating to Medicare, Medicaid or similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Any such sanctions could have a material adverse effect on the Company's financial position and results of operations. (See Note 12 -- Contingencies in the Notes to Consolidated Financial Statements.)

BUSINESS STRATEGY

The Company's primary objective is to provide the communities it serves a comprehensive array of quality health care services in the most cost effective manner possible. The Company's general, acute care hospitals usually provide a full range of services commonly available in hospitals to accommodate such medical specialties as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics and obstetrics, as well as diagnostic and emergency services. Outpatient and ancillary health care services are provided by the Company's general, acute care hospitals, and through the Company's freestanding outpatient surgery and diagnostic centers and rehabilitation facilities. The Company's psychiatric hospitals provide a full range of mental health care services in inpatient, partial hospitalization and outpatient settings. The Company also operates preferred provider organizations in 47 states and the District of Columbia.

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

In May 1999, the Company established LifePoint Hospitals, Inc. ("LifePoint") and Triad Hospitals, Inc. ("Triad"), as independent, publicly-traded companies through tax-free spin-offs of these companies to the Company's stockholders. During the third quarter of 1997, management implemented plans to divest the Company's home health businesses and three of the four Value Health business units (Value Health was a provider of specialty managed care benefit programs). The divestitures of the three Value Health business units and the home health operations were completed during 1998. The results of operations of these divested businesses are reflected in the consolidated statements of operations as discontinued operations.

The Company has substantially completed a restructuring of its operations, in an effort to create a smaller and more focused company. The divestiture of the home health operations and the Value Health business units, the spin-offs of LifePoint and Triad and the sales of various other hospitals and surgery centers, not located in the Company's strategic locations, allow the Company's management to focus their efforts on the Company's core markets, which are typically located in urban areas that are characterized by highly integrated

health care facility networks.

The Company and the health care industry are facing many challenges, including the growing number of uninsured, reimbursement pressures from government and non-government payers and the increasing costs of supplies, pharmaceuticals and new technologies. As a response to these challenges, the Company is implementing a shared services initiative. This initiative is a company-wide program designed to reduce operating costs and provide additional resources for patient care by consolidating hospitals' back-office functions such as billing and collections and standardizing and upgrading financial services. In addition, the

COLUMBIA/HCA HEALTHCARE CORPORATION
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BUSINESS STRATEGY (CONTINUED)

Company is implementing company-wide supply improvement and distribution programs that will include consolidating purchasing and accounts payable functions regionally, combining warehouses and developing division-based procurement programs.

RESULTS OF OPERATIONS

Revenue/Volume Trends

The Company's revenues continue to be affected by an increasing proportion of revenue being derived from fixed payment, higher discount sources, including government payers, managed care providers and others. The Company expects patient volumes from Medicare and Medicaid to continue to increase due to the general aging of the population and expansion of state Medicaid programs. However, under the Balanced Budget Act of 1997 ("BBA-97"), the Company's reimbursement from the Medicare and Medicaid programs was reduced by significant changes that were phased in through October 1, 1998, and will continue to be reduced as certain changes continue to be phased in during 2000 and 2001. The Company continues to experience a shift in its payer mix as patients move from traditional indemnity insurance and Medicare coverage to medical coverage that is provided under managed care plans. The Company generally receives lower payments per patient under managed care plans than under traditional indemnity insurance plans or traditional Medicare. With an increasing proportion of services being reimbursed based upon fixed payment amounts (where the payment is based upon the diagnosis, regardless of the cost incurred or level of service provided), revenues, earnings and cash flows are being reduced. Revenues from capitation arrangements (prepaid health service agreements) are less than 1% of consolidated revenues. Admissions related to Medicare, Medicaid and managed care plans and other discounted arrangements for the years ended December 31, 1999, 1998 and 1997 are set forth below.

| | YEARS ENDED DECEMBER 31, | | |
|--|--------------------------|-------|-------|
| | ----- | | |
| | 1999 | 1998 | 1997 |
| | ---- | ---- | ---- |
| Medicare..... | 38% | 39% | 41% |
| Medicaid..... | 11% | 11% | 12% |
| Managed care and other discounted..... | 41% | 39% | 35% |
| Other..... | 10% | 11% | 12% |
| | ---- | ---- | ---- |
| | 100% | 100% | 100% |
| | ===== | ===== | ===== |

Reductions in the rate of increase in Medicare and Medicaid reimbursement, and increasing percentages of patient volume being related to patients participating in managed care plans are expected to present ongoing challenges to the Company. The challenges presented by these trends are enhanced by the fact that the Company does not have the ability to control these trends and the associated risks. To maintain and improve its operating margins in future periods, the Company must increase patient volumes while controlling the cost of providing services. If the Company is not able to achieve reductions in the cost of providing services through operational efficiencies, and the trend of declining reimbursements and payments continue, results of operations and cash flows will deteriorate.

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.

COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS -- (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Revenue/Volume Trends (Continued)

The following are comparative summaries of results from continuing operations for the years ended December 31, 1999, 1998 and 1997 (dollars in millions, except per share amounts):

| | 1999 | | 1998 | | 1997 | |
|---|----------|-------|----------|-------|----------|-------|
| | AMOUNT | RATIO | AMOUNT | RATIO | AMOUNT | RATIO |
| Revenues..... | \$16,657 | 100.0 | \$18,681 | 100.0 | \$18,819 | 100.0 |
| Salaries and benefits..... | 6,749 | 40.5 | 7,811 | 41.8 | 7,631 | 40.6 |
| Supplies..... | 2,645 | 15.9 | 2,901 | 15.5 | 2,722 | 14.5 |
| Other operating expenses..... | 3,196 | 19.2 | 3,771 | 20.2 | 4,263 | 22.6 |
| Provision for doubtful accounts..... | 1,269 | 7.6 | 1,442 | 7.7 | 1,420 | 7.5 |
| Depreciation and amortization..... | 1,094 | 6.6 | 1,247 | 6.7 | 1,238 | 6.6 |
| Interest expense..... | 471 | 2.8 | 561 | 3.0 | 493 | 2.6 |
| Equity in earnings of affiliates..... | (90) | (0.5) | (112) | (0.6) | (68) | (0.4) |
| Gains on sales of facilities..... | (297) | (1.8) | (744) | (4.0) | -- | -- |
| Impairment of long-lived assets..... | 220 | 1.3 | 542 | 2.9 | 442 | 2.4 |
| Restructuring of operations and investigation related costs..... | 116 | 0.7 | 111 | 0.6 | 140 | 0.7 |
| | 15,373 | 92.3 | 17,530 | 93.8 | 18,281 | 97.1 |
| Income from continuing operations before minority interests and income taxes..... | 1,284 | 7.7 | 1,151 | 6.2 | 538 | 2.9 |
| Minority interests in earnings of consolidated entities..... | 57 | 0.3 | 70 | 0.4 | 150 | 0.8 |
| Income from continuing operations before income taxes..... | 1,227 | 7.4 | 1,081 | 5.8 | 388 | 2.1 |
| Provision for income taxes..... | 570 | 3.5 | 549 | 3.0 | 206 | 1.1 |
| Income from continuing operations..... | \$ 657 | 3.9 | \$ 532 | 2.8 | \$ 182 | 1.0 |
| Basic earnings per share from continuing operations..... | \$ 1.12 | | \$.82 | | \$.28 | |
| Diluted earnings per share from continuing operations..... | \$ 1.11 | | \$.82 | | \$.27 | |
| % changes from prior year: | | | | | | |
| Revenues..... | (10.8)% | | (0.7)% | | 0.2% | |
| Income from continuing operations before income taxes..... | 13.5 | | 178.8 | | (84.1) | |
| Income from continuing operations..... | 23.6 | | 191.2 | | (87.5) | |
| Basic earnings per share from continuing operations..... | 36.6 | | 192.9 | | (87.1) | |
| Diluted earnings per share from continuing operations..... | 35.4 | | 203.7 | | (87.4) | |
| Admissions (a)..... | (14.1) | | (1.4) | | 1.0 | |
| Equivalent admissions (b)..... | (15.7) | | (1.1) | | 2.7 | |
| Revenues per equivalent admission..... | 5.7 | | 0.3 | | (2.4) | |
| Same facility % changes from prior year (c): | | | | | | |
| Revenues..... | 5.3 | | (0.2) | | 1.1 | |
| Admissions (a)..... | 2.7 | | 0.4 | | 1.7 | |
| Equivalent admissions (b)..... | 2.5 | | 1.4 | | 3.5 | |
| Revenues per equivalent admission..... | 2.7 | | (1.5) | | (2.3) | |

(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 year.

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COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS -- (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Years Ended December 31, 1999 and 1998

Income from continuing operations before income taxes increased 13.5% to \$1.2 billion in 1999 from \$1.1 billion in 1998 and pretax margins increased to 7.4% in 1999 from 5.8% in 1998. The increase in pretax income was primarily the result of reductions from 1998 to 1999 in salaries and benefits and other operating expenses, as a percentage of revenues.

Revenues decreased 10.8% to \$16.7 billion in 1999 from \$18.7 billion in 1998 due to the reduction from 281 hospitals at December 31, 1998 to 195 hospitals at December 31, 1999. During 1999, the Company accomplished a restructuring of its operations by completing the spin-offs of LifePoint and Triad and the sales of 24 hospital facilities. On a same facility basis, both admissions and revenues per equivalent admission increased 2.7% from 1998 to 1999, resulting in a 5.3% increase in revenues. The increases in revenue per equivalent admission of 5.7% on a consolidated basis and 2.7% on same facility basis from 1998 to 1999, were primarily the result of successes achieved during 1999 in renegotiating and renewing certain managed care contracts on more favorable terms to the Company. While the Company achieved some successes in managed care pricing, attaining revenue increases continues to present a challenge due to decreases in Medicare rates of reimbursement mandated by BBA-97 which became effective October 1, 1997 (lowered 1999 revenues by approximately \$124 million) and a continuing shift in revenues away from traditional Medicare and indemnity payers to managed care (managed care as a percent of total admissions increased to 41% in 1999 compared to 39% in 1998).

Salaries and benefits, as a percentage of revenues, decreased from 41.8% in 1998 to 40.5% in 1999. The increase in revenues per equivalent admission was a primary factor for the decrease. In addition, the Company was more successful in adjusting staffing levels to correspond with the equivalent admission growth rates (man hours per equivalent admission decreased approximately 3% compared to 1998).

Supply costs increased as a percentage of revenues to 15.9% in 1999 from 15.5% in 1998 due to an increase in the cost of supplies per equivalent admission related to the increasing costs of new technology and pharmaceuticals.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes) decreased as a percentage of revenues from 20.2% to 19.2% due to certain fixed costs such as contract services, rents, leases, and utilities remaining relatively flat while revenue per equivalent admission was increasing. A decline in professional fees, due to the sales of certain teaching facilities which had costs for medical directorships, also contributed to the decrease.

Provision for doubtful accounts, as a percentage of revenues, decreased slightly to 7.6% in 1999 from 7.7% in 1998. 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 payer mix shifts to managed care plans (resulting in increased amounts of patient co-payments and deductibles), 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 certain of the Company's facilities.

Depreciation and amortization remained relatively flat as a percentage of revenues at 6.6% in 1999 versus 6.7% in 1998.

Interest expense decreased to \$471 million in 1999 compared to \$561 million in 1998 primarily as a result of a decrease in average outstanding debt during 1999 compared to 1998. The spin-offs and facility sales discussed earlier resulted in the receipt of cash proceeds in 1999 and in the third and fourth quarters of 1998 which were used to pay down borrowings.

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COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS -- (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Years Ended December 31, 1999 and 1998 (Continued)

Equity in earnings of affiliates remained relatively flat as a percentage of revenues at 0.5% in 1999 and 0.6% in 1998.

During 1999, the Company recognized a pretax gain of \$297 million (\$164 million after-tax) on the sale of three hospitals and certain related health care facilities. Proceeds from the sales were used to repay bank borrowings.

During 1999, the Company also identified and initiated, or revised, plans to divest or close during 1999 and 2000, 23 consolidating hospitals and 4 non-consolidating hospitals. The carrying value for the hospitals and other assets expected to be sold was reduced to fair value based upon estimates of sales values, for a total non-cash, pretax charge of approximately \$220 million. See Note 3 -- Restructuring of Operations in the Notes to Consolidated Financial Statements.

During 1999 and 1998, respectively, the Company incurred \$116 million and \$111 million of restructuring of operations and investigation related costs. In 1999, these costs included \$77 million of professional fees (legal and accounting) related to the governmental investigations, \$5 million of severance costs and \$34 million of other costs. In 1998, restructuring of operations and investigation related costs included \$96 million of professional fees (legal and accounting) related to the governmental investigations, \$5 million of severance costs and \$10 million of other costs. See Note 4 -- Restructuring of Operations and Investigation Related Costs in the Notes to Consolidated Financial Statements.

Minority interests decreased slightly as a percentage of revenues to 0.3% in 1999 from 0.4% in 1998.

The effective income tax rates were 46.5% in 1999 and 50.8% in 1998 due to non-deductible intangible assets related to gains on sales of facilities and impairments of long-lived assets. If the effect of the non-deductible intangible assets and the related amortization were excluded, the effective income tax rate would have been approximately 39% for both 1999 and 1998.

As previously discussed, the Company has substantially completed a restructuring of its operations. See Note 3 -- Restructuring of Operations in the Notes to Consolidated Financial Statements. Assuming the restructuring was completed as of the beginning of the period, the Company's remaining core facilities had combined net income from continuing operations of \$669 million in 1999 versus \$452 million in 1998, an increase of 48.1%. Excluding gains on sales

of facilities, impairment of long-lived assets and restructuring of operations and investigation related costs, combined net income for the Company's remaining core facilities increased 13.1% to \$838 million in 1999 from \$741 million in 1998.

Years Ended December 31, 1998 and 1997

Revenues decreased 0.7% to \$18.7 billion in 1998 compared to \$18.8 billion in 1997, primarily as a result of the sales of facilities and declines in volumes. Inpatient admissions decreased 1.4% from 1997 to 1998 and equivalent admissions (adjusted to reflect combined inpatient and outpatient volume) decreased 1.1%. The small decline in revenues, compared to the decline in equivalent admissions resulted in a slight increase in revenues per equivalent admission of 0.3%. On a same facility basis, revenues decreased 0.2%, admissions increased 0.4% and equivalent admissions increased 1.4% from 1997 to 1998. On a same facility basis, the decline in revenues combined with an increase in equivalent admissions, resulted in a decline in revenues per equivalent admission of 1.5%.

The decline in revenues was due to several factors, including decreases in Medicare reimbursement rates mandated by BBA-97 which became effective October 1, 1997 (lowered 1998 revenues by approximately

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COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS -- (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Years Ended December 31, 1998 and 1997 (Continued)
\$215 million), continued increases in discounts from the growing number of managed care payers (managed care as a percentage of total admissions increased to 39% in 1998 compared to 35% in 1997), and a net decrease in the number of consolidating hospitals and surgery centers since 1997 due to the sales of several facilities during 1998. There were 281 consolidating hospitals and 102 surgery centers at December 31, 1998 compared to 309 hospitals and 140 surgery centers at December 31, 1997.

Income from continuing operations before income taxes increased 178.8% to \$1.1 billion in 1998 from \$388 million in 1997. Pretax margins increased to 5.8% in 1998 from 2.1% in 1997. The increase in pretax income was primarily attributable to gains on the sales of facilities and a small increase in the operating margin. Excluding the gains on sales of facilities, asset impairment charges and restructuring of operations and investigation related costs, income from continuing operations before income taxes increased 2.0% to \$990 million in 1998 from \$970 million in 1997 and the pretax margin increased to 5.3% in 1998 from 5.2% in 1997. These increases were primarily attributable to a decrease in other operating expenses as a percentage of revenues.

Operating expenses increased as a percentage of revenues in almost every expense category, except other operating expenses which declined 2.4% from 1997. The increases were primarily attributable to the Company's inability to adjust expenses in line with the decreases experienced in revenues and reimbursement trends. Management's attention to the investigations, reactions by certain physicians and patients to the negative media coverage and management changes at several levels and locations throughout the Company contributed to the Company's inability to implement changes to reduce operating expenses in response to the revenue declines.

Salaries and benefits, as a percentage of revenues, increased to 41.8% in 1998 from 40.6% in 1997. The increase was due to a 3.4% increase in salaries and benefits per equivalent admission, which can be attributed to a 2.7% increase in labor cost per hour and a 0.5% increase in man-hours per equivalent admission.

Supply costs increased as a percentage of revenues to 15.5% in 1998 from 14.5% in 1997 due to a 7.7% increase in the cost of supplies per equivalent

admission, while revenues per equivalent admission increased only 0.3%.

Other operating expenses (which includes contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance, marketing and non-income taxes) decreased as a percentage of revenues to 20.2% in 1998 from 22.6% in 1997. The decrease was due to small decreases in several of these expense categories as a percentage of revenues, including lower marketing costs being incurred due to the cancellation of a national branding campaign.

Provision for doubtful accounts, as a percentage of revenues, increased to 7.7% in 1998 from 7.5% in 1997 due to internal factors such as computer information system conversions (including patient accounting systems), which diverted some of the business office employees time from their billing and collecting functions to assist with the system conversions at certain facilities and external factors such as payer mix shifts to managed care plans (resulting in increased amounts of patient co-payments and deductibles) and increases in claim audits and remittance denials from certain payers. Management is unable to quantify the effects of each of these factors because the data to support the classification of writeoffs to these categories is not accumulated due to volume, standardization and cost constraints. The shift in payer mix is expected to continue and the provision for doubtful accounts is likely to remain at higher levels than in past years (1996 and prior).

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COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS -- (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Years Ended December 31, 1998 and 1997 (Continued)

Equity in earnings of affiliates increased slightly as a percentage of revenues to 0.6% in 1998 from 0.4% in 1997.

Depreciation and amortization increased as a percentage of revenues to 6.7% in 1998 from 6.6% in 1997, primarily due to the slowdown in revenue growth and increased capital expenditures related to ancillary services (such as outpatient services) and information systems. Capital expenditures in these areas generally result in shorter depreciation and amortization lives for the assets acquired than typical hospital acquisitions.

Interest expense increased to \$561 million in 1998 compared to \$493 million in 1997. A primary reason for the increased interest expense is an increase in the average interest rate on the Company's borrowings. The Company's credit ratings were downgraded in both 1998 and 1997 and this caused a shift in credit sources from the commercial paper market to bank debt.

During 1998, the Company recognized a pretax gain of \$744 million (\$365 million after-tax) on the sale of certain hospitals and surgery centers. The gain includes a pretax gain of \$570 million (\$335 million after-tax) on the sale of 21 hospitals to a consortium of not-for-profit entities, a pretax gain of \$203 million (\$50 million after-tax) on the sale of 34 surgery centers, and a loss of \$29 million (\$20 million after-tax) on the sale of 6 hospitals and other facilities. See Note 3 -- Restructuring of Operations in the Notes to Consolidated Financial Statements.

During 1998, management approved a plan to divest a group of the Company's medical office buildings. The divestiture is expected to be completed through the transfer of the medical office buildings to a joint venture in which the Company will maintain a minority interest. The carrying value for these medical office buildings, along with certain hospitals and other facilities expected to be sold, was reduced to fair value, based upon estimates of sales values resulting in a non-cash, pretax impairment charge of \$542 million (\$175 million of the total impairment charge was related to the medical office buildings). See Note 3 -- Restructuring of Operations in the Notes to Consolidated Financial Statements.

During 1997, the Company recorded \$442 million of asset impairment charges. The charges primarily related to hospital and surgery center facilities to be sold or closed (\$402 million) and physician practices (\$40 million) where projected future cash flows were less than the carrying value of the related assets.

The Company incurred \$111 million and \$140 million of costs during 1998 and 1997, respectively, of restructuring of operations and investigation related costs. In 1998, these costs included \$96 million of professional fees (legal and accounting) related to the governmental investigations, \$5 million of severance costs and \$10 million of other costs. In 1997, these costs included \$61 million of severance costs, \$44 million of professional fees (legal and accounting) related to the governmental investigations and \$35 million of other costs. See Note 4 -- Restructuring of Operations and Investigation Related Costs in the Notes to Consolidated Financial Statements.

Minority interests decreased as a percentage of revenues to 0.4% in 1998 from 0.8% in 1997. The decrease in minority interest expense was attributable to declines in profitability in certain operations that have minority ownership and the sales during 1998 of certain minority owned operations (the majority of the 34 surgery centers that were sold during 1998 had minority owners).

Income from continuing operations increased 191.2% to \$532 million (\$.82 per diluted share) during 1998 compared to \$182 million (\$.27 per diluted share) in 1997. Excluding the gains on sales of facilities, asset impairment charges, and restructuring of operations and investigation related costs, income from

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COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS -- (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Years Ended December 31, 1998 and 1997 (Continued)
continuing operations increased 4.3% to \$590 million (\$.91 per diluted share) in 1998 from \$565 million (\$.85 per diluted share) in 1997.

As previously discussed, the Company substantially completed a restructuring of its operations (including the spin-offs of LifePoint and Triad and the divestiture of certain facilities). See Note 3 -- Restructuring of Operations in the Notes to Consolidated Financial Statements. Assuming the completion of the restructuring, as of the beginning of the period the Company's remaining core facilities had combined net income from continuing operations which increased 84.0% to \$452 million in 1998 from \$246 million in 1997. Excluding gains on sales of facilities, impairment of long-lived assets and restructuring of operations and investigation related costs, combined net income for the Company's remaining core facilities increased 50.4% to \$741 million in 1998 from \$493 million in 1997.

Liquidity

Cash provided by continuing operating activities totaled \$1.2 billion in 1999 compared to \$1.9 billion in 1998 and \$1.5 billion in 1997. The decrease in cash provided by continuing operating activities during 1999 was primarily due to an increase in tax payments and increases in accounts receivables and other current assets. During 1998, the Company applied for and received a refund of approximately \$350 million resulting from excess estimated tax payments made in 1997 which were based upon more profitable prior periods. The increase from 1997 to 1998, was primarily due to the loss incurred from continuing operations during 1997.

Cash provided by investing activities was approximately \$0.9 billion in 1999 and approximately \$1.0 billion in 1998, compared to cash used in investing activities of \$2.7 billion in 1997. The Company's restructuring of operations,

discussed earlier, resulted in the receipt of cash proceeds of approximately \$1.8 billion in 1999 and \$2.8 billion in 1998. In 1997, the Company used \$1.2 billion of cash to complete the Value Health acquisition.

Cash flows used in financing activities totaled approximately \$2.3 billion in 1999 and \$2.7 billion during 1998, compared to cash provided by financing activities of \$1.3 billion in 1997. The cash flows provided by continuing operating activities and investing activities were primarily used to repurchase approximately 82 million shares of the Company's common stock in 1999 and to pay down debt during 1998. During 1997, the Company used approximately \$1 billion of cash to repurchase approximately 29 million shares of its common stock. The repurchase in 1997 was funded by the issuance of long-term debt, commercial paper and bank borrowings.

Working capital totaled \$265 million at December 31, 1999 and \$304 million at December 31, 1998. At December 31, 1999 current liabilities included \$500 million outstanding under the Company's senior interim term loan (the "1999 Term Loan"). In March 2000, the Company repaid the \$500 million using proceeds from a new \$1.2 billion senior term loan (the "2000 Term Loan"). At December 31, 1998 current liabilities included \$741 million outstanding under the Company's former 364-day revolving credit facility which was converted to a one-year term loan. The Company repaid the one-year term loan in February 1999. Management believes that cash flows from operations, amounts available under the Company's revolving credit facility (the "Credit Facility"), proceeds from the 2000 Term Loan and the Company's access to debt markets are sufficient to meet expected liquidity needs during 2000.

Investments of the Company's professional liability insurance subsidiary to maintain statutory equity and pay claims totaled \$1.7 billion and \$1.8 billion at December 31, 1999 and 1998, respectively.

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COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS -- (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Liquidity (Continued)

During 1997, the Company announced both the cessation of sales of interests in its hospitals to physicians and its intention to repurchase physician ownership interests in the Company's hospitals. The Company paid approximately \$8 million and \$41 million to repurchase certain physician interests in 1999 and 1998, respectively.

The Company has various agreements with joint venture partners whereby the partners have an option to sell or "put" their interests in the joint venture back to the Company, within specific periods at fixed prices or prices based on certain formulas. The combined put price under all such agreements was approximately \$500 million at December 31, 1999. No put options were exercised between December 31, 1998 and December 31, 1999, however the Company did sell or spin-off the Company's interest in four joint ventures during 1999. One additional joint venture was dissolved during 1999, with each partner resuming the operation of the facilities they had previously contributed to the joint venture. During April 1998, the partner in the Memorial Healthcare Group, Inc. joint venture exercised its put option whereby the Company purchased the partner's interest in the joint venture for approximately \$40 million. The Company cannot predict if, or when, other joint venture partners will exercise such options.

During the first quarter of 1998, the Internal Revenue Service ("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 may 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. The Company 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. The tax ruling or any adverse determination by the IRS 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.

In November 1999, the Company announced that its Board of Directors had authorized the repurchase of up to \$1 billion of its common stock. Approximately 34.4 million shares were purchased by certain financial organizations through a series of forward purchase contracts at an average cost of approximately \$29 per share. In accordance with the terms of the forward purchase contracts, the shares purchased remain outstanding until the forward purchase contracts are settled by the Company. The Company expects to settle the forward purchase contracts during 2000. In March 2000, the Company announced that its Board of Directors authorized the repurchase of up to \$1 billion of additional common stock. The Company expects to repurchase such stock through open market purchases, privately negotiated transactions or through a series of forward purchase contracts.

In 1999, the Company expended approximately \$1.9 billion (\$98 million was paid during 1998 to repurchase approximately 4.1 million shares) to complete the repurchase of approximately 81.9 million of its shares through open market purchases and the settlement of accelerated and forward purchase contracts.

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 Company and the government acknowledge that the amount of the letters of credit agreement is not based upon the amount, or expected

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COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS -- (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Liquidity (Continued)
amount, of any potential settlement of the ongoing government investigation, and the agreement does not constitute an admission of liability by the Company.

The resolution of the government investigations and the various lawsuits and legal proceedings that have been asserted could result in substantial liabilities to the Company. The ultimate liabilities cannot be reasonably estimated, as to the timing or amounts, at this time; however, it is possible that the resolution of certain of the contingences could have a material adverse effect on the Company's results of operations, financial position and liquidity.

Capital Resources

Excluding acquisitions, capital expenditures were \$1.3 billion in both 1999 and 1998 and \$1.4 billion in 1997. Planned capital expenditures in 2000 are expected to approximate \$1.3 billion. Management believes that its capital expenditure program is adequate to expand, improve and equip its existing health care facilities.

The Company expended \$215 million and \$440 million (excluding discontinued operations) for acquisitions and investments in and advances to affiliates (generally interests in joint ventures that are accounted for using the equity method) during 1998 and 1997, respectively. Changes in management and business

strategy have resulted in declines in the Company's acquisition plans compared to prior years.

The Company expects to finance capital expenditures with internally generated and borrowed funds. Available sources of capital include public or private debt markets, amounts available under the Credit Facility (approximately \$587 million as of February 29, 2000) and equity markets. At December 31, 1999, there were projects under construction which had an estimated additional cost to complete and equip of approximately \$845 million.

During March 1999, the Company entered into the 1999 Term Loan. Borrowings under this loan were used during the second quarter to fund the \$1.0 billion share repurchase program approved in February 1999 See Note 13 -- Capital Stock and Stock Repurchases in the Notes to Consolidated Financial Statements. In July 1999, the Company filed a "shelf" registration statement and prospectus with the Securities and Exchange Commission relating to \$1.5 billion in debt securities. No debt securities have been issued pursuant to the July 1999 shelf registration through February 2000. During 1998, the Company entered into a \$1.0 billion term loan agreement (the "1998 Term Loan") with several banks which matures February 2002.

In March 2000, the Company entered into the \$1.2 billion 2000 Term Loan. Proceeds from the 2000 Term Loan were used in the first quarter of 2000 to retire the outstanding balance under the 1999 Term Loan and to reduce outstanding loans under the Credit Facility.

The Credit Facility, the 2000 Term Loan, the 1999 Term Loan and the 1998 Term Loan 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. The 1999 Term Loan also provided for the mandatory prepayment of loans thereunder in the case of certain debt or equity issuances. The Company is currently in compliance with all such covenants.

In February 1998, Moody's Investors Service downgraded the Company's senior debt rating to Ba2. At the same time, Fitch IBCA downgraded the Company's senior debt rating to BBB-. In February 1999, Standard & Poor's downgraded the Company's senior debt rating to BB+.

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COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS -- (CONTINUED)

IMPACT OF YEAR 2000 COMPUTER ISSUES

The Company experienced no material adverse effect on its results of operations, financial condition or ability to provide for its patients' safety and health as a result of the Year 2000 date conversion in its or third party computer systems and programs.

While the Company still may experience certain Year 2000 problems with its computer systems or programs, vendor-supplied products or equipment, other medical devices used in its business, accounts receivable vendors or third party payers, or other suppliers or vendors of products or services, the Company does not believe that any such potential problems will materially adversely affect its results of operations, financial condition or ability to provide for its patients' safety and health. However, contingency plans have been developed by the Company for any such circumstances should they occur.

Cumulatively through December 31, 1999, the Company had incurred expenses of \$81 million related to its Year 2000 compliance project, including \$26 million incurred in 1999. These amounts do not include certain internal employee payroll costs because these costs are not separately tracked by the Company. As of December 31, 1999, the Company did not expect to incur material, additional expenses related to Year 2000 compliance matters. In addition to the Company's

expenses incurred for its Year 2000 project, the Company incurred approximately \$83 million of capitalized costs for the remediation, upgrade and replacement of its Year 2000 impacted non-IT infrastructure systems and equipment. All of these costs were funded through operating cash flows. As of December 31, 1999, the Company did not expect to incur material, additional capitalized costs related to its impacted non-IT infrastructure systems and equipment.

EFFECTS OF INFLATION AND CHANGING PRICES

Various Federal, state and local laws have been enacted that, in certain cases, limit the Company's ability to increase prices. Revenues for acute care hospital services rendered to Medicare patients are established under the federal government's prospective payment system. Total Medicare revenues approximated 29% in 1999, 30% in 1998 and 34% in 1997 of the Company's total revenues.

Management believes that hospital industry operating margins have been, and may continue to be, under significant pressure because of changes in payer mix and growth in operating expenses in excess of the increase in prospective payments under the Medicare program. Management expects that the average rate of adjustment for inpatient hospital services Medicare prospective payments will range from (0.3%) to 0.0% in 2000. In addition, as a result of increasing regulatory and competitive pressures, the Company's ability to maintain operating margins through price increases to non-Medicare patients is limited.

HEALTH CARE REFORM

In recent years, an increasing number of legislative proposals have been introduced or proposed to Congress and in some state legislatures that would significantly affect health care systems in the Company's markets. The cost of certain proposals would be funded in significant part by reduction in payments by government programs, including Medicare and Medicaid, to health care providers (similar to the reductions incurred as part of BBA-97 as previously discussed). While the Company is unable to predict which, if any, proposals for health care reform will be adopted, there can be no assurance that proposals adverse to the business of the Company will not be adopted.

IRS DISPUTES

The Company is contesting income taxes and related interest proposed by the IRS for prior years aggregating approximately \$181 million as of December 31, 1999. Management believes that final resolution of these disputes will not have a material adverse effect on the results of operations or liquidity of the

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COLUMBIA/HCA HEALTHCARE CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- (CONTINUED)

IRS DISPUTES (CONTINUED)

Company. (See Note 7 -- Income Taxes in the Notes to Consolidated Financial Statements for a description of the pending IRS disputes.)

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 classification of a current liability for tax and interest (through December 31, 1999) of \$152 million and had no impact on the Company's results of operations.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The Company's investments in debt and equity securities were \$1.2 billion and \$506 million, respectively, at December 31, 1999. These investments are carried at fair value with changes in unrealized gains and losses being recorded as adjustments to stockholders' equity. 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 \$2.1 billion of long-term debt at December 31, 1999 is subject to variable rates of interest, while the remaining balance in long-term debt of \$4.3 billion at December 31, 1999 is 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 is comprised of the Company's Credit Facility of which interest is payable generally at LIBOR plus 0.45% to 1.5% (depending on the Company's credit ratings), and bank term loans of which interest is payable generally at LIBOR plus 0.75% to 2.5%. During 1999, due to increases in LIBOR and the Prime lending rate, the rates for the Company's Credit Facility increased from 6.4% at December 31, 1998 to 7.4% at December 31, 1999, and the rate for the Company's term loans increased from 6.8% at December 31, 1998 to 7.9% at December 31, 1999. The estimated fair value of the Company's total long-term debt was \$6.1 billion at December 31, 1999. 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. Based on a hypothetical 1% increase in interest rates, the potential annualized losses in future pretax earnings would be approximately \$21 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 currently does not and has not during 1999 participated in any interest rate swap agreements. See Note 11 -- Long-Term Debt in the Notes to Consolidated Financial Statements.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information with respect to this Item is contained in the Company's consolidated financial statements indicated in the Index on Page F-1 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is set forth under the heading "Election of Directors" in the definitive proxy materials of the Company to be filed in connection with its 2000 Annual Meeting of Stockholders, except for the information regarding executive officers of the Company, which is contained in Item 1 of Part I of this Annual Report on Form 10-K. The information required by this Item contained in such definitive proxy materials is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is set forth under the heading "Executive Compensation" in the definitive proxy materials of the Company to be filed in connection with its 2000 Annual Meeting of Stockholders, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is set forth under the heading "Stock Ownership" in the definitive proxy materials of the Company to be filed in connection with its 2000 Annual Meeting of Stockholders, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is set forth under the heading "Executive Compensation" in the definitive proxy materials of the Company to be filed in connection with its 2000 Annual Meeting of Stockholders, which information is incorporated herein by reference.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Documents filed as part of the report:

1. Financial Statements The accompanying index to financial statements on page F-1 of this Annual Report on Form 10-K is provided in response to this item.

2. List of Financial Statement Schedules All schedules are omitted because the required information is not present, not present in material amounts or presented within the financial statements.

