HEALTHSOUTH CORP
Form S-4/A
August 22, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 22, 2002

REGISTRATION NO. 333-91508

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 1

TO

FORM S-4
REGISTRATION STATEMENT UNDER THE
SECURITIES ACT OF 1933

HEALTHSOUTH CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	8062	63-0860407
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification No.)

ONE HEALTHSOUTH PARKWAY, BIRMINGHAM, ALABAMA 35243, (205) 967-7116
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

RICHARD M. SCRUSHY, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, HEALTHSOUTH CORPORATION, ONE HEALTHSOUTH PARKWAY, BIRMINGHAM, ALABAMA 35243, (205) 967-7116
(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

Copies to:

ROBERT E. LEE GARNER, ESQ. S. JASON NABORS, ESQ. HASKELL SLAUGHTER YOUNG & REDIKER, L.L.C. 1200 AMSOUTH/HARBERT PLAZA 1901 SIXTH AVENUE NORTH BIRMINGHAM, ALABAMA 35203	WILLIAM W. HORTON, ESQ. HEALTHSOUTH CORPORATION ONE HEALTHSOUTH PARKWAY BIRMINGHAM, ALABAMA 35243 (205) 967-7116	TODD W. ECKLAND, E PILLSBURY WINTHROP ONE BATTERY PARK PL NEW YORK, NEW YORK 100 (212) 858-1000

(205) 251-1000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC:

As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

SUBJECT TO COMPLETION, DATED AUGUST 22, 2002

PRELIMINARY PROSPECTUS

[HEALTHSOUTH GRAPHIC OMITTED]

OFFER TO EXCHANGE UP TO $998,000,000 AGGREGATE PRINCIPAL AMOUNT OF OUR 7 5/8% SENIOR NOTES DUE 2012,

WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, FOR AN EQUAL AGGREGATE PRINCIPAL AMOUNT OF OUR OUTSTANDING 7 5/8% SENIOR NOTES DUE 2012

MATERIAL TERMS OF THE EXCHANGE OFFER

- The exchange offer expires at 5:00 p.m., New York City time, on , 2002, unless extended.

- We will exchange any and all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of a new series of notes which are registered under the Securities Act.

- You may withdraw tenders of outstanding notes at any time before the exchange offer expires.

- The exchange of notes will not be a taxable event for U.S. federal income tax purposes.

- We will not receive any proceeds from the exchange offer.

- The terms of the new series of notes are substantially identical to those of the outstanding notes, except that the new series of notes do not contain terms with respect to transfer restrictions, registration rights or additional interest.

- You may tender outstanding notes only in denominations of $1,000 and multiples of $1,000.

- Our affiliates may not participate in the exchange offer.

PLEASE REFER TO "RISK FACTORS" BEGINNING ON PAGE 9 FOR A DESCRIPTION OF THE RISKS YOU SHOULD CONSIDER WHEN EVALUATING THIS INVESTMENT.

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS , 2002.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

TABLE OF CONTENTS

PAGE

We have not authorized any dealer, salesperson or other person to give any information or to make any representations to you other than the information contained in this prospectus. You must not rely on any information or representations not contained in this prospectus as if we had authorized it. This prospectus does not offer to sell or solicit any offer to buy any securities other than the registered notes to which it relates, nor does it offer to buy any of these notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The information contained in this prospectus is current only as of the date on the cover page of this prospectus, and may change after that date. We do not imply that there has been no change in the information contained in this prospectus or in our affairs since that date by delivering this prospectus.

This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge to you upon written or oral request. If you would like a copy of any of this information, please submit your request to HEALTHSOUTH Corporation, One HealthSouth Parkway, Birmingham, Alabama 35243, Attention: Legal Department, or call (205) 967-7116, and ask to speak to someone in our Legal Department. In addition, to obtain timely delivery of any information you request, you must submit your request no later than , 2002, which is five business days before the date the exchange offer expires.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 (SEC File No. 1-10315), and file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information may be inspected and copied at the Public Reference Room maintained by the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants (including us) that file electronically with the SEC (at http://www.sec.gov). Our common stock is listed on the New York Stock Exchange.

Reports, proxy statements and other information relating to us can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Some of the documents we have filed with the SEC have been incorporated in this prospectus by reference. See "Incorporation by Reference of Some of the Documents Filed by Us with the SEC". Statements contained herein concerning the provisions of any document do not purport to be complete and, in each instance, are qualified in all respects by reference to the copy of such document filed with the SEC. Each such statement is subject to and qualified in its entirety by such reference.

