

## SETTLEMENT AGREEMENT

### I. PARTIES

This Settlement Agreement (“Agreement”) is entered into by and between the United States of America, acting through the United States Attorney for the Southern District of California, United States Department of Justice, and on behalf of the Office of Inspector General (“OIG-HHS”) of the Department of Health and Human Services, the TRICARE Management Activity (“TMA”) through its General Counsel, and the Office of Personnel Management (“OPM”), which administers the Federal Employees Health Benefit Program (“FEHBP”) (collectively the “United States”) and Alvarado Hospital Medical Center, Inc. (“AHMC”), Tenet HealthSystem Hospitals, Inc. (“THHI”), and Tenet Healthcare Corporation (“THC”) (collectively “Tenet”) (hereinafter referred to as “the Parties”), through their authorized representatives.

### II.

#### PREAMBLE

As a preamble to this Agreement, the Parties agree to the following:

A. THHI is a Delaware corporation that owned and operated a number of acute care hospitals. From 1992 until 2001, THHI owned and operated Alvarado Hospital Medical Center (the “Hospital”). Thereafter, the Hospital was owned and operated by AHMC, a California corporation. AHMC is wholly owned by THHI. The Hospital is located in San Diego, California. THHI is wholly owned by THC, a Nevada corporation.

B. THHI and AHMC submitted or caused to be submitted claims for payment to the Medicare Program, Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395ggg; the Medicaid Program, 42 U.S.C. §§ 1396-1396v; the TRICARE Program (“TRICARE”), 10 U.S.C. §§

1071-1110; and the Federal Employees Health Benefits Program (“FEHBP”), 5 U.S.C. §§ 8901 et. seq. (collectively “the government health care programs”).

C. The United States contends that it has certain civil and administrative monetary claims under the False Claims Act, 31 U.S.C. §§ 3729-33, other federal statutes, and common law doctrines for engaging in the following conduct from January 1, 1992 through December 31, 2005 (hereinafter referred to as the “Covered Conduct”):

1. THHI and AHMC, while subsidiaries of THC, submitted or caused to be submitted claims for services rendered at the Hospital to representatives of the government health care programs that resulted from referrals and orders by physicians, physician group practices, professional corporations and/or other legal entities (“physicians”) who received money from or otherwise had a financial relationship with THHI and AHMC, through relocation agreements or other direct or indirect financial relationships.

2. The United States alleges these claims were false because (a) Section 1877 of the Social Security Act (“SSA”), 42 U.S.C. § 1395nn (also known as the Stark Law) prohibited THHI and AHMC from billing government health care programs for items or services referred or ordered by physicians with whom THHI and AHMC had improper financial relationships, (b) THHI and AHMC forfeited the right to bill government health care programs for such items and services by paying remuneration to physicians intending that remuneration to induce those and other referrals in violation of the Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b), and (c) THHI and AHMC were required to and did certify on cost reports submitted to fiscal intermediaries for the applicable fiscal years that items and services identified or summarized in each cost report were not provided or procured through the payment directly or indirectly of a kickback or billed in violation of federal

laws.

D. The United States also alleges and contends that it has certain administrative claims against Tenet under the provisions for permissive exclusion from the Medicare, Medicaid and other Federal health care programs, 42 U.S.C. § 1320a-7(b), for permissive debarment from the FEHBP and other related sanctions under 5 U.S.C. § 8902a, for permissive exclusion from TRICARE, 32 C.F.R. § 199.9, and the provisions for civil monetary penalties, 42 U.S.C. § 1320a-7a, for the Covered Conduct.

E. Tenet denies the allegations and contentions of the United States set out in paragraphs C and D above.

F. To avoid the delay, uncertainty, inconvenience and expense of protracted litigation of these claims, the Parties reach a full and final compromise and settlement pursuant to the Terms and Conditions below.

G. This Agreement is neither an admission of liability by Tenet, nor a concession by the United States that its claims are not well founded. In furtherance of the settlement of all claims for the Covered Conduct, Tenet has agreed to issue the statement attached as Exhibit 1.

### III.

#### TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises, covenants, and obligations set forth below, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. Tenet agrees to pay to the United States a total of \$21,000,000 which is immediately due and owing as of the Effective Date of this Agreement (“the Settlement Amount”). Tenet agrees to

pay the Settlement Amount by electronic funds transfer pursuant to written instructions to be provided by the United States. Tenet agrees to make the electronic funds transfer within ten (10) days after the Effective Date of this Settlement Agreement and receipt of written electronic funds transfer instructions, whichever occurs last.