3. List of Exhibits

- 3.1(a) -- Restated Certificate of Incorporation of the Company (filed as Exhibit 3(a) to the Company's Current Report on Form 8-K dated February 11, 1994, and incorporated herein by reference).
- 3.1(b) -- Amendment to the Restated Certificate of Incorporation of the Company (filed as Exhibit 3(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, and incorporated herein by reference).
- 3.2 -- Amended and Restated By-laws of the Company (filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, and incorporated herein by reference).
- 4.1 -- Specimen Certificate for shares of Common Stock, par value \$.01 per share, of the Company (filed as Exhibit 4.1 to the Company's Form SE to Form 10-K for the fiscal year ended

- December 31, 1993, and incorporated herein by reference).
- 4.2 -- Registration Rights Agreement between the Company and The 1818 Fund, L.P. dated March 18, 1991 (filed as Exhibit 4.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and incorporated herein by reference).
- 4.3 -- Securities Purchase Agreement by and between the Company and The 1818 Fund, L.P. dated as of March 18, 1991 (filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and incorporated herein by reference).
- 4.4 -- Warrant to purchase shares of Common Stock, par value \$.01 per share, of the Company (filed as Exhibit 4.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and incorporated herein by reference).
- 4.5 -- Registration Rights Agreement dated as of March 16, 1989, by and among HCA-Hospital Corporation of America and the persons listed on the signature pages thereto (filed as Exhibit (g)(24) to Amendment No. 3 to the Schedule 13E-3 filed by HCA-Hospital Corporation of America, Hospital Corporation of America and The HCA Profit Sharing Plan on March 22, 1989, and incorporated herein by reference).
- 4.6 -- Assignment and Assumption Agreement dated as of February 10, 1994, between HCA-Hospital Corporation of America and the Company relating to the Registration Rights Agreement, as amended (filed as Exhibit 4.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
- 4.7(a) -- \$2 Billion Credit Agreement dated as of February 10, 1994 (the "Credit Facility"), among the Company, the Several Banks and Other Financial Institutions, and Chemical Bank as Agent and as CAF Loan Agent (filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
- 4.7(b) -- Agreement and Amendment to the Credit Facility dated as of September 26, 1994 (filed as Exhibit 4.10 to the Company's Registration Statement on Form S-4 (File No. 33-56803), and incorporated herein by reference).
- 4.7(c) -- Agreement and Amendment to the Credit Facility dated as of February 28, 1996 (filed as Exhibit 4.10(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, and incorporated herein by reference).
- 4.7(d) -- Agreement and Amendment to the Credit Facility dated as of February 26, 1997 (filed as Exhibit 4.10(d) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference).

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- 4.7(e) -- Agreement and Amendment to the Credit Facility dated as of June 17, 1997 (filed as Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, and incorporated herein by reference).
- 4.7(f) -- Second Amendment to the Credit Facility, dated as of February 3, 1998 (filed as Exhibit 4.10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference).
- 4.7(g) -- Third Amendment to the Credit Facility, dated as of March 26, 1998 (filed as Exhibit 4.10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference).

- 4.7(h) -- Fourth Amendment to the Credit Facility, dated as of July 10, 1998 (filed as Exhibit 10(b) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, and incorporated herein by reference).
- 4.7(i) -- Fifth Amendment to the Credit Facility, dated as of March 30, 1999 (filed as Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference).
- 4.8 -- Indenture dated as of December 15, 1993 between the Company and The First National Bank of Chicago, as Trustee (filed as Exhibit 4.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
- 4.9(a) -- \$1 Billion Credit Agreement dated as of July 10, 1998 among the Registrant, The Several Banks and other Financial Institutions and NationsBank, N.A. as Documentation Agent, The Bank of Nova Scotia and Deutsche Bank Securities, as Co-Syndication Agents and The Chase Manhattan Bank, as Agent (filed as Exhibit 10(c) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, and incorporated herein by reference).
- 4.9(b) -- First Amendment to the July 1998 \$1 Billion Agreement dated as of March 30, 1999 (filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference).
- 4.10 -- \$1 Billion Credit Agreement dated as of March 30, 1999 among the Company, The Several Banks and Other Financial Institutions, Chase Securities Inc., as Lead Arranger and Sole Book Manager, NationsBank, N.A., as Documentation Agent, The Bank of New York, The Bank of Nova Scotia, and Toronto-Dominion (Texas), Inc., as Co-Syndication Agents, Deutsche Bank AG New York Branch and/or Cayman Islands Branch and Fleet National Bank, as Co-Agents, SunTrust Bank, Nashville, N.A. and Wachovia Bank, N.A., as Lead Managers and The Chase Manhattan Bank, as Administrative Agent (filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference).
- 4.11 -- \$1.2 Billion Credit Agreement dated as of March 13, 2000 among the Company, The Several Banks and other Financial Institutions, Chase Securities Inc., as Lead Arranger and Sole Book Manager, Bank of America, N.A., as Documentation Agent and Co-Arranger, The Bank of Nova Scotia, as Syndication Agent and Co-Arranger, Deutsche Bank AG New York and/or Cayman Islands Branches, as Syndication Agent and Co-Arranger, The Bank of New York, as Co-Arranger, The Industrial Bank of Japan, Limited, as Co-Arranger, Citicorp USA, as Lead Manager, SunTrust Bank, as Lead Manager, Wachovia Bank, N.A., as Lead Manager and The Chase Manhattan Bank, as Administrative Agent (which agreement is filed herewith).
- 4.12 -- Distribution Agreement dated as of May 11, 1999 by and among the Company, LifePoint Hospitals, Inc. and Triad Hospitals, Inc. (filed as Exhibit 99 to the Company's Current Report on Form 8-K dated May 11, 1999, and incorporated herein by reference).
- 10.1 -- Agreement and Plan of Merger among the Company, COL Acquisition Corporation and Healthtrust, Inc.--The Hospital Company dated as of October 4, 1994 (filed as Exhibit 2 to the Company's Registration Statement on Form S-4 (File No. 33-56803), and incorporated herein by reference).

- 10.2 -- Agreement and Plan of Merger among the Company, CHOS Acquisition Corporation and HCA-Hospital Corporation of America dated as of October 2, 1993 (filed as Exhibit 2 to the Company's Registration Statement on Form S-4 (File No. 33-50735), and incorporated herein by reference).
- 10.3 -- Agreement and Plan of Merger between Galen Health Care, and the Company dated as of June 10, 1993 (filed as Exhibit 2 to the Company's Registration Statement on Form S-4 (File No. 33-49773), and incorporated herein by reference).
- 10.4 -- Agreement and Plan of Merger among Hospital Corporation of America, HCA-Hospital Corporation of America and TF Acquisition, Inc. dated November 21, 1988 plus a list identifying the contents of all omitted exhibits to the Agreement and Plan of Merger plus an agreement of Hospital Corporation of America to furnish supplementally to the Securities and Exchange Commission upon request a copy of all omitted exhibits (filed as Exhibit 2 to Hospital Corporation of America's Current Report on Form 8-K dated November 21, 1988, and incorporated herein by reference).
- 10.5 -- Amendment No. 1 to Agreement and Plan of Merger dated as of February 7, 1989, among Hospital Corporation of America, HCA-Hospital Corporation of America and TF Acquisition, Inc. (filed as Exhibit 2(b) to Hospital Corporation of America's Annual Report on Form 10-K for the year ended December 31, 1988, and incorporated herein by reference).
- 10.6 -- Columbia Hospital Corporation Stock Option Plan (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and incorporated herein by reference).*
- 10.7(a) -- Amended and Restated Columbia/HCA Healthcare Corporation 1992 Stock and Incentive Plan (filed as Exhibit 10.7(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference).*
- 10.7(b) -- First Amendment to Amended and Restated Columbia/HCA Healthcare Corporation 1992 Stock and Incentive Plan (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, and incorporated herein by reference).*
- 10.8 -- Columbia Hospital Corporation Outside Directors Nonqualified Stock Option Plan (filed as Exhibit 28.1 to the Company's Registration Statement on Form S-8 (File No. 33-55272), and incorporated herein by reference).*
- 10.9 -- HCA-Hospital Corporation of America 1989 Nonqualified Stock Option Plan, as amended through December 16, 1991 (filed as Exhibit 10(g) to HCA-Hospital Corporation of America's Registration Statement on Form S-1 (File No. 33-44906), and incorporated herein by reference).*
- 10.10 -- Form of Stock Option Agreement under the HCA-Hospital Corporation of America 1989 Nonqualified Stock Option Plan (filed as Exhibit 10(j) to HCA-Hospital Corporation of America's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference).*
- 10.11 -- HCA-Hospital Corporation of America Nonqualified Initial Option Plan (filed as Exhibit 4.6 to the Company's Registration Statement on Form S-3 (File No. 33-52379), and incorporated herein by reference).*
- 10.12 -- Form of Indemnity Agreement with certain officers and directors (filed as Exhibit 10(kk) to Galen Health Care, Inc.'s Registration Statement on Form 10, as amended, and incorporated herein by reference).
- 10.13 -- Form of Severance Pay Agreement between Galen Health Care, Inc. and certain executives (filed as Exhibit 10(jj) to Galen Health Care, Inc.'s Registration Statement on Form 10, as amended, and incorporated herein by reference).*
- 10.14 -- Form of Severance Agreement between HCA-Hospital Corporation of America and certain executives dated as of November 1,

1993 (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).*

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- 10.15 -- Assumption Agreement among the Company, CHOS Acquisition Corporation and HCA-Hospital Corporation of America dated as of February 10, 1994, relating to the Severance Agreements (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).*
- 10.16 -- Form of Severance Pay Agreement between the Company and certain executives dated as of June 10, 1993 (filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).*
- 10.17 -- Form of Galen Health Care, Inc. 1993 Adjustment Plan (filed as Exhibit 4.15 to the Company's Registration Statement on Form S-8 (File No. 33-50147), and incorporated herein by reference).*
- 10.18 -- Columbia/HCA Healthcare Corporation 1997 Annual Incentive Plan (filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference).*
- 10.19 -- Columbia/HCA Healthcare Corporation Directors' Retirement Policy (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).*
- 10.20 -- HCA-Hospital Corporation of America 1992 Stock Compensation Plan (filed as Exhibit 10(t) to HCA-Hospital Corporation of America's Registration Statement on Form S-1 (File No. 33-44906), and incorporated herein by reference).*
- 10.21 -- Columbia/HCA Healthcare Corporation 1995 Management Stock Purchase Plan (filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, and incorporated herein by reference).*
- 10.22 -- Employment Agreement, dated April 24, 1995 by and between the Company and R. Clayton McWhorter (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference).*
- 10.23 -- Amended and Restated Agreement and Plan of Merger among the Company, CVH Acquisition Corporation and Value Health, Inc. dated as of April 14, 1997 (filed as Exhibit 2 to the Company's Current Report on Form 8-K dated April 22, 1997, and incorporated herein by reference).
- 10.24 -- Separation Agreement between the Company and Richard L. Scott dated July 25, 1997 (filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, and incorporated herein by reference).*
- 10.25 -- Separation Agreement between the Company and David T. Vandewater dated July 25, 1997 (filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, and incorporated herein by reference).*
- 10.26 -- Columbia/HCA Healthcare Corporation Directors Fees/Compensation Policy as revised May 14, 1998 (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference).*
- 10.27 -- Columbia/HCA Healthcare Corporation Outside Directors Stock

and Incentive Compensation Plan, as amended and restated (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, and incorporated herein by reference).*

- 10.28 -- Columbia/HCA Healthcare Corporation Amended and Restated 1995 Management Stock Purchase Plan (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, and incorporated herein by reference).*
- 10.29 -- Columbia/HCA Healthcare Corporation Performance Equity Incentive Plan (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, and incorporated herein by reference).*
- 10.30 -- Separation Agreement between the Company and Don Steen dated October 17, 1997 (filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, and incorporated herein by reference).*
- 10.31 -- Separation Agreement between the Company and Dan Moen dated July 1, 1998 (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference).*

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- 10.32 -- Separation Agreement between the Company and David White dated September 11, 1998 (filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference).*
- 10.33 -- Letter Agreement between the Company and Robert Waterman dated October 31, 1997 (filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference).*
- 10.34 -- Letter Agreement between the Company and R. Clayton McWhorter dated January 18, 1999 (filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference).*
- 10.35 -- Form of Restricted Stock Purchase Agreement between BNA Associates, Inc. and individuals listed on Schedule A (which agreement is filed herewith).
- 10.36 -- Columbia/HCA Healthcare Corporation 1999 Performance Equity Incentive Plan (filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference).*
- 10.37 -- Columbia/HCA Healthcare Corporation Severance Policy for America and Pacific Groups (filed as Exhibit 10.36 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference).*
- 10.38 -- Letter of Credit Agreement dated February 11, 1999 between the Company and the United States of America (filed as Exhibit 99 to the Company's Current Report on Form 8-K dated February 23, 1999, and incorporated herein by reference).
- 12 -- Statement re Computation of Ratio of Earnings to Fixed Charges.
- 21 -- List of Subsidiaries.
- 23 -- Consent of Ernst & Young LLP.
- 27 -- Financial Data Schedule for 1999 year-end information (for SEC use only).

* Management compensatory plan or arrangement.

(b) Reports on Form 8-K.

On October 27, 1999, the Company filed a report on Form 8-K which announced the Company's operating results for the third quarter and nine months ended September 30, 1999.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COLUMBIA/HCA HEALTHCARE CORPORATION

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

Thomas F. Frist, Jr., M.D.
Chairman and Chief Executive Officer

Dated: March 29, 2000

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

| SIGNATURE ----- | TITLE ----- | DATE ---- |
|---|---|----------------|
| /s/ THOMAS F. FRIST, JR., M.D. ----- Thomas F. Frist, Jr., M.D. | Chairman of the Board and Chief Executive Officer | March 29, 2000 |
| /s/ JACK O. BOVENDER, JR. ----- Jack O. Bovender, Jr. | President, Chief Operating Officer, and Director | March 28, 2000 |
| /s/ R. MILTON JOHNSON ----- R. Milton Johnson | Senior Vice President and Controller (Principal Accounting Officer) | March 29, 2000 |
| /s/ MAGDALENA H. AVERHOFF, M.D. ----- Magdalena H. Averhoff, M.D. | Director | March 28, 2000 |
| /s/ ELAINE L. CHAO ----- Elaine L. Chao | Director | March 28, 2000 |
| /s/ J. MICHAEL COOK ----- J. Michael Cook | Director | March 28, 2000 |
| /s/ MARTIN FELDSTEIN ----- Martin Feldstein | Director | March 28, 2000 |
| /s/ FREDERICK W. GLUCK ----- Frederick W. Gluck | Director | March 28, 2000 |
| /s/ GLENDA A. HATCHETT ----- Glenda A. Hatchett | Director | March 28, 2000 |
| /s/ T. MICHAEL LONG ----- T. Michael Long | Director | March 28, 2000 |
| /s/ R. CLAYTON MCWHORTER ----- R. Clayton McWhorter | Director | March 28, 2000 |
| /s/ JOHN H. MCARTHUR ----- John H. McArthur | Director | March 28, 2000 |

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| SIGNATURE ----- | TITLE ----- | DATE ---- |
|---|----------------|----------------|
| /s/ THOMAS S. MURPHY ----- Thomas S. Murphy | Director | March 28, 2000 |
| /s/ KENT C. NELSON ----- | Director | March 28, 2000 |

Kent C. Nelson

/s/ CARL E. REICHARDT

Director

March 28, 2000

Carl E. Reichardt

/s/ FRANK S. ROYAL, M.D.

Director

March 28, 2000

Frank S. Royal, M.D.

COLUMBIA/HCA HEALTHCARE CORPORATION
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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
Columbia/HCA Healthcare Corporation

We have audited the accompanying consolidated balance sheets of Columbia/HCA Healthcare Corporation as of December 31, 1999 and 1998 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Columbia/HCA Healthcare Corporation at December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in

the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

As explained in Note 8 to the Consolidated Financial Statements, effective January 1, 1997, the Company changed its method of accounting for start-up costs.

ERNST & YOUNG LLP

Nashville, Tennessee
February 11, 2000

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COLUMBIA/HCA HEALTHCARE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

| | 1999 | 1998 | 1997 |
|--|----------|----------|----------|
| | ----- | ----- | ----- |
| Revenues..... | \$16,657 | \$18,681 | \$18,819 |
| Salaries and benefits..... | 6,749 | 7,811 | 7,631 |
| Supplies..... | 2,645 | 2,901 | 2,722 |
| Other operating expenses..... | 3,196 | 3,771 | 4,263 |
| Provision for doubtful accounts..... | 1,269 | 1,442 | 1,420 |
| Depreciation and amortization..... | 1,094 | 1,247 | 1,238 |
| Interest expense..... | 471 | 561 | 493 |
| Equity in earnings of affiliates..... | (90) | (112) | (68) |
| Gains on sales of facilities..... | (297) | (744) | -- |
| Impairment of long-lived assets..... | 220 | 542 | 442 |
| Restructuring of operations and investigation related costs..... | 116 | 111 | 140 |
| | ----- | ----- | ----- |
| | 15,373 | 17,530 | 18,281 |
| | ----- | ----- | ----- |
| Income from continuing operations before minority interests and income taxes..... | 1,284 | 1,151 | 538 |
| Minority interests in earnings of consolidated entities..... | 57 | 70 | 150 |
| | ----- | ----- | ----- |
| Income from continuing operations before income taxes..... | 1,227 | 1,081 | 388 |
| Provision for income taxes..... | 570 | 549 | 206 |
| | ----- | ----- | ----- |
| Income from continuing operations..... | 657 | 532 | 182 |
| Discontinued operations: | | | |
| Income (loss) from operations of discontinued businesses, net of income taxes (benefits) of (\$26) in 1998 and \$18 in 1997..... | -- | (80) | 12 |
| Losses on disposals of discontinued businesses, net of income tax benefit of \$124 in 1997..... | -- | (73) | (443) |
| Cumulative effect of accounting change, net of income tax benefit of \$36..... | -- | -- | (56) |
| | ----- | ----- | ----- |
| Net income (loss)..... | \$ 657 | \$ 379 | \$ (305) |
| | ===== | ===== | ===== |
| Basic earnings (loss) per share: | | | |
| Income from continuing operations..... | \$ 1.12 | \$.82 | \$.28 |
| Discontinued operations: | | | |
| Income (loss) from operations of discontinued businesses..... | -- | (.12) | .02 |
| Losses on disposals of discontinued businesses..... | -- | (.11) | (.67) |
| Cumulative effect of accounting change..... | -- | -- | (.09) |
| | ----- | ----- | ----- |
| Net income (loss)..... | \$ 1.12 | \$.59 | \$ (.46) |
| | ===== | ===== | ===== |
| Diluted earnings (loss) per share: | | | |
| Income from continuing operations..... | \$ 1.11 | \$.82 | \$.27 |
| Discontinued operations: | | | |
| Income (loss) from operations of discontinued businesses..... | -- | (.12) | .02 |

| | | | |
|---|---------|--------|----------|
| Losses on disposals of discontinued businesses..... | -- | (.11) | (.67) |
| Cumulative effect of accounting change..... | -- | -- | (.08) |
| | ----- | ----- | ----- |
| Net income (loss)..... | \$ 1.11 | \$.59 | \$ (.46) |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of the consolidated financial statements.

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COLUMBIA/HCA HEALTHCARE CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1999 AND 1998
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

| | 1999 | 1998 |
|--|----------|----------|
| | ----- | ----- |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents..... | \$ 190 | \$ 297 |
| Accounts receivable, less allowances for doubtful accounts of \$1,567 and \$1,645..... | 1,873 | 2,096 |
| Inventories..... | 383 | 434 |
| Income taxes receivable..... | 178 | 149 |
| Other..... | 973 | 887 |
| | ----- | ----- |
| | 3,597 | 3,863 |
| Property and equipment, at cost: | | |
| Land..... | 813 | 925 |
| Buildings..... | 6,108 | 6,708 |
| Equipment..... | 6,721 | 7,449 |
| Construction in progress..... | 442 | 562 |
| | ----- | ----- |
| | 14,084 | 15,644 |
| Accumulated depreciation..... | (5,594) | (6,195) |
| | ----- | ----- |
| | 8,490 | 9,449 |
| Investments of insurance subsidiary..... | 1,457 | 1,614 |
| Investments in and advances to affiliates..... | 654 | 1,275 |
| Intangible assets, net of accumulated amortization of \$644 and \$596..... | 2,319 | 2,910 |
| Other..... | 368 | 318 |
| | ----- | ----- |
| | \$16,885 | \$19,429 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable..... | \$ 657 | \$ 784 |
| Accrued salaries..... | 403 | 425 |
| Other accrued expenses..... | 1,112 | 1,282 |
| Long-term debt due within one year..... | 1,160 | 1,068 |
| | ----- | ----- |
| | 3,332 | 3,559 |
| Long-term debt..... | 5,284 | 5,685 |
| Professional liability risks, deferred taxes and other liabilities..... | 1,889 | 1,839 |
| Minority interests in equity of consolidated entities..... | 763 | 765 |
| Stockholders' equity: | | |
| Common stock \$.01 par; authorized 1,600,000,000 voting shares and 50,000,000 nonvoting shares; outstanding 543,272,900 voting shares and 21,000,000 nonvoting | | |

| | | |
|--|----------|----------|
| shares -- 1999 and 621,578,300 voting shares and | | |
| 21,000,000 nonvoting shares -- 1998..... | 6 | 6 |
| Capital in excess of par value..... | 951 | 3,498 |
| Other..... | 8 | 11 |
| Accumulated other comprehensive income..... | 53 | 80 |
| Retained earnings..... | 4,599 | 3,986 |
| | ----- | ----- |
| | 5,617 | 7,581 |
| | ----- | ----- |
| | \$16,885 | \$19,429 |
| | ===== | ===== |

The accompanying notes are an integral part of the consolidated financial statements.

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COLUMBIA/HCA HEALTHCARE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997
(DOLLARS IN MILLIONS)

| | COMMON STOCK | | CAPITAL IN EXCESS OF | | ACCUMULATED | RETAINED | TOTAL |
|---|--------------|-------|----------------------|-------|---------------|----------|---------|
| | SHARES | PAR | PAR | OTHER | OTHER | EARNINGS | |
| | (000) | VALUE | VALUE | | COMPREHENSIVE | | |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Balances, December 31, 1996..... | 671,499 | \$ 7 | \$4,519 | \$14 | \$52 | \$4,017 | \$8,609 |
| Comprehensive loss: | | | | | | | |
| Net loss..... | | | | | | (305) | (305) |
| Other comprehensive income: | | | | | | | |
| Net unrealized gains on investment securities..... | | | | | 38 | | 38 |
| Foreign currency translation adjustments..... | | | | | 2 | | 2 |
| Total comprehensive loss..... | | | | | 40 | (305) | (265) |
| Cash dividends..... | | | | | | (53) | (53) |
| Stock repurchases..... | (37,895) | (1) | (1,272) | | | | (1,273) |
| Stock options exercised, net..... | 4,108 | | 100 | (4) | | | 96 |
| Employee benefit plan issuances..... | 3,740 | | 108 | | | | 108 |
| Other..... | | | 25 | 3 | | | 28 |
| | ----- | --- | ----- | --- | --- | ----- | ----- |
| Balances, December 31, 1997..... | 641,452 | 6 | 3,480 | 13 | 92 | 3,659 | 7,250 |
| Comprehensive income: | | | | | | | |
| Net income..... | | | | | | 379 | 379 |
| Other comprehensive income (loss): | | | | | | | |
| Net unrealized losses on investment securities..... | | | | | (13) | | (13) |
| Foreign currency translation adjustments..... | | | | | 1 | | 1 |
| Total comprehensive income..... | | | | | (12) | 379 | 367 |
| Cash dividends..... | | | | | | (52) | (52) |
| Stock repurchases..... | (4,076) | | (98) | | | | (98) |
| Stock options exercised, net..... | 1,623 | | 37 | | | | 37 |
| Employee benefit plan issuances..... | 2,983 | | 71 | | | | 71 |
| Other..... | 596 | | 8 | (2) | | | 6 |
| | ----- | --- | ----- | --- | --- | ----- | ----- |
| Balances, December 31, 1998..... | 642,578 | 6 | 3,498 | 11 | 80 | 3,986 | 7,581 |
| Comprehensive income: | | | | | | | |
| Net income..... | | | | | | 657 | 657 |
| Other comprehensive loss: | | | | | | | |
| Net unrealized losses on investment securities..... | | | | | (18) | | (18) |
| Foreign currency translation adjustments..... | | | | | (9) | | (9) |
| Total comprehensive income..... | | | | | (27) | 657 | 630 |
| Cash dividends..... | | | | | | (44) | (44) |
| Stock repurchases..... | (81,855) | | (1,930) | | | | (1,930) |
| Stock options exercised, net..... | 719 | | 15 | (1) | | | 14 |
| Employee benefit plan issuances..... | 2,840 | | 56 | | | | 56 |
| Spin-offs of LifePoint and Triad..... | | | (687) | | | | (687) |
| Other..... | (9) | | (1) | (2) | | | (3) |
| | ----- | --- | ----- | --- | --- | ----- | ----- |
| Balances, December 31, 1999..... | 564,273 | \$ 6 | \$ 951 | \$ 8 | \$53 | \$4,599 | \$5,617 |
| | ===== | === | ===== | === | === | ===== | ===== |

The accompanying notes are an integral part of the consolidated financial

statements.

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COLUMBIA/HCA HEALTHCARE CORPORATION
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997
 (DOLLARS IN MILLIONS)

| | 1999 | 1998 | 1997 |
|---|---------|----------|----------|
| Cash flows from continuing operating activities: | | | |
| Net income (loss)..... | \$ 657 | \$ 379 | \$ (305) |
| Adjustments to reconcile net income (loss) to net cash provided by continuing operating activities: | | | |
| Provision for doubtful accounts..... | 1,269 | 1,442 | 1,420 |
| Depreciation and amortization..... | 1,094 | 1,247 | 1,238 |
| Income taxes..... | (66) | 351 | (782) |
| Gains on sales of facilities..... | (297) | (744) | -- |
| Impairment of long-lived assets..... | 220 | 542 | 442 |
| Loss from discontinued operations..... | -- | 153 | 431 |
| Increase (decrease) in cash from operating assets and liabilities: | | | |
| Accounts receivable..... | (1,463) | (1,229) | (1,167) |
| Inventories and other assets..... | (119) | (39) | 25 |
| Accounts payable and accrued expenses..... | (110) | (177) | 121 |
| Other..... | 38 | (9) | 60 |
| Net cash provided by continuing operating activities..... | 1,223 | 1,916 | 1,483 |
| Cash flows from investing activities: | | | |
| Purchase of property and equipment..... | (1,287) | (1,255) | (1,422) |
| Acquisition of hospitals and health care entities..... | -- | (215) | (411) |
| Spin-off of facilities to stockholders..... | 886 | -- | -- |
| Disposal of hospitals and health care entities..... | 805 | 2,060 | 212 |
| Change in investments..... | 565 | (294) | (74) |
| Investment in discontinued operations, net..... | -- | 677 | (1,060) |
| Other..... | (44) | (3) | 9 |
| Net cash provided by (used in) investing activities..... | 925 | 970 | (2,746) |
| Cash flows from financing activities: | | | |
| Issuance of long-term debt..... | 1,037 | 3 | 249 |
| Net change in commercial paper and revolving bank credit..... | 200 | (2,514) | 2,453 |
| Repayment of long-term debt..... | (1,572) | (147) | (318) |
| Issuances (repurchases) of common stock, net..... | (1,884) | 8 | (1,082) |
| Payment of cash dividends and redemption of preferred stock purchase rights..... | (44) | (52) | (53) |
| Other..... | 8 | 3 | 11 |
| Net cash provided by (used in) financing activities..... | (2,255) | (2,699) | 1,260 |
| Change in cash and cash equivalents..... | (107) | 187 | (3) |
| Cash and cash equivalents at beginning of period..... | 297 | 110 | 113 |
| Cash and cash equivalents at end of period..... | \$ 190 | \$ 297 | \$ 110 |
| Interest payments..... | \$ 475 | \$ 566 | \$ 471 |
| Income tax payments, net of refunds..... | \$ 634 | \$ (139) | \$ 1,168 |

The accompanying notes are an integral part of the consolidated financial statements.

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COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- ACCOUNTING POLICIES

Reporting Entity

Columbia/HCA Healthcare Corporation is a holding company whose affiliates own and operate hospitals and related health care entities. The term "affiliates" includes direct and indirect subsidiaries of Columbia/HCA Healthcare Corporation and partnerships and joint ventures in which such subsidiaries are partners. At December 31, 1999, these affiliates owned and operated 195 hospitals, 80 freestanding surgery centers and provided extensive outpatient and ancillary services. Affiliates of Columbia/HCA are also partners in several joint ventures that own and operate 12 hospitals and 3 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 "Columbia/HCA" or the "Company" as used in this annual report on Form 10-K refer to Columbia/HCA Healthcare Corporation and its affiliates unless otherwise stated or indicated by content.

Basis of Presentation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The consolidated financial statements include all subsidiaries and entities controlled by the Company. "Control" is generally defined by the Company as ownership of a majority of the voting interest of an entity. Significant intercompany transactions have been eliminated. Investments in entities which the Company does not control, but in which it has a substantial ownership interest and can exercise significant influence, are accounted for using the equity method.

The Company has completed various acquisitions and joint venture transactions that have been recorded under the purchase method of accounting. Accordingly, the accounts of these entities have been consolidated with those of the Company for periods subsequent to the acquisition of controlling interests.

Revenues

The Company's health care facilities have entered into agreements with third-party payers, including government programs and managed care health plans, under which the facilities are paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payers for the health care services provided. Settlements under reimbursement agreements with third-party payers are estimated and recorded in the period the related services are rendered. The estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the "cost report" filing and settlement process). The adjustments to estimated reimbursement amounts resulted in increases to revenues of \$94 million, \$37 million and \$43 million in 1999, 1998 and 1997, respectively. In association with the ongoing Federal investigations into certain of the Company's business practices, the applicable governmental agencies have substantially ceased the processing of final settlements of the Company's cost reports. Since the cost reports are not being settled, the Company is not receiving the updated information which has historically been the basis used by the Company to adjust estimated settlement amounts. At this time, the Company cannot predict when, or if, the historical cost report settlement process will be resumed. Management believes that adequate provisions have been made for adjustments that may result from final

determination of amounts earned under these programs.

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

NOTE 1 -- ACCOUNTING POLICIES (CONTINUED)

Revenues (Continued)

The Company provides care without charge to patients who are financially unable to pay for the health care services they receive. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported in revenues.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased. Carrying values of cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

Accounts Receivable

The Company receives payments for services rendered from Federal and state agencies (under the Medicare, Medicaid and Tricare programs), managed care health plans, commercial insurance companies, employers and patients. During the years ended December 31, 1999 and 1998, approximately 29% and 30%, respectively, of the Company's revenues related to patients participating in the Medicare program. The Company recognizes that revenues and receivables from government agencies are significant to its operations, but does not believe that there are significant credit risks associated with these government agencies. The Company does not believe that there are any other significant concentrations of revenues from any particular payer that would subject it to any significant credit risks in the collection of its accounts receivable.

Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added.

The amount of the provision for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Federal and state governmental health care coverage and other collection indicators. The primary tool used in management's assessment is an annual, detailed review of historical collections and write-offs at facilities that represent a majority of the Company's revenues and accounts receivable. The results of the detailed review of collections experience are compared to the allowance amount at the beginning of the review period and the allowance amount for the current period is evaluated based upon the historical experience, adjusted for changes in trends and conditions.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

Long-lived Assets

(a) Property and Equipment

Depreciation expense, computed using the straight-line method, was \$976 million in 1999, \$1.1 billion in 1998 and \$1.1 billion in 1997. Buildings and improvements are depreciated over estimated useful lives ranging generally from 10 to 40 years. Estimated useful lives of equipment vary generally from 3 to 10 years.

(b) Intangible Assets

Intangible assets consist primarily of costs in excess of the fair value of identifiable net assets of acquired entities and are amortized using the straight-line method, generally over periods ranging from 30 to 40 years for hospital acquisitions and periods ranging from 5 to 20 years for physician practice, clinic and other

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

NOTE 1 -- ACCOUNTING POLICIES (CONTINUED)

Long-lived Assets (Continued)

acquisitions. Noncompete agreements and debt issuance costs are amortized based upon the lives of the respective contracts or loans.

When events, circumstances and operating results indicate that the carrying values of certain long-lived assets and the related identifiable intangible assets might be impaired, the Company prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value. Fair value is estimated based upon internal evaluations of each market that include quantitative analyses of net revenue and cash flows, reviews of recent sales of similar facilities and market responses based upon discussions with and offers received from potential buyers. The market responses are usually considered to provide the most reliable estimates of fair value.

Professional Liability Insurance Claims

A substantial portion of the Company's professional liability risks is insured through a wholly-owned insurance subsidiary of the Company, which is funded annually. Allowances for professional liability risks were \$1.5 billion and \$1.4 billion at December 31, 1999 and 1998, respectively. Provisions for losses related to professional liability risks are based upon actuarially determined estimates. Loss and loss expense allowances represent the estimated ultimate net cost of all reported and unreported losses incurred through the respective balance sheet dates. The allowances for unpaid losses and loss expenses are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the allowances for losses and loss expenses are adequate. The estimates are continually reviewed and adjusted as necessary, as experience develops or new information becomes known and such adjustments are included in current operating results.

The Company's wholly owned insurance subsidiary has entered into certain reinsurance contracts. The obligations covered by the reinsurance contracts remain on the balance sheet as the Company remains liable to the extent that the reinsurers do not meet their obligations under the reinsurance contracts. The unamortized balance of the amounts paid for the reinsurance contracts (\$215 million at December 31, 1999) is included in other assets.

Investments of Insurance Subsidiary

At December 31, 1999 and 1998, all of the investments of the Company's wholly-owned insurance subsidiary were classified as "available for sale" as defined in Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115").

Minority Interests in Consolidated Entities

The consolidated financial statements include all assets, liabilities, revenues and expenses of less than 100% owned entities controlled by the Company. Accordingly, management has recorded minority interests in the earnings

and equity of such entities.

The Company is a party to several partnership agreements which include provisions for the redemption of minority interests using specified valuation techniques.

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

NOTE 1 -- ACCOUNTING POLICIES (CONTINUED)

Stock Based Compensation

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock benefit plans. Accordingly, no compensation cost has been recognized for the Company's employee stock benefit plans.

Disclosures about Segments of an Enterprise

During 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers.