INCORPORATION BY REFERENCE OF SOME OF THE DOCUMENTS FILED BY US WITH THE SEC

There are hereby incorporated by reference in this prospectus the following documents previously filed or to be filed by us with the SEC pursuant to the Exchange Act (SEC File No. 1-10315):

1. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

2. Our Quarterly Reports on Form 10-Q for the periods ended March 31, 2002 and June 30, 2002.

3. Our Proxy Statement on Schedule 14A filed April 12, 2002, in connection with our 2002 Annual Meeting of Stockholders.

4. Our Current Report on Form 8-K filed May 28, 2002.

All documents we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and before the termination of the exchange offer, other than any portion of a Current Report on Form 8-K reporting information under Item 9 (and any related exhibits), shall be deemed to be incorporated by reference in this prospectus and to be made a part hereof from the date of the filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this prospectus to the extent that a statement contained herein (with respect to a previously filed document) or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statements so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

FORWARD-LOOKING INFORMATION

Some of the matters discussed in this prospectus or in the information incorporated by reference herein may constitute forward-looking statements. Some of these forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "should", "seeks", "approximately", "intends", "plans", "estimates" or "anticipates" or the negative thereof or other comparable terminology, or by discussions of strategy, plans or intentions. Statements contained in this prospectus which are not historical facts are forward-looking statements. Without limiting the generality of the preceding statement, all statements in this prospectus concerning or relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are

forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are necessarily estimates which we believe are reasonable based upon current information, involve a number of risks and uncertainties and are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. There can be no assurance that our actual results will not differ materially from the results anticipated in such forward-looking statements. While it is impossible to identify all such factors, factors which could cause actual results to differ materially from those estimated by us include, but are not limited to, those factors identified under "Risk Factors" beginning on page 9 and other factors which may be identified from time to time in our SEC filings and other public announcements.

SUMMARY OF PROSPECTUS

This summary highlights information contained elsewhere in this prospectus. It is not complete and may not contain all the information that you should consider before tendering your Private Notes in the exchange offer. You should read the entire prospectus carefully, including the "Risk Factors" section beginning on page 9 and the documents incorporated by reference in this prospectus. As used in this prospectus: (1) the terms "HEALTHSOUTH", "Company", "we", "our" and "us" refer to HEALTHSOUTH Corporation and, in some cases, its subsidiaries; (2) the term "Private Notes" refers to our 7 5/8% senior notes due 2012 which were issued in a transaction exempt from registration under the Securities Act; (3) the term "Exchange Notes" refers to our 7 5/8% senior notes due 2012 which have been registered under the Securities Act pursuant to a registration statement of which this prospectus is a part; (4) the term "Notes" refers to the Private Notes and the Exchange Notes, collectively; and (5) the term "EBITDA" refers to income from continuing operations before depreciation and amortization, net interest expense, impairment of long-lived assets, minority interests in earnings of consolidated entities and income taxes and excludes unusual and nonrecurring expenses. EBITDA is commonly used as an analytical indicator within the healthcare 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. EBITDA should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in our consolidated financial statements as an indicator of financial performance or liquidity. 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 COMPANY

We are the largest provider of outpatient surgery, outpatient diagnostic and rehabilitative healthcare services in the United States, with a national network of approximately 1,900 locations in all 50 states, Puerto Rico, the United Kingdom, Canada and Australia. We believe that we provide patients, physicians and payors with high-quality healthcare services on a more cost-effective basis than traditional acute-care hospitals. We provide these services through our national network of modern, well-maintained healthcare facilities. We enjoy a relatively favorable payor mix compared to other publicly traded healthcare companies, in that most of our revenues (approximately 66.3% for the year ended December 31, 2001) are derived from non-governmental sources.

For the year ended December 31, 2001, we had revenues of $4,380,477,000 and EBITDA of $1,218,905,000. For the six months ended June 30, 2002, we had revenues of $2,293,458,000 and EBITDA of $726,388,000.

We were incorporated under the laws of the State of Delaware in 1984. Our principal executive offices are located at One HealthSouth Parkway, Birmingham, Alabama 35243, and our telephone number is (205) 967-7116.

THE EXCHANGE OFFER

The Exchange Offer	We are offering to exchange our Exchange Notes for o outstanding Private Notes that are properly tendered accepted. You may tender outstanding Private Notes o in denominations of $1,000 and multiples of $1,000. will issue the Exchange Notes on or promptly after t expiration date of the exchange offer. As of the dat this prospectus, $998,000,000 aggregate principal am of the Private Notes is outstanding.
Expiration Date	The exchange offer will expire at 5:00 p.m., New Yor City time, on , 2002, unless extended, in which case the expiration date will mean the latest date a to which we extend the exchange offer.
Conditions to the Exchange Offer	The exchange offer is not subject to conditions othe that: o it shall not violate applicable law or any applica interpretation of the staff of the SEC; o no action or proceeding shall have been instituted threatened in any court or by any governmental age which might materially impair our ability to proce with the exchange offer, and no material adverse development shall have occurred in any existing ac or proceeding with respect to us; and o all governmental approvals deemed necessary by us the completion of the exchange offer shall have be obtained. The exchange offer is not conditioned upon any minim principal amount of Private Notes being tendered for
Procedures for Tendering Private Notes	If you wish to tender your Private Notes for Exchang Notes pursuant to the exchange offer, you must trans to The Bank of Nova Scotia Trust Company of New York, as exchange agent, on or before the expiration either: o a computer-generated message transmitted through T Depository Trust Company's Automated Tender Offer Program and received by the exchange agent and forming a part of a confirmation of book-entry tra in which you acknowledge and agree to be bound by