2. Subject to the exceptions in Paragraph 7 below, in consideration of the obligations of Tenet set forth in this Agreement, conditioned upon Tenet's payment in full of the Settlement Amount, the United States (on behalf of itself, its officers, agents, agencies, and departments) releases THC, THHI and AHMC together with their current and former parent corporations, each of its direct and indirect subsidiaries, brother or sister corporations, divisions, corporations, current or former owners, partnerships or other legal entity in which Tenet or a Tenet subsidiary has or had an ownership interest, and the partners or other shareholders in any such partnership or other legal entity, and the successors and assigns of any of them, from any civil or administrative monetary claim the United States has or may have under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the civil money penalty provision of the Stark Law, 42 U.S.C. §§ 1395nn(g)(3), (4); and the common law theories of recovery – including, but not limited to, payment by mistake, unjust enrichment, recoupment, restitution, disgorgement of illegal profits, claims of breach of contract, breach of express or implied promise, or fraud – for the Covered Conduct.

3. THC, THHI, AHMC and OIG-HHS have entered into a Divestiture Agreement, attached as Exhibit 2, which is incorporated by reference herein. Pursuant to the terms of Paragraph 4 of the Divestiture Agreement, and subject to all of the terms of the Divestiture Agreement, OIG-HHS has

agreed to withhold issuance of a notice of proposal to exclude AHMC under section 1128(b)(7) of the SSA, 42 U.S.C. § 1320a-7(b)(7), for the Covered Conduct. In consideration of the obligations of THC, THHI and AHMC set forth in this Agreement and in the Divestiture Agreement, OIG-HHS agrees to release THC, THHI, and AHMC under section 1128(b)(7) of the SSA, 42 U.S.C. § 1320a-7(b)(7), for the Covered Conduct upon the completion of the Divestiture as defined in Paragraph 4 of the Divestiture Agreement. This release shall be effective upon the date the Divestiture is complete. If THC, THHI and AHMC fail to fulfill their obligations under the Divestiture Agreement, THC, THHI and AHMC shall not be released by OIG under section 1128(b)(7) of the SSA, 42 U.S.C. § 1320a-7(b)(7), for the Covered Conduct. OIG-HHS expressly reserves all rights to comply with any statutory obligations to exclude THC, THHI and AHMC together with their current and former parent corporations, each of their direct and indirect subsidiaries, brother or sister corporations, divisions, current or former owners, affiliates, and the successors and assigns of any of them from Medicare, Medicaid or other Federal health care programs under 42 U.S.C. § 1320a-7(a)(mandatory exclusion) based upon the Covered Conduct. Nothing in this Paragraph precludes the OIG-HHS from taking any action against entities or persons, or for conduct and practices, for which claims have been reserved in Paragraph 7 below.

4. In consideration of the obligations of Tenet set forth in this Agreement, conditioned upon Tenet's payment in full of the Settlement Amount and Tenet's compliance with the Divestiture Agreement, TMA hereby releases and agrees to refrain from instituting, directing or maintaining any administrative action seeking exclusion from the TRICARE Program against Tenet under 32 C.F.R. § 199.9 for the Covered Conduct. TMA expressly reserves all rights to comply with any statutory obligations to exclude Tenet together with their current and former parent corporations, each of their

direct and indirect subsidiaries, brother or sister corporations, divisions, current or former owners, affiliates, and the successors and assigns of any of them, from the TRICARE program under 32 C.F.R. §§ 199.9(f)(1)(i)(A), (f)(1)(i)(B), and (f)(1)(i)(B), and (f)(1)(iii), based upon the Covered Conduct. Nothing in this Paragraph precludes TMA from taking action against entities or persons, or for conduct or practices, for which claims have been reserved in Paragraph 7 below.

5. In consideration of the obligations of Tenet set forth in this Agreement and the obligations set forth in the Divestiture Agreement, attached as Exhibit 2 and incorporated herein by reference, conditioned upon Tenet's payment in full of the Settlement Amount, OPM hereby releases and agrees to refrain from instituting, directing or maintaining any administrative action seeking permissive debarment from the FEHBP and imposition of civil monetary penalties under 5 U.S.C. § 8902a, for the Covered Conduct. OPM expressly reserves all rights to comply with any statutory obligations to debar THC, THHI and AHMC, together with their current and former parent corporations, each of their direct and indirect subsidiaries, brother or sister corporations, divisions, current or former owners, affiliates, and the successors and assigns of any of them from the FEHBP under 5 U.S.C. § 8902a(b)(mandatory debarment) based upon the Covered Conduct. Nothing in this Paragraph precludes OPM from taking action against entities or persons, or for conduct and practices, for which claims have been reserved in Paragraph 7 below.