Recent Pronouncements

During June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133". SFAS 137 defers the effective date of SFAS 133 to years beginning after June 15, 2000. SFAS 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Management is evaluating SFAS 133 and, due to the Company's minimal use of derivatives, does not believe that the adoption of SFAS 133 will have a material impact on its financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 1999 presentation.

NOTE 2 -- INVESTIGATIONS

The Company is currently the subject of several Federal investigations into its business practices, as well as governmental investigations by various states. The Company is cooperating in these investigations and understands, through written notice and other means, that it is a target in these investigations. Given the breadth of the ongoing investigations, the Company expects additional investigative and prosecutorial activity to occur in these and other jurisdictions in the future. The Company is a defendant in several qui tam actions brought by private parties on behalf of the United States of America, which have been unsealed and served on the Company. The actions allege, in general, that the Company and certain subsidiaries and/or affiliated partnerships violated the False Claims Act for improper claims submitted to the government for reimbursement. The lawsuits seek damages of three times the amount of all Medicare or Medicaid claims (involving false claims) presented by the defendants to the Federal government, civil penalties of not less than \$5,000 nor more than \$10,000 for each such Medicare or Medicaid claim, attorney's fees and costs. The government has intervened in six unsealed qui tam actions. The Company is aware of additional qui tam actions that remain under seal and believes that there are other sealed qui tam cases of which it is

unaware.

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

Management remains unable to predict the outcome or effect of the ongoing investigations or qui tam and other actions. If the Company is found to have violated Federal or state laws relating to Medicare, Medicaid or

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

NOTE 2 -- INVESTIGATIONS (CONTINUED)

similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Similarly, the amounts claimed in the qui tam and other actions are substantial, and the Company could be subject to substantial costs resulting from an adverse outcome of one or more such actions. Any such sanctions or losses could have a material adverse effect on the Company's financial position and results of operations. (See Note 12 -- Contingencies and Part I, Item 3: Legal Proceedings.)

NOTE 3 -- RESTRUCTURING OF OPERATIONS

The Company has substantially completed a restructuring of its operations in an effort to create a smaller and more focused company. The restructuring included the divestitures of certain hospitals, surgery centers and related facilities, the spin-offs of LifePoint Hospitals, Inc. ("LifePoint") and Triad Hospitals, Inc. ("Triad") and the divestitures of the Company's home health and certain other businesses, as described in Note 5 -- Discontinued Operations.

Divestiture of Certain Hospitals and Surgery Centers

During 1999, the Company recognized a net pretax gain of \$297 million (\$164 million after-tax) on the sale of three hospitals and certain related health care facilities. Proceeds from the sales were used to repay bank borrowings.

During 1999, the Company also identified and initiated, or revised, plans to divest or close during 1999 and 2000, 23 consolidating hospitals and 4 non-consolidating hospitals. The carrying value for the hospitals and other assets expected to be sold was reduced to fair value of approximately \$217 million, based upon estimates of sales values, for a total non-cash, pretax charge of approximately \$220 million. The hospitals and other assets for which the impairment charge was recorded had net revenues of approximately \$580 million (through the date of sale or closure), \$795 million and \$888 million for the years ended December 31, 1999, 1998 and 1997, respectively. These facilities incurred losses from continuing operations before the pretax charge and income tax benefits of approximately \$57 million (through the date of sale or closure), \$86 million and \$23 million for the years ended December 31, 1999, 1998 and 1997, respectively. During 1999, the Company completed the sales of 10 consolidating hospitals and the 4 non-consolidating hospitals that had been identified for divestiture. The facilities spun-off to Triad included 4 of the consolidating hospitals on which impairment charges had been recorded. The Company completed the sale of one additional consolidating hospital in January 2000. The proceeds from the completed sales approximated the carrying values and were used to repay bank borrowings. It is anticipated that proceeds from the expected divestitures in 2000 will be used to repay bank borrowings.

During 1998, Columbia/HCA recognized a net pretax gain of \$744 million (\$365 million after-tax) on the sale of certain hospitals and surgery centers. The gain includes the sale of 20 consolidating hospitals and one non-consolidating hospital to a consortium of not-for-profit entities for gross proceeds of approximately \$1.2 billion, resulting in a pretax gain of \$570

million (\$335 million after-tax). The \$744 million net gain also includes the completed sale of 34 ambulatory surgery centers for proceeds of approximately \$550 million. The sale of these surgery centers resulted in a pretax gain of \$203 million (\$50 million after-tax). The high effective tax rate of 73% on the gain was due to significant amounts of non-deductible goodwill related to the surgery centers sold. Also included in the \$744 million net gain was a pretax loss of \$29 million (\$20 million after-tax) on the sales of 6 consolidating hospitals for gross proceeds of approximately \$108 million. Proceeds from these sales were used to repay bank borrowings.

During September 1998, management approved a plan to divest a group of the Company's medical office buildings. The divestiture is expected to be completed during 2000, through the transfer of the medical office

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

NOTE 3 -- RESTRUCTURING OF OPERATIONS (CONTINUED)

Divestiture of Certain Hospitals and Surgery Centers (Continued)
buildings to a joint venture in which the Company will maintain a minority interest. The carrying value for the medical office buildings was reduced to fair value of approximately \$317 million, based on estimates of sales values, resulting in a non-cash, pretax charge of approximately \$175 million. For the years ended December 31, 1999, 1998 and 1997, respectively, these medical office buildings to be divested had net revenues of approximately \$76 million, \$68 million and \$59 million and incurred losses from continuing operations before the pretax charge and income tax benefits of approximately \$82 million, \$66 million and \$64 million. Proceeds from the medical office buildings divestiture are expected to be used to repay bank borrowings.

During 1998, management identified and initiated plans to sell or close during 1999, 23 consolidating hospitals and one non-consolidating hospital. The carrying value for certain of the hospitals and other assets expected to be sold was reduced to fair value of approximately \$422 million based on estimates of sales values, resulting in a non-cash, pretax charge of approximately \$367 million. For the years ended December 31, 1999, 1998 and 1997, respectively, the hospitals and other assets for which the impairment charge was recorded had net revenues of approximately \$566 million (through the date of sale or closure), \$896 million and \$954 million and incurred income (losses) from continuing operations before the pretax charge and income taxes (benefits) of approximately \$(64) million (through the date of sale or closure), \$(77) million and \$6 million. During 1999, the sales of 9 consolidating hospitals and one non-consolidating hospital that had been identified for divestiture were completed for gross proceeds of approximately \$580 million. During 1999, it was determined that one consolidating hospital on which the 1998 impairment charge was taken would not be sold. Proceeds (which approximated the carrying values) from the completed divestitures were, and from the expected remaining divestitures will be, used to repay bank borrowings.

During 1997, management identified and initiated plans to close or sell 20 consolidating hospital facilities and 15 surgery centers (primarily optical surgery centers) that were identified as not compatible with the Company's operating plans. The carrying value of these facilities was reduced to fair value of approximately \$226 million, based on estimates of sales values, for a total non-cash charge, pretax of \$402 million. As of December 31, 1998, the Company had completed the sales or closures of 18 hospitals and 9 surgery centers. During 1999, the Company completed the sales of the remaining 2 hospitals and 6 surgery centers. Proceeds (which approximated the carrying values) were used to repay bank borrowings.

During the fourth quarter of 1997, the Company also recorded a non-cash, pretax charge of approximately \$40 million related to the impairment of intangibles and other long-lived assets of certain physician practices where the recorded asset values were not deemed to be fully recoverable based upon the

operating results trends and projected future cash flows. These assets are now recorded at estimated fair value.

Management's estimates of sales values are generally based upon internal evaluations of each market that include quantitative analyses of net revenues and cash flows, reviews of recent sales of similar facilities and market responses based upon discussions with and offers received from potential buyers. The market responses are usually considered to provide the most reliable estimates of fair value.

The asset impairment charges did not have a significant impact on the Company's cash flows and are not expected to significantly impact cash flows for future periods. The impaired facilities are classified as "held for use" because economic and operational considerations justify operating the facilities and marketing them as operating enterprises, therefore depreciation has not been suspended. As a result of the write-downs, depreciation and amortization expense related to these assets will decrease in future periods. In the aggregate, the net effect of the change in depreciation and amortization expense is not expected to have a material effect on operating results for future periods.

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

NOTE 3 -- RESTRUCTURING OF OPERATIONS (CONTINUED)

The impairment charges affected the Company's asset categories, as follows (dollars in millions):

| | 1999 | 1998 | 1997 |
|--|-------|-------|-------|
| | ---- | ---- | ---- |
| Property and equipment..... | \$122 | \$401 | \$319 |
| Intangible assets..... | 82 | 90 | 123 |
| Investments in and advances to affiliates..... | 16 | 51 | -- |
| | ---- | ---- | ---- |
| | \$220 | \$542 | \$442 |
| | ==== | ==== | ==== |

The impairment charges affected the Company's operating segments, as follows (dollars in millions):

| | 1999 | 1998 | 1997 |
|--------------------------|-------|-------|-------|
| | ---- | ---- | ---- |
| Eastern Group..... | \$ 57 | \$ 82 | \$106 |
| Western Group..... | 15 | 43 | 102 |
| Corporate and other..... | 18 | 188 | 27 |
| Spin-offs..... | 34 | 81 | 14 |
| National Group..... | 96 | 148 | 193 |
| | ---- | ---- | ---- |
| | \$220 | \$542 | \$442 |
| | ==== | ==== | ==== |

Spin-Offs

On May 11, 1999, the Company completed the spin-offs of LifePoint and Triad through a distribution of one share of LifePoint common stock and one share of Triad common stock for every 19 shares of the Company's common stock outstanding on April 30, 1999. Triad was comprised of 34 consolidating hospitals and

LifePoint was comprised of 23 consolidating hospitals. The Company's capital in excess of par value was reduced by approximately \$687 million related to the spin-offs of LifePoint and Triad.

For the years ended December 31, 1999 (through May 11, 1999), 1998 and 1997, respectively, the LifePoint and Triad facilities had \$666 million, \$2.1 billion and \$2.1 billion in revenues. Income (loss) from continuing operations for the LifePoint and Triad facilities was \$(26) million, \$(67) million, and \$16 million for the years ended December 31, 1999 (through May 11, 1999), 1998 and 1997, respectively.

NOTE 4 -- RESTRUCTURING OF OPERATIONS AND INVESTIGATION RELATED COSTS

During 1999, 1998 and 1997, the Company recorded the following pretax charges in connection with the restructuring of operations and investigation related costs as discussed in Note 2 -- Investigations and Note 3 -- Restructuring of Operations (in millions):

| | 1999 | 1998 | 1997 |
|--|-------|-------|-------|
| | ---- | ---- | ---- |
| Professional fees related to investigations..... | \$ 77 | \$ 96 | \$ 44 |
| Severance costs..... | 5 | 5 | 61 |
| Other..... | 34 | 10 | 35 |
| | ---- | ---- | ---- |
| Total..... | \$116 | \$111 | \$140 |
| | ==== | ==== | ==== |

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 severance amounts in 1999 and 1998 related primarily to a small group of executives associated with operations or functions that were ceased or divested during these periods. The \$61 million expense in 1997 was primarily due to the severance for eight senior corporate executives (including the CEO, COO and CFO) of approximately \$29 million and severance for approximately 180 corporate employees (primarily in the management training and consulting, develop-

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

NOTE 4 -- RESTRUCTURING OF OPERATIONS AND INVESTIGATION RELATED COSTS
(CONTINUED)

ment, marketing and product lines areas) of approximately \$32 million. Approximately \$51 million (of the \$61 million 1997 expense) was paid during 1997. Exit costs of approximately \$10 million were accrued for lease commitments related to several division office locations that were closed during 1997. A liability balance of approximately \$20 million at December 31, 1997 (approximately \$10 million for employee benefits and approximately \$10 million for lease commitments) has been reduced by payments of approximately \$7 million and \$6 million made during 1998 and 1999. In 1999, the Company accrued approximately \$6 million for lease commitments related to the closure of a leased hospital in the Company's Eastern Group. The liability balance for accrued severance and lease commitments was approximately \$13 million at December 31, 1999.

NOTE 5 -- DISCONTINUED OPERATIONS

Discontinued operations included three of the four business units acquired in the August 1997 merger with Value Health, Inc. ("Value Health") and the Company's home health care businesses. During 1997, the Company implemented

plans to dispose of these businesses. During the second and third quarters of 1998, the Company completed the sales of the three Value Health units for proceeds totaling \$662 million. The proceeds from the sales were used to repay bank borrowings. The Company recorded a \$73 million loss upon completion of these sales in 1998, representing an adjustment to the tax benefit related to the estimated \$443 million after-tax loss on disposal of discontinued operations recorded in the fourth quarter of 1997.

During the third and fourth quarters of 1998, the Company completed five separate sales transactions that included substantially all of the Company's home health care operations and received approximately \$90 million in proceeds. The proceeds from the sales were used to repay bank borrowings.

Revenues of the discontinued businesses totaled \$1.0 billion and \$2.0 billion for the years ended December 31, 1998 and 1997, respectively.

NOTE 6 -- ACQUISITIONS

During 1998 and 1997, the Company acquired various hospitals and related health care entities (or controlling interests in such entities), all of which were recorded using the purchase method. The aggregate purchase price of these transactions was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The consolidated financial statements include the accounts and operations of acquired entities for periods subsequent to the respective acquisition dates.

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

NOTE 6 -- ACQUISITIONS (CONTINUED)

The following is a summary of hospitals and other health care entities acquired during 1998 and 1997 (excluding the 1997 acquisition of Value Health) (dollars in millions):

| | 1998 | 1997 |
|---|-------|-------|
| | ---- | ---- |
| Number of hospitals..... | 6 | 5 |
| Number of licensed beds..... | 852 | 974 |
| Purchase price information: | | |
| Hospitals: | | |
| Fair value of assets acquired..... | \$205 | \$162 |
| Liabilities assumed..... | (39) | (39) |
| | ---- | ---- |
| Net assets acquired..... | 166 | 123 |
| Contributions from minority partners..... | (54) | (24) |
| | ---- | ---- |
| | 112 | 99 |
| Other health care entities acquired..... | 103 | 312 |
| | ---- | ---- |
| Net cash paid..... | \$215 | \$411 |
| | ==== | ==== |

The purchase price paid in excess of the fair value of identifiable net assets of acquired entities aggregated \$86 million in 1998 and \$221 million in 1997.

The pro forma effect of these acquisitions on the Company's results of operations for the periods prior to the respective acquisition dates was not significant.

NOTE 7 -- INCOME TAXES

The provision for income taxes on income from continuing operations consists of the following (dollars in millions):

| | 1999 | 1998 | 1997 |
|--------------|-------|-------|-------|
| | ---- | ---- | ---- |
| Current: | | | |
| Federal..... | \$517 | \$637 | \$313 |
| State..... | 90 | 116 | 56 |
| Foreign..... | 3 | -- | -- |
| Deferred: | | | |
| Federal..... | (37) | (169) | (134) |
| State..... | (6) | (35) | (29) |
| Foreign..... | 3 | -- | -- |
| | ---- | ---- | ---- |
| | \$570 | \$549 | \$206 |
| | ===== | ===== | ===== |

A reconciliation of the federal statutory rate to the effective income tax rate follows:

| | 1999 | 1998 | 1997 |
|--|-------|-------|-------|
| | ---- | ---- | ---- |
| Federal statutory rate..... | 35.0% | 35.0% | 35.0% |
| State income taxes, net of federal income tax benefit..... | 4.5 | 4.9 | 4.6 |
| Non-deductible intangible assets..... | 7.5 | 11.4 | 12.7 |
| Other items, net..... | (0.5) | (0.5) | 0.6 |
| | ---- | ---- | ---- |
| Effective income tax rate..... | 46.5% | 50.8% | 52.9% |
| | ===== | ===== | ===== |

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

NOTE 7 -- INCOME TAXES (CONTINUED)

A summary of the items comprising the deferred tax assets and liabilities at December 31 follows (dollars in millions):

| | 1999 | | 1998 | |
|---|--------|-------------|--------|-------------|
| | ASSETS | LIABILITIES | ASSETS | LIABILITIES |
| | ----- | ----- | ----- | ----- |
| Depreciation and fixed asset basis differences..... | \$ -- | \$342 | \$ -- | \$407 |
| Allowances for professional and general liability and other risks..... | 296 | -- | 351 | -- |
| Doubtful accounts..... | 359 | -- | 316 | -- |
| Compensation..... | 160 | -- | 98 | -- |
| Other..... | 140 | 285 | 182 | 281 |
| | ---- | ---- | ---- | ---- |
| | \$955 | \$627 | \$947 | \$688 |
| | ===== | ===== | ===== | ===== |

Deferred income taxes of \$571 million and \$486 million at December 31, 1999

and 1998, respectively, are included in other current assets. Noncurrent deferred income tax liabilities totaled \$243 and \$227 million at December 31, 1999 and 1998, respectively.

At December 31, 1999, state net operating loss carryforwards (expiring in years 2000 through 2004) available to offset future taxable income approximated \$381 million. Utilization of net operating loss carryforwards in any one year may be limited and, in certain cases, result in a reduction of intangible assets. Net deferred tax assets related to such carryforwards are not significant.

IRS Disputes

The Company is currently contesting before the United States Tax Court (the "Tax Court") and the United States Court of Federal Claims certain claimed deficiencies and adjustments proposed by the IRS in conjunction with its examinations of the Company's 1994 Federal income tax return, Columbia Healthcare Corporation's ("CHC") 1993 and 1994 Federal income tax returns, HCA-Hospital Corporation of America, Inc.'s ("HCA") 1981 through 1988 and 1991 through 1993 Federal income tax returns and Healthtrust, Inc.-The Hospital Company's ("Healthtrust") 1990 through 1994 Federal income tax returns. The Company anticipates filing a petition with the Tax Court contesting certain claimed deficiencies and adjustments proposed by the IRS in connection with its examination of the Company's 1995 through 1996 Federal income tax returns during the second quarter of 2000. 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 \$181 million in income taxes and interest through December 31, 1999.

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 classification of a current liability for tax and interest (through December 31, 1999) of \$152 million and had no impact on the Company's results of operations.

Tax Court decisions received in 1996 and 1997, related to the IRS' examination of HCA's 1981 through 1988 Federal income tax returns, may be appealed by the IRS or the Company to the United States Court of Appeals, Sixth Circuit. The Company expects any decisions regarding the appeal of these rulings will be made during 2000. 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.

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

NOTE 7 -- INCOME TAXES (CONTINUED)

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

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

NOTE 8 -- ACCOUNTING CHANGE

In the fourth quarter of 1997, the Company changed its method of accounting for start-up costs. The change involved expensing these costs as incurred rather than capitalizing and subsequently amortizing such costs. The change in accounting principle resulted in the write-off of the costs capitalized as of January 1, 1997. The cumulative effect of the write-off, \$56 million (net of tax benefit), was expensed in the 1997 statement of operations.

NOTE 9 -- 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 from continuing operations (dollars in millions, except per share amounts and shares in thousands):

| | 1999 ----- | 1998 ----- | 1997 ----- |
|--|------------------|------------------|------------------|
| Income from continuing operations..... | \$ 657 ===== | \$ 532 ===== | \$ 182 ===== |
| Weighted average common shares outstanding..... | 585,216 | 643,719 | 657,931 |
| Effect of dilutive securities: | | | |
| Stock options..... | 3,865 | 2,310 | 4,407 |
| Warrants and other..... | 1,948 ----- | 620 ----- | 752 ----- |
| Shares used for diluted earnings per share..... | 591,029 ===== | 646,649 ===== | 663,090 ===== |
| Earnings per share: | | | |
| Basic earnings per share from continuing operations..... | \$ 1.12 ===== | \$.82 ===== | \$.28 ===== |
| Diluted earnings per share from continuing operations..... | \$ 1.11 ===== | \$.82 ===== | \$.27 ===== |

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

NOTE 10 -- INVESTMENTS OF INSURANCE SUBSIDIARY

A summary of the insurance subsidiary's investments at December 31 follows (dollars in millions):

| | 1999 ----- | | | FAIR VALUE ----- |
|---------------------------------|----------------------------|--------------------------------|-----------------|------------------------|
| | AMORTIZED COST ----- | UNREALIZED AMOUNTS ----- | | |
| | | GAINS ----- | LOSSES ----- | |
| Debt securities: | | | | |
| United States Government..... | \$ 4 | \$ -- | \$ -- | \$ 4 |
| States and municipalities..... | 873 | 5 | (15) | 863 |
| Mortgage-backed securities..... | 74 | 1 | (1) | 74 |
| Corporate and other..... | 107 | -- | (3) | 104 |

| | | | | |
|---|---------|-------|--------|---------|
| Money market funds..... | 59 | -- | -- | 59 |
| Redeemable preferred stocks..... | 47 | -- | -- | 47 |
| | ----- | ----- | ----- | ----- |
| | 1,164 | 6 | (19) | 1,151 |
| | ----- | ----- | ----- | ----- |
| Equity securities: | | | | |
| Perpetual preferred stocks..... | 13 | -- | (1) | 12 |
| Common stocks..... | 388 | 138 | (32) | 494 |
| | ----- | ----- | ----- | ----- |
| | 401 | 138 | (33) | 506 |
| | ----- | ----- | ----- | ----- |
| | \$1,565 | \$144 | \$(52) | 1,657 |
| | ===== | ===== | ===== | ===== |
| Amounts classified as current assets..... | | | | (200) |
| | | | | ----- |
| Investment carrying value..... | | | | \$1,457 |
| | | | | ===== |

| | 1998 | | | |
|---|--------------------|-------|--------|---------|
| | UNREALIZED AMOUNTS | | | FAIR |
| | AMORTIZED COST | GAINS | LOSSES | VALUE |
| | ----- | ----- | ----- | ----- |
| Debt securities: | | | | |
| United States Government..... | \$ 119 | \$ -- | \$ -- | \$ 119 |
| States and municipalities..... | 886 | 32 | -- | 918 |
| Mortgage-backed securities..... | 78 | 1 | -- | 79 |
| Corporate and other..... | 173 | 2 | (1) | 174 |
| Money market funds..... | 27 | -- | -- | 27 |
| Redeemable preferred stocks..... | 52 | 1 | -- | 53 |
| | ----- | ----- | ----- | ----- |
| | 1,335 | 36 | (1) | 1,370 |
| | ----- | ----- | ----- | ----- |
| Equity securities: | | | | |
| Perpetual preferred stocks..... | 21 | 1 | -- | 22 |
| Common stocks..... | 287 | 126 | (41) | 372 |
| | ----- | ----- | ----- | ----- |
| | 308 | 127 | (41) | 394 |
| | ----- | ----- | ----- | ----- |
| | \$1,643 | \$163 | \$(42) | 1,764 |
| | ===== | ===== | ===== | ===== |
| Amounts classified as current assets..... | | | | (150) |
| | | | | ----- |
| Investment carrying value..... | | | | \$1,614 |
| | | | | ===== |

The fair value of investment securities is generally based on quoted market prices.

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

NOTE 10 -- INVESTMENTS OF INSURANCE SUBSIDIARY (CONTINUED)

Scheduled maturities of investments in debt securities at December 31, 1999 were as follows (dollars in millions):

| | AMORTIZED COST | FAIR VALUE |
|--|----------------|------------|
| | ----- | ----- |
| Due in one year or less..... | \$ 100 | \$ 100 |
| Due after one year through five years..... | 270 | 269 |

| | | |
|---|---------|---------|
| Due after five years through ten years..... | 432 | 428 |
| Due after ten years..... | 288 | 280 |
| | ----- | ----- |
| | 1,090 | 1,077 |
| Mortgage-backed securities..... | 74 | 74 |
| | ----- | ----- |
| | \$1,164 | \$1,151 |
| | ===== | ===== |

The average expected maturity of the investments in debt securities listed above approximated 4.5 years at December 31, 1999. Expected and scheduled maturities may differ because the issuers of certain securities may have the right to call, prepay or otherwise redeem such obligations.

The tax equivalent yield on investments (including common stocks) averaged 9% for 1999, 10% for 1998 and 12% for 1997. Tax equivalent yield is the rate earned on invested assets, excluding unrealized gains and losses, adjusted for the benefit of certain investment income not being subject to taxation.

The cost of securities sold is based on the specific identification method. Sales of securities for the years ended December 31 are summarized below (dollars in millions):

| | 1999 | 1998 | 1997 |
|----------------------------|-------|-------|-------|
| | ---- | ---- | ---- |
| Debt securities: | | | |
| Cash proceeds..... | \$514 | \$341 | \$364 |
| Gross realized gains..... | 2 | 3 | 3 |
| Gross realized losses..... | 5 | 1 | 1 |
| Equity securities: | | | |
| Cash proceeds..... | \$200 | \$308 | \$249 |
| Gross realized gains..... | 109 | 77 | 76 |
| Gross realized losses..... | 51 | 30 | 10 |

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

NOTE 11 -- LONG-TERM DEBT

A summary of long-term debt at December 31 (including related interest rates at December 31, 1999) follows (dollars in millions):

| | 1999 | 1998 |
|---|--------|--------|
| | ----- | ----- |
| Senior collateralized debt (rates generally fixed, averaging 9.5%) payable in periodic installments through 2034..... | \$ 211 | \$ 196 |
| Senior debt (rates generally fixed, averaging 7.7%) payable in periodic installments through 2095..... | 4,009 | 4,193 |
| Bank term loans (floating rates, averaging 7.9%)..... | 1,400 | 1,741 |
| Bank credit agreements (floating rates, averaging 7.4%)..... | 700 | 500 |
| Subordinated debt (rates generally fixed, averaging 6.9%) payable in periodic installments through 2015..... | 124 | 123 |
| | ----- | ----- |
| Total debt, average life of ten years (rates averaging 7.8%)..... | 6,444 | 6,753 |
| Less amounts due within one year..... | 1,160 | 1,068 |

\$5,284 \$5,685
=====

Credit Facility

The Company's revolving credit facility (the "Credit Facility") is a \$2.0 billion, five-year revolving credit agreement expiring February 2002. As of December 31, 1999, the Company had \$700 million outstanding under the Credit Facility.

As of February 2000, interest is payable generally at either LIBOR plus 0.45% to 1.50% (depending on the Company's credit ratings), the prime lending rate or a competitive bid rate. The Credit Facility contains customary covenants which include (i) a limitation on debt levels, (ii) a limitation on sales of assets, mergers and changes of ownership and (iii) maintenance of minimum interest coverage ratios. The Company is currently in compliance with all such covenants.

Significant Financing Activities

1999

In March 1999, the Company entered into a \$1.0 billion interim term loan agreement (the "1999 Term Loan") with several banks. The Company repaid \$500 million on 1999 Term Loan in September 1999. Proceeds from the \$1.0 billion 1999 Term Loan were used during the second quarter to fund the \$1.0 billion share repurchase program approved in February 1999. In March 2000, the Company entered into a \$1.2 billion term loan agreement (the "2000 Term Loan") with several banks. Proceeds from the 2000 Term Loan were used in the first quarter of 2000 to retire the outstanding balance under the 1999 Term Loan and to reduce outstanding loans under the Credit Facility.

In February 1999, Standard & Poor's ("S&P") downgraded the Company's senior debt rating from BBB to BB+.

1998

During June 1998, the Company's 364-day credit facility was converted into a one-year term loan maturing in June 1999. The one year term loan, which had a balance of \$741 million at December 31, 1998, was paid off in its entirety in February 1999.

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

NOTE 11 -- LONG-TERM DEBT (CONTINUED)

Significant Financing Activities (Continued)

In July 1998, the Company entered into a \$1.0 billion term loan agreement (the "1998 Term Loan") with several banks which matures in February 2002. The balance of the 1998 Term Loan at December 31, 1999 was \$900 million. Proceeds from the 1998 Term Loan were used to reduce other borrowings.

In February 1998, the Company's senior debt rating was downgraded from Baa2 to Ba2 and from BBB+ to BBB- by Moody's Investors Service ("Moody's") and Fitch IBCA, respectively.

1997

During 1997, the Company's senior debt ratings were downgraded from A2 to Baa2 and from A- to BBB by Moody's and S&P, respectively. The Company's commercial paper ratings were downgraded from P-1 to P-3 and from A-2 to A-3 by Moody's and S&P, respectively. The decline in the Company's commercial paper

ratings significantly limited access to this financing source. As such, during the third quarter of 1997, the Company began replacing amounts outstanding under its commercial paper programs with borrowings under its bank credit facilities.

In June 1997, Columbia/HCA issued \$200 million of 7.00% notes due 2007.

General Information

Maturities of long-term debt in years 2001 through 2004 (excluding borrowings under the Credit Facility) are \$630 million, \$514 million, \$339 million and \$312 million, respectively.

The estimated fair value of the Company's long-term debt was \$6.1 billion and \$6.7 billion at December 31, 1999 and 1998, respectively, compared to carrying amounts aggregating \$6.4 billion and \$6.8 billion, respectively. 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.

NOTE 12 -- CONTINGENCIES

Significant Legal Proceedings

Various lawsuits, claims and legal proceedings (see Note 2 -- Investigations and Part I, Item 3: 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 are usually not covered by

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

NOTE 12 -- CONTINGENCIES (CONTINUED)

General Liability Claims (Continued)
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 13 -- CAPITAL STOCK AND STOCK REPURCHASES

Capital Stock

The terms and conditions associated with each class of the Company's common stock are substantially identical except for voting rights. All nonvoting common stockholders may convert their shares on a one-for-one basis into voting common stock, subject to certain limitations. In addition, certain voting common stockholders may convert their shares on a one-for-one basis into nonvoting

common stock.

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

Stock Repurchase Program

In November 1999, the Company announced that its Board of Directors had authorized the repurchase of up to \$1 billion of its common stock. Approximately 34 million shares have been purchased by certain financial organizations through a series of forward purchase contracts, at an average cost of approximately \$29 per share. In accordance with the terms of the forward purchase contracts, the shares purchased remain outstanding until the forward purchase contracts are settled by the Company. The Company expects the forward purchase contracts will be settled during 2000. In March 2000, the Company announced that its Board of Directors authorized the repurchase of up to an additional \$1 billion of its common stock. The Company expects to repurchase its shares through open market purchases, privately negotiated transactions or through forward purchase contracts.

In February 1999, the Company's Board of Directors authorized the repurchase of up to \$1 billion of the Company's common stock, which the Company completed through open market purchases and accelerated purchase contracts. During 1999, through open market purchases, the Company repurchased 13.7 million shares of its common stock for approximately \$300 million. Also during 1999, the Company, through accelerated purchase agreements, repurchased 28.1 million shares of its common stock for approximately \$700 million.

In July 1998, the Company announced a stock repurchase program under which \$1 billion of the Company's common stock was repurchased. The majority of these shares were purchased by certain financial organizations through a series of forward purchase contracts. During 1999, the Company settled forward purchase contracts representing 39.5 million shares at a cost of approximately \$889 million. The Company, through open market purchases, repurchased 4.1 million shares for \$98 million during the fourth quarter of 1998 and 0.6 million shares for \$14 million during 1999.

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 36 basis points to LIBOR plus 125 basis points), (2) the contracts generally have a stated term of two years, 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 two methods: (a) physical settlement -- where the Company would pay cash in exchange for the shares or (b) net share settlement -- where the Company

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

NOTE 13 -- CAPITAL STOCK AND STOCK REPURCHASES (CONTINUED)

Stock Repurchase Program (Continued)
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 and the counterparties' cost to acquire the shares plus the specified rate of return.

During 1999, the share repurchase transactions reduced capital in excess of par value by approximately \$1.9 billion.

During the first quarter of 1999, 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 agreement also provided that the Company's share repurchase program announced in February 1999 could be completed, at the Company's discretion, through open market purchases, privately negotiated transactions or through accelerated or forward purchase contracts. The Company and the government acknowledge that the amount of the letters of credit is not based upon the amount or expected amount of any potential settlement of the ongoing government investigation, and the agreement does not constitute an admission of liability by the Company.

The Company announced in April 1997 that the Company's Board of Directors authorized the repurchase of up to \$1 billion of the Company's common stock. At December 31, 1997, the Company had completed the repurchase program by acquiring approximately 29.4 million shares through open market purchases.

Other Stock Repurchases

The Board of Directors has authorized the Company to repurchase shares to be used for stock issuances related to the Company's employee stock benefit plans. During 1997, the Company repurchased approximately 8.5 million shares (at a cost of approximately \$273 million) to fund employee stock benefit plan issuances.

NOTE 14 -- STOCK BENEFIT PLANS

The Amended and Restated Columbia/HCA Healthcare Corporation 1992 Stock and Incentive Plan (the "1992 Plan") is the primary plan under which options to purchase common stock may be granted to officers, employees and directors. The number of options or shares authorized under the 1992 Plan is 60,000,000 of which 8,393,000 are available for grant at December 31, 1999. Under the 1992 Plan, options are generally granted at no less than market price on the date of grant. Options are exercisable in whole or in part beginning one to five years after the grant and ending ten years after the grant.

In October 1997, the Compensation Committee of the Company's Board of Directors modified and amended the 1992 Plan agreements to provide for immediate and 100% vesting upon a "change of control" (as defined in the amendment) of the Company. The amendment is applicable for all options available for grant as well as all options previously issued under the 1992 Plan.

In the past, the Company has had various other plans under which options to purchase common stock have been granted to officers, employees and directors. Generally, options have been granted with exercise prices no less than the market price on the date of grant. Exercise provisions vary, but most options are exercisable in whole or in part beginning two to four years after the grant date and ending four to fifteen years after the grant date.

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

NOTE 14 -- STOCK BENEFIT PLANS (CONTINUED)

On May 11, 1999 the Company completed the spin-offs of LifePoint and Triad. Accordingly, adjustments were made to the Columbia/HCA stock options outstanding. Nonvested Columbia/HCA stock options held by individuals who became employees of LifePoint or Triad were cancelled and those employees were granted options by LifePoint or Triad. The number of Columbia/HCA options was increased, Columbia/HCA exercise prices were decreased and/or new options were granted by LifePoint and Triad to preserve the economic value that existed just prior to the spin-offs for the holders of nonvested options by those Columbia/HCA employees who remained Columbia/HCA employees and for all holders of vested Columbia/HCA stock options.