	the terms of the letter of transmittal; or o a properly completed and duly executed letter of transmittal, which accompanies this prospectus, or facsimile of the letter of transmittal, together w Private Notes and any other required documentation the exchange agent at its address listed in this prospectus and on the front cover of the letter of transmittal.

	If you cannot satisfy either of these procedures on a timely basis, then you should comply with the guaranteed delivery procedures described below. By executing the letter of transmittal, you will make the representations to us described under "The Exchange Offer-Procedures for Tendering".
Special Procedures for Beneficial Owners	If you are a beneficial owner whose Private Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your Private Notes in the exchange offer, you should contact the registered holder promptly and inst the registered holder to tender on your behalf. If you to tender on your own behalf, before completing and executing the letter of transmittal and delivering you Private Notes, you must either: o make appropriate arrangements to register ownership of the Private Notes in your name; or o obtain a properly completed bond power from the registered holder.
Guaranteed Delivery Procedures	If you wish to tender your Private Notes and time will permit the documents required by the letter of transmi to reach the exchange agent before the expiration date the procedure for book-entry transfer cannot be completed on a timely basis, you must tender your Priv Notes according to the guaranteed delivery procedures described in this prospectus under "The Exchange Offer-Guaranteed Delivery Procedures".
Acceptance of Private Notes and Delivery of Exchange Notes	Subject to the satisfaction or waiver of the condition the exchange offer, we will accept for exchange any an all Private Notes which are validly tendered in the exchange offer and not withdrawn before 5:00 p.m., New York City time, on the expiration date.

Withdrawal Rights	You may withdraw the tender of your Private Notes at any time before 5:00 p.m., New York City time, on the expiration date, by complying with the procedures for withdrawal described in this prospectus under "The Exchange Offer-Withdrawal of Tenders".
Material U.S. Federal Income Tax Consequences	The exchange of Private Notes for Exchange Notes will not be a taxable event for United States federal incom tax purposes. For a discussion of the material federal income tax considerations generally applicable to the exchange offer that are relevant to holders of Private Notes, see "Material U.S. Federal Income Tax Consequences of the Exchange".

Exchange Agent	The Bank of Nova Scotia Trust Company of New York, the trustee under the indenture governing the Private Notes and the Exchange Notes, is serving as the exchang agent.
Consequence of Failure to Exchange Notes	If you do not exchange your Private Notes for Exchange Notes, you will continue to be subject to the restricti on transfer provided for in the Private Notes and in th indenture governing the Private Notes. In general, the Private Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. We do not currently p to register the Private Notes under the Securities Act.
Registration Rights Agreement	The registration rights agreement by and among us and the initial purchasers of the Private Notes entitles yo exchange your Private Notes for Exchange Notes with substantially identical terms. The exchange offer satis this right. After the exchange offer is completed, you no longer be entitled to any exchange or registration rights with respect to your Private Notes. However, und the circumstances described in the registration rights agreement, you may require us to file a shelf registrat statement under the Securities Act.

We explain the exchange offer in greater detail beginning on page 13.

THE EXCHANGE NOTES

The form and terms of the Exchange Notes are the same in all material respects as the form and terms of the Private Notes, except that the Exchange Notes will have been registered under the Securities Act and, therefore, the Exchange Notes will not be subject to the transfer restrictions, registration rights or provisions providing for an increase in the interest rate applicable to the Private Notes. The Exchange Notes will evidence the same debt as the Private Notes, and both the Private Notes and the Exchange Notes are governed by the same indenture.

Securities Offered	Up to $998,000,000 aggregrate principal amount of our 7 5/8% senior notes due 2012.
Issuer	HEALTHSOUTH Corporation.
Maturity Date	June 1, 2012.
Interest	Interest on the Exchange Notes will accrue from May 22, 2002 at the per annum rate of 7 5/8%, payable semi-annually in arrears on June 1 and December 1 of each year, commencing December 1, 2002. The payment of interest on Exchange Notes will be in lieu of payment of any accrued but unpaid interest on Private Notes tendered for exchange.