6. THC, THHI and AHMC, together with each of their current and former parent corporations, each of their direct and indirect subsidiaries, brother or sister corporations, divisions, and the successors and assigns of any of them, fully and finally release the United States, its agencies, officers, agents, employees, and contractors (and their employees) from any and all claims, causes of action, adjustments, and set-offs of any kind which Tenet could have asserted, or may

assert in the future, against the United States, its agencies, officers, agents, employees, and contractors (and their employees) arising out of or pertaining to the Covered Conduct, including the investigation of the Covered Conduct.

7. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including THC, THHI, AHMC, and their current and former parent corporations, each of their direct and indirect subsidiaries, brother or sister corporations, divisions, current or former officers, directors, and the predecessors, successors, heirs, attorneys, agents and assigns of any of them) are any and all of the following:

A. Any civil, criminal or administrative claims arising under Title 26, U.S. Code (commonly referred to as the Internal Revenue Code);

B. Except as explicitly stated in this Agreement, any administrative liability;

C. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;

D. Any claims based upon such obligations as are created by execution of this Agreement;

E. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;

F. Any liability for failure to deliver goods or services due;

G. Any civil or administrative claims against individuals, (including current or former directors, officers, employees, agents, or shareholders of Tenet or any other entity);

H. Any criminal liability; and

I. Any claims of a State arising under Medicaid, or any other provision of law,

based on the Covered Conduct.

8. THC, THHI, and AHMC, and each of their direct and indirect subsidiaries, parents, brother or sister corporations, divisions, the successors and assigns of any of them waives and will not assert any defenses in any criminal prosecution or administrative action relating to the Covered Conduct based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this Paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the settlement amounts for purposes of the Internal Revenue Laws, Title 26 of the United States Code. Apart from the specific language set forth in this Paragraph, nothing in this Paragraph or this Agreement is intended to limit any and all defenses otherwise available to Tenet in connection with any criminal prosecution or administrative action.

9. The Settlement Amount that Tenet must pay pursuant to this Agreement shall not be decreased as a result of the denial of claims for payment now being withheld from payment by any Medicare carrier or fiscal intermediary or any State payor related to the Covered Conduct. Tenet agrees not to resubmit to any Medicare, Medicaid, TRICARE or FEHBP carrier or fiscal intermediary or any State payor any previously denied claims related to the Covered Conduct, and agrees not to appeal any such denials of claims.

10. Tenet agrees to the following:

A. Unallowable Costs Defined: That all costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47 and in Titles XVIII and XIX of the Social Security Act, 42

U.S.C. §§ 1395-1395ggg and 1396-1396v, and the regulations and official program directives promulgated thereunder) incurred by or on behalf of THC, THHI or AHMC, or their current and former parent corporations, each of their direct and indirect subsidiaries, division, affiliates, brother and sister corporations, predecessors, successors and assigns, along with the current and former employees, officers and directors of any of them, in connection with the following are unallowable costs on government contracts and under the Medicare Program, Medicaid Program, TRICARE and FEHBP:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s), civil and criminal investigation(s) and litigation of the matters covered by this Agreement;
- (3) the investigation, defense, and corrective actions undertaken in response to the United States' audit(s), civil and criminal investigation(s) and litigation in connection with the matters covered by this Agreement (including attorneys' fees and costs);
- (4) the negotiation and performance of the Agreement;
- (5) the payments made pursuant or ancillary to this Agreement, including any attorneys' fees and costs; and
- (6) the negotiation of, and obligations undertaken pursuant to the Divestiture Agreement. However, nothing in this Paragraph 10.A(6) that may apply to the obligations undertaken pursuant to the Divestiture Agreement affects the status of costs that are not allowable based on any other authority applicable to Tenet. (All costs described or set forth in this Paragraph 10.A. are hereinafter, "Unallowable Costs").

B. Future Treatment of Unallowable Costs: These Unallowable Costs shall be

separately determined and accounted for in non-reimbursable cost centers by Tenet and Tenet will not charge such Unallowable Costs directly or indirectly to any contracts with the United States or any State Medicaid Program, or seek payment for such Unallowable Costs through any cost report, cost statement, information statement or payment request submitted by THC, THHI or AHMC or any of their current and former parent corporations, each of their direct and indirect subsidiaries, divisions, affiliates, brother and sister corporations, predecessors, successors and assigns, along with the current and former employees, officers and directors of any of them to the Medicare, Medicaid TRICARE, or FEHBP programs.