Information regarding these option plans for 1999, 1998 and 1997 is summarized below (share amounts in thousands):

| | STOCK OPTIONS | OPTION PRICE PER SHARE | PER | WEIGHTED AVERAGE EXERCISE PRICE |
|--|------------------|---------------------------|------------|------------------------------------|
| Balances, December 31, 1996..... | 29,467 | \$ 0.14 | to \$37.00 | \$24.94 |
| Granted..... | 23,111 | 25.12 | to 41.36 | 32.03 |
| Conversion of Value Health Stock Options..... | 3,189 | 6.76 | to 59.64 | 31.31 |
| Exercised..... | (4,138) | 0.14 | to 35.25 | 15.90 |
| Cancelled..... | (6,614) | 0.38 | to 38.11 | 32.04 |
| Balances, December 31, 1997..... | 45,015 | 0.14 | to 59.64 | 28.70 |
| Granted..... | 7,092 | 21.16 | to 32.27 | 25.27 |
| Exercised..... | (1,629) | 0.38 | to 30.90 | 17.68 |
| Cancelled..... | (9,819) | 0.14 | to 59.64 | 31.26 |
| Balances, December 31, 1998..... | 40,659 | 0.14 | to 41.13 | 27.92 |
| Granted..... | 18,847 | 17.12 | to 25.75 | 17.29 |
| Adjustment due to spin-offs..... | 406 | 0.38 | to 41.13 | 27.19 |
| Exercised..... | (726) | 0.14 | to 26.62 | 14.17 |
| Cancelled..... | (7,279) | 0.14 | to 37.92 | 29.27 |
| Balances, December 31, 1999..... | 51,907 | 0.14 | to 41.13 | 24.05 |

| | 1999 | 1998 | 1997 |
|--|---------|---------|----------|
| Weighted average fair value for options granted during the year..... | \$ 8.01 | \$ 8.81 | \$ 11.98 |
| Options exercisable..... | 18,304 | 10,757 | 8,892 |
| Options available for grant..... | 8,478 | 19,323 | 18,436 |

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

NOTE 14 -- STOCK BENEFIT PLANS (CONTINUED)

The following table summarizes information regarding the options outstanding at December 31, 1999 (share amounts in thousands):

| RANGE OF EXERCISE PRICES | OPTIONS OUTSTANDING | | | OPTIONS EXERCISABLE | |
|-----------------------------|--------------------------------------|---|--|---|--|
| | NUMBER OUTSTANDING AT 12/31/99 | WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE | WEIGHTED AVERAGE EXERCISE PRICE | NUMBER EXERCISABLE AT 12/31/99 | WEIGHTED AVERAGE EXERCISE PRICE |
| \$11.99 to \$14.81..... | 48 | 1 year | \$13.24 | 48 | \$13.24 |
| 27.10 to 33.52..... | 12 | 1 year | 29.61 | 12 | 29.61 |
| 18.07 | 4 | 2 years | 18.07 | 4 | 18.07 |
| 35.30 | 8 | 2 years | 35.30 | 8 | 35.30 |
| 7.35 to 10.99..... | 257 | 3 years | 10.79 | 257 | 10.79 |
| 11.26 to 13.24..... | 1,145 | 3 years | 11.80 | 1,145 | 11.80 |
| 23.85 | 5 | 3 years | 23.85 | 5 | 23.85 |
| 0.14 | 340 | 4 years | 0.14 | 340 | 0.14 |
| 0.38 | 635 | 4 years | 0.38 | 635 | 0.38 |
| 11.47 to 17.11..... | 160 | 4 years | 15.99 | 160 | 15.99 |
| 24.09 to 27.50..... | 2,239 | 4 years | 24.52 | 2,235 | 24.52 |
| 25.21 to 30.90..... | 3,579 | 5 years | 26.10 | 2,766 | 26.12 |
| 29.22 to 36.58..... | 5,669 | 6 years | 34.54 | 3,455 | 34.09 |
| 31.38 to 41.13..... | 5,438 | 7 years | 37.39 | 1,676 | 37.35 |
| 12.23 | 120 | 8 years | 12.23 | 120 | 12.23 |
| 21.16 to 30.93..... | 13,665 | 8 years | 26.13 | 3,126 | 26.73 |
| 32.27 | 147 | 8 years | 32.27 | 59 | 32.27 |
| 17.12 to 24.49..... | 18,320 | 9 years | 17.29 | 2,152 | 18.08 |
| 25.75 to 29.06..... | 15 | 9 years | 26.41 | -- | -- |
| 0.14 | 101 | 14 years | 0.14 | 101 | 0.14 |

51,907
=====

18,304
=====

The Company has an Employee Stock Purchase Plan ("ESPP") which provides an opportunity to purchase shares of its common stock at a discount (through payroll deductions over six month intervals) to substantially all employees. At December 31, 1999, 2,550,000 shares of common stock were reserved for the Company's employee stock purchase plan.

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

NOTE 14 -- STOCK BENEFIT PLANS (CONTINUED)

The Company applies the provisions of APB 25 in accounting for its stock options and stock purchase plans, and accordingly, compensation cost is not recognized in the consolidated statements of operations. As required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company has determined the pro forma net income (loss) and earnings (loss) per share as if compensation cost for the Company's employee stock option and stock purchase plans had been determined based upon their fair value at the grant date. These pro forma amounts are as follows (dollars in millions, except per share amounts):

| | 1999 | 1998 | 1997 |
|------------------------------------|--------|-------|---------|
| | ----- | ----- | ----- |
| Net income (loss): | | | |
| As reported..... | \$ 657 | \$379 | \$(305) |
| Pro forma..... | 609 | 346 | (344) |
| Basic earnings (loss) per share: | | | |
| As reported..... | \$1.12 | \$.59 | \$(.46) |
| Pro forma..... | 1.04 | .54 | (.52) |
| Diluted earnings (loss) per share: | | | |
| As reported..... | \$1.11 | \$.59 | \$(.46) |
| Pro forma..... | 1.03 | .54 | (.52) |

The pro forma impact only takes into account employee stock options granted since January 1, 1995 and is likely to increase in future years as additional options are granted and the related compensation expense is amortized ratably over the vesting periods.

For SFAS 123 purposes, the weighted average fair values of the Company's stock options granted in 1999, 1998 and 1997 were \$8.01, \$8.81 and \$11.98 per share, respectively. The fair values were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

| | 1999 | 1998 | 1997 |
|------------------------------|-------|-------|-------|
| | ---- | ---- | ---- |
| Risk-free interest rate..... | 6.53% | 4.75% | 5.61% |
| Expected volatility..... | .38 | .24 | .24 |
| Expected life, in years..... | 6 | 6 | 6 |
| Expected dividend yield..... | .35% | .30% | .23% |

The pro forma compensation cost related to the shares of common stock issued under the ESPP was \$9 million, \$13 million and \$14 million for the years 1999, 1998 and 1997, respectively. These pro forma costs were estimated based on the difference between the price paid and the fair market value of the stock on

the last day of each subscription period.

NOTE 15 -- EMPLOYEE BENEFIT PLANS

The Company maintains noncontributory, defined contribution retirement plans covering substantially all employees. Benefits are determined as a percentage of a participant's salary and are vested over specified periods of employee service. Retirement plan expense was \$151 million for 1999, \$170 million for 1998 and \$194 million for 1997. Amounts approximately equal to retirement plan expense are funded annually.

The Company maintains various contributory benefit plans which are available to employees who meet certain minimum requirements. Certain of the plans require that the Company match an amount ranging from 25% to 100% of a participant's contribution up to certain maximum levels. The cost of these plans totaled \$17 million for 1999, \$21 million for 1998 and \$19 million for 1997. The Company's contributions are funded periodically during each year.

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

NOTE 16 -- SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in one line of business which is operating hospitals and related health care entities. During the years ended December 31, 1999, 1998 and 1997, approximately 29%, 30% and 34%, respectively, of the Company's revenues related to patients participating in the Medicare program.

The Company's operations are structured in two geographically organized groups: the Eastern Group comprised of 103 consolidating hospitals located in the Eastern United States and the Western Group comprised of 82 consolidating hospitals located in the Western United States. These two groups represent the Company's core operations and are typically located in urban areas that are characterized by highly integrated facility networks. An additional group, the National Group, includes 8 consolidating hospitals which are located in the United States, but are not located in the Company's core markets and are currently held for sale. During 1999, the Company moved 11 consolidating hospitals, 7 of which were sold during 1999, from the Eastern and Western Groups to the National Group. One hospital which had been previously been identified to be sold was moved to the Eastern Group since it is no longer being marketed for sale. The Company also operates 2 consolidating hospitals in Switzerland.

The Company completed the spin-offs of LifePoint and Triad (the "Spin-offs") during the second quarter of 1999. At April 30, 1999, LifePoint included 23 consolidating hospitals which are located in non-urban areas where, in almost every case the hospital is the only hospital in the community. At April 30, 1999, Triad included 34 consolidating hospitals, approximately three-quarters of which are located in small cities, generally in the Southern, Western and Southwestern United States where the hospital is usually the only hospital or one of two hospitals in the community, and the remainder of Triad's facilities are located in larger urban areas typically characterized by a high rate of population growth. See Note 3 -- Restructuring of Operations.

The chief operating decision maker reviews geographic distributions of the Company's revenues, EBITDA, depreciation and amortization and assets. EBITDA is defined as income from continuing operations before depreciation and amortization, interest expense, gains on sales of facilities, impairment of long-lived assets, restructuring of operations and investigation related costs, minority interests and income taxes. The Company's Chief Operating Officer, who is the Company's chief operating decision maker, 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 of the Company's revenues, EBITDA, depreciation and amortization and assets are summarized in the following table (dollars in millions):

| | 1999 | 1998 | 1997 |
|------------------------------|----------|----------|----------|
| | ----- | ----- | ----- |
| Revenues: | | | |
| Eastern Group..... | \$ 8,064 | \$ 7,677 | \$ 7,585 |
| Western Group..... | 7,050 | 6,521 | 6,250 |
| Corporate and other (a)..... | 302 | 283 | 232 |
| National Group..... | 575 | 2,113 | 2,655 |
| Spin-offs..... | 666 | 2,087 | 2,097 |
| | ----- | ----- | ----- |
| | \$16,657 | \$18,681 | \$18,819 |
| | ===== | ===== | ===== |

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

NOTE 16 -- SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

| | 1999 | 1998 | 1997 |
|--------------------------------|----------|----------|----------|
| | ----- | ----- | ----- |
| EBITDA: | | | |
| Eastern Group..... | \$ 1,745 | \$ 1,582 | \$ 1,469 |
| Western Group..... | 1,167 | 982 | 998 |
| Corporate and other(a)..... | (68) | 8 | (149) |
| National Group..... | (39) | 90 | 263 |
| Spin-offs..... | 83 | 206 | 270 |
| | ----- | ----- | ----- |
| | \$ 2,888 | \$ 2,868 | \$ 2,851 |
| | ===== | ===== | ===== |
| Depreciation and amortization: | | | |
| Eastern Group..... | \$ 474 | \$ 465 | \$ 452 |
| Western Group..... | 437 | 406 | 402 |
| Corporate and other(a)..... | 98 | 92 | 87 |
| National Group..... | 38 | 146 | 167 |
| Spin-offs..... | 47 | 138 | \$ 130 |
| | ----- | ----- | ----- |
| | \$ 1,094 | \$ 1,247 | \$ 1,238 |
| | ===== | ===== | ===== |
| Assets: | | | |
| Eastern Group..... | \$ 6,915 | \$ 6,950 | \$ 6,891 |
| Western Group..... | 6,586 | 6,846 | 6,467 |
| Corporate and other(a)..... | 3,144 | 2,884 | 4,445 |
| National Group..... | 240 | 1,023 | 2,390 |
| Spin-offs..... | -- | 1,726 | 1,809 |
| | ----- | ----- | ----- |
| | \$16,885 | \$19,429 | \$22,002 |
| | ===== | ===== | ===== |

(a) Includes the Company's 2 consolidating hospitals located in Switzerland.

NOTE 17 -- OTHER COMPREHENSIVE INCOME

The following table sets forth the components of other comprehensive

income, along with their respective income taxes (benefits) and the reclassification adjustments needed to exclude the portion of other comprehensive income already included in net income (loss), (dollars in millions):

| | PRETAX AMOUNT ----- | INCOME TAXES (BENEFITS) ----- | AFTER-TAX AMOUNT ----- |
|---|---------------------------|--|------------------------------|
| 1999 | | | |
| Unrealized gains (losses) on securities: | | | |
| Unrealized holding gains arising during the period..... | \$ 26 | \$ 9 | \$ 17 |
| Less: reclassification adjustment for gains realized in net income..... | (55) | (20) | (35) |
| | ----- | ----- | ----- |
| Net unrealized losses..... | (29) | (11) | (18) |
| Foreign currency translation adjustments..... | (13) | (4) | (9) |
| | ----- | ----- | ----- |
| Other comprehensive loss..... | \$ (42) | \$ (15) | \$ (27) |
| | ===== | ===== | ===== |

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

NOTE 17 -- OTHER COMPREHENSIVE INCOME (CONTINUED)

| | PRETAX AMOUNT ----- | INCOME TAXES (BENEFITS) ----- | AFTER-TAX AMOUNT ----- |
|---|---------------------------|--|------------------------------|
| 1998 | | | |
| Unrealized gains (losses) on securities: | | | |
| Unrealized holding gains arising during the period..... | \$ 45 | \$ 17 | \$ 28 |
| Less: reclassification adjustment for gains realized in net income..... | (64) | (23) | (41) |
| | ----- | ----- | ----- |
| Net unrealized losses..... | (19) | (6) | (13) |
| Foreign currency translation adjustments..... | 1 | -- | 1 |
| | ----- | ----- | ----- |
| Other comprehensive loss..... | \$ (18) | \$ (6) | \$ (12) |
| | ===== | ===== | ===== |

| | PRETAX AMOUNT ----- | INCOME TAXES (BENEFITS) ----- | AFTER-TAX AMOUNT ----- |
|---|---------------------------|--|------------------------------|
| 1997 | | | |
| Unrealized gains on securities: | | | |
| Unrealized holding gains arising during the period..... | \$147 | \$ 51 | \$ 96 |
| Less: reclassification adjustment for gains realized in net income..... | (91) | (33) | (58) |
| | ----- | ----- | ----- |
| Net unrealized gains..... | 56 | 18 | 38 |
| Foreign currency translation adjustments: | | | |
| Unrealized translation adjustments arising during the period..... | 16 | 6 | 10 |
| Less: reclassification adjustment for gains | | | |

| | | | |
|---|-------|-------|-------|
| realized in net income..... | (13) | (5) | (8) |
| Net unrealized translation adjustments..... | 3 | 1 | 2 |
| Other comprehensive income..... | \$ 59 | \$ 19 | \$ 40 |
| | ===== | ===== | ===== |

NOTE 18 -- ACCRUED EXPENSES AND ALLOWANCES FOR DOUBTFUL ACCOUNTS

A summary of other accrued expenses at December 31 follows (in millions):

| | 1999 | 1998 |
|-----------------------------------|---------|---------|
| | ----- | ----- |
| Employee benefit plans..... | \$ 176 | \$ 211 |
| Workers compensation..... | 55 | 63 |
| Taxes other than income..... | 164 | 182 |
| Professional liability risks..... | 210 | 200 |
| Interest..... | 279 | 229 |
| Other..... | 228 | 397 |
| | ----- | ----- |
| | \$1,112 | \$1,282 |
| | ===== | ===== |

A summary of activity in the Company's allowances for doubtful accounts follows (in millions):

| | BALANCES AT BEGINNING OF YEAR | PROVISION FOR DOUBTFUL ACCOUNTS | ACCOUNTS WRITTEN OFF, NET OF RECOVERIES | BALANCES AT END OF YEAR |
|-----------------------------------|-------------------------------------|--|--|-------------------------------|
| | ----- | ----- | ----- | ----- |
| Allowances for doubtful accounts: | | | | |
| Year-ended December 31, 1997..... | \$1,380 | \$1,420 | \$ (1,139) | \$1,661 |
| Year-ended December 31, 1998..... | 1,661 | 1,442 | (1,458) | 1,645 |
| Year-ended December 31, 1999..... | 1,645 | 1,269 | (1,347) | 1,567 |

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COLUMBIA/HCA HEALTHCARE CORPORATION
 QUARTERLY CONSOLIDATED FINANCIAL INFORMATION
 (UNAUDITED)
 (DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

| | 1999 | | | |
|---------------------------------|------------|------------|---------|-----------|
| | FIRST | SECOND | THIRD | FOURTH |
| | ----- | ----- | ----- | ----- |
| Revenues..... | \$4,655 | \$4,161 | \$3,899 | \$3,942 |
| Net income..... | \$ 322 (a) | \$ 106 (b) | \$ 138 | \$ 91 (c) |
| Basic earnings per share..... | \$.50 | \$.18 | \$.25 | \$.16 |
| Diluted earnings per share..... | \$.50 | \$.18 | \$.24 | \$.16 |
| Cash dividends..... | \$.02 | \$.02 | \$.02 | \$.02 |
| Market prices(g): | | | | |
| High..... | \$23.67 | \$27.47 | \$25.63 | \$29.44 |
| Low..... | 16.38 | 17.44 | 20.19 | 20.25 |

1998

| | FIRST | SECOND | THIRD | FOURTH |
|---|---------|----------|------------|-------------|
| Revenues..... | \$4,901 | \$4,781 | \$4,579 | \$4,420 |
| Net income (loss): | | | | |
| Income (loss) from continuing operations..... | \$ 219 | \$ 173 | \$ 163 (e) | \$ (23) (f) |
| Loss from discontinued operations..... | (22) | (95) (d) | (17) | (19) |
| Net income (loss)..... | \$ 197 | \$ 78 | \$ 146 | \$ (42) |
| Basic earnings (loss) per share: | | | | |
| Income (loss) from continuing operations..... | \$.34 | \$.27 | \$.25 | \$ (.04) |
| Loss from discontinued operations..... | (.03) | (.15) | (.03) | (.02) |
| Net income (loss)..... | \$.31 | \$.12 | \$.22 | \$ (.06) |
| Diluted (loss) earnings per share: | | | | |
| Income (loss) from continuing operations..... | \$.34 | \$.27 | \$.25 | \$ (.04) |
| Loss from discontinued operations..... | (.03) | (.15) | (.03) | (.02) |
| Net income (loss)..... | \$.31 | \$.12 | \$.22 | \$ (.06) |
| Cash dividends..... | \$.02 | \$.02 | \$.02 | \$.02 |
| Market prices (g): | | | | |
| High..... | \$30.86 | \$32.88 | \$30.80 | \$25.88 |
| Low..... | 22.91 | 26.34 | 18.88 | 16.14 |

-
- (a) First quarter results include \$151 million (\$.24 per basic and diluted share) of gains on sales of facilities and \$80 million (\$.13 per basic and diluted share) of charges related to the impairment of long-lived assets (see NOTE 3 of the Notes to Consolidated Financial Statements).
- (b) Second quarter results include \$51 million (\$.09 per basic and diluted share) of charges related to the impairment of long-lived assets (see NOTE 3 of the Notes to Consolidated Financial Statements).
- (c) Fourth quarter results include \$13 million (\$.02 per basic and diluted share) of gains on sales of facilities and \$63 million (\$.11 per basic and diluted share) of charges related to the impairment of long-lived assets (see NOTE 3 of the Notes to Consolidated Financial Statements).
- (d) Second quarter loss from discontinued operations includes a \$73 million (\$.11 per basic and diluted share) adjustment to the tax benefit on the loss incurred upon completion of the disposal of discontinued operations (see NOTE 5 of the Notes to Consolidated Financial Statements).
- (e) Third quarter results include \$242 million (\$.38 per basic and diluted share) of gains on sales of facilities and \$197 million (\$.31 per basic and diluted share) of charges related to the impairment of long-lived assets (see NOTE 3 of the Notes to Consolidated Financial Statements).
- (f) Fourth quarter results include \$123 million (\$.19 per basic and diluted share) of gains on sales of facilities and \$152 million (\$.23 per basic and diluted share) of charges related to the impairment of long-lived assets (see NOTE 3 of the Notes to Consolidated Financial Statements).
- (g) Represents high and low sales prices of the Company's common stock which is traded on the New York Stock Exchange (ticker symbol COL). The historical sales prices for periods prior to May 11, 1999 have been restated to reflect the effect of the spin-offs of LifePoint and Triad.

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\$1,200,000,000 CREDIT AGREEMENT

among

COLUMBIA/HCA HEALTHCARE CORPORATION,

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

CHASE SECURITIES INC.,
as Lead Arranger and Sole Book Manager,

BANK OF AMERICA, N.A.,
as Documentation Agent and Co-Arranger,

THE BANK OF NOVA SCOTIA and
DEUTSCHE BANK AG NEW YORK AND/OR CAYMAN ISLANDS BRANCHES,
as Syndication Agents and Co-Arrangers,

THE BANK OF NEW YORK and
THE INDUSTRIAL BANK OF JAPAN, LIMITED,
as Co-Arrangers,

CITICORP USA, INC. and
FLEET NATIONAL BANK,
as Co-Agents,

CREDIT SUISSE FIRST BOSTON,
SUNTRUST BANK and

WACHOVIA BANK, N.A.,
as Lead Managers,

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

Dated as of March 13, 2000

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EXHIBITS

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CONFORMED COPY

CREDIT AGREEMENT, dated as of March 13, 2000 (this "Agreement"), among COLUMBIA/HCA HEALTHCARE CORPORATION, a Delaware corporation (the "Company"), the several banks and other financial institutions from time to time parties hereto (the "Banks"), CHASE SECURITIES INC., as Lead Arranger and Sole Book Manager, BANK OF AMERICA, N.A., as Documentation Agent and Co-Arranger, THE BANK OF NOVA SCOTIA, as Syndication Agent and Co-Arranger, DEUTSCHE BANK AG NEW YORK AND/OR CAYMAN ISLANDS BRANCHES, as Syndication Agent and Co-Arranger, THE BANK OF NEW YORK, as Co-Arranger, THE INDUSTRIAL BANK OF JAPAN, LIMITED, as Co-Arranger, CITICORP USA, INC., as Co-Agent, FLEET NATIONAL BANK, as Co-Agent, CREDIT SUISSE FIRST BOSTON, as Lead Manager, SUNTRUST BANK, as Lead Manager, WACHOVIA BANK, N.A., as Lead Manager and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent for the Banks hereunder (in such capacity, the "Agent").

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

SECTION 1. DEFINITIONS

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

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

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

Reserve System (the "Board") through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate

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

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

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

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

"Bank Obligations": as defined in subsection 6.1.

"Benefitted Bank": as defined in subsection 8.7.

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

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

"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, a New York banking corporation.

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

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

"Commitment": as to any Bank, its obligation to make Loans to the Company pursuant to subsection 2.1(a) in an aggregate amount not to exceed the amount set forth

opposite such Bank's name in Schedule I, as such amount may be reduced from time to time as provided herein.

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

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

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

"Consolidated Earnings Before Interest and Taxes": for any period for which the amount thereof is to be determined, Consolidated Net Income for such period plus all amounts deducted in computing such Consolidated Net Income in respect of interest expense on Indebtedness and income taxes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto), dealing with reserve requirements prescribed for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) maintained by a member bank of such System.

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

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

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the average (rounded upwards to the nearest whole multiple of one sixteenth of one percent) of the respective rates notified to the Agent by the

Reference Banks as the rate at which each of their Eurodollar Lending Offices is offered Dollar deposits two Business Days prior to the beginning of such Interest Period in the interbank Eurodollar market where the Eurodollar and foreign currency and exchange operations of such Eurodollar Lending Office are then being conducted at or about 10:00 A.M., New York City time, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of the Eurodollar Loan of such Reference Bank to be outstanding during such Interest Period.

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

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

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

"GAAP": (a) with respect to determining compliance by the Company with the provisions of subsections 5.6, 5.7 and 5.10, generally accepted accounting principles in the United States of America consistent with those utilized in preparing the audited financial statements referred to in subsection 3.3 and (b) with respect to the financial statements referred to in subsection 3.3 or the furnishing of financial statements pursuant to subsection 5.5 and otherwise, generally accepted accounting principles in the United States of America from time to time in effect.

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

"Granting Bank": as defined in subsection 8.6(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), the last day of each March, June, September and December falling within such Interest Period and the last day of such Interest Period.

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

(i) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loans and ending one, two, three or six months thereafter (or, with the consent of all the Banks, nine or twelve months thereafter), as selected by the Company in its notice of borrowing as provided in subsection 2.2 or its notice of conversion as provided in subsection 2.5, 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;

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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 Maturity Date shall end on the Maturity Date; and

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

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

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

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

"LifePoint": LifePoint Hospitals, Inc., a Delaware corporation.

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

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"Loan Documents": this Agreement and the Notes.

"March 1999 Term Loan Agreement": the \$1,000,000,000 Agreement, dated as of March 30, 1999, among the Company, the several banks and other financial institutions from time to time parties thereto, the co-agents, documentation agents, and co-syndication agents named therein and The Chase Manhattan Bank as Administrative Agent therein, as the same has been and may be amended, supplemented or otherwise modified or replaced or extended from time to time.

"Maturity Date": September 13, 2001.

"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.

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

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

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

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

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

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

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

"Reference Banks": Chase and Citicorp USA, INC.

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

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

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

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

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

"Required Banks": (i) during the period immediately preceding the Closing Date, Banks whose Commitment Percentages aggregate at least 51% and (ii) after the Commitments have expired or been terminated, Banks whose outstanding Loans represent in the aggregate 51% of the aggregate unpaid principal amount of all outstanding Loans.

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

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

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

"Sale-and-Leaseback Transaction": means any arrangement entered into by the Company or any Significant Subsidiary with any person (other than the Company or a Significant Subsidiary), or to which any such

person is a party, providing for the leasing to the Company or any Significant Subsidiary for a period of more than three years of any Principal Property which has been or is to be held or transferred by the Company or such Significant Subsidiary to such Person or to any other Person (other than the Company or a Significant Subsidiary), to which funds have been or are to be advanced by such Person on the security of the leased property.

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

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

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"SPC": as defined in subsection 8.6(h).

"Spin-Cos": LifePoint and Triad.

"Spin-Offs": the tax-free spin-off distributions of the common stock of the Spin-Cos to the shareholders of the Borrower.

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

"Taxes": as defined in subsection 2.13.

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

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

"Triad": Triad Hospitals, Inc., a Delaware corporation.

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

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

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

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

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Company and its Subsidiaries not defined in

subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision

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of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

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

SECTION 2. AMOUNT AND TERMS OF LOANS

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

(b) Upon the request by any Bank, the Loan made by such Bank shall, if requested by any Bank, be evidenced by a promissory note of the Company, substantially in the form of Exhibit A with appropriate insertions as to payee, date and principal amount (a "Note"), payable to the order of such Bank and evidencing the obligation of the Company to pay a principal amount equal to the amount of the initial Commitment of such Bank. Each Bank is hereby authorized to record the date, Type and amount of each Loan made or converted by such Bank, and the date and amount of each payment or prepayment of principal thereof, and, in the case of Eurodollar Loans, the Interest Period with respect thereto, on the schedule annexed to and constituting a part of such Note, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that the failure of such Bank to make any such recordation shall not affect the obligations of the Company hereunder or under any Note. Each such Note shall (x) be dated the Closing Date, (y) be stated to mature on the Maturity Date, and (z) bear interest on the unpaid principal amount thereof from time to time outstanding at the applicable interest rate per annum determined as provided in subsection 2.6.

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

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Closing Date in funds immediately available to the Agent. The proceeds of all such Loans will then be made available to the Company by the Agent at such office of the Agent by crediting the account of the Company on the books of such office with the aggregate of the amounts made available to the Agent by the Banks.

2.2 Fees. The Company agrees to pay to the Agent the other fees in the amounts, and on the date, agreed to by the Company and the Agent in the fee letter, dated February 2, 2000, between the Agent and the Company.

2.3 Termination or Reduction of Commitments. The Company shall have the right, upon not less than five Business Days' notice to the Agent, to terminate the Commitments or, from time to time, to reduce ratably the amount of the Commitments. Any such reduction shall be in an amount of \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof, and shall reduce permanently the amount of the Commitments then in effect.

2.4 Optional Prepayments. The Company may at any time and from time to time, subject to subsection 2.14 in the case of Eurodollar Loans, prepay the Loans, in whole or in part, without premium or penalty, upon at least three Business Days' irrevocable notice to the Agent, specifying the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or Alternate Base Rate Loans or a combination thereof, and if of a combination thereof, the amount of prepayment allocable to each. Upon receipt of such notice the Agent shall promptly notify each Bank thereof. If such notice is given, the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid. Partial prepayments shall be in an aggregate principal amount of \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof, and may only be made if, after giving effect thereto, subsection 2.5(c) shall not have been contravened. Amounts prepaid may not be reborrowed.

2.5 Conversion Options; Minimum Amount of Loans. (a) The Company may elect from time to time to convert Eurodollar Loans to Alternate Base Rate Loans by giving the Agent at least two Business Days' prior irrevocable notice of such election (given before 10:00 A.M., New York City time, on the date on which such notice is required), provided that any such conversion of Eurodollar Loans shall, subject to the fourth following sentence, only be made on the last day of an Interest Period with respect thereto. The Company may elect from time to time to convert Alternate Base Rate Loans to Eurodollar Loans by giving the Agent at least three Business Days' prior irrevocable notice of such election (given before 11:30 A.M., New York City time, on the date on which such notice is required). Upon receipt of such notice, the Agent shall promptly notify each Bank thereof. Promptly following the date on which such conversion is being made each Bank shall take such action as is necessary to transfer its portion of such Loans to its Domestic Lending Office or its Eurodollar Lending Office, as the case may be. All or any part of outstanding Eurodollar Loans and Alternate Base Rate Loans may be converted as provided herein, provided that, unless the Required Banks otherwise agree, (i) no Loan may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing, (ii) partial conversions shall be in an aggregate principal amount of \$1,000,000 or a whole multiple thereof, and (iii) any such conversion may only be made if, after giving effect thereto, subsection 2.5(c) shall not have been contravened.

(b) Any Eurodollar Loans may be continued as such upon the expiration of an Interest Period with respect thereto by compliance by the Company with the notice provisions contained in subsection 2.5(a); provided that, unless the Required Banks otherwise agree, no Eurodollar Loan may be continued as such when any Event of Default has occurred and is continuing, but

shall be automatically converted to an Alternate Base Rate Loan on the last day of the then current Interest Period with respect thereto. The Agent shall notify the Banks promptly that such automatic conversion contemplated by this subsection 2.5(b) will occur.

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

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

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

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

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

(e) The Company shall pay the entire principal amount of the Loans on the Maturity Date.

2.7 Computation of Interest and Fees. (a) Interest in respect of Alternate Base Rate Loans shall be calculated on the basis of a (i) 365-day (or 366-day, as the case may be) year for the actual days elapsed when such Alternate Base Rate Loans are based on the Prime Rate, and (ii) a 360-day year for the actual days elapsed when based on the Base CD Rate or the Federal Funds Effective Rate. Interest in respect of Eurodollar Loans shall be calculated on the basis of a 360-day year for the actual days elapsed. The Agent shall as soon as practicable notify the Company and the Banks of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan

resulting from a change in the Alternate Base Rate or the Applicable Margin or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change in the Alternate Base Rate is announced, such Applicable Margin changes as provided herein or such change in or the Eurocurrency Reserve Requirements shall become effective, as the case may be. The Agent shall as soon as practicable notify the Company and the Banks of the effective date and the amount of each such change.

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

quotations used by the Agent in determining any interest rate pursuant to subsection 2.6(a) or (c).

(c) If any Reference Bank's Commitment shall terminate (otherwise than on termination of all the commitments), or its Loan shall be assigned for any reason whatsoever, such Reference Bank shall thereupon cease to be a Reference Bank, and if, as a result of the foregoing, there shall only be one Reference Bank remaining, then the Agent (after consultation with the Company) shall, by notice to the Company and the Banks, designate another Bank as a Reference Bank so that there shall at all times be at least two Reference Banks.

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

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

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

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

(iii) the Agent shall have received notice prior to the first day of such Interest Period from Banks constituting the Required Banks that the interest rate determined pursuant to subsection 2.7(a) for such Interest Period does not accurately reflect the cost to such Banks (as conclusively certified by such Banks) of making or maintaining their affected Loans during such Interest Period;

with respect to (A) proposed Loans that the Company has requested be made as Eurodollar Loans, (B) Eurodollar Loans that will result from the requested conversion of Alternate Base Rate Loans into Eurodollar Loans or (C) the continuation of Eurodollar Loans beyond the expiration of the then

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

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

(b) All payments (including prepayments) to be made by the Company on account of principal, interest and fees shall be made without

set-off, counterclaim or deduction of any kind and shall be made to the Agent, for the account of the Banks, at the Agent's office set forth in subsection 8.2, in lawful money of the United States of America and in immediately available funds. The Agent shall distribute such payments to the Banks promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month in which event such payment shall be made on the immediately preceding Business Day.

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

2.11 Requirements of Law. (a) If after the date hereof the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by

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any Bank with any request or directive (whether or not having the force of law) after the date hereof from any central bank or other Governmental Authority:

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

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

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

and the result of any of the foregoing is to increase the cost to such Bank, by any amount which such Bank deems to be material, of making, renewing or maintaining advances or extensions of credit or to reduce any amount receivable hereunder, in each case, in respect of its Eurodollar Loans, then, in any such case, the Company shall promptly pay such Bank, upon its demand, any additional amounts necessary to compensate such Bank for such additional cost or reduced amount receivable. If a Bank becomes entitled to claim any additional amounts

pursuant to this subsection 2.11(a), it shall, within 30 Business Days after it becomes aware of such fact, notify the Company, through the Agent, of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by such Bank, through the Agent, to the Company shall be conclusive in the absence of manifest error. Each Bank shall take such action as may be reasonably available to it without legal or financial disadvantage (including changing its Eurodollar Lending Office) to prevent any such Requirement of Law or change from becoming applicable to it. This covenant shall survive the termination of this Agreement and payment of the outstanding Indebtedness hereunder or pursuant to the Notes.

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

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

2.13 Taxes. (a) All payments made by the Company under this Agreement shall be made free and clear of, and without reduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority excluding, in the case of the Agent and each Bank, net income and franchise taxes imposed on the Agent or such Bank by the jurisdiction under the laws of which the Agent or such Bank is organized or any political subdivision or taxing authority thereof or therein, or by any jurisdiction in which such Bank's Domestic Lending Office or Eurodollar Lending Office, as the case may be, is located or any political subdivision or taxing authority thereof or therein (all such non-excluded taxes, levies, imposts, deductions, charges or withholdings being hereinafter called "Taxes"). If any Taxes are required to be

withheld from any amounts payable to the Agent or any Bank hereunder or under the Notes, the amounts so payable to the Agent or such Bank shall be increased to the extent necessary to yield to the Agent or such Bank (after payment of all Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the Notes. Whenever any Taxes are payable by the Company, as promptly as possible thereafter, the Company shall send to the Agent for its own account or for the account of such Bank, as the case may be, a certified copy of an original official receipt received by the Company showing payment thereof. If the Company fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Agent the required receipts or other required documentary evidence, the Company shall indemnify the Agent and the Banks for any incremental taxes, interest or penalties that may become payable by the Agent or any Bank as a result of any such failure.