Optional Redemption	We may redeem the Exchange Notes, in whole or in part, at any time at a redemption price equal to the principal amount thereof plus a make-whole premium described in this prospectus and accrued interest. For more details, see "Description of Exchange Notes-Optional Redemption of the Notes".
Ranking	The Exchange Notes: o are part of our general unsecured obligations; o will rank equally in right of payment with all of our existing and future senior unsecured obligations; o will rank senior to all of our existing and future subordinated indebtedness; and o will be effectively subordinated to all existing and future liabilities of our subsidiaries.
Future Guaranties	None of our subsidiaries are required to guarantee the Exchange Notes.
Change of Control	If we go through a Change of Control at any time before the Exchange Notes receive an investment grade rating from both Standard & Poor's Ratings Service (at least BBB-) and Moody's Investors Service, Inc. (at least Baa3) and certain other conditions are satisfied (the "Fall-Away Event"), you as a holder of the Exchange Notes have the right to require that we purchase your Exchange Notes, in whole or in part, at a purchase price in

	cash in an amount equal to 101% of their principal amount, plus accrued interest to the date of purchase. For more details, see "Risk Factors-You Should Take Into Account Certain Considerations" and "Description of Exchange Notes-Change of Control". The term "Change of Control" is defined on page 41.
Certain Covenants	The indenture contains covenants that, before the occurrence of the Fall-Away Event, limit our ability and the ability of our subsidiaries to: o incur additional indebtedness and issue preferred stock; o make restricted payments, including dividends, other distributions and investments; o in the case of our subsidiaries, create or permit to exist dividend or payment restrictions with respect to us;

	o engage in transactions with our affiliates; and o sell assets and subsidiary stock. After the occurrence of the Fall-Away Event, the above limitations will not apply to the Exchange Notes. The Indenture also contains covenants that, among other things, limit, before and after the occurrence of the Fall-Away Event, our ability and the ability of our subsidiaries to: o incur or permit to exist certain liens; o enter into sale and leaseback transactions; and o sell all or substantially all of our assets or merge with or into other companies. The Indenture also, among other things, requires us to provide reports to holders of the Exchange Notes. For more details, see "Description of Exchange Notes".
Use of Proceeds	We will not receive any cash proceeds from the exchange offer.

We explain the Exchange Notes in greater detail beginning on page 24.

RISK FACTORS

Our business, operations and financial condition are subject to various risks. Some of these risks are described below, and you should take these risks into account in evaluating us or any investment decision involving us or in deciding whether to tender your Private Notes in the exchange offer. This section does not describe all risks applicable to us, our industry or our business, and it is intended only as a summary of certain material factors. You should also consider information included elsewhere or incorporated by reference in this prospectus.

YOU MUST FOLLOW CERTAIN PROCEDURES TO TENDER YOUR PRIVATE NOTES

The Exchange Notes will be issued in exchange for Private Notes only after timely receipt by the exchange agent of the Private Notes, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, if you desire to tender your Private Notes in exchange for Exchange Notes, you should allow sufficient time to ensure timely delivery. Your failure to follow these procedures may result in a delay in receiving Exchange Notes on a timely basis or in your loss of the right to receive Exchange Notes. Neither we nor the exchange agent is under any duty to give notification of defects or irregularities with respect to tenders of Private Notes for exchange. If you tender Private Notes in the exchange offer for the purpose of participating in a distribution of the Exchange Notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives Exchange Notes for its own account in exchange for Private Notes, where the Private Notes were acquired by the broker-dealer as a result of market-making activities or any other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the Exchange Notes. See "The Exchange Offer-Procedures for Tendering" and "Plan of Distribution".

YOU WILL BE SUBJECT TO TRANSFER RESTRICTIONS IF YOU FAIL TO EXCHANGE YOUR PRIVATE NOTES

If you do not exchange your Private Notes for Exchange Notes pursuant to the exchange offer, you will continue to be subject to the restrictions on transfer of the Private Notes as set forth in the legend on the Private Notes and you will not be entitled to an increased interest rate on the Private Notes. In general, the Private Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. We do not currently intend to register the Private Notes under the Securities Act. To the extent that Private Notes are tendered and accepted in the exchange offer, the trading market for untendered and tendered but unaccepted Private Notes could be adversely affected. In addition, if a large amount of Private Notes are not tendered or are tendered but not accepted, the limited amount of Exchange Notes that would be issued and outstanding after we consummate the exchange offer could lower the price of the Exchange Notes.