C. Treatment of Unallowable Costs Previously Submitted for Payment: Tenet further agrees that within 90 days of the Effective Date of this Agreement it shall identify to applicable Medicare, FEHBP and TRICARE fiscal intermediaries, carriers, and/or contractors and Medicaid fiscal agents, any Unallowable Costs (as defined in this Paragraph) included in payments previously sought from the United States, or any State Medicaid Program, including, but not limited to, payments sought in any cost report, cost statements, information reports, or payment requests already submitted by any of THC, THHI, or AHMC or any of their current and former parent corporations, each of their direct and indirect subsidiaries, divisions, affiliates, brother and sister corporations, predecessors, successors and assigns along with the current and former employees, officers and directors of any of them, and shall request, and agree, that such cost reports, cost statements, information reports or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the Unallowable Costs. Tenet agrees that the United States, at a minimum, will be entitled to recoup from each of THC, THHI and AHMC any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously

submitted cost reports, information reports, cost statements, or requests for payment. If the Hospital or Tenet fails to identify such costs in past filed cost reports in conformity with this Paragraph, the United States may seek an appropriate penalty or other sanction in addition to the recouped amount.

Any payments due after the adjustments have been made shall be paid to the United States pursuant to the direction of the Department of Justice and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by THC, THHI or AHMC or any of their current and former parent corporations, each of their direct and indirect subsidiaries, divisions, affiliates, brother and sister corporations, predecessors, successors and assigns, along with the current and former employees, officers and directors of any of them, on the effect of inclusion of Unallowable Costs (as defined in this Paragraph) on the cost reports, cost statement, or information reports of the Hospital or any of its current or former parent corporations, each of their direct and indirect subsidiaries, divisions, affiliates, brother and sister corporations, predecessors, successors and assigns, along with the current and former employees, officers and directors of any of them.

D. Nothing in this Agreement shall constitute a waiver of the rights of the United States to audit, examine, or re-examine Tenet's books and records to determine that no Unallowable Costs have been claimed in accordance with the provisions of this Paragraph.

11. THC, THHI and AHMC expressly warrant that they have reviewed their financial situations and that they are currently solvent within the meaning of 11 U.S.C. § 547(b)(3), and 548(a)(1)(B)(ii)(I), and will remain solvent following their payment to the United States hereunder. Further, the Parties expressly warrant that, in evaluating whether to execute this Agreement, they (a) have intended that the mutual promises, covenants and obligations set forth herein constitute a

contemporaneous exchange for new value given to THC, THHI and AHMC, within the meaning of 11 U.S.C. § 547(c)(1), and (b) have concluded that these mutual promises, covenants and obligations do, in fact, constitute such a contemporaneous exchange. Further, the Parties warrant that the mutual promises, covenants, and obligations set forth herein are intended and do, in fact, represent a reasonably equivalent exchange of value which is not intended to hinder, delay, or defraud any entity to which THC, THHI or AHMC was or became indebted to on or after the date of this transfer, within the meaning of 11 U.S.C. § 548(a)(1).

12. In the event THC, THHI or AHMC commence, or a third party commences, within 91 days of the Effective Date of this Agreement, or of any payment made hereunder, any case, proceeding, or other action (a) under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have any order for relief of the Hospital's or Tenet's debts, or seeking to adjudicate THC, THHI or AHMC as bankrupt or insolvent, or (b) seeking appointment of a receiver, trustee, custodian or other similar official for THC, THHI or AHMC or for all or any substantial part of Tenet's assets, Tenet agrees as follows:

A. Tenet's obligations under this Agreement may not be avoided pursuant to 11 U.S.C. §§ 547 or 548, and Tenet will not argue or otherwise take the position in any such case, proceeding or action that: (i) Tenet's obligations under this Agreement may be avoided under 11 U.S.C. § 547 or 548; (ii) THC, THHI and/or AHMC were insolvent at the time this Agreement was entered into, or became insolvent as a result of the payment made to the United States hereunder; or (iii) the mutual promises, covenants and obligations set forth in this Agreement do not constitute a contemporaneous exchange for new value given to Tenet.

B. If Tenet's obligations under this Agreement are avoided for any reason, including,

but not limited to, through the exercise of a trustee's avoidance powers under the Bankruptcy Code, the United States, at its sole option, may rescind the releases in this Agreement, and bring any civil and/or administrative claim, action, or proceeding against THC, THHI or AHMC for the claims that would otherwise be covered by the releases provided in Paragraphs III.2, III.3, III.4 and III.5 above. Tenet agrees that (i) any such claims, actions, or proceedings brought by the United States (including any proceedings to exclude THC, THHI or AHMC from participation in Medicare, Medicaid, or other Federal health care programs) are not subject to an "automatic stay" pursuant to 11 U.S.C. § 362(a) as a result of the action, case, or proceeding described in the first clause of this Paragraph, and that Tenet will not argue or otherwise contend that the United States' claims, actions, or proceedings are subject to an automatic stay; (ii) Tenet will not plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories, to any such civil or administrative claims, actions, or proceeding which are brought by the United States within ninety (90) calendar days of written notification to Tenet that the releases have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on the date of execution of this agreement; and (iii) the United States has a valid claim against THC, THHI and AHMC in the amount of \$63,000,000 for the Covered Conduct, and the United States may pursue its claims in the case, action, or proceeding referenced in the first clause of this Paragraph, as well as in any other case, action, or proceeding.