(b) Each Bank that is not incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to the Company and the Agent (i) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Bank is entitled to receive

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

(c) The agreements in subsection 2.14 shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder.

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

or from fees payable to terminate the deposits from which such funds were obtained. Any Bank claiming any amount under this subsection 2.14 shall provide calculations, in reasonable detail, of the amount of its loss or expense. This covenant shall survive termination of this Agreement and payment of the outstanding Indebtedness hereunder or pursuant to the Notes.

2.15 Application of Proceeds of Loans. Subject to the provisions of the following sentence, the Company may use the proceeds of the Loans for any lawful corporate purpose, including for refinancing the outstanding loans under the March 1999 Agreement on or immediately following the Closing Date and the repurchase of shares of common stock of the Company. The Company will not, directly or indirectly, apply any part of the proceeds of any such Loan for the

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purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose, except in a manner which is not in violation of Regulations U and X.

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

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

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

SECTION 3. REPRESENTATIONS AND WARRANTIES

The Company hereby represents and warrants that:

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

be in good standing would not be material to the Company and its Subsidiaries on a consolidated basis) and has all necessary power to carry on the business now conducted by it. The Company has all necessary corporate power and has taken all corporate action required to make all the provisions of this Agreement and the Notes and all

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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).

3.2 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.

3.3 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, 1998, 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, 1998;

(c) Quarterly Reports of the Company on Form 10-Q for the fiscal quarters ended March 31, 1999, June 30, 1999 and September 30, 1999; and

(d) Current Reports on Form 8-K filed with the Securities and Exchange Commission dated April 22, 1999, May 19, 1999, July 29, 1999, September 13, 1999, October 27, 1999 and February 16, 2000 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, subject to normal year-end adjustments in the case of interim statements. As of the date hereof and except as disclosed in the above-referenced reports, neither the Company nor any of its Subsidiaries has any known contingent liabilities of any significant amount which are not referred to in said financial statements or in the notes thereto which could reasonably be expected to have a

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material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries, on a consolidated basis.

3.4 Changes in Condition. Since December 31, 1998 there has been no material adverse change in the business or assets or in the condition, financial or otherwise, of the Company and its Subsidiaries, on a consolidated basis.

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

3.6 Litigation. Except as disclosed in the Company's 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, may involve any material risk of a material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis or which seeks to enjoin the consummation of any of the transactions contemplated by this Agreement or any other Loan Document and involves any material risk that any such injunction will be issued, and no judgment, decree, or order of any federal, state, provincial or municipal court, board or other governmental or administrative agency has been issued against the Company or any Subsidiary which has, or may involve, a material risk of a material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis. With respect to the matters disclosed in the Company's 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.

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

3.8 Contracts, etc. Attached hereto as Schedule III is a statement of outstanding Indebtedness of the Company and its Subsidiaries for borrowed money as of the date set forth therein and a complete and correct list of all agreements, contracts, indentures, instruments, documents and amendments thereto to which the Company or any Subsidiary is a party or by which it is bound pursuant to which any such Indebtedness of the Company and its Subsidiaries in excess of \$25,000,000 is outstanding on the date hereof. Said Schedule III also includes a complete and correct list of all such Indebtedness of the Company and its Subsidiaries

outstanding on the date indicated in respect of Guarantee Obligations in excess of \$1,000,000 and letters of credit in excess of \$1,000,000, and there have been

no increases in such Indebtedness since said date other than as permitted by this Agreement.

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

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

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

3.12 Pension Plans. Each Plan maintained by the Company, any Subsidiary or any Control Group Person or to which any of them makes or will make contributions is in material compliance with the applicable provisions of ERISA and the Code. 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 current value of the vested liabilities under each Plan that is

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subject to Title IV of ERISA and that is not a Multiemployer Plan does not exceed the current value of such Plan's assets.

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

3.14 Environmental and Public and Employee Health and Safety Matters. The Company and each Subsidiary has complied with all applicable Federal, state, and other laws, rules and regulations relating to environmental pollution or to environmental regulation or control or to public or employee health or safety, except to the extent that the failure to so comply would not be reasonably likely to result in a material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis. The Company's and the Subsidiaries' facilities do not contain, and have not previously contained, any hazardous wastes, hazardous substances, hazardous materials, toxic substances or toxic pollutants regulated under the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, the Hazardous Materials Transportation Act, the Toxic Substance Control Act, the Clean Air Act, the Clean Water Act or any other applicable law relating to environmental pollution or public or employee health and safety, in violation of any such law, or any rules or regulations promulgated pursuant thereto, except for violations that would not be reasonably likely to result in a material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis. The Company is aware of no events, conditions or circumstances involving environmental pollution or contamination or public or employee health or safety, in each case applicable to it or its Subsidiaries, that would be reasonably likely to result in a material adverse effect on the business or assets or on the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis.

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

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

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3.17 Year 2000 Representation. The Year 2000 date change has not resulted in a material disruption of the Borrower's and its Subsidiaries' use of their computer hardware, software, databases, systems and other equipment containing embedded microchips, or to the Borrower's or its Subsidiaries' operations or business systems, or to the best of the Borrower's and its Subsidiaries' knowledge, to the operations or business systems of the Borrower's major vendors, customers, suppliers and counterparties. Borrower has no reason to believe that liabilities and expenditures related to the Year 2000 date-change (including, without limitation, costs caused by reprogramming errors, the failure of others' systems or equipment, and the potential liability, if any, of the Borrower or its Subsidiaries for Year 2000 related costs incurred or disruption experienced by others) will result in a Default.

SECTION 4. CONDITIONS

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

applicable on the Closing Date or such Borrowing Date, as the case may be:

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

4.2 Legal Opinions. On the Closing Date and on any Borrowing Date as the Agent shall request, each Bank shall have received from any general, associate, or assistant general counsel 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.

4.3 Company Officers' Certificate. The representations and warranties contained in Section 3 (as qualified by the disclosures in (i) the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1998, (ii) the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended March 31, 1999, June 30, 1999 and September 30, 1999, (iii) the Company's Reports on Form 8-K dated April 22, 1999, May 19, 1999, July 29, 1999, September 13, 1999 and October 27, 1999, in the case of each of the items referred to in clauses (i), (ii) and (iii), as filed with the Securities and Exchange Commission and previously distributed to the Agent and made available to each Bank and (v) 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; no Default shall have occurred (except a Default which shall have been waived in writing or which shall have been cured) and no Default shall exist after giving effect to the Loan to be made; between December 31, 1998 and such Borrowing Date, neither the business nor assets, nor the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis shall have been adversely affected in any material manner as a result of any fire, flood, explosion, accident, drought, strike,

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lockout, riot, sabotage, confiscation, condemnation, or any purchase of any property by Governmental Authority, activities of armed forces, acts of God or the public enemy, new or amended legislation, regulatory order, judicial decision or any other event or development whether or not related to those enumerated above (all subject to the disclosures referred to above); and the Agent shall have received a certificate containing a representation to these effects dated such Borrowing Date and signed by a Responsible Officer.

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

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

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

SECTION 5. 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 5 and such other provisions of this Agreement as are applicable to the Person in question.

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

(b) Each of the Company and its Subsidiaries will promptly pay when due, or in conformance with customary trade terms, all other Indebtedness and liabilities incident to its operations; provided, however, that any such Indebtedness or liability need not be paid if the

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validity or amount thereof shall currently be contested in good faith and if the Company or the Subsidiary in question shall have set aside on its books appropriate reserves with respect thereto. The Subsidiaries will not create, incur, assume or suffer to exist any Indebtedness, except: (i) Indebtedness outstanding on the date hereof and listed on Schedule III; (ii) Indebtedness that is owing to the Company or any other Subsidiary; (iii) Indebtedness incurred pursuant to an accounts receivable program; and (iv) additional Indebtedness at any time outstanding in an aggregate principal amount not to exceed 10% of Consolidated Assets.

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

5.3 Transactions with Affiliates. Neither the Company nor any of

its Subsidiaries will enter into any transactions, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any of their Affiliates (other than the Company and its Subsidiaries) unless such transaction is otherwise permitted under this Agreement, is in the ordinary course of the Company's or such Subsidiary's business and is upon fair and reasonable terms no less favorable to the Company or such Subsidiary, as the case may be, than it would obtain in an arm's-length transaction.

5.4 Insurance. The Company will, and will cause each of its Subsidiaries to, maintain or cause to be maintained, with financially sound and reputable insurers including any Subsidiary which is engaged in the business of providing insurance protection, insurance (including, without limitation, professional liability insurance against claims for malpractice) with respect to its properties and business and the properties and business of its Subsidiaries against loss or damage of the kinds customarily insured against of such types and such amounts as are customarily carried under similar circumstances by other corporations. Such insurance

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may be subject to co-insurance, deductibility or similar clauses which, in effect, result in self-insurance of certain losses, and the Company may self-insure against such loss or damage, provided that adequate insurance reserves are maintained in connection with such self-insurance.

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

(a) Annual Statements. As soon as available, and in any event within 120 days after the end of each fiscal year, the consolidated balance sheet as at the end of each fiscal year and consolidated statements of 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 5.6 through 5.8, 5.10 and 5.12.

(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 and of stockholders' equity for the portion of the fiscal year then ended, of the Company and its Subsidiaries, together with computations showing compliance with subsections 5.6 through 5.8, 5.10 and 5.12, 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, subject to normal audit and year-end adjustments, and to the further effect that he has caused the provisions of this Agreement and all other agreements to which the Company or any of its Subsidiaries is a party and which relate to Indebtedness to be reviewed, and has no knowledge that any Default has occurred under this Agreement or under any such other agreement, or, if said Responsible Officer has such knowledge, specifying such Default and the nature thereof.

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(c) Notice of Material Litigation; Defaults. The Company will promptly notify each Bank in writing, by delivery of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission or otherwise, as to any litigation or administrative proceeding to which it or any of its Subsidiaries may hereafter be a party which, after giving effect to any applicable insurance, may involve any material risk of any material judgment or liability or which may otherwise result in any material adverse change in the business or assets or in the condition, financial or otherwise, of the Company and its Subsidiaries on a consolidated basis. Promptly upon acquiring knowledge thereof, the Company will notify each Bank of the existence of any Default, including, without limitation, any default in the payment of any Indebtedness for money borrowed of the Company or any Subsidiary or under the terms of any agreement relating to such Indebtedness, specifying the nature of such Default and what action the Company has taken or is taking or proposes to take with respect thereto. Promptly upon acquiring knowledge thereof, the Company will notify each Bank of a change in the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company.

(d) ERISA Reports. The Company will furnish the Agent with copies of any request for waiver of the funding standards or extension of the amortization periods required by Sections 303 and 304 of ERISA or Section 412 of the Code promptly after any such request is submitted by the Company to the Department of Labor or the Internal Revenue Service, as the case may be. Promptly after a Reportable Event occurs, or the Company or any of its Subsidiaries receives notice that the PBGC or any Control Group Person has instituted or intends to institute proceedings to terminate any pension or other Plan 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

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send or make available to its stockholders including, without limitation, all reports on Form 8-K, 10-Q or 10-K or any similar form hereafter in use which the Company shall file with the Securities and Exchange Commission.

(f) Other Information. From time to time upon request of the Agent or any Bank, the Company will furnish information regarding the business affairs and condition, financial or otherwise, of the Company and its Subsidiaries. The Company agrees that any authorized officers and representatives of any Bank shall have the right during reasonable business hours to examine the books and records of the Company and its Subsidiaries, and to make notes and abstracts therefrom, to make an independent examination of its books and records for the purpose of verifying the accuracy of the reports delivered by the Company and its Subsidiaries pursuant to this Agreement or otherwise, and ascertaining compliance with this Agreement.

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

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

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

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

5.9 Merger or Consolidation. The Company will not become a constituent corporation in any merger or consolidation unless the Company shall be the surviving or resulting corporation and immediately before and after giving effect to such merger or consolidation there shall exist no Default; provided that the Company may merge into another

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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.

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

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

5.12 Negative Pledge. The Company will not and will ensure that no Subsidiary will create or have outstanding any 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 maybe, by the Company or a Subsidiary or on the property or capital stock, as the case may be, of a corporation at the time of the acquisition of such corporation by the Company or a Subsidiary (including acquisitions through merger or consolidation);

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

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

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

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

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which, together with all other such Indebtedness of the Company and its Subsidiaries (not including Indebtedness permitted to be secured pursuant to the foregoing clauses (a) through (f) and the aggregate Attributable Debt), including Indebtedness in respect of Sale-and-Lease-back Transactions (other than those permitted by subsection 5.13(b)), does not exceed 10% of Consolidated Net Tangible Assets of the Company and its Subsidiaries (calculated after giving pro forma effect thereto as if the Spin-Offs occurred on the first day of the testing period thereof).

5.13 Sale-and-Lease-back Transactions. Neither the Company nor any Significant Subsidiary will enter into any Sale-and-Lease-back Transaction with respect to any Principal Property with any Person (other than the Company or a Subsidiary) unless either (a) the Company or such Significant Subsidiary

would be entitled, pursuant to the provisions described in subsection 5.12(a) through (f) to incur Indebtedness secured by a security on the property to be leased without equally and ratably securing the Loans made and/or to be made to and all other sums payable by the Company under this Agreement, or (b) the Company during or immediately after the expiration of 120 days after the effective date of such transaction applies to the voluntary retirement of its Indebtedness and/or the acquisition or construction of Principal Property an amount equal to the greater of the net proceeds of the sale of the property leased in such transaction or the fair value in the opinion of the chief financial officer of the Company of the leased property at the time such transaction was entered into.

SECTION 6. DEFAULTS

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

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

(b) any default shall be made by either the Company or any Subsidiary of the Company in the performance or observance of any of the provisions of subsections 5.6 through 5.10, 5.12 and 5.13; 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

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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

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(iii) assuming custody of, or appointing a receiver or other custodian for, all or a substantial part of its property;

(vi) by its making an assignment for the benefit of, or entering into a composition with, its creditors, or appointing or consenting to the appointment of a receiver or other custodian for all or a substantial part of its property; or

(g) a Change in Control of the Company shall occur;

then and in each and every such case, (x) the Agent may, with the consent of the Required Banks, or shall, at the direction of the Required Banks, proceed to protect and enforce the rights of the Banks by suit in equity, action at law and/or other appropriate proceeding either for specific performance of any covenant or condition contained in this Agreement or any Note or in any instrument delivered to each Bank pursuant to this Agreement, or in aid of the exercise of any power granted in this Agreement or any Note or any such instrument or assignment, and (y) the Agent may, with the consent of the Required Banks, or shall, at the direction of the Required Banks, by notice in writing to the Company terminate the obligations of the Banks to make the Loans hereunder, and thereupon such obligations shall terminate forthwith and (z) (unless there shall have occurred an Event of Default under subsection 6.1(f), in which case the obligations of the Banks to make the Loans hereunder shall automatically terminate and the unpaid balance of the Indebtedness hereunder and accrued interest thereon and all other amounts payable hereunder (the "Bank Obligations") shall automatically become due and payable) the Agent may, with the consent of the Required Banks, or shall, at the direction of the Required Banks, by notice in writing to the Company declare all or any part of the unpaid

balance of the Bank Obligations then outstanding to be forthwith due and payable, and thereupon such unpaid balance or part thereof shall become so due and payable without presentment, protest or further demand or notice of any kind, all of which are hereby expressly waived, the obligations of the Banks to make further Loans hereunder shall terminate forthwith, and the Agent may, with the consent of the Required Banks, or shall, at the direction of the Required Banks, proceed to enforce payment of such balance or part thereof in such manner as the Agent may elect, and each Bank may offset and apply toward the payment of such balance or part thereof, and to the curing of any such Event of Default, any Indebtedness from such Bank to the Company, including any Indebtedness represented by deposits in any general or special account maintained with such Bank, whether or not such Bank is fully secured.

6.2 Annulment of Defaults. An Event of Default shall not be deemed to be in existence for any purpose of this Agreement if the Agent, with the consent of or at the direction of the Required Banks, subject to subsection 8.1, shall have waived such event in writing or stated in writing that the same has been cured to its reasonable satisfaction, but no such waiver shall extend to or affect any subsequent Event of Default or impair any rights of the Agent or the Banks upon the occurrence thereof.

6.3 Waivers. The Company hereby waives to the extent permitted by applicable law (a) all presentments, demands for performance, notices of nonperformance (except to the

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extent required by the provisions hereof), protests, notices of protest and notices of dishonor in connection with any of the Indebtedness hereunder or evidenced by the Notes, (b) any requirement of diligence or promptness on the part of any Bank in the enforcement of its rights under the provisions of this Agreement or any Note, and (c) any and all notices of every kind and description which may be required to be given by any statute or rule of law and any defense of any kind which the Company may now or hereafter have with respect to its liability under this Agreement or any Note.

6.4 Course of Dealing. No course of dealing between the Company and any Bank shall operate as a waiver of any of the Banks' rights under this Agreement or any Note. No delay or omission on the part of any Bank in exercising any right under this Agreement or any Note or with respect to any of the Bank Obligations shall operate as a waiver of such right or any other right hereunder. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. No waiver or consent shall be binding upon any Bank unless it is in writing and signed by the Agent or such of the Banks as may be required by the provisions of this Agreement. The making of a Loan hereunder during the existence of a Default shall not constitute a waiver thereof.

SECTION 7. THE AGENT

7.1 Appointment. Each Bank hereby irrevocably designates and appoints Chase as the Agent of such Bank under this Agreement, and each such Bank irrevocably authorizes Chase, as the Agent for such Bank, to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to the Agent, by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Agent.

7.2 Delegation of Duties. The Agent may execute any of its duties

under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

7.3 Exculpatory Provisions. Neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement (except for its or such Person's own gross negligence or willful misconduct), or (b) responsible in any manner to any of the Banks for any recitals, statements, representations or warranties made by the Company or any officer thereof contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in

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connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the Notes or for any failure of the Company to perform its obligations hereunder. The Agent shall not be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Company.

7.4 Reliance by Agent. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Company), independent accountants and other experts selected by the Agent. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first receive such advice or concurrence of the Required Banks as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the Notes in accordance with a request of the Required Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks and all future holders of the Notes.

7.5 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall promptly give notice thereof to the Banks. The Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Banks; provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Banks.

7.6 Non-Reliance on Agent and Other Banks. Each Bank expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent hereinafter taken, including any review of the affairs of the Company, shall be deemed to constitute any

representation or warranty by the Agent to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Company and made its own decision to make its Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and

creditworthiness of the Company. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

7.7 Indemnification. The Banks agree to indemnify the Agent in its capacity as such (to the extent not reimbursed by the Company and without limiting the obligation of the Company to do so), ratably according to the respective amounts of their then existing Loans hereunder, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Indebtedness hereunder or pursuant to the Notes) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by the Agent under or in connection with any of the foregoing; provided that no Bank shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Notes and all other amounts payable hereunder.

7.8 Agent in Its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Company as though the Agent was not the Agent hereunder. With respect to its Loans made or renewed by it and any Note issued to it, the Agent shall have the same rights and powers under this Agreement as any Bank and may exercise the same as though it were not the Agent, and the terms "Bank" and "Banks" shall include the Agent in its individual capacity.

7.9 Successor Agent. The Agent may resign as Agent, as the case may be, upon 10 days' notice to the Banks. If the Agent shall resign as Agent, under this Agreement, then the Required Banks shall appoint from among the Banks a successor agent for the Banks which successor agent shall be approved by the Company, whereupon such successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Agent's resignation hereunder as Agent, the provisions of this subsection 7.9 shall inure to its

benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 8. MISCELLANEOUS

8.1 Amendments and Waivers. Neither this Agreement, any Note, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this subsection. With the written consent of the Required Banks, the Agent and the Company may, from time to time, enter into written amendments, supplements or modifications hereto for the purpose of adding any provisions to this Agreement or the Notes or changing in any manner the rights of the Banks or of the Company hereunder or thereunder or waiving, on such terms and conditions as the Agent may specify in such instrument, any of the requirements of this Agreement or the Notes or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (a) extend the maturity (whether as stated, by acceleration or otherwise) of any Indebtedness hereunder, or reduce the rate or extend the time of payment of interest thereon, or reduce any fee payable to the Banks hereunder, or reduce the principal amount thereof, or change the amount of any Bank's Commitment or amend, modify or waive any provision of this subsection 8.1 or reduce the percentage specified in the definition of Required Banks, or consent to the assignment or transfer by the Company of any of its rights and obligations under this Agreement, in each case without the written consent of each Bank directly affected thereby, or (b) amend, modify or waive any provision of Section 7 without the written consent of the then Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Banks and shall be binding upon the Company, the Banks, the Agent and all future holders of the Notes. In the case of any waiver, the Company, the Banks and the Agent shall be restored to their former position and rights hereunder and under the outstanding Notes, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

8.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or three days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when sent, confirmation of receipt received, addressed as follows in the case of the Company and the Agent and as set forth in Schedule I in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Notes:

The Company: Columbia/HCA Healthcare Corporation
 One Park Plaza
 Nashville, Tennessee 37203
 Attention: David Anderson
 Telecopy: (615) 344-2015

The Agent: The Chase Manhattan Bank
 270 Park Avenue - 48th Floor
 New York, New York 10017
 Attention: Dawn Lee Lum
 Telecopy: (212) 270-3279

with a copy to: Chase Agent Bank Services
1 Chase Manhattan Plaza - 8th Floor
New York, New York 10081
Attention: Janet Belden
Telecopy: (212) 552-5658

provided that any notice, request or demand to or upon the Agent or the Banks pursuant to Section 2 shall not be effective until received.

8.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

8.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Notes.

8.5 Payment of Expenses and Taxes; Indemnity. (a) The Company agrees (i) to pay or reimburse the Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the Notes and any other documents prepared in connection herewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent, (ii) to pay or reimburse each Bank and the Agent for all their reasonable costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Notes and any such other documents, including, without limitation, reasonable fees and disbursements of counsel to the Agent and to each of the Banks and (iii) to pay, indemnify, and hold each Bank and the Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by,

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or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the Notes and any such other documents.

(b) The Company will indemnify each of the Agent and the Banks and the directors, officers and employees thereof and each Person, if any, who controls each one of the Agent and the Banks (any of the foregoing, an "Indemnified Person") and hold each Indemnified Person harmless from and against any and all claims, damages, liabilities and expenses (including without limitation all fees and disbursements of counsel with whom an Indemnified Person may consult in connection therewith and all expenses of litigation or preparation therefor) which an Indemnified Person may incur or which may be asserted against it in connection with any litigation or investigation involving this Agreement, the use of any proceeds of any Loans under this Agreement by the Company or any Subsidiary, any officer, director or employee thereof other than litigation commenced by the Company against any of the Agent or the Banks which (i) seeks enforcement of any of the Company's rights hereunder and (ii) is determined adversely to any of the Agent or the Banks.

(c) The agreements in this subsection 8.5 shall survive repayment of the Notes and all other amounts payable hereunder.

8.6 Successors and Assigns; Participations; Purchasing Banks. (a) This Agreement shall be binding upon and inure to the benefit of the Company, the Banks, the Agent, all future holders of the Notes and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Bank.

(b) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loans owing to such Bank, any Notes held by such Bank, any Commitments of such Bank or any other interests of such Bank hereunder. In the event of any such sale by a Bank of a participating interest to a Participant, such Bank's obligations under this Agreement to the other parties under this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Notes for all purposes under this Agreement, and the Company and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. The Company agrees that if amounts outstanding under this Agreement and the Notes are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of offset in respect of its participating interest in amounts owing under this Agreement and any Notes to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement or any Notes, provided that such right of offset shall be subject to the obligation of such Participant to share with the Banks, and the Banks agree to share with such Participant, as provided in subsection 8.7. The Company also agrees that each Participant shall be entitled to the benefits of subsections 2.10, 2.11, 2.12 and 2.14 with respect to its participation in the Commitments and

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the Eurodollar Loans outstanding from time to time; provided that no Participant shall be entitled to receive any greater amount pursuant to such subsections than the transferor Bank would have been entitled to receive in respect of the amount of the participation transferred by such transferor Bank to such Participant had no such transfer occurred. No Participant shall be entitled to consent to any amendment, supplement, modification or waiver of or to this Agreement or any Note, unless the same is subject to clause (a) of the proviso to subsection 8.1.

(c) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to any Bank, any affiliate of any Bank or any Approved Fund, and, with the consent of the Company and the Agent (which 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 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 \$5,000,000 and (ii) the transferor Bank which has transferred part of its Loans and Commitments to any such Purchasing Bank shall retain a minimum Commitment, after giving effect to such sale, equal to or greater than \$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 8.6(c), the transferor Bank, the Agent and the Company shall make appropriate arrangements so that, if required, replacement Notes are issued to such transferor Bank and new Notes or, as appropriate, replacement Notes, are issued to such Purchasing Bank, in each case in principal amounts reflecting their Commitment Percentages or, as appropriate, their outstanding Loans as adjusted pursuant to such Commitment Transfer Supplement.

(d) The Agent shall maintain at its address referred to in subsection 8.2 a copy of each Commitment Transfer Supplement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Loans owing to, each Bank from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Company, the Agent and the Banks may treat each Person whose name is recorded in the Register as the owner of the Loan recorded

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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 5.5(g), the Company authorizes each Bank to disclose to any Participant or Purchasing Bank (each, a "Transferee") and any prospective Transferee any and all financial information in such Bank's possession concerning the Company which has been delivered to such Bank by the Company pursuant to this Agreement or which has been delivered to such Bank by the Company in connection with such Bank's credit evaluation of the Company prior to entering into this Agreement.

(g) If, pursuant to this subsection 8.6, any interest in this Agreement or any Note is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Bank (for the benefit of the transferor Bank, the Agent and the Company) that under applicable law and treaties no taxes will be required to be withheld by the Agent, the Company or the transferor Bank with respect to any payments to be made to such Transferee in respect of the Loans, (ii) to furnish to the transferor Bank (and, in the case of any Purchasing Bank registered in the Register, the Agent and the Company) either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Transferee claims entitlement to complete

exemption from U.S. federal withholding tax on all interest payments hereunder) and (iii) to agree (for the benefit of the transferor Bank, to provide the transferor Bank (and, in the case of any Purchasing Bank registered in the Register, the Agent and the Company) a new form 4224 or Form 1001 upon the obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such Transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(h) 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 Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Bank would otherwise be obligated to make to the Borrower 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

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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 Section 8.6, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative 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 Borrower and the Administrative 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 8.6 concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including any pledge or assignment by a Bank of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

8.7 Adjustments; Set-off. If any Bank (a "Benefitted Bank") shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by offset, pursuant to events or proceedings of the nature referred to in subsection 6.1(f), or otherwise) in a greater proportion than any such payment to and collateral received by any other Bank, if any, in respect of such other Bank's Loans, or interest thereon, such Benefitted Bank shall purchase for cash from the other Banks such portion of each such other Bank's Loans, or shall provide such other Banks with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such

Benefitted Bank to share the excess payment or benefits of such collateral or proceeds ratably with each of the Banks; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Bank, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Company agrees that each Bank so purchasing a portion of another Bank's Loan may exercise all rights of a payment (including, without limitation, rights of offset) with respect to such portion as fully as if such Bank were the direct holder of such portion.

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

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

8.10 WAIVERS OF JURY TRIAL. THE COMPANY, THE AGENT AND THE BANKS EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

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

(i) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof; and

(ii) consents that any such action or proceeding may be brought in such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same.

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

COLUMBIA/HCA HEALTHCARE CORPORATION

By: /s/ David Anderson

Name: David Anderson
Title: Senior VP - Finance & Treasurer

THE CHASE MANHATTAN BANK, as Agent and as a
Bank

By: /s/ Dawn Lee Lum

Name: Dawn Lee Lum
Title: Vice President

RESTRICTED STOCK PURCHASE AGREEMENT

THIS RESTRICTED STOCK PURCHASE AGREEMENT dated as of _____, 1999 (the "Agreement"), between BNA Associates, Inc., a Delaware corporation (the "Company"), and _____ (the "Purchaser").

RECITALS

WHEREAS, the Company wishes to issue and sell to the Purchaser _____ shares (the "Purchased Shares") of the authorized but unissued Common Stock, \$.001 par value, of the Company (the "Common Stock") at a purchase price of \$.01 per share; and

WHEREAS, the Purchaser wishes to purchase the Purchased Shares on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

ARTICLE I

PURCHASE OF SHARES

1.1 Purchase. The Purchaser hereby purchases from the Company, and the Company hereby sells and issues to the Purchaser, such number of shares of the Company's Common Stock set forth beside the Purchaser's name on Schedule I at a purchase price of \$.01 per share (the "Purchase Price").

1.2 Payment. Concurrently with the execution and delivery of this Agreement to the Company, the Purchaser shall deliver to the Company the aggregate Purchase Price by cash or by check made payable to the Company's order.

1.3 Delivery of Certificates. The certificates representing the Purchased Shares hereunder shall be held in escrow by the Secretary of the Company as provided in Article VII hereof.

1.4 Stockholder Right. Until such time as the Company actually exercises its repurchase rights under this Agreement, if ever, the Purchaser (or any successor in interest) shall have all the rights of a stockholder (including voting rights) with respect to the Purchased Shares, including Purchased Shares held in escrow under Article VII, subject, however, to the transfer restrictions of Article IV.

ARTICLE II

SECURITIES LAW COMPLIANCE

2.1 Investment Intent. The Purchaser hereby warrants and represents that he is acquiring the Purchased Shares for the Purchaser's own account for the purpose of investment and not with a view to their resale or distribution.

2.2 Sophisticated Investor. The Purchaser represents and warrants to the Company that he has sufficient knowledge and experience in investing in companies similar to the Company in terms of the Company's stage of development so as to be able to evaluate the risks and merits of his investment in the Company and is able financially to bear the risks thereof.

2.3 Exemption from Registration. The Purchaser acknowledges that the Purchased Shares have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), and are being issued to the Purchaser in reliance upon the exemption from the registration requirements thereof.

2.4 Restricted Securities. The Purchaser hereby confirms that he has been informed that the Purchased Shares are restricted securities under the 1933 Act and may not be resold or transferred unless the Purchased Shares are first registered under the Federal securities laws or unless an exemption from such registration is available. Accordingly, the Purchaser hereby acknowledges that he is prepared to hold the Purchased Shares for an indefinite period and that he is aware that Rule 144 of the Securities and Exchange Commission issued under the 1933 Act is not presently available to exempt the sale of the Purchased Shares from the registration requirements of the 1933 Act.

2.5 Disposition Of Shares. The Purchaser hereby agrees he shall make no disposition of the Purchased Shares (other than a permitted transfer under Section 4.1) unless and until he:

a. shall have notified the Company of the proposed disposition and provided a written summary of the terms and conditions of the proposed disposition; and

b. shall have complied with all requirements of this Agreement applicable to the disposition of the Purchased Shares (as well as any other applicable agreement, including, without limitation, that certain Stockholders Agreement dated as of July 1, 1999 (the "Stockholders Agreement") among the Company, the Purchaser and certain other holders of the Company's capital stock).

The Company shall not be required (i) to transfer on its books any Purchased Shares which have been sold or transferred in violation of the provisions of this Article II, nor (ii) to treat as the owner of the Purchased Shares, or otherwise to accord voting or dividend rights to, any transferee to whom the Purchased Shares have been transferred in contravention of this Agreement.

2.6 Restrictive Legends. In order to reflect the restrictions on disposition of the Purchased Shares, the stock certificates for the Purchased Shares will be endorsed with the following restrictive legends:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED ABSENT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED. THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO, AND MAY BE TRANSFERRED ONLY IN COMPLIANCE WITH, THAT CERTAIN RESTRICTED STOCK PURCHASE AGREEMENT, DATED AS OF _____, 1999, BETWEEN THE COMPANY AND THE HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE

ARTICLE III

SPECIAL TAX ELECTION

3.1 Section 83(b) Election. The Purchaser understands that under Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), the excess of the fair market value of the Purchased Shares on the date any forfeiture restrictions applicable to such shares lapse over the Purchase Price paid for such shares will be reportable as ordinary income at that time. For this purpose, the term "forfeiture restrictions" includes the right of the Company to repurchase the Purchased Shares pursuant to the Unvested Share Repurchase Right provided under Article V of this Agreement. The Purchaser understands, however, that he may elect to be taxed at the time the Purchased Shares are acquired hereunder, rather than when and as such Purchased Shares cease to be subject to such forfeiture restrictions, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the date of this Agreement. If this election is made, the Purchaser will be taxed on the amount, if any, by which the fair market value of the Purchased Shares as of the date of this Agreement (determined without taking into account any forfeiture restrictions) exceeds the Purchase Price paid. Even if the fair market value of the Purchased Shares at the date of this Agreement equals the Purchase Price paid (and thus no tax is payable), the election must be made to avoid adverse tax consequences in the future. The form for making this election is attached as Exhibit A hereto. In the event that the Purchaser makes this election, and the Company subsequently exercises its right to repurchase the Unvested Shares (as

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defined in Section 5.1) of the Purchaser pursuant to this Agreement, the Purchaser will not be entitled to deduct the income, if any, previously recognized as income with respect to those shares as a result of the election. The Purchaser understands that failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by the Purchaser as the forfeiture restrictions lapse. THE PURCHASER ACKNOWLEDGES THAT IT IS HIS SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF HE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON SUCH PURCHASER'S BEHALF.

This summary is necessarily incomplete, and the tax laws and regulations are subject to change. The Purchaser should consult a tax advisor before making an election under Section 83(b).

ARTICLE IV

TRANSFER RESTRICTIONS

4.1 Restriction on Transfer. The Purchaser shall not transfer, assign, encumber, or otherwise dispose of any Unvested Shares (as hereinafter defined) at any time. Any transfer, assignment, encumbrance or other disposition of Vested Shares (as hereinafter defined) shall be subject to the provisions of the Stockholders Agreement. Subject to Section 4.2 hereof, such restrictions on transfer, however, shall not be applicable to (x) a transfer by gift of the Purchased Shares made to the Purchaser's spouse or children, including adopted children, or to a trust for the exclusive benefit of the Purchaser or the Purchaser's spouse or children, or (y) a transfer of title to the Purchased Shares effected pursuant to the Purchaser's will or the laws of intestate succession.