A PUBLIC MARKET FOR THE EXCHANGE NOTES MAY NOT DEVELOP

There can be no assurance that a public market for the Exchange Notes will develop or, if such a market develops, as to the liquidity of the market. If a market were to develop, the Exchange Notes could trade at prices that may be higher or lower than their principal amount. We do not intend to apply for listing of the Exchange Notes on any securities exchange or for quotation of the Exchange Notes on any automated quotation system. The initial purchasers of the

Private Notes have previously made a market in the Private Notes, and we have been advised that the initial purchasers currently intend to make a market in the Exchange Notes, as permitted by applicable laws and regulations, after consummation of the exchange offer. The initial purchasers are not obligated, however, to make a market in the Private Notes or the Exchange Notes, and any market-making activity may be discontinued at any time without notice at the sole discretion of the initial purchasers. If an active public market does not develop or continue, the market price and liquidity of the Exchange Notes may be adversely affected.

WE DEPEND UPON REIMBURSEMENT BY THIRD-PARTY PAYORS

Substantially all of our revenues are derived from private and governmental third-party payors. In 2001, approximately 31.1% of our revenues were derived from Medicare, approximately 2.6% from Medicaid and approximately 66.3% from commercial insurers, managed care plans, workers'

compensation payors and other private pay revenue sources. There are increasing pressures from many payors to control healthcare costs and to reduce or limit increases in reimbursement rates for medical services. In the recent past, we have experienced a decrease in revenues primarily attributable to declines in government reimbursement as a result of the Balanced Budget Act of 1997. There can be no assurances that payments from government or private payors will remain at levels comparable to present levels. In attempts to limit federal spending, there have been, and we expect that there will continue to be, a number of proposals to limit Medicare reimbursement for various services. We cannot now predict whether any of these pending proposals will be adopted or what effect the adoption of such proposals would have on our business.

Further, Medicare reimbursement for inpatient rehabilitation services is changing from a cost-based reimbursement system to a prospective payment system ("PPS"), with the phase-in of the PPS having begun January 1, 2002. While we believe we are well-positioned and well-prepared for the transition, we cannot be certain what effect the implementation of inpatient rehabilitation PPS will have on us. In addition, future changes in PPS reimbursement rates or our failure to successfully execute our response to this change could have a material adverse effect on our financial condition or results of operations.

OUR OPERATIONS ARE SUBJECT TO EXTENSIVE REGULATION

Our operations are subject to various other types of regulation by federal and state governments, including licensure and certification laws, Certificate of Need laws and laws relating to financial relationships among providers of healthcare services, Medicare fraud and abuse and physician self-referral.

The operation of our facilities and the provision of healthcare services are subject to federal, state and local licensure and certification laws. These facilities and services are subject to periodic inspection by governmental and other authorities to ensure compliance with the various standards established for continued licensure under state law, certification under the Medicare and Medicaid programs and participation in other government programs. Additionally, in many states, Certificates of Need or other similar approvals are required for expansion of our operations. We could be adversely affected if we cannot obtain such approvals, by changes in the standards applicable to approvals and by possible delays and expenses associated with obtaining approvals. Our failure to obtain, retain or renew any required regulatory approvals, licenses or certificates could prevent us from being reimbursed for our services or from

offering some of our services, or could materially adversely affect our results of operations.

Our business is subject to extensive federal and state regulation with respect to financial relationships among healthcare providers, physician self-referral arrangements and other fraud and abuse issues. Penalties for violation of federal and state laws and regulations include exclusion from participation in the Medicare and Medicaid programs, asset forfeiture, civil penalties and criminal penalties, any of which could have a material adverse effect on our business, results of operations or financial condition. The Office of Inspector General of the Department of Health and Human Services, the Department of Justice and other federal agencies interpret healthcare fraud and abuse provisions liberally and enforce them aggressively. In 2001, we settled certain litigation involving alleged violations of Medicare regulations, and we remain subject to other such litigation. See "Business -- Regulation" and "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, "Legal Proceedings" in our Quarterly Reports on Form 10-Q for the periods ended March 31, 2002 and June 30, 2002, and our Current Report on Form 8-K filed May 28, 2002.

HEALTHCARE REFORM LEGISLATION MAY AFFECT OUR BUSINESS

In recent years, many legislative proposals have been introduced or proposed in Congress and in some state legislatures that would effect major changes in the healthcare system, either nationally or at the state level. Among the proposals which are currently being, or which recently have been, considered 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 payment by

governmental programs, including Medicare and Medicaid, to healthcare providers. There continue to be federal and state proposals that would, and actions that do, impose more limitations on government and private payments to healthcare providers such as us and proposals to increase copayments and deductibles from patients. At the federal level, Congress has continued to propose or consider healthcare budgets that substantially reduce payments under the Medicare and Medicaid programs. In addition, many states are considering the enactment of initiatives designed to reduce their Medicaid expenditures, to provide universal coverage or additional levels of care and/or to impose additional taxes on healthcare providers to help finance or expand the states' Medicaid systems. There can be no assurance as to the ultimate content, timing or effect of any healthcare reform legislation, nor is it possible at this time to estimate the impact of potential legislation on us. That impact may be material to our financial condition or our results of operations.