C. Tenet acknowledges that the agreements in this Paragraph are provided in exchange for valuable consideration provided in this Agreement.

13. Except as set forth in Paragraph 14, this Agreement is intended to be for the benefit of the Parties only.

14. Tenet waives and shall not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third party payors based upon the claims defined as Covered Conduct.

15. Except as expressly provided to the contrary in this Agreement, each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

16. Tenet represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever and has been advised with respect hereto by counsel prior to entering into this Agreement.

17. This Agreement is governed by the laws of the United States. The United States and Tenet agree that the exclusive jurisdiction and venue for any dispute arising between the United States and Tenet under this Agreement will be the United States District Court for the Southern District of California. Notwithstanding the terms of this Paragraph, disputes arising under the Divestiture Agreement shall be resolved exclusively under the dispute resolution provisions in the Divestiture Agreement.

18. This Agreement and the Divestiture Agreement constitute the complete agreement between the Parties. This Agreement may not be amended except by written consent of the affected Parties, except that only OIG-HHS and Tenet must agree in writing to modification of the Divestiture Agreement.

19. The individuals signing this Agreement on behalf of THHI, THC and AHMC represent and warrant that they are authorized to execute this Agreement. The United States signatories represent that they are signing this Agreement in their official capacities and that they are authorized

to execute this Agreement.

20. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

21. This Agreement is binding on Tenet's successors, transferees, heirs and assigns.

22. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

23. This Agreement is effective on the date of signature of the last signatory to the Agreement ("Effective Date"). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

24. The captions, headings and arrangement of the paragraphs and provisions used in this Agreement are for convenience only and do not in any way limit, define or modify the terms, provisions, conditions, or covenants of this Agreement.

[SIGNATURE BLOCKS ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the Parties hereto affix their signatures:

FOR THE UNITED STATES OF AMERICA

DATED: 16 May, 2006

BY: Carol C. Lam  
CAROL C. LAM

United States Attorney  
Southern District of California

DATED: May 16, 2006

BY: Karen P. Hewitt  
KAREN P. HEWITT

Executive Assistant United States Attorney  
Southern District of California

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
GREGORY E. DEMSKE

Assistant Inspector General for Legal Affairs  
Office of Counsel to the Inspector General  
U.S. Department of Health and Human Services

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
LAUREL C. GILLESPIE

Deputy General Counsel  
TRICARE Management Authority  
U.S. Department of Defense

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
KATHLEEN MCGETTIGAN

Deputy Associate Director  
Center for Retirement & Insurance Services  
Office of Personnel Management

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
J. DAVID COPE

Debarring Official  
Office of Personnel Management

IN WITNESS WHEREOF, the Parties hereto affix their signatures:

FOR THE UNITED STATES OF AMERICA

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

CAROL C. LAM  
United States Attorney  
Southern District of California

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

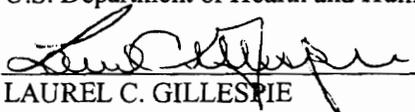
KAREN P. HEWITT  
Executive Assistant United States Attorney  
Southern District of California

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

GREGORY E. DEMSKE  
Assistant Inspector General for Legal Affairs  
Office of Counsel to the Inspector General  
U.S. Department of Health and Human Services

DATED: 16 MAY 2006

BY:  \_\_\_\_\_

LAUREL C. GILLESPIE  
Deputy General Counsel  
TRICARE Management Authority  
U.S. Department of Defense

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

KATHLEEN MCGETTIGAN  
Deputy Associate Director  
Center for Retirement & Insurance Services  
Office of Personnel Management

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

J. DAVID COPE  
Debarring Official  
Office of Personnel Management

IN WITNESS WHEREOF, the Parties hereto affix their signatures:

FOR THE UNITED STATES OF AMERICA

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
CAROL C. LAM  
United States Attorney  
Southern District of California

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
KAREN P. HEWITT  
Executive Assistant United States Attorney  
Southern District of California

DATED: 5/16/06

BY:  \_\_\_\_\_  
GREGORY E. DEMSKE  
Assistant Inspector General for Legal Affairs  
Office of Counsel to the Inspector General  
U.S. Department of Health and Human Services

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
LAUREL C. GILLESPIE  
Deputy General Counsel  
TRICARE Management Authority  
U.S. Department of Defense

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
KATHLEEN MCGETTIGAN  
Deputy Associate Director  
Center for Retirement & Insurance Services  
Office of Personnel Management