4.2 Transferee Obligations. Each person (other than the Company) to whom the Purchased Shares are transferred by means of one of the permitted transfers specified in Section 4.1 must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company that such person is bound by the provisions of this Agreement to the same extent that such shares would be so subject if retained by the Purchaser.

4.3 "Market Stand-Off" Agreement. The Purchaser hereby agrees that, during the period of duration specified by the Company and an underwriter of common stock or other securities of the Company, following the date, if any, of the first sale to the public pursuant to a registration statement of the Company filed under the 1933 Act, it shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except common stock included in such registration; provided, however, that:

(a) such agreement shall be applicable only to the first two such registration statements of the Company which cover common stock (or other securities convertible into common stock) to be sold on its behalf to the public in an underwritten offering;

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(b) all executive officers and directors of the Company enter into similar agreements; and

(c) such market stand-off time period shall not exceed 180 days.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the securities of the Purchaser (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

Notwithstanding the foregoing, the obligations described in this Section 4.3 shall not apply to a registration relating solely to employee benefit plans on Form S-8 or similar forms which may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction or Form S-4 or similar forms which may be promulgated in the future.

ARTICLE V

RIGHT TO REPURCHASE UNVESTED SHARES

5.1 Grant. The Company (or its assignees) is hereby granted the right (the "Unvested Share Repurchase Right"), exercisable at any time during the sixty (60)-day period following the termination of the Purchaser's employment with, and/or service as a director of, Columbia/HCA Healthcare Corporation ("Columbia"), for any reason, to repurchase all or any portion of the Purchaser's Purchased Shares in which the Purchaser has not acquired a vested interest in accordance with the vesting provisions set forth in Schedule II (such shares to be hereinafter called the "Unvested Shares").

5.2 Exercise of the Unvested Share Repurchase Right. The Unvested Share Repurchase Right shall be exercisable by written notice delivered to the Purchaser prior to the expiration of the applicable sixty (60)-day period specified in Section 5.1. The notice shall indicate the number of Unvested

Shares to be repurchased and the date on which the repurchase is to be effected, such date to be not more than thirty (30) days after the date of notice. The Company shall, concurrently with the receipt of the stock certificates from escrow in accordance with Section 7.3, pay to the Purchaser in cash the amounts set forth below. If the Purchaser's employment with, and/or service as a director of, Columbia terminates for any reason other than death or "disability" (as defined below), the price per share payable by the Company for the Purchaser's Unvested Shares shall be equal to the Purchase Price. If the Purchaser's employment with, and/or service as a director of, Columbia terminates by reason of death or disability, the price per share payable by the Company for the Purchaser's Unvested Shares shall be "Market Value" (as defined below). For purposes of this Agreement, Purchaser's employment shall be deemed to have been terminated by reason of "disability" if Purchaser has become disabled within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended. For purposes of this Agreement, on any valuation date (the "Valuation Date") (which shall be the date of termination of Purchaser's employment and/or service as a director for purposes of this Agreement), the "Market Value" of each Purchased Share means the average of the closing prices of the Common Stock on all securities exchanges on which the

Common Stock may at the time be listed or, if there have been no sales on any such exchange on the such Valuation Date, the average of the highest bid and lowest asked prices on all such exchanges at the end of the Valuation Date, or, if the Common Stock is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 p.m., New York time, on the Valuation Date or, if on such day the Common Stock is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on the Valuation Date in the domestic over-the-counter market as reported by the National Quotation Bureau Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the Valuation Date and the 20 consecutive business days prior to such day. If on the Valuation Date the Common Stock is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the Market Value of each share of such Purchased Shares shall be the fair market value of a share of the Common Stock as of the Valuation Date, as reasonably determined by the Board.

5.3 Termination Of the Unvested Share Repurchase Right/Vesting. The Unvested Share Repurchase Right shall terminate with respect to the Unvested Shares for which it is not timely exercised under Section 5.2. In addition, the Unvested Share Repurchase Right shall terminate and cease to be exercisable, and such Purchased Shares shall cease to be Unvested Shares and the Purchaser shall thereupon acquire a vested interest therein (such shares to be hereinafter called the "Vested Shares") as set forth on Schedule II.

5.4 Fractional Shares. No fractional shares shall be repurchased by the Company.

5.5 Additional Shares or Substituted Securities. In the event of any stock dividend, stock split, recapitalization or other change affecting the Company's outstanding Common Stock as a class effected without receipt of consideration, then any new, substituted, or additional securities or other property (including money paid other than as a regular cash dividend) which is by reason of any such transaction distributed with respect to the Purchased Shares shall be immediately subject to the Unvested Share Repurchase Right, but only to the extent the Purchased Shares are at the time covered by such right. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number of Purchased Shares hereunder and to the

price per share to be paid upon the exercise of the Unvested Share Repurchase Right in order to reflect the effect of any such transaction upon the Company's capital structure; provided, however, that the aggregate purchase price shall remain the same.

ARTICLE VI

RIGHT TO REPURCHASE VESTED SHARES

6.1 Grant. The Company (or its assignees) is hereby granted the right (the "Vested Share Repurchase Right" and, together with the Unvested Share Repurchase Right, the "Repurchase Rights"), exercisable at any time during the sixty (60)-day period following the termination of the Purchaser's employment with, and/or service as a director of, Columbia for any reason, to repurchase all or any portion of the Purchaser's Vested Shares. If the Purchaser's employment with, and/or

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service as a director of, Columbia is terminated by Columbia for "Cause" (as defined), the price per share payable by the Company for the Purchaser's Vested Shares shall be equal to the Purchase Price. If the Purchaser's employment with, and/or service as a director of, Columbia is terminated for any other reason (including, without limitation, death, disability, expiration of term, Columbia's termination of the Purchaser without Cause or voluntarily by the Purchaser), the price per share payable by the Company for Purchaser's Vested Shares shall be Market Value. For purposes of this Agreement, "Cause" shall mean the Purchaser's fraud, embezzlement, defalcation, gross negligence in the performance or nonperformance of the Purchaser's duties, or failure or refusal to perform the Purchaser's duties (other than as a result of disability) at any time while in the employ or serving as a director of Columbia.

6.2 Exercise of the Repurchase Right. The Vested Share Repurchase Right shall be exercisable by written notice delivered to the Purchaser prior to the expiration of the applicable sixty (60)-day period specified in Section 6.1. The notice shall indicate the number of Vested Shares to be repurchased and the date on which the repurchase is to be effected, such date to be not more than forty-five (45) days after the date of notice. The Company shall concurrently with the receipt of the stock certificates from the Purchaser, pay to the Purchaser in cash the amount set forth in Section 6.1.

6.3 Additional Shares or Substituted Securities. In the event of any stock dividend, stock split, recapitalization or other change affecting the Company's outstanding Common Stock as a class effected without receipt of consideration, then any new, substituted, or additional securities or other property (including money paid other than as a regular cash dividend) which is by reason of any such transaction distributed with respect to the Purchased Shares shall be immediately subject to the Vested Share Repurchase Right, but only to the extent the Purchased Shares are at the time covered by such right. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number of Purchased Shares hereunder and to the price per share to be paid upon the exercise of the Vested Share Repurchase Right in order to reflect the effect of any such transaction upon the Company's capital structure; provided, however, that the aggregate purchase price shall remain the same.

ARTICLE VII

ESCROW FOR UNVESTED SHARES

7.1 Deposit. Upon issuance, the certificates for the Unvested Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Article VII. The deposited certificates, together with any other assets or securities from time to time deposited with the Company pursuant to the requirements of this Agreement, shall remain in escrow until such time or times as the certificates (or other assets and securities) are to be released or otherwise surrendered for cancellation in accordance with Section 7.3.

7.2 Recapitalization. Any cash dividends on the Purchased Shares (or other securities at the time held in escrow) shall be paid directly to the Purchaser and shall not be held in escrow.

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However, in the event of any stock dividend, stock split, recapitalization, or other change affecting the Company's outstanding Common Stock as a class effected without receipt of consideration, any new, substituted, or additional securities or other property which is by reason of such event distributed with respect to the Purchased Shares shall be immediately delivered to the Company any to be held in escrow under this Article VII, but only to the extent the Purchased Shares are at the time subject to the escrow requirements of Section 7.1.

7.3 Release/Surrender. The Purchased Shares, together with any other assets or securities held in escrow hereunder, shall be subject to the following terms and conditions relating to their release from escrow or their surrender to the Company for repurchase and cancellation:

(i) Should the Company (or its assignees) elect to exercise the Unvested Share Repurchase Right under Article V with respect to any Unvested Shares, then the escrowed certificates for such Unvested Shares (together with any other assets or securities issued with respect thereto) shall be delivered to the Company for cancellation, concurrently with the payment to the Purchaser, in cash, of an amount equal to the applicable payment for such Unvested Shares pursuant to Section 5.2, and the Purchaser shall cease to have any further rights or claims with respect to such Unvested Shares (or other assets or securities).

(ii) As the interest of the Purchaser in Purchased Shares (or any other assets or securities issued with respect thereto) vests in accordance with the provisions of Schedule II, the certificates for such Vested Shares (as well as all other vested assets and securities) shall be released promptly from escrow and delivered to the Purchaser.

(iii) All Purchased Shares (or other assets or securities) released from escrow in accordance with the provisions of subsection (ii) above shall nevertheless remain subject to (i) the restriction on transfer referenced in the second sentence of Section 4.1, and (ii) the market stand-off provisions of Section 4.3.

ARTICLE VIII

GENERAL PROVISIONS

8.1 No Employment or Service Contract. Nothing in this Agreement shall confer upon the Purchaser any right to employment with, and/or service as a director of, Columbia (or any parent or subsidiary corporation of Columbia).

8.2 Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, on the date of transmittal of services via telecopy to the party to whom notice is to be given (with a confirming copy being delivered within 24 hours thereafter), or on the third day after mailing if mailed to the party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, or via overnight courier providing a receipt and properly addressed as set forth on Schedule I hereto. Any party may change

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its address for purposes of this Section by giving notice of the new address to each of the other parties in the manner set forth above.

8.3 No Waiver. The failure of the Company (or its assignees) in any instance to exercise the Unvested Share Repurchase Right granted under Article V shall not constitute a waiver of any other repurchase rights and/or rights of first refusal that may subsequently arise under the provisions of this Agreement or any other agreement between the Company and the Purchaser. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

8.4 Cancellation of Shares. If the Company (or its assignees) shall make available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Purchased Shares to be repurchased in accordance with the provisions of this Agreement, then from and after such time, the person from whom such shares are to be repurchased shall no longer have any rights as a holder of such shares (other than the right to receive payment of such consideration in accordance with this Agreement), and such shares shall be deemed purchased in accordance with the applicable provisions hereof and the Company (or its assignees) shall be deemed the owner and holder of such shares, whether or not the certificates therefor have been delivered as required by this Agreement.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee for all purposes and in all respects, without giving effect to the conflict of law provisions thereof.

9.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and enforceable against the parties actually executing such counterparts, but all of which together shall constitute one and the same instrument.

9.3 Successors and Assigns. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and the Purchaser and the Purchaser's legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person shall have become a party to this Agreement and have agreed in writing to join herein and be bound by the terms and conditions hereof.

9.4 Integration; Amendment. This Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof, and supersede any previous agreement or understanding between or among the parties

with respect to such subjects. No party shall be liable or bound to any other party in any manner by any warranties, representations or covenants except as specifically set forth herein or therein. Except as expressly provided herein neither this Agreement nor any term

hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against whom enforcement of any such amendment, waiver, discharge or termination is sought.

9.5 Severability. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided that no such severability shall be effective if it materially changes the economic benefit of this Agreement to any party.

9.6 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not considered in construing or interpreting this Agreement.

9.7 Termination. The provisions of Article VI, Sections 4.1 and 4.2 shall terminate 180 days following a firm commitment underwritten initial public offering of the Company's Common Stock.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first indicated above.

BNA ASSOCIATES, INC.

By: _____

Title: _____

PURCHASER:

SCHEDULE I
PURCHASED SHARES

SUBJECT TO VESTING

PURCHASER NAME AND ADDRESS

NUMBER OF PURCHASED SHARES

Unvested Subtotal:

Total:

=====

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SCHEDULE II

VESTING

The Company's Unvested Share Repurchase Right under Article V shall terminate and cease to be exercisable with respect to the aggregate of _____ Unvested Shares acquired pursuant to this Agreement, and all or a portion of such Unvested Shares shall become "Vested Shares," in accordance with the provisions of this Schedule II. As to the Purchaser:

(a) Time Vesting. Subject in all respects to earlier vesting in accordance with Section (b) and Section (c) of this Schedule II, the Unvested Share Repurchase Right shall automatically terminate and lapse in its entirety with respect to the Purchased Shares in four equal annual installments consisting of 25% of the original number of Unvested Shares each and beginning on the first anniversary of the date of grant. On each such anniversary each 25% portion of Unvested Shares shall become "Vested Shares."

(b) Accelerated Vesting Upon a Corporate Transaction. In addition to the vesting contemplated by Section (a) of this Schedule II, the Company's Unvested Share Repurchase Right shall terminate as to all of the Unvested Shares upon a Corporate Transaction. For purposes of this Agreement, "Corporate Transaction" shall mean any of the following transactions:

(i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction, or

(ii) the sale, transfer or other disposition of all or substantially all of the Company's assets, or

(iii) the sale, transfer or disposition by a stockholder or stockholders of the Company of capital stock of the Company to a purchaser who immediately prior to such sale, transfer or disposition is neither an affiliate of the Company nor of the person or persons making the sale, transfer or disposition and who after and as a result of such sale, transfer or disposition owns in excess of 50% of the total voting power entitled to vote in the election of directors of the Company.

Notwithstanding the foregoing, for purposes of the accelerated vesting contemplated by this Section (b) of this Schedule II, a "Corporate Transaction" shall not include any merger or consolidation, sale, transfer or other disposition of all or substantially all of the Company's assets or sale, transfer or disposition of capital stock of the Company with or to Columbia/HCA Healthcare Corporation or any affiliate thereof.

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ROUNDING CONVENTIONS

For purposes of calculating any Share amounts pursuant to the foregoing formulae, the applicable number of Shares shall be rounded to the nearest whole number.

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EXHIBIT A

SECTION 83(B) TAX ELECTION

This statement is being made under Section 83(b) of the Internal Revenue Code, pursuant to Treas. Reg. Section 1.83-2.

(1) The taxpayer who performed the services is:

Name:

Address:

Taxpayer Ident. No.:

Taxable Year: Calendar Year 1999

(2) The property with respect to which the election is being made is _____ shares of the common stock, par value \$0.001 per share, of BNA Associates, Inc. (the "Unvested Shares")

(3) The Unvested Shares were issued on _____.

(4) The Unvested Shares are subject to a repurchase right pursuant to which the issuer has the right to acquire such Unvested Shares at the original purchase price if for any reason taxpayer's services with the issuer are terminated. The issuer's repurchase right lapses in a series of installments.

(5) The fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is \$0.01 per share.

(6) The amount paid for such Unvested Shares is \$0.01 per share.

(7) A copy of this statement was furnished to Columbia/HCA Healthcare Corporation for whom taxpayer rendered the services underlying the transfer of the Unvested Shares.

(8) This statement is executed as of _____, 1999.

Spouse (if any) Taxpayer

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SCHEDULE A

RESTRICTED STOCK PURCHASE AGREEMENTS DATED JULY 16, 1999

| Name of Director and/or Executive Officer ----- | Number of Shares of Common Stock of BNA Associates, Inc. ----- |
|---|---|
| David G. Anderson | 12,500 |
| Magdalena H. Averhoff, M.D. | 6,250 |
| Jack O. Bovender, Jr. | 72,750 |
| Richard M. Bracken | 12,500 |
| Victor L. Campbell | 12,500 |
| J. Michael Cook | 6,250 |
| W. Leon Drennan | 6,250 |
| Rosalyn S. Elton | 12,500 |
| Martin Feldstein | 6,250 |
| James A. Fitzgerald, Jr. | 12,500 |
| Thomas F. Frist, Jr. | 96,000 |
| V. Carl George | 12,500 |
| Frederick W. Gluck | 6,250 |
| Jay Grinney | 12,500 |
| Samuel N. Hazen | 12,500 |
| Frank M. Houser, M.D. | 12,500 |
| R. Milton Johnson | 12,500 |
| Patricia T. Lindler | 12,500 |
| T. Michael Long | 6,250 |
| John H. McArthur | 6,250 |
| R. Clayton McWhorter | 6,250 |
| A. Bruce Moore, Jr. | 12,500 |
| Thomas S. Murphy | 6,250 |
| Kent C. Nelson | 6,250 |
| Philip R. Patton | 12,500 |

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| Name of Director and/or Executive Officer ----- | Number of Shares of Common Stock of BNA Associates, Inc. ----- |
|---|---|
| Carl E. Reichardt | 6,250 |
| Gregory S. Roth | 12,500 |
| Frank S. Royal, M.D. | 6,250 |
| William B. Rutherford | 12,500 |

| | |
|---------------------|---------|
| Joseph N. Steakley | 12,500 |
| Beverly B. Wallace | 12,500 |
| Robert A. Waterman | 12,500 |
| Noel Brown Williams | 250,000 |
| Alan R. Yuspeh | 12,500 |

RESTRICTED STOCK PURCHASE AGREEMENTS DATED OCTOBER 29, 1999

| Name of Director and/or Executive Officer ----- | Number of Shares of Common Stock of BNA Associates, Inc. ----- |
|---|---|
| Jack O. Bovender, Jr. | 7,250 |
| Elaine L. Chao | 6,250 |
| James A. Fitzgerald, Jr. | 62,500 |

COLUMBIA/HCA HEALTHCARE CORPORATION
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (UNAUDITED)
 (DOLLARS IN MILLIONS)

| | YEARS ENDED DECEMBER 31, | | | | |
|---|--------------------------|---------|---------|---------|---------|
| | 1999 | 1998 | 1997 | 1996 | 1995 |
| EARNINGS: | | | | | |
| Income from continuing operations before minority interests and income taxes..... | \$1,284 | \$1,151 | \$ 538 | \$2,583 | \$1,827 |
| Fixed charges, exclusive of capitalized interest.... | 581 | 695 | 629 | 616 | 583 |
| | ----- | ----- | ----- | ----- | ----- |
| | \$1,865 | \$1,846 | \$1,167 | \$3,199 | \$2,410 |
| | ===== | ===== | ===== | ===== | ===== |
| FIXED CHARGES: | | | | | |
| Interest charged to expense..... | \$ 471 | \$ 561 | \$ 493 | \$ 488 | \$ 458 |
| Interest portion of rental expense and amortization of deferred loan costs..... | 110 | 134 | 136 | 128 | 125 |
| | ----- | ----- | ----- | ----- | ----- |
| Fixed charges, exclusive of capitalized interest.... | 581 | 695 | 629 | 616 | 583 |
| Capitalized interest..... | 19 | 21 | 15 | 25 | 28 |
| | ----- | ----- | ----- | ----- | ----- |
| | \$ 600 | \$ 716 | \$ 644 | \$ 641 | \$ 611 |
| | ===== | ===== | ===== | ===== | ===== |
| Ratio of earnings to fixed charges..... | 3.11 | 2.58 | 1.81 | 4.99 | 3.94 |
| | ===== | ===== | ===== | ===== | ===== |

ALABAMA

Alabama-Tennessee Health Network, Inc.
Columbia/HCA Montgomery Healthcare System, Inc.
Doctor's Hospital of Mobile, Inc.
Four Rivers Medical Center PHO, Inc.
Galen Medical Corporation
Huntsville Physical Therapy, Inc.
Maynor Eye Center, Inc.
North Alabama Healthcare System, Inc.
Selma Medical Center Hospital, Inc.
Primesource, L.L.C.

1

2

ALASKA

Chugach Physical Therapy, Inc.
Chugach Physical Therapy & Fitness Center
Columbia Behavioral Healthcare, Inc.
Columbia North Alaska Healthcare, Inc.

2

3

ARIZONA

HCA Health Services of Arizona, Inc.

3

4

ARKANSAS

Central Arkansas Provider Network, Inc.

Columbia Health System of Arkansas, Inc.

HCA Health Services of Arkansas, Inc.

Surgicare Outpatient Center of Ft. Smith, Inc.

4

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CALIFORNIA

Beverly Hills Surgical Hospital, Ltd.

Beverly Hills Women's Hospital, Ltd.

Birthing Facility of Beverly Hills, Inc.

C.H.L.H., Inc.

CFC Investments, Inc.

CH Systems

Chino Community Hospital Corporation, Inc.

Columbia Chino Valley Medical Center

Columbia Fallbrook, Inc.

Columbia Pacific Division, Inc.

Columbia Primecare, LLC

Columbia Psychiatric MSO, LLC

Columbia Riverside, Inc.
Columbia/HCA San Clemente, Inc.
Community Hospital of Gardena Corporation, Inc.
Encino Hospital Corporation, Inc.
Galen-Soch, Inc.
HCA Allied Health Services of San Diego, Inc.
HCA Health Services of California, Inc.
HCA Hospital Services of San Diego, Inc.
Healdsburg General Hospital, Inc.
Kingsbury Capital Partners, L.P.
Las Encinas Hospital
Las Encinas Hospital
LE Corporation

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Los Gatos Surgical Center, a California Limited Partnership
Columbia Los Gatos surgical Center
Los Robles Regional Medical Center
Los Robles Regional Medical Center
Los Robles Surgicenter
MCA Investment Company
Mission Bay Memorial Hospital, Inc.
Neuro Affiliates Company
PPO Alliance
Psychiatric Company of California, Inc.
Riverside Healthcare System, L.L.C.
Riverside Community Hospital
Riverside Community Surgi-Center
Samaritan Medical Center-San Clemente, LLC
San Joaquin Surgical Center, Inc.
San Jose Healthcare System, Inc.
Southwest Surgical Clinic, Inc.
Columbia Southwest Surgical Clinic
Surgery Center Management, Ltd.

Surgicare of Beverly Hills, Inc.

Surgicare of Los Gatos, Inc.

Surgicare of Montebello, Inc.

Surgicare of West Hills, Inc.

Ukiah Hospital Corporation

Visalia Community Hospital, Inc.

VMC Management, Inc.

VMC-GP, Inc.

West Hills Hospital

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West Hills Hospital & Medical Center

West Los Angeles Physicians' Hospital, Inc.

Westminster Community Hospital

Westside Hospital Limited Partnership

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COLORADO

Bethesda Psychealth Ventures, Inc., .

Centrum Surgery Center, Ltd.

Centrum Surgery Center

Colorado Healthcare Management, Inc.

Columbia Continental Division, Inc.

Columbia-HealthONE LLC

Air Life, Inc.

Arapahoe Medical Plaza

Belmar Multispecialty, Inc.

Bethesda Community Mental Health Center, Inc.
Bethesda Employee Assistant Services, Inc.
Bethesda Hospital, Inc.
Bethesda Outpatient and Counseling Service, Inc.
Bethesda PsycHealth, Inc.
CallONE
Cardiology Imaging Group Corporation
Centennial Athletic Club, Inc.
Centennial Healthcare Plaza, Inc.
Center for Eating Management, Inc.
Challenge Sport and Spine Center
ChurcHealth, Inc.
ChurcHelp, Inc.
Columbia Aurora Presbyterian Hospital
Columbia Care Manor
Columbia Centennial Healthcare Plaza
Columbia Medical Center of Aurora
Columbia North Suburban Medical Center
Columbia Park Manor
Columbia Progressive Care Center
Columbia Spalding Rehabilitation Hospital
Columbia Swedish Medical Center
Columbia Presbyterian/St. Luke's Medical Center
Columbia-HealthONE Addiction Recovery Units, Inc.
Columbia-HealthONE Aurora Eye Center, Inc.
Columbia-HealthONE Business Health Access, Inc.
Columbia-HealthONE Center for Diabetes Management, Inc.
Columbia-HealthONE Center for Emotional Growth, Inc.
Columbia-HealthONE Cosmetic Surgery Center, Inc.
Columbia-HealthONE Eating Disorders, Inc.
Columbia-HealthONE Emergency Services, Inc.
Columbia-HealthONE Health Access, Inc.
Columbia-HealthONE In Touch, Inc.
Columbia-HealthONE Optifast, Inc.
Columbia-HealthONE Physician Referral Dr. Right, Inc.

Columbia-HealthONE Rocky Mountain Hernia Center, Inc.
Columbia-HealthONE Senior Citizens Health Center, Inc.
Columbia-HealthONE Sleep Disorders Center, Inc.
Columbia-HealthONE TravelCare, Inc.
Columbia-HealthONE Women's Health Access, Inc.
Columbia-HealthONE Women's Services, Inc.
Denver Broncos Sports Medicine, Inc.
Head Pain Center
HealthONE for Children
HeartONE for Children Institute
Holly Clinic, Inc.
Holly Healthcare Bryant, Inc.
Holly Healthcare Stapleton, Inc.
Holly Occupational Medicine, Inc.
HomeHealthONE, Inc.
Lifelong Choices, Inc.
Medical Business Access
Patient Care 2000, Inc.
Peak Performance in the Workplace, Inc.
Positive Lifestyles, Inc.
PresExpress
PREStaurant

PsyCare, Inc.
PsycHealth, Inc.
PsycSave, Inc.
P/SL Blood Donor Center, Inc.
P/SL Bone Marrow Transplant Program, Inc.
P/SL Cardiac Emergency Network, Inc.
P/SL Community Health Services, Inc.
P/SL Hyperbaric Oxygen Medicine, Inc.
P/SL Institute for Limb Preservation, Inc.
P/SL Kidney-Pancreas Transplant Program, Inc.
P/SL Magnetic Resonance Imaging, Inc.
P/SL Medical Center for Children
P/SL Mile High Medical Arts Building, Inc.
P/SL Transplant Program, Inc.
P/SL Professional Pharmacy, Inc.
P/SL Women's and Children's Hospital, Inc.
RapidCare, Inc.
Rocky Mountain Children's Cancer Center, Inc.
Rocky Mountain Gastrointestinal Motility Clinic, Inc.
Rocky Mountain Neurology Center, Inc.
Rose Medical Center
Senior Health Access, Inc.
St. Luke's Professional Plaza, Inc.
Support Line, Inc.
The Denver Spine Institute, Inc.
The Lactation Program, Inc.
The Parent Line, Inc.
Timberline Medical Center, Inc.

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United SeniorCare, Inc.
United Services Medical Clinic
Your Partner in Health Care

Columbia/HCA of Denver, Inc.
Columbia/Rose Health System, Inc.
Columbine Psychiatric Center, Inc.
Denver Mid-Town Surgery Center, Ltd.
Eyecare Providers of Colorado, Inc.
Galen of Aurora, Inc.
Aurora Physicians Building
Health Care Indemnity, Inc.
HealthONE Clinic Services, LLC
Hospital-Based CRNA Services, Inc.
Lakewood Surgicare, Inc.
MOVCO, Inc.
New Rose Holding Company, Inc.
Rose POB, Inc.

Southwest MedPro, Ltd.
Surgicare of Denver Mid-Town, Inc.
Surgicare of Southeast Denver, Inc.
Swedish Medpro, Inc.
Swedish MOB, LLC
Swedish MOB II, Inc.
Swedish MOB III, Inc.
Swedish MOB IV, Inc.

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DELAWARE

AC Med, LLC
Aligned Business Consortium Group, L.P.
Alternaco, LLC
Amedicorp, Inc.
Columbia The Surgery Center Imaging
American Medicorp Development Co.
Columbia County Medical Plaza
Doctors Medical Plaza-North
Duluth MedPlus
East Ridge Doctors Building
East Ridge Professional Building
Lilburn MedPlus
MetroImaging
Roswell MedPlus
Ami-Point GA, LLC
AOGN, LLC
Arkansas Medical Park, LLC
Atlanta Healthcare Management, L.P.
Atlanta Market GP, Inc.
Atlanta Orthopaedic Surgical Center, Inc.
Bayshore Partner, LLC
BMC-CT, Inc.
BNA Associates, Inc.
Brunswick Hospital, LLC
C/HCA Capital, Inc.

C/HCA, Inc.

CCN Managed Care, Inc.

Capital General Partnership

Central Health Holding Company, Inc.

Central Health Services Hospice, Inc.

CHC Finance Co.

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CHC Holdings, Inc.

CHC Payroll Agent, Inc.

CHCA Bayshore, L.P.

CHCA Clear Lake L.P.

CHCA Conroe, L.P.

CHCA Hospital LP, Inc.

CHCA Mainland, L.P.

CHCA Management Services, L.P.

CHCA West Houston, L.P.

Clear Lake Partner, LLC

ClinicServ, LLC

CMS GP, LLC

Coastal Bend Hospital, Inc.

North Bay Hospital

Coastal Healthcare Services, Inc.

Coliseum Health Group, LLC

Coliseum Medical Center, LLC

Columbia Coliseum Medical Centers

Coliseum Same Day Surgery Center

Coliseum Psychiatric Center, LLC

Coliseum Psychiatric Center

Columbia Bethany GP, Inc.

Columbia Bethany Holdings, Inc.

Columbia Behavioral Health, LLC

Columbia Destin Management, LLC

Columbia GP, Inc.

Columbia Homecare Group, Inc.
Columbia Hospital (Palm Beaches) Limited Partnership
Columbia Hospital
Columbia Hospital Corporation of Fort Worth
Columbia Hospital Corporation of Houston
Columbia Bellaire Medical Center
Columbia Hospital Corporation - Delaware
Columbia Long Term Care Facility Limited Partnership

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Columbia Management Companies, Inc.
Columbia Mesquite Health System, L.P.
Columbia Olympia Management, Inc.
Columbia Palm Beach GP, LLC
Columbia Palms West Hospital Limited Partnership
Columbia Rio Grande Healthcare, L.P.
Rio Grande Regional Hospital
Columbia Sentinel GP, Inc.
Columbia Valley Healthcare System, L.P.
Valley Regional Medical Center
Columbia Westbank Healthcare, L.P.
Columbia/HCA Middle East Management Company
Columbia/JFK Medical Center Limited Partnership
JFK Medical Center
Transitional Care Unit
Conroe Partner, LLC
CoralStone Management, Inc.
Cornerstone Health Management Company
COSCORP, LLC
CPS TN Processor 1, Inc.
Dallas/Ft. Worth Physicians, LLC
Danforth Hospital, Inc.
Columbia Mainland Medical Center
Delaware Psychiatric Company, Inc.
Doctors Hospital of Augusta, Inc.
Augusta Diagnostic Associates
Doctors Hospital (Augusta)

Columbia County Urgent Care Center
West Augusta Imaging Center
West Augusta Radiation Oncology Center

Drake Development Company

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Drake Development Company II

Drake Development Company III

Drake Development Company IV

Drake Development Company V

Drake Development Company VI

Drake Management Company

EarthStone HomeHealth Company

Edison Homes-Southeast, Inc.

Edmond Regional Medical Center, LLC
Edmond Regional Medical Center

El Campo Hospital, L.P.

EMMC, LLC

EP Health, LLC

EP Holdco, LLC

EPIC Development, Inc.

EPIC Diagnostic Centers, Inc.
First Care Clinics

EPIC Healthcare Management Company

EPIC Surgery Centers, Inc.

Extendicare Properties, Inc.

FHAL, LLC

Forest Park Surgery Pavilion, Inc.

Forest Park Surgery Pavilion, L.P.

Fort Bend Hospital, Inc.

Galen (Kansas) Merger, LLC

Galen BH, Inc.

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Galen GOK, LLC

Galen Holdco, LLC

Galen Hospital Alaska, Inc.
Alaska Regional Hospital

Galen Hospital Corporation, Inc.
Women's Hospital of Indianapolis
Floresville Medical Clinic
Southwest Fertility Institute
Township Line Pharmacy

Galen KY, LLC

Galen LA, LLC

Galen MCS, LLC

Galen MRMC, LLC

Galen NMC, LLC

Galen NSH, LLC

Galen SOM, LLC

Galen SSH, LLC

Galendeco, Inc.

GalTex, LLC

Garden Park Community Hospital, L.P.
Coastal Imaging Center of Gulfport
Columbia Garden Park Hospital
Columbia Outpatient Surgical Center

Georgia Health Holdings, Inc.

Georgia, L.P.

GHC - Galen Health Care, LLC

GHI Sunrise Hospital, LLC

Glendale Surgical, LLC

Good Samaritan Hospital, L.P.

Good Samaritan Hospital

Good Samaritan Hospital, LLC

GPCH-CP, Inc.

Grand Strand Regional Medical Center, LLC

Greystone Healthcare, Inc.

GKI Lawrence, LLC
H.H.U.K., Inc.
HCA Health Services of Midwest, Inc.
Columbia Health System of Arkansas
Columbia Weber Clinic
HCA Holdco, LLC
HCA Investments, Inc.
HCA Psychiatric Company (DE)
HCA Squared, LLC
HCA Wesley Rehabilitation Hospital, Inc.
Health Services (Delaware), Inc.
Healthserv Acquisition, LLC
Healthcare Technology Assessment Corporation
Healthco, LLC
Healthnet of Kentucky, LLC
Healthserv Acquisition, LLC
Healthtrust, Inc.- The Hospital Company
Healthtrust Purchasing Group, L.P.
Hearthstone Home Health, Inc.
Heloma Operations, LLC
HHNC, LLC

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Hospital Corp, LLC
Hospital Development Properties, Inc.
Columbia Edmond Medical Building
Murchison Medical Building
Murchison Medical Plaza
Hospital of South Valley, LLC
Indian Path, LLC
Integrated Health Corporation
Integrated Regional Laboratories
JCSH, LLC
JCSHLP, LLC

Kansas Healthserv, LLC
Katy Medical Center, Inc.
Kendall Regional Medical Center, LLC
Lake City Health Centers, Inc.
Lakeland Medical Center, LLC
Lakeland Medical Center
Lakeview Medical Center, LLC
Lakeview Regional Medical Center
Laredo Medco, LLC
Lawrence Amdeco, LLC
Lawrence Medical, LLC
Mt. Oread Surgery Centers
Lewis-Gale Medical Center, LLC
Lewis-Gale Medical Center
Loon Investments, Inc.
Macon Healthcare, LLC
Macon Northside Health Group, LLC
Macon Northside Hospital, LLC
Macon Northside Hospital

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Mainland Partner, LLC
Mallard Finance Company
Management Services LP, LLC
Marion Holdings, LLC
Med-Point, LLC
Medical Arts Hospital of Texarkana, Inc.
Medical Care Financial Services Corp.
Medical Care Real Estate Finance, Inc.
Medical Corporation of America
Medical Office Buildings of Alaska, LLC
Medical Office Buildings of California, LLC
Medical Office Buildings of Florida, LLC
Medical Office Buildings of Georgia, LLC
Medical Office Buildings of Indiana, LLC
Medical Office Buildings of Kansas, LLC

Medical Office Buildings of Kentucky, LLC
Medical Office Buildings of Louisiana, LLC
Medical Office Buildings of Nevada (Sunrise), LLC
Medical Office Buildings of Nevada, LLC
Medical Office Buildings of South Carolina, LLC
Medical Office Buildings of Tennessee, LLC
Medical Office Buildings of Texas, L.P.
Medical Office Buildings of Utah, LLC
Medical Office Buildings of Virginia, LLC
Medical Office Buildings of Washington, LLC
Medical Office Buildings of West Virginia, LLC

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Medical Specialties, Inc.
Coral Springs Family Medicine
Parkway Medical Associates

Medistone Healthcare Ventures, Inc.
Columbia Hospice Waco

Medistone Management Company

MediVision of Mecklenburg County, Inc.