WE FACE NATIONAL, REGIONAL AND LOCAL COMPETITION

We operate in a highly competitive industry. Although we are the largest provider of outpatient surgery, outpatient diagnostic and rehabilitative healthcare services in the United States, in any particular market we may encounter competition from local or national entities with longer operating histories or other superior competitive advantages. There can be no assurance that this competition, or other competition which we may encounter in the future, will not adversely affect our business, financial condition or our results of operations.

OUR RESULTS OF OPERATIONS MAY BE AFFECTED BY FUTURE INCREASES IN TECHNOLOGY, PERSONNEL AND OTHER COSTS

Changes in medical technology, the labor market for nurses and other clinical personnel and changes imposed by the requirements of payor contracts and government reimbursement programs may require significant investments in facilities, equipment, personnel and services. Although we believe that cash generated from operations, amounts available under our bank credit facilities and our ability to access capital markets will be sufficient to allow us to make such investments, we cannot assure you that we will be able to obtain the funds necessary to make such investments.

WE ARE SUBJECT TO MATERIAL LITIGATION

We are, and may in the future be, subject to litigation which, if determined adversely to us, could have a material adverse effect on our business, financial condition or results of operations. In addition, some of the companies and businesses we have acquired have been subject to similar litigation. There can be no assurance that pending or future litigation, whether or not described in this prospectus, will not have such a material adverse effect. See "Legal Proceedings" in each of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2002 and June 30, 2002, as well as our Current Report on Form 8-K filed May 28, 2002.

YOU SHOULD TAKE INTO ACCOUNT CERTAIN CONSIDERATIONS

Amount of Leverage; Structural Subordination

As of June 30, 2002, we had approximately $3,479,525,000 of outstanding indebtedness (including the current portion of long-term debt and excluding obligations to trade creditors) and approximately $3,933,206,000 of stockholders' equity. Outstanding indebtedness was approximately 46.9% of our total capitalization (including the current portion of long-term debt), which was approximately $7,412,731,000 (including the current portion of long-term debt). Approximately $2,475,000,000 of such total indebtedness (including the Exchange Notes) consisted of senior unsecured obligations ranking pari passu in right of payment. See "Capitalization". The Exchange Notes will be effectively subordinated to all existing and future liabilities of our subsidiaries. A substantial portion of our operations are conducted through these subsidiaries.

Restrictive Covenants

Our $1,250,000,000 revolving credit facility with JPMorgan Chase Bank and other participating banks contains various covenants that limit our ability to engage in certain transactions. Those covenants, among other things:

- limit our and our subsidiaries' ability to borrow and to place liens on our and their assets;
- limit our and our subsidiaries' investments and the sale of all or substantially all of our and their assets;
- limit our and our subsidiaries' ability to enter into consolidations or mergers or to acquire other entities; and

- require us to comply with coverage ratio tests.

The indentures governing our debt securities, including the Exchange Notes at any time before the occurrence of the Fall-Away Event, include covenants of a similar nature. Our failure to comply with any of these covenants could result in an event of default under our indebtedness, including the Exchange Notes. That in turn could cause an event of default to occur under all or substantially all of our other then-outstanding indebtedness. See "Description of Exchange Notes -- Certain Covenants of the Company Before the Fall-Away Event".

Our Ability to Repurchase the Exchange Notes Upon a Change of Control May Be Limited

In the event of a Change of Control (as defined on page 41) at any time before the occurrence of the Fall-Away Event, you as a holder of Exchange Notes will have the right, at your option, to require us to repurchase all or a portion of the Exchange Notes you hold at a purchase price equal to 101% of the aggregate principal amount of your Exchange Notes plus accrued interest thereon to the repurchase date. See "Description of Exchange Notes -- Change of Control". Our ability to repurchase the Exchange Notes upon a Change of Control will be dependent on the availability of sufficient funds and our ability to comply with applicable securities laws. Accordingly, there can be no assurance that we will be in a position to repurchase the Exchange Notes upon a Change of Control. The term "Change of Control" is limited to certain specified transactions and may not include other events that might adversely affect our financial condition or result in a downgrade of the credit rating (if any) of the Exchange Notes, nor would the requirement that we offer to repurchase the Exchange Notes upon a Change of Control necessarily afford you as a holder of Exchange Notes protection in the event of a highly leveraged reorganization.