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
J. DAVID COPE  
Debarring Official  
Office of Personnel Management

IN WITNESS WHEREOF, the Parties hereto affix their signatures:

FOR THE UNITED STATES OF AMERICA

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

CAROL C. LAM  
United States Attorney  
Southern District of California

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

KAREN P. HEWITT  
Executive Assistant United States Attorney  
Southern District of California

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

GREGORY E. DEMSKE  
Assistant Inspector General for Legal Affairs  
Office of Counsel to the Inspector General  
U.S. Department of Health and Human Services

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

LAUREL C. GILLESPIE  
Deputy General Counsel  
TRICARE Management Authority  
U.S. Department of Defense

DATED: 5/16/06

BY: Shelby R. Patterson for

KATHLEEN MCGETTIGAN  
Deputy Associate Director  
Center for Retirement & Insurance Services  
Office of Personnel Management

DATED: 5/16/06

BY: J. David Cope

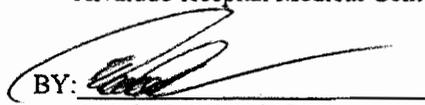
J. DAVID COPE  
Debarring Official  
Office of Personnel Management

FOR THC, THHI and AHMC

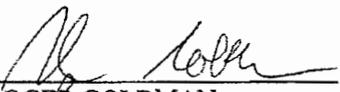
DATED: 5/16/2006

BY:   
DOUGLAS E. RABE  
Vice President, Tenet Healthcare Corporation,  
Tenet HealthSystem Hospitals, Inc., and  
Alvarado Hospital Medical Center, Inc.

DATED: 5/16/06

BY:   
DAVID J. SCHINDLER  
Latham & Watkins, LLP  
Counsel for THC, THHI and AHMC

DATED: 5/16/06

BY:   
ROGER GOLDMAN  
Latham & Watkins, LLP  
Counsel for THC, THHI and AHMC

**STATEMENT OF TENET HEALTHSYSTEMS HOSPITALS INC. AND ALVARADO  
HOSPITAL IN CONNECTION WITH ALVARADO SETTLEMENT**

The Alvarado case has been a sobering event for the Company and it has led to significant reforms and strengthening of compliance standards for physician relocation agreements at all Tenet hospitals, and at hospitals across the country.

Between 1992 and 2002, the hospital and its former CEO, Barry Weinbaum, recruited approximately 100 physicians to East San Diego County. The hospital's relocation program provided money to these physicians to assist them in starting new practices in the area.

Several of the relocated doctors joined 'host practices' of established physicians who were already affiliated with Alvarado and who referred patients to Alvarado. We were distressed to learn that certain host physicians had obtained excessive payments by representing that they needed money to make tenant improvements to accommodate new physicians when, in fact, they never made improvements. We regret that the hospital did not take adequate steps to assure that money provided to relocated doctors, including money earmarked for tenant improvements and office overhead, was in fact used for those purposes and in some instances was not justified. We were also distressed to learn as a result of the government's investigation that Mina Nazaryan, a former Alvarado hospital employee, received payments from certain host doctors who received financial assistance from the hospital.

We have always had a disagreement with the government over whether anyone at Alvarado knowingly set out to violate the law in connection with these physician recruitments, but we have never disputed that there are aspects of how the recruitment program operated that are troubling.

## DIVESTITURE AGREEMENT

1. This Divestiture Agreement (Agreement) is entered into by and between the Office of Inspector General (OIG) of the United States Department of Health and Human Services (HHS), Alvarado Hospital Medical Center, Inc. (Alvarado), Tenet HealthSystem Hospitals, Inc. (THHI), and its parent corporation Tenet Healthcare Corporation, Inc. Alvarado, Tenet HealthSystem Hospitals, Inc., and Tenet Healthcare Corporation, Inc. are hereafter collectively referred to as "the Tenet Entities." The Tenet Entities and the OIG are hereafter collectively referred to as "the Parties." This Agreement addresses the arrangement between the Parties regarding the divestiture of the hospital known as Alvarado Hospital Medical Center (Hospital) by the Tenet Entities to an unrelated third party, as further described below.
2. The OIG has informed the Tenet Entities that the OIG contends it has a basis to exclude Alvarado from participation in Federal health care programs under section 1128(b)(7) of the Social Security Act (the "Act"), 42 U.S.C. § 1320a-7(b)(7). Specifically, the OIG contends that, from 1992 to 2004, Alvarado knowingly and willfully offered and paid remuneration to physicians in order to induce referrals of patients to Alvarado for the furnishing of items or services payable by Federal health care programs. The OIG contends that this remuneration was offered and paid in connection with physician relocation agreements entered into by Alvarado. The OIG further contends that the relocation agreements were intended to benefit the existing physician or physician practice, rather than the relocated physician, and to induce the host physicians to refer patients to Alvarado.
3. The Tenet Entities disagree with the OIG's contentions and contend that they have valid arguments in defense of an exclusion under section 1128(b)(7) of the Act, 42 U.S.C. § 1320a-7(b)(7). This Agreement is neither an admission of liability by the Tenet Entities nor a concession by the OIG that its claims are not well founded.
4. In order to resolve this matter in a way that minimizes disruption to patients of the Hospital and consistent with the terms of this Agreement, (1) the Tenet Entities agree to cause THHI to divest the Hospital to an unrelated party; and (2) the OIG agrees to withhold issuance of a notice of proposal to exclude Alvarado under section 1128(b)(7) of the Act, 42 U.S.C. § 1320a-7(b)(7), for the conduct described in Paragraph 2 of this Agreement. Such divestiture (Divestiture) shall include either: (1) the transfer of the Hospital to an unrelated third party (including the transfer of any additional ancillary assets owned by the Tenet Entities within the Hospital as are necessary to assure the operation and marketability of the Hospital, and the termination of any management relationships between the Tenet Entities