MediVision of Tampa, Inc.

MediVision, Inc.
Columbia Greater New Orleans Surgery Center
Columbia Lake Worth Surgery Center
Omni Eye Services
Omni Eye Services of Chattanooga
The Eye Surgery Center of the Rio Grande Valley

MedNet USA, Inc.

Mid-Continent Health Services, Inc.
Columbia Medical Supply/Pharmacy

Middle Georgia Hospital, LLC
Middle Georgia Hospital

MOB/GP of Texas, LLC

MOB/LP of Texas, LLC

Mobile Corps, Inc.

MRH Investments, LLC

MRT&C, Inc.

North Texas Medical Center, Inc.

Northwest Florida Home Health Services, Inc.

Notami, LLC

Notami Hospitals, LLC

Notami Service Company

Notco, LLC

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NTGP, Inc.

NTMC Ambulatory Surgery Center, L.P.
Columbia Surgery Center of McKinney

NTMC Management Company

NTMC Venture, Inc.

Odessa, LLC

Orlando Outpatient Surgical Center, Inc.

Paragon SDS, Inc.

Paragon WSC, Inc.

Parkway Cardiac Center Management Company

Parkway Hospital, Inc.

Pecos Physicians, L.P.

Physician Venture Management, L.L.C.

Pinellas Medical, LLC

Pioneer Medical, LLC

PMM, Inc.
Augusta Womens Medical Group

Preferred Works, Inc.

Primary Care Acquisition, Inc.

Primary Medical Management, Inc.
Agoura Hills Medical Group
Columbia Management Services Organization
Northside Clinic
Park Medical Center
The Carrollton Center for Family Health Care
Westbrook Medical Practice
Westlake Women's Health Management Clinic

Putnam Regional GP, Inc.

RCH, LLC

Reston Hospital Center, LLC

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Riverside Hospital, Inc.
 COSMC
 Northwest Regional Hospital
 South Texas Pain Management Center

Round Rock Hospital, Inc.

Samaritan, LLC

San Jose, LLC

San Jose Healthcare System, L.P.

San Jose Hospital, L.P.
 San Jose Medical Center

San Jose Medical Center, LLC

SJMC, LLC

SMCH, LLC

South Valley Hospital, L.P.

Southwestern Medical Center, LLC
 Southwestern Medical Center

Spalding Rehabilitation, L.L.C.

Springview KY, LLC

SR Medical Center, LLC

St. Augustine General Hospital, L.P.

St. Luke's Princeton, LLC

Stones River Hospital, LLC

Suburban Medical Center at Hoffman Estates, Inc.

Summit General Partner, Inc.

Sun-Med, LLC

Sun Bay Medical Office Building, Inc.

Sunrise Hospital and Medical Center, LLC
 Sunrise Hospital and Medical Center

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Surgico, LLC

SVH, LLC

Swedish MOB Acquisition, Inc.
Terre Haute Regional Rehabilitation Hospital, L.P.
The Coltree Corporation
Tri-Cities Rehabilitation Hospital, L.P.
Trident Medical Center, LLC
Trident Medical Center
Columbia Charleston Healthcare
Moncks Corner Medical Center
Summerville Skilled Nursing Facility
Trident Senior Health Center
Trident Sports Medicine & Rehabilitation
HealthFinders
Trident Health Improvement Center
Trident Medical Arts MRI
Trident Health System
Trident Skilled Nursing Facility
Utah Medco, LLC
Value Health Management, Inc.
Vicksburg Diagnostic Services, L.P.
Wesley Medical Center, LLC
Wesley Medical Center
West Houston, LLC
West Virginia Mobile Services, LLC
Westbury Hospital, Inc.
WHG Medical, LLC
WJHC, LLC

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FLORIDA

All About Staffing, Inc.
Columbia Staffing Services
Ambulatory Laser Associates, GP
Ambulatory Surgery Center Group, Ltd.
Ambulatory Surgery Center
Bay Hospital, Inc.
Gulf Coast Medical Center
Columbia Senior Rehabilitation Center
Belleair Surgery Center, Ltd.
Belleair Surgery Center

Big Cypress Medical Center, Inc.
Bonita Bay Surgery Center, Inc.
Bonita Bay Surgery Center, Ltd.
Surgery Center Bonita Bay
Brandon Regional Imaging, Inc.
Brandon Surgi-Center Joint Venture
Brandon Surgery Center
Broward Healthcare System, Inc.
Broward Physician Practices, Ltd.
Cape Coral Surgery Center, Inc.
Cape Coral Surgery Center, Ltd.
Cape Coral Surgery Center
CCH-GP, Inc.
Cedarcare, Inc.
Cedars BTW Program, Inc.
Cedars Healthcare Group, Ltd.
Cedars Medical Center
Victoria Pavilion
Central Florida Division Practice, Inc.

Central Florida Regional Hospital, Inc.
Central Florida CORF - Deltona
Central Florida Regional Hospital
Columbia Rehab Management
Lake Mary Imaging
Women's Wellness Center
Charlotte Community Hospital, Inc.
Clearwater Community Hospital Limited Partnership
Collier County Home Health Agency, Inc.
Columbia Behavioral Health, Ltd.
Columbia Behavioral Healthcare of South Florida, Inc.
Columbia Cancer Research Network of Florida, Inc.
Columbia Central Florida Division, Inc.
Columbia Credentialing Services, Inc.

Columbia Deland Imaging Services, Inc.
Columbia Development of Florida, Inc.
Santa Rosa Emergency Medical Services
Columbia Eye & Specialty Surgery Center, Ltd.
Tampa Eye & Specialty Surgery Center
Columbia Florida Group, Inc.
Columbia Gulf Coast Network, Inc.
Columbia Homecare - Central Florida, Inc.
Columbia Homecare - North Florida, Inc.
Columbia Homecare of Tampa Bay, Inc.
Columbia Hospital Corporation of Central Miami
Columbia Hospital Corporation of Kendall
Columbia Hospital Corporation of Miami
Columbia Hospital Corporation of Miami Beach

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Columbia Hospital Corporation of North Miami Beach
Columbia Hospital Corporation of South Broward
Westside Regional Medical Center
Columbia Hospital Corporation of South Dade
Columbia Hospital Corporation of South Florida
Florida Physicians Group
Columbia Hospital Corporation of South Miami
Columbia Hospital Corporation of Tamarac
Columbia Hospital Corporation - SMM
Columbia Integrated Services, Inc.
Columbia Jacksonville Healthcare System, Inc.
Columbia Lake Worth Surgical Center Limited Partnership
Columbia Medical Alert Systems of Tampa Bay, Inc.
Columbia Medical Group of Volusia County, Inc.
Family Medical Associates
Columbia Memorial Diagnostic Services, Inc.
Columbia North Central Florida Health System Limited Partnership
Columbia North Florida Division, Inc.

Columbia North Florida Regional Medical Center Limited Partnership

Columbia Ocala Regional Medical Center Physician Group, Inc.
CORMC Physician Group

Columbia Park Healthcare System, Inc.

Columbia Palm Beach Healthcare System Limited Partnership

Columbia Park Medical Center, Inc.

Columbia Physician Services - Florida Group, Inc.

Columbia Behavioral Health
Columbia Company Care
Columbia Physician Services
Columbia Senior Health Center
Columbia Specialty Services

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Columbia Resource Network, Inc.

Columbia South Florida Division, Inc.

Columbia Tampa Bay Division, Inc.

Columbia-Osceola Imaging Center, Inc.

Columbia/HCA of Treasure Coast, Inc.

Company Care, Inc.

Coral Springs Surgi-Center, Ltd.
Surgery Center at Coral Springs

Countryside Surgery Center, Ltd.
Countryside Surgery Center

Dade Physician Practices, Ltd.

Daytona Medical Center, Inc.

Daytona Physician Practices, Ltd.

Deland Surgery Center, Ltd.
Deland Surgery Center

Diagnostic Breast Center, Inc.
Diagnostic Breast Center

Doctor's Physicians Care, Inc.

Doctors Osteopathic Medical Center, Inc.
Doctors Family Clinic
Gulf Coast Hospital
Gulf Coast Pediatrics
Gulf Shore Pediatrics

Doctors Pediatric Clinic, Inc.

Doctors Same Day Surgery Center, Inc.

Doctors Same Day Surgery Center, Ltd.

Doctors Same Day Surgery Center

Doctors' Special Surgery Center of Jacksonville, Ltd.

East Pointe Hospital, Inc.
East Pointe Hospital

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East Point PHO, Inc.

East Pointe Physician Management, Inc.

Ed White Physician Clinic, Inc.

Edward White Hospital, Inc.
Edward White Hospital
Physician Offices of Ed White

Emergency Physician Services, Inc.

Englewood Community Health Care Group, Inc.

Englewood Community Hospital, Inc.
Columbia Englewood Community Hospital

Fawcett Memorial Hospital, Inc.
Fawcett Memorial Hospital
Columbia/HCA Spine & Arthritis Centers
The Memory Center

First Physicians Care, Inc.

Florida Home Health Services - Private Care, Inc.
Columbia Staffing Services

Florida MRI Services, Inc.

Florida Outpatient Surgery Center, Ltd.
Florida Surgery Center

Florida Primary Physicians, Inc.

Florida Psychiatric Company, Inc.

Fort Pierce Surgery Center, Ltd.

Fort Walton Beach Medical Center, Inc.
Fort Walton Beach Medical Center

Galen Diagnostic Multicenter, Ltd.
Medical Park Diagnostic Center

Galen Hospital - Pembroke Pines, Inc.

Galen of Florida, Inc.
Bushnell Family Practice Center
Dade City Professional Building

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Normandy Manor Transitional Living Facility
 Pasco Community Hospital
 Pasco Community Medical Park
 Seminole Family Health Centers
 St. Petersburg Medical Center
 West Central Florida OB/GYN

Galencare, Inc.
 Brandon Regional Hospital
 Community Cancer Center of Brandon Regional Hospital
 Northeast Family Practice Center
 Northside Hospital
 Tampa Bay Vascular Institute
 West Central Florida - Shared Services

Grant Center Hospital of Ocala, Inc.
 Columbia North Florida Regional MSO
 Physician Care

Greater Ft. Myers Physician Practices, Ltd.

Gulf Coast Health Technologies, Inc.

Gulf Coast Physicians, Inc.

Hamilton Memorial Hospital, Inc.

HCA Family Care Center, Inc.
 Columbia Imaging Services Nova

HCA Health Services of Florida, Inc.
 Blake Medical Center
 Columbia Medical and Financial Management
 Columbia North Florida Radiation Oncology
 Columbia Regional Medical Center Bayonet Point
 Columbia Treasure Coast Physician Services
 Oak Hill Hospital
 Saint Lucie Medical Center

HD&S Corp. Successor, Inc.

Homecare North, Inc.

Hospital Corporation of Lake Worth

Hospital Development & Services Corp.

Imaging and Surgery Center of Florida, Inc.
 Clearwater Imaging

Imaging Corp. of the Palm Beaches, Inc.

Jacksonville Physician Practices, Ltd.

Jacksonville Surgery Center, Ltd.
 Columbia Jacksonville Surgery Center

JFK Real Properties, Ltd.

Kendall Healthcare Group, Ltd.

First Health Center
Kendall Medical Center
Kendall Outpatient Rehabilitation Facility
The Atrium at Kendall Regional Medical Center

Kendall Therapy Center, Ltd.

Kendall Therapy Center

Kissimmee Surgicare, Ltd.

Columbia Kissimmee Surgery Center

Lake City Homecare, Inc.

Lake Worth MRI, Limited

Largo Medical Center, Inc.

Largo Medical Center

Lawnwood Medical Center, Inc.

Harbour Shores of Lawnwood
Lawnwood Pavilion
Lawnwood Regional Medical Center

Lawnwood Regional Cancer Center Limited Partnership

Lehigh Physician Practice, Ltd.

M & M of Ocala, Inc.

Manatee Surgicare, Ltd.

Gulf Coast Surgery Center

Marion Community Hospital, Inc.

Ocala Regional Medical Center

Medical Center of Port St. Lucie, Inc.

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Medical Center of Santa Rosa, Inc.

Medivision Properties of Hillsborough County, Inc.

MedPlan, Inc.

Memorial Healthcare Group, Inc.

Memorial Hospital Jacksonville
Specialty Hospital Jacksonville

Memorial Surgicare, Ltd.

Plaza Surgery Center

MHS Partnership Holdings JSC, Inc.

MHS Partnership Holdings SDS, Inc.

Miami Beach Healthcare Group, Ltd.

Aventura Comprehensive Cancer Center
Aventura Health Center

Aventura Hospital and Medical Center
Aventura Hospital Senior Health Center
Aventura Outpatient Rehabilitation Center
Aventura Surgery Center
Children's After Hours Walk-In Clinic
Miami Heart Institute and Medical Center
Hallandale Health Center
Wound Healing Center

Miami Heart Medical Management Services, Inc.

Naples Physician Practices, Ltd.

Naples Rehabilitative Health Services, Inc.
Naples Rehab Center

New Port Richey Hospital, Inc.
Community Hospital of New Port Richey

New Port Richey Physician Hospital Organization, Inc.

New Port Richey Surgery Center, Ltd.
New Port Richey Surgery Center

Network MS of Florida, Inc.

North Beach Hospital, Inc.

North Central Florida Health System, Inc.

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North Central Florida Physician Practices, Ltd.
Pediatric Associates of Gainesville

North Florida Division Practice, Inc.

North Florida GI Center, Ltd.
North Florida Endoscopy Center

North Florida GI Center GP, Inc.

North Florida Immediate Care Center, Inc.

North Florida Infusion Corporation

North Florida Physician Services, Inc.

North Florida Practice Management, Inc.

North Florida Regional Imaging Center, Ltd.

North Florida Regional Investments, Inc.

North Florida Regional Medical Center, Inc.
North Florida Regional Medical Center

North Palm Beach County Surgery Center, Ltd.
North County Surgicenter

North Tampa Physician Practices, Ltd.
Family Medical Care
South Bay Family Medical Center

Northwest Florida Healthcare Systems, Inc.

Northwest Medical Center, Inc.
Bayview Senior Health Center
Behavioral Health Systems of North Broward
Cypress Medical Office Building
Northwest Medical Center
Senior Health Center of Ft. Lauderdale
Diabetic Care Center

Notami (Clearwater), Inc.
CCH Healthcare Centers

Notami Hospitals of Florida, Inc.
Lake City Medical Center
Cypress Center for Partial Hospitalization

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Oak Hill Acquisition, Inc.
Columbia Oak Hill Ambulatory Surgery and Endoscopy Center

Ocala Regional Outpatient Services, Inc.

Okaloosa Hospital, Inc.
Twin Cities Hospital

Okeechobee Hospital, Inc.
Raulerson Hospital

OneSource Health Network of South Florida, Inc.
OneSource Health Network

OPMC Physician Group, Inc.

Orange Park Medical Center, Inc.
Orange Park Medical Center

Orlando Depression Center, Inc.
Orlando Depression Center

Orlando Physician Practices, Ltd.

Orlando Surgicare, Ltd.
Same Day Surgicenter of Orlando

Osceola Regional Hospital, Inc.
Kissimmee Imaging
Osceola Regional Medical Center

Outpatient Surgical Services, Ltd.
Outpatient Surgical Services

Palm Beach Healthcare System, Inc.

Palm Beach Physician Practices, Ltd.

Palms West Physician Hospital Organization, Inc.

Panhandle Physician Practices, Ltd.

Paragon PHO of North Florida, Inc.

PCMC Physician Group, Inc.

Physical Therapy of Orlando, Inc.

Pinellas Surgery Center, Ltd.
Center for Special Surgery

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Plantation Physicians, Ltd.

Port St. Lucie Surgery Center, Ltd.
St. Lucie Surgery Center

Premier Medical Management, Ltd.
Premier Family Care
Women's Health Specialists

Premier Providers Network of Pinellas County, Inc.
Premier Providers Network

Premier Providers of Hillsborough County, Inc.

Primary Care Medical Associates, Inc.

Putnam Hospital, Inc.
Putnam Community Medical Center

San Pablo Surgery Center, Ltd.
San Pablo Surgery Center

Sarasota Doctors Hospital, Inc.
Advanced Womens Care
Doctors Data Center
Doctors Hospital of Sarasota
Doctors Medical Lab
Midtown Nuclear Medicine
Midtown Radiology
MRI of Sarasota
Paragon Associates in Internal Medicine
Sarasota Rehabilitation Center
Sarasota Vascular Lab
The Center for Breast Care

South Bay Physician Clinics, Inc.

South Broward Medical Practice Partners, Ltd.

South Broward Practices, Inc.

South Dade Healthcare Group, Ltd.
Deering Hospital
International Travel Health Center

South Florida Division Practice, Inc.

South Seminole Hospital, Inc.

South Tampa Physician Practices, Ltd.

Southwest Florida Division Practice, Inc.

Southwest Florida Health System, Inc.
Consult-A-Nurse
Healthcare Referral

Southwest Florida Management Associates, Inc.

Southwest Florida Medical Ventures, Inc.

Southwest Florida Regional Medical Center, Inc.
Columbia Care
Columbia Center for Cosmetic Surgery
Columbia Health Services at Belmont Woods
Mature Adult Counseling Center
Southwest Florida Regional Medical Center
The Memory Center

Space Coast Surgical Center, Ltd.
Columbia Surgery Center Merritt Island

St. Augustine Hospital, Inc.

Stuart Outpatient Surgery Center, Ltd.

Sun City Hospital, Inc.
South Bay Hospital
South Bay Physician Clinic
South Bay Rehab Center
South Bay Transitional Care Unit
Memory Loss Clinic

Surgical Center Associates, Ltd.
Winter Park Ambulatory Surgery Center

Surgical Park Center, Ltd.
Radial Keratomy Institute of Surgical Park
Surgical Park Center
Surgiscopic Center at Surgical Park

Surgicare America - Winter Park, Inc,

Surgicare of Altamonte Springs, Inc.

Surgicare of Brandon, Inc.

Surgicare of Central Florida, Inc.

Surgicare of Central Florida, Ltd.
Central Florida Surgicenter

Surgicare of Countryside, Inc.

Surgicare of Deland, Inc.
Surgicare of Florida, Inc.
Tampa Bay Area Anesthesia
Surgicare of Ft. Pierce, Inc.
Surgicare of Kissimmee, Inc.
Surgicare of Manatee, Inc.
Surgicare of Merritt Island, Inc.
Surgicare of New Port Richey, Inc.
Surgicare of Orange Park, Inc.
Orange Park Surgery Center
Surgicare of Orange Park, Ltd.
Surgicare of Orlando, Inc.
Surgicare of Pinellas, Inc.
Surgicare of Plantation, Inc.
Surgicare of Port St. Lucie, Inc.
Surgicare of St. Andrews, Inc.
Surgicare of St. Andrews, Ltd.
Surgery Center at St. Andrews
Surgicare of Stuart, Inc.
Surgicare of Tallahassee, Inc.
Surgicare of West Palm Beach, Ltd.
Surgicare of Zephyrhills, Inc.

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Systems Medical Management, Inc.
OneSource Health Network
PPO Alliance
The Health Advantage Network
Tallahassee Community Network, Inc.
Tallahassee Medical Center, Inc.
Tallahassee Community Hospital
Tallahassee Orthopaedic Surgery Partners, Ltd.
Tallahassee Outpatient Surgery Center
Tallahassee Physician Practices, Ltd.
Tamarac Acquisition Corporation
Tamarac Hospital Corporation, Inc.

Tampa Bay Division Practice, Inc.
Tampa Bay Health System, Inc.
Tampa Surgi-Centre, Inc.
TCH Physician Group, Inc.
The Pinellas Healthcare Alliance, Inc.
Treasure Coast Centers, Inc.
 Columbia Emergi-Center Jensen Beach
 Columbia Emergi-Center St. Lucie West
Treasure Coast Physician Practices, Ltd.
University Hospital, Ltd.
 A Center for Women
 University Hospital & Medical Center
 University Pavilion
University Parkway Healthcare Associates, Inc.
University Physicians Pavilion Association, Inc.
University Psychiatric Center, Inc.

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Visual Health and Surgical Center, Inc.
 Visual Health and Surgical Center
 Visual Health Plantation
 Visual Health/Bentz Eye Center
 Visual Health Center Pompano
Volusia Healthcare Network, Inc.
West Broward Outpatient GI Center, Inc.
West Florida Division, Inc.
West Florida Regional Medical Center, Inc.
 Okaloosa Cancer Care Center
 West Florida Regional Medical Center
West Palm Beach Eye Surgery, Ltd.
Westside Surgery Center, Ltd.
 Columbia Parkside Surgery Center
Winter Park Healthcare Group, Ltd.
 Park Infusion
 Winter Park Memorial Hospital
Winter Park Physician Services, Inc.
Women's and Children's Health Connection, Inc.

GEORGIA

AOA Gulf Coast Partners, Ltd.

AOSC Sports Medicine, Ltd.

AOSC Sports Medicine, Inc.
Northside Sports Medicine & Rehabilitation

Atlanta Home Care, L.P.

Atlanta Outpatient Surgery Center, Inc.

Atlanta Surgery Center, Ltd.

Augusta Physician Practice Company
Augusta Primary Care

Barrow Physician Network, Inc.

Cartersville Physician Practice Network, Inc.

Central Health Services, Inc.

Central Home Health Care of Chattanooga, Inc.

Chatsworth Hospital Corporation

Church Street Doctors Buildings, Ltd.

Church Street Partners, G.P.

Coliseum Health Group, Inc.

Coliseum Park Hospital, Inc.

Coliseum Same Day Surgery Center, L.P.

Columbia Coliseum Same Day Surgery Center, Inc.

Columbia Health Systems of Georgia Resource Network, Inc.

Columbia Northlake Surgical Center, Ltd.

Columbia Physicians Services, Inc.

Columbia Polk General Hospital, Inc.
Polk Medical Center
Emergency Physicians of Polk Hospital

Columbia Redmond Occupational Health, Inc.

Columbia Surgicare of Augusta, Ltd.

Columbia-Georgia PT, Inc.

Columbus Cardiology, Inc.

Columbus Doctors Hospital, Inc.
Doctors Hospital

Columbus Management Group, Inc.

Community Home Nursing Care, Inc.

Cumberland Physician Corporation

Dekalb Home Health Services, Inc.

Diagnostic Services, G.P.

Doctors-I, Inc.

Doctors-II, Inc.

Doctors-III, Inc.

Doctors-IV, Inc.

Doctors-IX, Inc.

Doctors-V, Inc.

Doctors-VI, Inc.

Doctors-VII, Inc.

Doctors-VIII, Inc.

Doctors-X, Inc.

Dublin Community Hospital, Inc.
Columbia Fairview Park Hospital

Dunwoody Physician Practice Network, Inc.

Eastside Physician Practice Network, Inc.

EHCA Cartersville, LLC
Emory Cartersville Medical Center

EHCA Dunwoody, LLC
Emory Dunwoody Medical Center

EHCA Eastside, LLC
Emory Eastside Medical Center

EHCA Metropolitan, LLC
Metropolitan Hospital

EHCA Northlake, LLC
Emory Northlake Regional Medical Center

EHCA Parkway, LLC
Emory Parkway Medical Center

EHCA Peachtree, LLC
Emory Peachtree Medical Center

Fairview Physician Practice Company

Gainesville Cardiology, Inc.

Georgia Psychiatric Company, Inc.

Greater Gwinnett Physician Corporation

Gwinnett Community Hospital, Inc.

HCA Health Services of Georgia, Inc.
Hughston Sports Medicine Hospital

Health Care Management Corporation

Healthfield Services of Middle Georgia, Inc.

Hospital Corporation of Lanier, Inc.
Lanier Park Hospital

Lanier Physician Practice Network, Inc.

Lanier Physician Services, Inc.
Lanier Park Primary Care

Marietta Outpatient Medical Building, Inc.

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Marietta Outpatient Surgery, Ltd.
Marietta Surgical Center

Marietta Surgical Center, Inc.

Med Corp., Inc.

Med-Care, Inc.

MedFirst, Inc.

Medical Center-West, Inc.

MOSC Sports Medicine, Inc.
SportsSouth Sports Medicine & Rehabilitation

Newnan Hospitals, L.L.C.

North Cobb Physical Therapy, Inc.
North Cobb Physical Therapy

North Georgia Home Health Agency, Inc.
Northlake Physician Practice Network, Inc.
Northlake Surgery Center, Inc.
Orthopaedic Specialty Associates, L.P.
Orthopaedic Sports Specialty Associates, Inc.
Palmyra Park Hospital, Inc.
Palmyra Medical Centers
Parkway Physician Practice Company
Peachtree Corners Surgery Center, Ltd.
Peachtree Physician Practice Network, Inc.
Polk Physician Practice Network, Inc.
Redmond ER Services, Inc.
Redmond P.D.N., Inc.
Redmond Park Health Services, Inc.

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Redmond Park Hospital, Inc.
Redmond Regional Medical Center
Emergency Physicians of CRRMS
The Surgery Center of Rome
Redmond Physician Practice Company
F. Lee O'Neal, Jr., M.D.
Redmond Family Care Center at Shannon
Redmond Family Care Center at Trion
Redmond Family Care Center at WestRome
Redmond Prime Health
Redmond Physician Practice Company II
Redmond Family Care Center at Armuchee
Redmond Physician Practice Company III
Redmond NW Georgia Internal Medicine
Redmond Physician Practice Company IV
Randolph P. Sumner, M.D. Family Practice
Redmond Physician Practice Company V
Redmond Family Care Center at Lindale
Redmond Physician Practice Company VI
Rome Imaging Center Limited Partnership
Southeast Division, Inc.

Surgery Center of Rome, Inc.

Surgicare of Augusta, Inc.
Augusta Surgical Center

Surgicare Outpatient Center of Brunswick, Inc.

The Guild of Augusta Regional Medical Center

The Rankin

Tugaloo Home Health Agency, Inc.

Urology Center of North Georgia, LLC

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West Paces Ferry Hospital, Inc.

West Paces Imaging Associates, L.P.

West Paces Physician Services, Inc.

West Paces Services, Inc.

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IDAHO

Eastern Idaho Health Services, Inc.
Eastern Idaho Regional Behavioral Health Center
Eastern Idaho Regional Medical Center

West Valley Medical Center, Inc.
Columbia West Valley Medical Center
West Valley Therapy Connection

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ILLINOIS

Chicago Grant Hospital, Inc.
 COFH, Inc.
 Columbia Chicago Division, Inc.
 Columbia Chicago Homecare, Inc.
 Columbia Chicago Osteopathic Hospitals, Inc.
 Columbia Health Partners, Inc.
 Columbia LaGrange Hospital, Inc.
 Columbia Physician Partners Management, Inc.
 Columbia Surgicare - North Michigan Ave., L.P.
 Galen Hospital Illinois, Inc.
 Galen of Illinois, Inc.
 Community Medical Plaza
 Illinois Psychiatric Hospital Company, Inc.
 Chicago Lakeshore Hospital
 Columbia Behavioral Health Provider Organization
 Columbia Chicago Lakeshore Hospital South Campus
 Riveredge Hospital
 Smith Laboratories, Inc.
 Surgicare of North Michigan Avenue, Inc.
 Surgicare of Palos Heights, Inc.

INDIANA

BAMI-COL, INC.
 Basic American Medical, Inc.
 Columbia PhysicianCare Outpatient Surgery Center, Ltd.
 Columbia PhysicianCare Outpatient Surgery Center
 F & E Community Developers of Florida, Inc.
 HTI Health Services of Indiana, Inc.

Jeffersonville MediVision, Inc.

Physician Practices of Terre Haute, Inc.

Surgicare of Indianapolis, Inc.

Surgicare of Jeffersonville, L.L.C.
John-Kenyon Surgery Center

Terre Haute Regional Hospital, Inc.
Indiana Institute for Lung Disease and Exercise Physiology
Regional Family Medical Center
Terre Haute Regional Hospital

Terre Haute Regional Physician Hospital Organization, Inc.

Thomasville Hospital, Inc.

Women's Management Services, Inc.

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KANSAS

Columbia Mid-West Division, Inc.

Day Surgery, Inc.

Galichia Laboratories, Inc.

HCA Health Services of Kansas, Inc.

OB-GYN Diagnostics, Inc.

Overland Park Homecare Services, Inc.

Surgicare of Wichita, Ltd.
Columbia Surgicare of Wichita

Surgicare of Wichita, Inc.

Surgicenter of Johnson County, Inc.

Surgicenter of Johnson County, Ltd.
Columbia Surgicenter of Johnson County

Total Healthcare, Inc.

Womens's Healthcare Management Group, LLC

KENTUCKY

B.G. MRI, Inc.

CHCK, Inc.

Samaritan Hospital
 Kentucky Center for Reproductive Medicine
 Primary Care Partners of Lexington

Columbia Behavioral Health Network, Inc.

Columbia Kentucky Division, Inc.

Columbia Medical Group - Frankfort, Inc.

Columbia Medical Group - Greenview, Inc.

Columbia Medical Group - Louisville, Inc.

Columbia Medical Group - Pinelake, Inc.

Columbia/Kentucky Services, Inc.

Frankfort Hospital, Inc.

Bluegrass Regional Primary Care Centre
 Frankfort Regional Medical Center

Galen International Holdings, Inc.

Galen of Kentucky, Inc.

GALENCO, Inc.

Greenview Hospital, Inc.

Greenview Regional Hospital

Physicians Medical Management, L.L.C.

South Central Kentucky Corp.

Spring View Health Alliance, Inc.

Springview Hospital, Inc.

Subco of Kentucky, Inc.

Tri-County Community Hospital, Inc.

LOUISIANA

Acadiana Care Center, Inc.

Acadiana Practice Management, Inc.

Acadiana Regional Pharmacy, Inc.

BRASS East Surgery Center Partnership in Commendam
Columbia Outpatient Surgery Center of Baton Rouge
The Outpatient Surgery Center for Sight

Columbia Healthcare System of Louisiana, Inc.
Associates of Internal Medicine
Physician Practice Management
The Women's Center

Columbia Lakeview Surgery Center, L.P.

Columbia West Bank Hospital, Inc.

Columbia/HCA Healthcare Corporation of Central Louisiana, Inc.

Columbia/HCA of Baton Rouge, Inc.
Capital Area Provider Alliance

Columbia/HCA of New Orleans, Inc.
Columbia Regional Healthcare Network

Columbia/Lakeview, Inc.

Dauterive Hospital Corporation
Dauterive Hospital

Hamilton Medical Center, Inc.

HCA Health Services of Louisiana, Inc.
North Monroe Hospital

HCA Highland Hospital, Inc.

Lake Area Medical Center, Inc.

Lake Charles Surgery Center, Inc.

Lakeview Radiation Oncology, L.L.C.

Louisiana Psychiatric Company, Inc.

Medical Center of Baton Rouge, Inc.
Lakeside Hospital
Medical Center of Baton Rouge Genesis Family Centered Birthplace

Notami (Opelousas), Inc.

Notami Hospitals of Louisiana, Inc.

Ponchartrain Regional Healthcare Network, Inc.

Rapides Healthcare System, L.L.C.
Avoyelles Hospital
Eunice Rural Health Clinic
Evangeline Community Home
Fair Oaks of Evangeline
Kinder Rural Health Clinic
Oakdale Community Hospital
Oakdale Rural Health Clinic
Rapides Cancer Center
Rapides Heart Center
Rapides Home Health
Rapides Industrial Medicine
Rapides Regional Medical Center
Savoy Care Center
Savoy Elton Rural Health Clinic
Savoy Medical Center
Savoy Family Hospice
Savoy Homehealth
SMC New Horizons
South Allen Doctors Clinic
Winn Parish Medical Center
Rapides Women's and Children's

Select Healthcare Services, Inc.

Surgicare Merger Company of Louisiana

Surgicare of Lafayette, Inc.

Surgicare of Lakeview, Inc.
Mandeville Surgery Center

Surgicare Outpatient Center of Baton Rouge, Inc.

Surgicare Outpatient Center of Lake Charles, Inc.

Surgicenter of East Jefferson, Inc.

University Healthcare System, L.C.
Tulane University Hospital and Clinic

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Ville Platte Acquisition Corporation

WGH, Inc.

Williamson Eye Center, In Commendam

Women's and Children's Hospital, Inc.
Women's and Children's Hospital

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MASSACHUSETTS

Columbia Homecare, Limited Partnership
Columbia Homecare of Massachusetts, Inc.
Columbia Hospital Corporation of Massachusetts, Inc.
Columbia Neponset Healthcare System, Inc.
Orlando Outpatient Surgical Center, Ltd.
MediVision of Orlando
Surgicare of Suburban, Inc.
Waltham Surgicare, Inc.

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MISSISSIPPI

Brookwood Medical Center of Gulfport, Inc.
Coastal Imaging Center of Gulfport, Inc.
Coastal Imaging Center, L.P.
Galen of Mississippi, Inc.
Garden Park Investments, L.P.
Garden Park Physician Services Corporation
GOSC, LP
GOSC-GP, Inc.
Gulf Coast Medical Ventures, Inc.
HTI Health Services, Inc.
Lakeland Physicians Medical Building, Inc.
VIP, Inc.