Holders of Our Debentures Have a Repurchase Right in Certain Circumstances In Which You as a Holder of Exchange Notes Do Not

In March 1998, we issued $567,750,000 of 3.25% Convertible Subordinated Debentures due 2003 (the "Debentures"). In general, the Debentures are subordinated to the Exchange Notes. However, the holders of the Debentures have a right to require us to repurchase the Debentures at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, in the event that our common stock is neither listed for trading on a United States national securities exchange nor approved for trading on an established automated over-the-counter trading market in the United States. The Exchange Notes do not have similar repurchase rights. Therefore, in the event that our common stock were not listed for trading as described above, the holders of the Debentures might be able to exercise a right to require repurchase of the Debentures by us ahead of you as a holder of Exchange Notes, even though the Debentures are subordinate to the Exchange Notes. Our common stock has been listed for trading on the New York Stock Exchange since 1989, and we anticipate that this will continue to be the case.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratio of earnings to fixed charges for the periods shown.

	YEAR ENDED DECEMBER 31,				
	1997	1998	1999	2000	
Ratio of earnings to fixed charges	4.7x	2.2x	1.9x	2.8x	

The ratio of earnings to fixed charges was calculated by dividing (i) earnings before minority interests, income taxes, cumulative effect of accounting change and fixed charges by (ii) fixed charges, which consist of interest expense incurred, including amortization of debt expense and discount, and the portion of rental expense under operating leases estimated to be representative of the interest factor.

THE EXCHANGE OFFER

PURPOSE OF THE EXCHANGE OFFER

We issued the Private Notes in the original aggregate principal amount of $1,000,000,000 on May 22, 2002, to UBS Warburg LLC, Deutsche Bank Securities Inc., Banc of America Securities LLC, Scotia Capital (USA) Inc., First Union Securities, Inc., J.P. Morgan Securities Inc., Fleet Securities, Inc., Salomon Smith Barney Inc., NatCity Investments, Inc. and Jefferies & Company, Inc., the initial purchasers, pursuant to a purchase agreement. The initial purchasers subsequently sold the Private Notes to persons whom they reasonably believed to be "qualified institutional buyers", as defined in Rule 144A under the Securities Act, in reliance on Rule 144A, and outside the United States to persons other than U.S. persons in transactions meeting the requirements of Regulation S under the Securities Act. As a condition to the sale of the Private Notes, we entered into a registration rights agreement with the initial purchasers on May 22, 2002. Pursuant to the registration rights agreement, we agreed that we would:

(1) file a registration statement with the SEC with respect to the Exchange Notes within 60 days after the date of initial issuance of the Private Notes;

(2) use our reasonable best efforts to cause the registration statement to be declared effective by the SEC on or prior to 150 days after the date of initial issuance of the Private Notes;

(3) use our reasonable best efforts to consummate the exchange offer on or prior to 180 days after the date of initial issuance of the Private Notes; and

(4) keep the exchange offer open for not less than 20 business days.

In July 2002, we repurchased and cancelled $2,000,000 aggregate principal amount of the Private Notes. Upon the effectiveness of the registration statement, we will offer the Exchange Notes in exchange for the remaining Private Notes.

RESALE OF THE EXCHANGE NOTES

Based upon an interpretation by the staff of the SEC contained in no-action letters issued to third parties, we believe that you may exchange Private Notes for Exchange Notes in the ordinary course of business. For further information on the SEC's position, see Exxon Capital Holdings Corporation, available May 13, 1988, Morgan Stanley & Co. Incorporated, available June 5, 1991 and Shearman & Sterling, available July 2, 1993, and other interpretive letters to similar effect. You will be allowed to resell Exchange Notes to the public without further registration under the Securities Act and without delivering to purchasers of the Exchange Notes a prospectus that satisfies the

requirements of Section 10 of the Securities Act so long as you do not participate, do not intend to participate, and have no arrangement with any person to participate, in a distribution of the Exchange Notes. However, the foregoing does not apply to you if you are:

- a broker-dealer who purchases the Private Notes directly from us to resell pursuant to Rule 144A or any other available exemption under the Securities Act; or
- an "affiliate" of ours within the meaning of Rule 405 under the Securities Act.

In addition, if:

- you are a broker-dealer; or
- you acquire Exchange Notes in the exchange offer for the purpose of distributing or participating in the distribution of the Exchange Notes,

you cannot rely on the position of the staff of the SEC contained in the no-action letters mentioned above and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction, unless an exemption from registration is otherwise available.

Each broker-dealer that receives Exchange Notes for its own account in exchange for Private Notes, which the broker-dealer acquired as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the Exchange Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. A broker-dealer may use this prospectus, as it may be amended or supplemented from time to time, in connection with resales of Exchange Notes received in exchange for Private Notes which the broker-dealer acquired as a result of market-making or other trading activities.

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions described in this prospectus and in the letter of transmittal, we will accept any and all Private Notes validly tendered and not withdrawn before the expiration date. We will issue $1,000 principal amount of Exchange Notes in exchange for each $1,000 principal

amount of outstanding Private Notes surrendered pursuant to the exchange offer. You may tender Private Notes only in integral multiples of $1,000.