and the Hospital); or (2) the closing of the Hospital. The Tenet Entities agree that they shall take all prudent and reasonable steps to ensure the Divestiture is completed on or before February 6, 2007, subject to the terms of this Agreement.

5. Beginning in June 2006, the Tenet Entities agree to provide the OIG with reports due on the first business day of each month in order to update the OIG on the status of, and steps taken to effectuate, the Divestiture. Information in such status reports shall include, but is not limited to, identification of prospective buyers, the status of regulatory approvals, the status of due diligence reviews, and any other material information that may affect the Divestiture. The Tenet Entities shall provide to the OIG any and all documents and records relating to the Divestiture upon the OIG's request.

6. The OIG agrees to meet with any bona fide prospective buyer.

7. In the event that the Tenet Entities have taken all prudent and reasonable steps to complete the Divestiture by February 6, 2007, but will not be able to complete the Divestiture by that date, the Tenet Entities may, on or before February 6, 2007, request an extension of time to complete the Divestiture, which extension, including the length of any such extension, may be granted or denied at OIG's sole discretion. OIG agrees to consider any reports submitted by the Tenet Entities in accordance with Paragraph 5, above, when determining whether to grant or deny the request and the length of any extension.

8. If the Tenet Entities fail to fully and adequately complete the Divestiture by February 6, 2007, and notwithstanding any extension of time that may be granted by OIG in accordance with Paragraph 7, the OIG in its sole discretion may impose a stipulated penalty of up to \$10,000 per day for each day after February 6, 2007 that the Tenet Entities have failed to complete the Divestiture. Such stipulated penalties shall accrue until: (i) the Tenet Entities complete the Divestiture; or (ii) OIG issues a notice of exclusion in accordance with Paragraph 9 below. Payment of the stipulated penalties shall be made by certified or cashier's check, payable to "Secretary, Department of Health and Human Services."

Upon OIG's delivery to the Tenet Entities of its demand for stipulated penalties, and as an agreed-upon contractual remedy for the resolution of any dispute arising under this Agreement regarding stipulated penalties, the Tenet Entities shall be afforded certain review rights comparable to the ones that are provided in 42 U.S.C. § 1320a-7(f) and 42 C.F.R. Part 1005 as if they applied to the stipulated penalties sought pursuant to this Agreement. Specifically, OIG's determination to demand payment of stipulated penalties shall be subject to review by an HHS Administrative Law Judge and, in the event of an appeal, the HHS Departmental Appeals Board, in a manner consistent with the provisions in 42 C.F.R. § 1005.2-

1005.21. Notwithstanding the language in 42 C.F.R. § 1005.2(c), the request for a hearing involving stipulated penalties shall be made within 10 days after receipt of the OIG's demand for stipulated penalties under this Agreement.

Notwithstanding any provision of Title 42 of the United States Code or Title 42 of the Code of Federal Regulations, the only issues in a proceeding for stipulated penalties under this Agreement shall be whether the Tenet Entities completed the Divestiture by February 6, 2007, and the number of days after February 6, 2007, during which the Tenet Entities had not completed the Divestiture. OIG shall not have the right to appeal to the DAB an adverse ALJ decision related to stipulated penalties. If the ALJ agrees with OIG regarding a failure by the Tenet Entities to complete the Divestiture in accordance with Paragraph 4 and orders the Tenet Entities to pay stipulated penalties, such stipulated penalties shall become due and payable 20 days after the ALJ issues such a decision unless the Tenet Entities request review of the ALJ decision by the DAB. If the ALJ decision is properly appealed to the DAB and the DAB upholds the determination of OIG, the stipulated penalties shall become due and payable 20 days after the DAB issues its decision.