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MISSOURI

Galen Sale Corporation

HEI Missouri, Inc.

HEI Sullivan, Inc.

M.W.A, Inc.

Medical Diagnostic Center Associates Limited Partnership

Metropolitan Providers Alliance, Inc.

Missouri Healthcare System, L.P.

Notami Hospitals of Missouri, Inc.

Ozarks Medical Services, Inc.

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NEBRASKA

Omaha Healthcare System, Inc.

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NEVADA

BNA Holdings, Inc.

CHC Venture Co.

CHCA Capital GP, Inc.

C/HCA Capital, Limited Partnership

CIS Holdings, Inc.

Columbia Hospital Corporation of West Houston

Columbia Southwest Division, Inc.

Columbia-SDH Holdings, Inc.

Columbia/TSP Holdings, Inc.
Consolidated Las Vegas Medical Centers
Desert Physical Therapy, Inc.
Columbia Desert Physical Therapy
HCA Health Services of Nevada, Inc.
Health Service Partners, Inc.
James Bros., Inc.
Las Vegas Physical Therapy, Inc.
Lynn Maguire Physical Therapy
Las Vegas Surgical Center, Ltd.
Las Vegas Surgicare, Inc.
Las Vegas Surgicare, Ltd., a Nevada Limited Partnership
Las Vegas Surgery Center
MHI, Inc.
National Care Services Corp. of Nevada
Columbia Sunrise Diagnostic Center
Kids Healthcare
Sunrise Medical Tower III
Sunrise Medical Tower IV
Sunrise Professional Pharmacy

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Nevada Psychiatric Company, Inc.
Pasadena Holdings, Inc.
Rio Grande/Piney Woods Holdings (Nevada), Inc.
Sahara Outpatient Surgery Center, Ltd., a Nevada Limited Partnership
Sahara Surgery Center
Sunrise Clinical Research Institute, Inc.
Sunrise Flamingo Surgery Center, Limited Partnership
Flamingo Surgery Center
Sunrise Mountainview Hospital, Inc.
MountainView Hospital
Sunrise Outpatient Services, Inc.
Surgicare of Green Valley, Inc.
Surgicare of Las Vegas, Inc.
Value Health Holdings, Inc.
VH Holdco, Inc.

VH Holdings, Inc.

Western Plains Capital, Inc.

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NEW HAMPSHIRE

HCA Health Services of New Hampshire, Inc.

Portsmouth Pavilion

Portsmouth Regional Hospital

Londonderry Physical Therapy Center

Main Street Medical Park

Parkland Center for Wound Management

Parkland Eldercare

Parkland Medical Center

Parkland Rehabilitation Services - Londonderry

The Woman's Store @ Parkland Medical Center

Windham Pediatrics

Health Imaging Centers, Inc.

Occupational Health Solutions of New England Limited Partnership

Occupational Health Solutions of New England

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NEW MEXICO

HCA Health Services of New Mexico, Inc.

New Mexico Psychiatric Company, Inc.

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NEW YORK

Critical Care America of New York, Incorporated

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NORTH CAROLINA

CareOne Home Health Services, Inc.

Columbia Cape Fear Healthcare System, Limited Partnership

Columbia Davis Holdings, Inc.

Columbia North Carolina Division, Inc.
Columbia Network Healthcare

Columbia-CFMH, Inc.

Cumberland Medical Center, Inc.

Galen of North Carolina, Inc.

HCA-Raleigh Community Hospital, Inc.
Health Plus

Heritage Hospital, Inc.
Northeastern Rehabilitation Center

Hospital Corporation of North Carolina
Brunswick Community Hospital
Columbia Care (NC)
Intra-Net

HTI Health Services of North Carolina, Inc.

Mecklenburg Surgical Land Development, Ltd.

Old FDC Limited Partnership

Optical Shop, Inc.
The Optical Shop

Raleigh Community Medical Office Building Ltd.

Raleigh Community Physical Therapy & Sports Medicine Center, Inc.

Salem Optical Company, Inc.

Southeastern Eye Center, Inc.

Wake Psychiatric Hospital, Inc.

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OHIO

AHN Holdings, Inc.

Columbia Beachwood Surgery Center, Ltd.

Columbia Dayton Surgery Center, Ltd.

Columbia Ohio Division, Inc.

Columbia/HCA Healthcare Corporation of Northern Ohio

Columbus Health Imaging Partnership

E.N.T. Services, Inc.

Lorain County Surgery Center, Ltd.
The Surgery Center Lorain

Middleburg Heights Surgical Center, Inc.

Ohio Health Choice Ventures, Inc.

Southwest Dual Diagnostic Center, G.P.

Surgicare of Beachwood, Inc.

Surgicare of Dayton, Inc.

Surgicare of Lorain County, Inc.

Surgicare of North Cincinnati, Inc.

Surgicare of Westlake, Inc.

The Surgery Center Laboratory, Inc.
The Surgery Center

The Surgery Center, an Ohio Limited Partnership

The Surgery Center Radiology, Inc.

The Surgery Center West, Ltd.
The Surgery Center West

Westlake Surgicare, L.P.

OKLAHOMA

Bethany PHO, Inc.

Columbia Doctors Hospital of Tulsa, Inc.

Columbia Oklahoma Division, Inc.

Columbia/Edge Mobile Medical, L.L.C.

Edmond Physician Hospital Organization, Inc.

Green Country Anesthesiology Group, Inc.

HCA Health Services of Oklahoma, Inc.
 Capstone Medical Group
 Columbia Presbyterian Hospital
 Presbyterian Center for Healthy Living
 Rogers Occupational Clinic
 University Health Partners

Health Partners of Oklahoma, Inc.

Healthcare Oklahoma, Inc.

Integrated Management Services of Oklahoma, Inc.

Lake Region Health Alliance Corporation

Medical Imaging, Inc.

Millennium Health Care of Oklahoma, Inc.
 Seminole Medical Center

Oklahoma Outpatient Surgery Limited Partnership
 Oklahoma Surgicare

Oklahoma Surgicare, Inc.

Plains Healthcare System, Inc.

Presbyterian Office Building, Ltd.

Rogers County PHO, Inc.

Southwestern Medical Center, Inc.

Stephenson Laser Center, L.L.C.

Surgicare of Northwest Oklahoma, LP

Surgicare of Oklahoma City-Midtown, LP
Columbia Surgicare-Midtown

Surgicare of Tulsa, Inc.
Columbia Surgicare of Tulsa

Wagoner Medical Group, Inc.

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PENNSYLVANIA

Basic American Medical Equipment Company, Inc.

Surgicare of Philadelphia, Inc.

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RHODE ISLAND

Atwood Surgicare, Inc.

Blackstone Valley Surgicare, Inc.
Columbia Blackstone Valley Surgicare

Columbia Northeast Corporation

Columbia Rhode Island Healthcare, Inc.

Johnston Ambulatory Surgical Associates, Ltd.

Pawtucket Outpatient Medical Building, Inc.

Surgicare at the Crossing Limited, a Rhode Island Limited Partnership

Warwick Surgicare, Inc.

Wayland Square Surgicare, Inc.
Columbia Wayland Square Surgicare

SOUTH CAROLINA

C/HCA Development, Inc.

Carolina Behavioral Health, LLC

Carolina Regional Surgery Center, Inc.

Carolina Regional Surgery Center, Ltd.
Carolina Regional Surgery Center

Chesterfield General Hospital, Inc.

Coastal Carolina Home Care, Inc.

Colleton Ambulatory Care, LLC

Columbia Carolinas Division, Inc.

Columbia Charleston Healthcare System, Inc.

Columbia-CSA/HS Greater Columbia Area Healthcare System, LP
Providence Hospital

Columbia/HCA Healthcare Corporation of South Carolina

DMH Spartanburg, Inc.

Doctors Memorial Hospital, Inc.

Doctor's Memorial Hospital of Spartanburg, L.P.

Edisto Multispecialty Associates, Inc.
Colleton Internal Medicine
Colleton Pediatric Associates
Edisto Ear, Nose and Throat
Edisto Orthopaedics and Sports Medicine
Walterboro Internal Medicine

HTI South Carolina, Inc.

Low Country Health Services, Inc. of the Southeast

Trident Eye Surgery Center, L.P.

Trident Medical Services, Inc.

Walterboro Community Hospital, Inc.
Colleton Medical Center
Colleton Regional Non-Emergent Clinic
Pulaski Medical Center

SWITZERLAND

Permanence de L'Hopital de la Tour
Geneva Outpatient Clinic

La Tour S.A.
Hospital de la Tour et Pavilion Gourgas

TENNESSEE

America's Group, Inc.

Appalachian OB/GYN Associates, Inc.

Athens Community Hospital, Inc.
Athens Regional Medical Center

Atrium Memorial Surgical Center, Ltd.
Atrium Memorial Surgical Center

Availis Health Products, Inc.
Availis

Centennial Surgery Center, L.P.
Centennial Surgery Center

Central Credentialing Services, Inc.

Central Tennessee Hospital Corporation
Cheatham Medical Center
Horizon Medical Center
Horizon Academy

Chattanooga Healthcare Network Partner, Inc.

Chattanooga Healthcare Network, L.P.

Columbia Eastern Group, Inc.

Columbia Health Management, Inc.
Columbia Healthcare Network
Columbia Psychiatric Network
The Health Advantage Network of Tennessee

Columbia Healthcare Network of Tri-Cities, Inc.
Columbia Healthcare Network of West Tennessee, Inc.
Columbia Information Systems, Inc.
Columbia Integrated Health Systems, Inc.
Columbia Medical Group - Athens, Inc.
Athens Medical Group
Columbia Medical Group - Centennial, Inc.
Cool Springs Medical Group
Centennial Family Practice

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Columbia Medical Group - Chatsworth, Inc.
Columbia Medical Group - Daystar, Inc.
Columbia Medical Group - Dickson, Inc.
Horizon Medical Group
Waverly Healthcare Services
Columbia Medical Group - Eastridge, Inc.
Columbia Medical Group - Franklin Medical Clinic, Inc.
Columbia Medical Group - Hendersonville, Inc.
Family Medical Center-Goodlettsville
Family Medical Center-Portland
Family Medical Center-White House
Portland Community Health Center
Columbia Medical Group - Indian Path, Inc.
Indian Path Medical Group
Columbia Medical Group - Nashville Memorial, Inc.
Internal Medicine Group
Memorial Family Medicine
Columbia Medical Group - North Side Specialty, Inc.
Columbia Medical Group - Parkridge, Inc.
East Brainerd Medical Center
Family & Sports Medicine
Gunbarrel Medical
Signal Mountain Medical Center
St. Elmo Medical Center
Columbia Medical Group - Parthenon, Inc.
Columbia Medical Group - Regional, Inc.
Jackson Regional Pediatric Center
Columbia Medical Group - River Park, Inc.
McMinnville Medical Physicians
Medical Group of McMinnville
Pediatric and Adolescent Health Specialists
River Park Clinic

Columbia Medical Group - South Pittsburg, Inc.

Columbia Medical Group - Southern Hills, Inc.
Columbia Cool Springs Medical Center
Family Practice Associates of Southern Hills

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Internal Medicine Associates of Southern Hills
Pediatric Associates of Southern Hills

Columbia Medical Group - Southern Medical Group, Inc.

Columbia Medical Group - Stones River, Inc.
Stones River Family Medicine

Columbia Medical Group - Summit, Inc.
Summit Family Practice

Columbia Medical Group - Sycamore Shoals, Inc.
Avoca Family Health Center
Hampton Family Medical Center

Columbia Medical Group - The Frist Clinic, Inc.
The Frist Clinic

Columbia Medical Group - Volunteer, Inc.
Martin Specialty Clinic

Columbia Medical Group - Woodbury, Inc.

Columbia Mid-America Group, Inc.

Columbia Mid-Atlantic Division, Inc.

Columbia Nashville Division, Inc.

Columbia Northeast Division, Inc.

Columbia Regional Medical Center, L.L.C.

Columbia Volunteer Division, Inc.

Cumberland Division, Inc.

Eastern Idaho Regional, L.L.C.

Eastern Tennessee Medical Services, Inc.

GMC Management Services Organization, L.L.C.

HCA Crossroads Residential Centers, Inc.

HCA Development Company, Inc.

HCA Health Services of Tennessee, Inc.
Centennial Medical Center
Centennial Medical Center/Parthenon Pavilion

Smyrna Medical Center
 Southern Hills Medical Center
 Summit Medical Center

HCA Home and Clinical Services, Inc.

HCA International Company

HCA Medical Services, Inc.

HCA Psychiatric Company

HCA Realty, Inc.

Healthcare Management Research and Development, Inc.

Healthtrust, Inc.-The Hospital Company (TN)

Hendersonville Hospital Corporation
 Hendersonville Hospital

Hometrust Management Services, Inc.

Horizon Occupational Health Services Corporation

Hospital Corporation of Tennessee
 Columbia Volunteer General Hospital
 Martin Pediatric and Adolescent Clinic

Hospital Realty Corporation

HTI Memorial Hospital Corporation
 Nashville Memorial Hospital
 Columbia Subacute Services of Tennessee
 Skyline Medical Center

HTI Tri-Cities Rehabilitation, Inc.

Indian Path Hospital, Inc.

Indian Path Hospital, L.L.C.

Indian Path Rehabilitation Center, Inc.

IPN Services, Inc.

Johnson City Eye & Ear Associates, L.P.

Johnson City Eye & Ear Hospital, Inc.

Judy's Foods, Inc.

Medical Center of Southwest Louisiana, L.P.
Medical Center of Southwest Louisiana

Medical Center Surgery Associates, L.P.

Medical Plaza Ambulatory Surgery Center Associates, L.P.
Plaza Day Surgery

Medical Plaza MRI, L.P.

Medical Resource Group, Inc.

Middle Tennessee Medical Services Corporation
Masterpiece Healthcare Services
TriMed Healthcare Services

Nashville Psychiatric Company, Inc.

Network Management Services, Inc.

North Florida Regional Freestanding Surgery Center, L.P.

North Side Hospital, Inc.

Northwest Hospital Cardiac Diagnostics, L.P.

Parkridge Health System, Inc.
East Ridge Hospital
Parkridge Medical Center
Valley Hospital

Parkside Surgery Center, Inc.

Parthenon Financial Services, Inc.

Plano Ambulatory Surgery Associates, L.P.
Columbia Surgery Center of Plano

Quantum Innovations, Inc.

Rio Grande Surgery Center Associates, L.P.
Rio Grande Surgery Center

River Park Hospital, Inc.
River Park Hospital (TN)

Rivergate Surgery Center, Limited Partnership

SP Acquisition Corp.
Grandview Medical Center
Columbia South Pittsburg Hospital
Columbia Whitwell Medical Center

St. Mark's Ambulatory Surgery Associates, L.P.
St. Mark's Outpatient Surgery Center

Sullins Surgical Center, Inc.

Summit Surgery Center, L.P.

Summit Ambulatory Surgery Center
Surgicare of Madison, Inc.
Surgicare Outpatient Center of Jackson, Inc.
Sycamore Shoals Hospital, Inc.
Tennessee Healthcare Management, Inc.
 Brentwood Primary Care
 Company Care
 Columbia CorpCare Advantage
 Columbia Physician Services (TN)
 Manchester Family Medicine
 Marshall Medical Group
 Medical Associates of Athens
 Medical Group of Sparta
 Primary Care Associates
 The Englewood Clinic
Tri-City Lithotripsy
Trident Ambulatory Surgery Center, L.P.

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TEXAS

Ambulatory Endoscopy Clinic of Dallas, Ltd.
 Columbia Endoscopy Clinic of Dallas
Arlington Diagnostic South, Inc.
Austin Medical Center, Inc.
 Austin Diagnostic Clinic
Bailey Square Ambulatory Surgical Center, Ltd.
 Bailey Square Surgical Center
Bailey Square Outpatient Surgical Center, Inc.
Barrow Medical Center CT Services, Ltd.
Bay Area Healthcare Group, Ltd.
 Columbia On Call
 Corpus Christi Medical Center
Bay Area Surgical Investors, Ltd.
Bay Area Surgicare Center, Inc.
Beaumont Healthcare System, Inc.
Bedford-Northeast Community Hospital, Inc.
 Institute of Sports Rehabilitation and Fitness
 Northeast Community Hospital Skilled Nursing Unit
Bellaire Imaging, Inc.

Brazos Acquisition Corp.
Brownsville-Valley Regional Medical Center, Inc.
Central San Antonio Surgery Center, Ltd.
Methodist Ambulatory Surgery Center Central San Antonio
Central San Antonio Surgical Center Investors, Ltd.
CHC Management, Ltd.
C.E.P. Physical Therapy Centers, Inc.
CHC Payroll Company

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CHC Realty Company
CHC-El Paso Corp.
CHC Psychiatric Management, Ltd.
CHC-Miami Corp.
Clear Lake Regional Medical Center, Inc.
Clear Lake Regional Medical Center
Clear Lake Surgicare, Ltd.
Columbia Bay Area Surgicare Center
Coastal Bend Hospital CT Services, Ltd.
COL - NAMC Holdings, Inc.
Columbia Ambulatory Surgery Division, Inc.
Columbia Bay Area Realty, Ltd.
Columbia Call Center, Inc.
Columbia Call Center
Columbia Central Group, Inc.
Columbia Central Texas Division, Inc.
Columbia Central Verification Services, Inc.
Columbia Champions Treatment Center, Inc.
Columbia GP of Mesquite, Inc.
Columbia Greater Houston Division, Inc.
Greater Houston Division Creative Services
Greater Houston Emergency Services, Inc.
Columbia Greater Houston Division Healthcare Network, Inc.
Columbia Healthcare Network (Houston)
Columbia Hospital at Medical City Dallas Subsidiary, L.P.
Green Oaks Hospital

Medical City Dallas Hospital

Columbia Hospital Corporation at the Medical Center

Columbia Hospital Corporation of Arlington

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Columbia Hospital Corporation of Bay Area

Columbia Hospital Corporation of Corpus Christi

Columbia Hospital Securities Corporation

Columbia Hospital - Arlington(WC), Ltd.

Columbia Hospital - El Paso, Ltd.

Columbia Lone Star/Arkansas Division, Inc.

Columbia Medical Arts Hospital Subsidiary, L.P.

Columbia Medical Center Dallas Southwest Subsidiary, LP
Dallas Southwest Medical Center

Columbia Medical Center of Arlington Subsidiary, LP
Medical Center of Arlington

Columbia Medical Center of Denton Subsidiary, LP
Denton Regional Medical Center
Denton Regional Medical Center - Little Elm
Denton Regional Medical Center - Pilot Point
Denton Regional Medical Center - Valley View
Professional Health Care Services

Columbia Medical Center of Las Colinas, Inc.
Las Colinas Medical Center

Columbia Medical Center of Lewisville Subsidiary, LP
Medical Center of Lewisville

Columbia Medical Center of McKinney Subsidiary, LP
North Central Medical Center

Columbia Medical Center of Plano Subsidiary, LP
Medical Center of Plano

Columbia Medical Center of Sherman Subsidiary, LP

Columbia Navarro Regional Hospital Subsidiary, LP

Columbia North Hills Hospital Subsidiary, LP
North Hills Hospital
North Texas Pediatric Surgery Center

Columbia North Texas Division, Inc.

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Columbia North Texas Healthcare System, L.P.
Columbia North Texas Subsidiary GP, LLC
Columbia North Texas Surgery Center Subsidiary, L.P.
Columbia Northwest Medical Center, Inc.
Columbia Patient Account Services, Inc.
Columbia PDC of Dallas, Ltd.
 Columbia Physicians Daysurgery Center
Columbia Plaza Medical Center of Fort Worth Subsidiary, LP
 Plaza Medical Center of Fort Worth
 Plaza Medical Center - East
Columbia Psychiatric Management Co.
Columbia South Texas Division, Inc.
Columbia Specialty Hospital of Dallas Subsidiary, LP
Columbia Specialty Hospitals, Inc.
Columbia Surgery Group, Inc.
Columbia-Quantum, Inc.
Columbia/HCA Healthcare Corporation of Central Texas
Columbia/HCA Heartcare of Corpus Christi, Inc.
Columbia/HCA International Group, Inc.
Columbia/HCA of Houston, Inc.
Columbia/HCA of North Texas, Inc.
Columbia/HCA of San Angelo, Inc.
Columbia/HCA Western Group, Inc.
Columbia/Pasadena Healthcare System, L.P.
Columbia/St. David's Healthcare System, L.P.
 Columbia Central Texas Imaging Center
 Columbia/St. David's Medicenters
 Lifeway Home Health (Austin, TX)
 Lifeway Home Health (Austin, TX-2)

Lifeway Home Health (Bastrop, TX)
Lifeway Home Health (Giddings, TX)
Lifeway Home Health (La Grange, TX)
Lifeway Home Health (Lockhart, TX)
Lifeway Home Health (Marble Falls, TX)
Lifeway Home Health (Round Rock, TX)
Lifeway Home Health (San Marcos, TX)
North Austin Medical Center

Round Rock Medical Center
South Austin Hospital
St. David's Healthcare Partnership
St. David's Home Health Care
St. David's Home Health Services
St. David's Medical Center
St. David's Pavillion
St. David's Rehabilitation Center
The Pavillion at St. David's

Conroe Hospital Corporation
Conroe Regional Medical Center

Corpus Christi Healthcare Group, Ltd.

Corpus Christi Surgery, Ltd.
Surgicare of Corpus Christi

Credentialing Center of South Texas, Inc.

Cy-Fair Surgery Center, Ltd.

Doctors Hospital (Conroe), Inc.

E.P. Physical Therapy Centers, Inc.

El Paso Healthcare System, Ltd.
Columbia Back Institute
Columbia Behavioral Center
Columbia Diagnostic Center
Columbia Medical Center - East
Columbia Medical Center - West
Columbia Regional Oncology Center
Columbia Sports Medicine Center
Columbia Wound Care Center
El Paso Infusion Therapy
Nurses Unlimited of Van Horn
Nurses Unlimited of Las Cruces
Nurses Unlimited of Santa Teresa

El Paso Nurses Unlimited, Inc.
Nurses Unlimited of El Paso

El Paso Pathology Group, P.A.

El Paso Physical Therapy Centers, Ltd.
Columbia Physical Therapy Center

El Paso Surgery Center, Limited Partnership

El Paso Surgicenter, Inc.
Columbia Surgical Center of El Paso

Endoscopy Clinic of Dallas, Inc.

EPIC Properties, Inc.

EPIC/Alliance of North Texas, Ltd.

EyeCare Providers of America, Inc.

Fort Worth Investments, Inc.
Galen Hospital of Baytown, Inc.
GalTex, LLC
WellHealth Center
Gramercy Surgery Center, Ltd.
Columbia Gramercy Outpatient Surgery Center
Greater Houston Emergency Services, Inc.
Greater Houston Preferred Provider Option, Inc.
Greater Houston PPO
Gulf Coast Provider Network, Inc.
HCA Health Services of Texas, Inc.
McAllen Regional Imaging Center
Med Alliance
Rio Grande Rehabilitation Hospital
HCA Plano Imaging, Inc.
Heart Center of Fort Worth, Ltd.
Heartcare of Texas, Ltd.
HEI Construction, Inc.
HEI Orange, Inc.
HEI Publishing, Inc.
HEI Sealy, Inc.
Houston Northwest Surgical Partners, Inc.
HTI Gulf Coast, Inc.
Kingwood Surgery Center, Ltd.
Columbia Kingwood Medical Center
KPH-Consolidation, Inc.
Las Colinas Surgery Center, Ltd.

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Columbia Surgery Center of Las Colinas
Mansfield Hospital, Inc.
Med Plus of El Paso, Inc.
Med-Center Hosp./Houston, Inc.
Medical Care Surgery Center, Inc.
Medical Center Healthcare Alliance, Inc.
Medical City Dallas Hospital, Inc.
Arlington Clinic

Columbia Children's Hospital at Medical City Dallas
Comfort Health Care Services
Las Colinas Clinic

MediPurchase, Inc.

Methodist Healthcare System of San Antonio, Ltd.

Bandera Medical Clinic
Care One (Kerrville, TX)
Care One (Kerrville, TX Private Duty)
Care One (North Central San Antonio, TX)
Care One (North East San Antonio, TX)
Care One (San Antonio, TX)
Care One (San Antonio, TX private duty)
Care One (Seguin, TX)
Care One (South East San Antonio)
Fortner Daysurgery
Methodist Homecare Health Alternatives
Metropolitan Hospital (TX)
Northeast Methodist Hospital
San Antonio Regional
Southwest Texas Methodist Hospital
Women's and Children's Hospital (TX)

Metroplex Surgicenters, Inc.

MGH Medical, Inc.

Metropolitan Transitional Care Unit

MHS Surgery Centers, L.L.C.

Mid-Cities Surgi-Center, Inc.

Navarro Memorial Hospital, Inc.

Cedar Creek Medical Associates
Kerens Clinic

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North Hills Surgicare, LP

North Richland Hills Surgery Center, Inc.

North Texas General, L.P.

North Texas Technologies, Ltd.

Northeast Methodist Surgicare, Ltd.

Methodist Ambulatory Surgery Center - Northeast

Northeast PHO, Inc.

Northeast Texas Imaging Center, Ltd.

Oakwood Surgery Center, Ltd.

Oakwood Surgery Center

Orthopedic Hospital, Ltd.

Texas Orthopedic Hospital

Paragon of Texas Health Properties, Inc.

Paragon Physicians Hospital Organization of South Texas, Inc.

Paragon Surgery Centers of Texas, Inc.
Park Central Surgery Center, Ltd.
Columbia Park Central Surgical Center
Parkway Cardiac Center, Ltd.
Pasadena Bayshore Hospital, Inc.
Columbia Bayshore Medical Center
Qualitycare Network of Greater Houston, Inc.
Quantum/Bellaire Imaging, Ltd.
Rim Building Partners, L.P.
Rio Grande Regional Hospital, Inc.
Rio Grande Regional Investments, Inc.
Rosewood Medical Center, Inc.
Columbia Rosewood Medical Center
MRI Southwest
Rosewood Professional Office Building, Ltd.

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S.A. Medical Center, Inc.
Salt Lake MRI Services, Ltd.
San Antonio Regional Hospital, Inc.
South Texas Ambulatory Surgery Hospital, Ltd.
Methodist Ambulatory Surgical Hospital - Northwest
South Texas Surgicare, Inc.
Southwest Houston Surgicare, Inc.
Spring Branch Medical Center, Inc.
Columbia Spring Branch Medical Center
Sugar Land Surgery Center, Ltd.
Sun Towers/Vista Hills Holding Co.
Sunbelt Regional Medical Center, Inc.
East Houston Regional Medical Center
Surgical Center of Dallas, Inc.
Surgical Center of Irving, Inc.
Surgical Facility of West Houston, LP.
West Houston Outpatient Surgicare Center
Surgicare of Central San Antonio, Inc.
Surgicare of Gramercy, Inc.

Surgicare of Kingwood, Inc.
Surgicare of North San Antonio, Inc.
Surgicare of Northeast San Antonio, Inc.
Surgicare of Round Rock, Inc.
Surgicare of Sugar Land, Inc.
Surgicare of Travis Center, Inc.
Columbia Travis Centre Outpatient Surgery
Texas Medical Technologies, Inc.

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Texas Psychiatric Company, Inc.
The Family Birth Center, Ltd.
The West Texas Division of Columbia, Inc.
Village Oaks Medical Center, Inc.
W & C Hospital, Inc.
Waco Hospital Corp.
West Houston ASC, Inc.
West Houston Healthcare Group, Ltd.
West Houston Outpatient Medical Facility, Inc.
West Houston Surgicare, Inc.
WHMC, Inc.
West Houston Medical Center
Willow Creek Hospital, Ltd.
Woman's Hospital of Texas, Incorporated

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UTAH

Brigham City Community Hospital, Inc.
Brigham City Community Hospital
Brigham City Health Plan, Inc.

Brigham City Physicians Group, Inc.
Columbia Mountain Division, Inc.
Columbia Ogden Medical Center, Inc.
Columbia Ogden Regional Medical Center
Columbia Utah Division, Inc.
Eastern Utah Health Plan, Inc.
General Hospitals of Galen, Inc.
Peachtree Health and Fitness Center
Healthtrust Utah Management Services, Inc.
Hospital Corporation of Utah
Bountiful Laundry
Lakeview Hospital
HTI Homemed of Utah, Inc.
HTI Physician Services of Utah, Inc.
HTI Utah Data Corporation
Lakeview Health Plan, Inc.
MHHE Corporation
Mountain View Health Plan, Inc.
Mountain View Hospital, Inc.
Mountain View Medical Office Building
Mountain View Hospital
Timpanogos Regional Hospital
Mountain View Medical Office Building, Ltd.
Northern Utah Healthcare Corporation
St. Mark's Hospital
Ogden Regional Health Plan, Inc.

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Premier Medical Network, Inc.
Salt Lake City Surgicare, Inc.
Southridge Professional Plaza, L.L.C.
St. Mark's Investments, Inc.
St. Mark's Physicians, Inc.
The Wasatch Endoscopy Center, Ltd.
West Jordan Hospital Corporation

VIRGINIA

Alleghany Primary Care, Inc.

Ambulatory Services Management Corp. of Chesterfield County, Inc.

Behavioral Health of Virginia Corporation

Chicago Medical School Hospital, Inc.

Chippenham and Johnston-Willis Hospitals, Inc.

Amelia Healthcare Clinic
Chippenham Medical Center
Johnston-Willis Hospital
Tucker Pavilion

Columbia Arlington Healthcare System, LLC

Columbia Central Atlantic Division, Inc.

Columbia Healthcare of Central Virginia, Inc.

Bon Air Family Practice
Columbia Practice Services
Columbia Primary Care
Medical Office Services
Richmond Specialty Group
South Richmond Family Physicians

Columbia Home Therapies of Virginia, Inc.

Columbia Medical Group - Southwest Virginia, Inc.

Antonia Caday, M.D.

Columbia Pentagon City Hospital, L.L.C.

Columbia Physicians Services, Inc.

Columbia Primary Care Associates, Ltd.

Ashburn Medical Center
Associates in Medicine - Burke
Associates in Medicine - Carlin Springs
Associates in Medicine - Centerville
Associates in Medicine - Fairfax
Associates in Medicine - Fairlington
Associates in Medicine - Falls Church
Associates in Medicine - Falls Church East
Associates in Medicine - Merrifield
Associates in Medicine - Reston
Associates in Medicine - Vienna
Purcellville Medical Center

Purcellville Urgent Care
Reston Town Center Internal Medicine
Tysons Corner Medical Center
Tysons Pediatrics
Union Mill Medical Center

Columbia Richmond Division, Inc.

Columbia South Little Rock, Inc.

Columbia/Alleghany Regional Hospital, Inc.
Alleghany Healthcare Services
Alleghany Regional Hospital

Columbia/HCA John Randolph, Inc.
Columbia John Randolph Medical Center

Columbia/HCA Retreat Hospital, Inc.
Columbia Retreat Hospital

Galen of Virginia

Galen Virginia Hospital Corporation

Galen-Med, Inc.
Columbia Clinch Valley Medical Center

Generations Family Practice, Inc.

HCA Health Services of Virginia, Inc.
Greater Richmond Physician Referral Service
HCA Chester Office
Henrico Doctors Hospital
Lewis-Gale Psychiatric Center
Petersburg Psychiatric Hospital
Reston Town Center Pediatrics

Imaging and Surgery Centers Of Virginia, Inc.

Insight Clinic Services, LC

Lewis-Gale Hospital, Inc.

Management Services of the Virginias, Inc.

Medical Imaging & Technology Associates

Montgomery Regional Hospital, Inc.
Blue Ridge Health Clinic

Montgomery Regional Hospital

MOS Temps, Inc.

MRI of Reston Limited Partnership

New River Healthcare Plan, Inc.

NOCO, Inc.

Northern Virginia Hospital Corporation

Preferred Care of Richmond, Inc.

Preferred Hospitals, Inc.

Primary Health Group, Inc.

Pulaski Community Hospital, Inc.

Pulaski Community Hospital

Reston Hospital Lithotripter, J.V.

Surgicare of Virginia, Inc.

Columbia Fairfax Surgical Center

United Ambulance Service, Inc.

Virginia Hematology & Oncology Associates, Inc.

Virginia Psychiatric Company, Inc.

Columbia Dominion Hospital

Peninsula Behavioral Center

Peninsula Hospital

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WASHINGTON

ACH, Inc.

Capital Network Services, Inc.

Capital Network Billing

Columbia Capital Medical Center Limited Partnership

Capital Medical Center

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WEST VIRGINIA

Charleston Hospital, Inc.

Columbia Saint Francis Hospital

Saint Francis Health Clinic

South Hills Primary Care

Columbia Parkersburg Healthcare System, Inc.

Columbia/HCA WVMS Member, Inc.
Columbia Mobile Services

Columbia-S.J. Ventures Properties, Limited Partnership
Columbia - Parkersburg Billing and Collectors
Parkersburg Billing and Collectors

Columbia-St. Joseph's Healthcare System, Limited Partnership
St. Joseph's Hospital

Galen of West Virginia, Inc.
Columbia Home Infusion Services
Galen Shared Services

HCA Health Services of West Virginia, Inc.

Hospital Corporation of America

Raleigh General Hospital
All Care Medical Supply
Beckley Hospital
Raleigh General Hospital

St. Luke's Princeton, LLC
St. Luke's Hospital

Teays Valley Health Services Corp.
Putnam General Hospital

Tri Cities Health Services Corp.
Columbia River Park Hospital (WVA)

West Virginia Management Services Organization, Inc.
Columbia Behavioral Health Network
Physicians Care of The Virginias

Zone, Incorporated

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WISCONSIN

Psychiatric Company of Dane County, Inc.

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CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements on Forms S-3 (File Nos. 333-82219, 333-05005, 333-01337, 33-64105, 33-53661, 33-53409, 33-52379, and 33-50985) and Forms S-8 (File Nos. 333-82207, 333-64479, 333-33881, 333-18169, 33-62309, 33-62303, 33-55511, 33-55509, 33-55272, 33-55270, 33-52253, 33-51114, 33-51082, 33-51052, 33-50151, 33-50147, 33-49783 and 33-36571) of our report dated February 11, 2000 with respect to the consolidated financial statements included in this Annual Report (Form 10-K) of Columbia/HCA Healthcare Corporation for the year ended December 31, 1999.

/s/ ERNST & YOUNG LLP

Nashville, Tennessee
March 24, 2000

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENTS OF INCOME AND BALANCE SHEETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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