9. The Tenet Entities and the OIG agree that if the Tenet Entities fail to complete the Divestiture by February 6, 2007, the OIG in its sole discretion may issue a notice of exclusion to Alvarado under section 1128(b)(7) of the Act, 42 U.S.C. § 1320a-7(b)(7), for the conduct described in Paragraph 2. If the OIG issues a notice of exclusion pursuant to this Agreement based upon the Tenet Entities' failure to complete the Divestiture, the Tenet Entities agree not to contest the exclusion of Alvarado or the period of exclusion of Alvarado, in any administrative forum, or state or federal court. With respect to any notice of exclusion issued by the OIG, the Tenet Entities agree to waive any and all notice and/or appeal rights provided under 42 C.F.R. Parts 1001 and 1005. The exclusion shall have national effect and shall also apply to all other Federal procurement and nonprocurement programs. Reinstatement to program participation is not automatic. After the end of the period of exclusion, Alvarado may apply for reinstatement by submitting a written request for reinstatement in accordance with the provisions at 42 C.F.R. §§ 1001.3001-.3005. The exclusion shall go into effect 30 days after the date of the Tenet Entities' receipt of the notice of exclusion.

10. Until the Tenet Entities have completed the Divestiture, the Tenet Entities shall operate the Hospital in a manner consistent with this Agreement. The Tenet Entities shall not attempt to transfer the Hospital to any related entity, or any subsidiary or affiliate of the Tenet Entities. In addition, the Tenet Entities shall meet all of the requirements applicable to hospitals participating in Medicare and other Federal health care programs, e.g., 42 C.F.R. Part 482. Nothing in this Agreement shall limit the ability of the Centers for Medicare & Medicaid Services (CMS) to take whatever enforcement actions it deems necessary against the Tenet

Entities or the Hospital should CMS determine that the Hospital is not in compliance with the Medicare Conditions of Participation at 42 C.F.R. Part 482. Nothing in this Agreement shall limit the rights of the Tenet Entities or Hospital in any such enforcement proceeding.

11. All notices, reports, and payments of stipulated penalties required by this Agreement shall be submitted to the following:

OIG:           Administrative and Civil Remedies Branch  
                  Office of Counsel to the Inspector General  
                  Office of Inspector General  
                  U.S. Department of Health and Human Services  
                  Cohen Building, Room 5527  
                  330 Independence Avenue, SW  
                  Washington, DC 20201  
                  Attention: Roderick Chen, Senior Counsel

The Tenet Entities:

E. Peter Urbanowicz  
General Counsel  
Tenet Healthcare Corporation, Inc.  
13737 Noel Road, Suite 100  
Dallas, TX 75240

Unless otherwise specified, all notices, reports, and payments required by this Agreement may be made by certified mail, overnight mail, hand delivery or other means, provided that there is proof that such notification was received. For purposes of this requirement, internal facsimile confirmation sheets do not constitute proof of receipt.

12. This Agreement shall be binding on the successors, assigns, and transferees of the Tenet Entities.

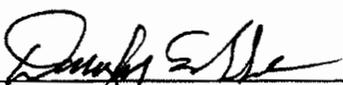
13. This Agreement shall become final and binding on the date the final signature is obtained on the Agreement. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

14. This Agreement shall terminate on the date on which the Tenet Entities complete the Divestiture. Notwithstanding such termination, all stipulated penalties imposed by the OIG prior to the termination of this Agreement shall continue to be

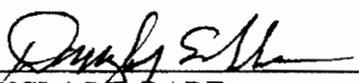
owed by the Tenet Entities unless and until fully paid. This Agreement may be modified only with the prior written consent of the Parties to this Agreement.

15. The undersigned Tenet Entities signatory represents and warrants that he is authorized to execute this Agreement on behalf of the Tenet Entities. The undersigned OIG signatory represents that he is signing his Agreement in his official capacity and that he is authorized to execute this Agreement.

On Behalf of the Tenet Entities

  
\_\_\_\_\_  
DOUGLASE RABE  
Vice President  
Tenet Healthcare Corporation, Inc.

5/16/2006  
Date

  
\_\_\_\_\_  
DOUGLASE RABE  
Vice President  
Tenet HealthSystem Hospitals, Inc.

5/16/2006  
Date

  
\_\_\_\_\_  
DOUGLASE RABE  
Vice President  
Alvarado Hospital Medical Center, Inc.

5/16/2006  
Date

On Behalf of the Office of Inspector General  
of the Department of Health and Human Services



---

GREGORY E. DEMSKE  
Assistant Inspector General for Legal Affairs  
Office of Inspector General  
U.S. Department of Health and Human Services

5/16/06

---

Date