The form and terms of the Exchange Notes are the same as the form and terms of the Private Notes except that:

- we have registered the Exchange Notes under the Securities Act and, therefore, the Exchange Notes will not bear legends restricting their transfer; and

- holders of the Exchange Notes will not be entitled to any of the rights of holders of Private Notes under the registration rights agreement, which rights will terminate upon the completion of the exchange offer.

The Exchange Notes will evidence the same debt as the Private Notes and will be issued under the same indenture, so the Exchange Notes and the Private Notes will be treated as a single class of debt securities under the indenture.

As of the date of this prospectus, $998,000,000 aggregate principal amount of the Private Notes is outstanding and registered in the name of Cede & Co., as nominee for The Depository Trust Company. Only registered holders of the Private Notes, or their legal representative or attorney-in-fact, as reflected on the records of the trustee under the indenture, may participate in the exchange offer. We will not set a fixed record date for determining registered holders of the Private Notes entitled to participate in the exchange offer.

You do not have any appraisal or dissenters' rights under the indenture in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement and the applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the SEC.

We will be deemed to have accepted validly tendered Private Notes when, as and if we have given oral or written notice of acceptance to the exchange agent. The exchange agent will act as your agent for the purposes of receiving the Exchange Notes from us.

If you tender Private Notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of Private Notes pursuant to the exchange offer. We will pay all charges and expenses, other than the applicable taxes described below, in connection with the exchange offer.

EXPIRATION DATE; EXTENSIONS; AMENDMENTS

The term "expiration date" will mean 5:00 p.m., New York City time, on , 2002, unless we, in our sole discretion, extend the exchange offer, in which case the term "expiration date" will mean the latest date and time to which we extend the exchange offer.

To extend the exchange offer, we will:

- notify the exchange agent of any extension orally or in writing; and

- notify the registered holders of the Private Notes by means of a press

release or other public announcement,

each before 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

We reserve the right, in our reasonable discretion:

- to delay accepting any Private Notes;
- to extend the exchange offer; or
- if any conditions listed below under "-Conditions" are not satisfied, to terminate the exchange offer by giving oral or written notice of the delay, extension or termination to the exchange agent.

We will follow any delay in acceptance, extension or termination as promptly as practicable by oral or written notice to the registered holders. If we amend the exchange offer in a manner we determine constitutes a material change, we will promptly disclose the amendment in a prospectus supplement that we will distribute to the registered holders.

INTEREST ON THE EXCHANGE NOTES

The Exchange Notes will accrue interest from May 22, 2002 at the per annum rate of 7 5/8%. Such interest will be payable semi-annually in arrears on each June 1 and December 1, commencing December 1, 2002. The payment of interest on Exchange Notes will be in lieu of payment of any accrued but unpaid interest on Private Notes tendered for exchange.

PROCEDURES FOR TENDERING

You may tender Private Notes in the exchange offer only if you are a registered holder of Private Notes. To tender in the exchange offer, you must:

- complete, sign and date the letter of transmittal or a facsimile of the letter of transmittal;
- have the signatures guaranteed if required by the letter of transmittal; and
- mail or otherwise deliver the letter of transmittal or the facsimile of the letter of transmittal to the exchange agent at the address listed below under "-Exchange Agent" for receipt before the expiration date.

In addition, either:

- the exchange agent must receive certificates for the Private Notes along with the letter of transmittal into its account at the depositary pursuant to the procedure for book-entry transfer described below before the expiration date;
- the exchange agent must receive a timely confirmation of a book-entry transfer of the Private Notes, if the procedure is available, into its account at the depositary pursuant to the procedure for book-entry transfer described below before the expiration date; or
- you must comply with the guaranteed delivery procedures described below.

Your tender, if not withdrawn before the expiration date, will constitute an agreement between you and us in accordance with the terms and subject to the conditions described in this prospectus and in the letter of transmittal.

The method of delivery of Private Notes and the letter of transmittal and all other required documents to the exchange agent is at your election and risk. We recommend that instead of delivery by mail, you use an overnight or hand delivery service, properly insured. In all cases, you should allow sufficient time to assure delivery to the exchange agent before the expiration date. You should not send letters of transmittal or Private Notes to us. You may request your respective brokers, dealers, commercial banks, trust companies or nominees to effect the transactions described above for you.

If you are a beneficial owner of Private Notes whose Private Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your Private Notes, you should contact the registered holder promptly and instruct the registered holder to tender on your behalf. If you wish to tender on your own behalf, before completing and executing the letter of transmittal and delivering the Private Notes you must either:

- make appropriate arrangements to register ownership of the Private Notes in your name; or
- obtain a properly completed bond power from the registered holder.

The transfer of registered ownership may take considerable time. Unless the Private Notes are tendered:

(1) by a registered holder who has not completed the box entitled "Special Issuance Instructions" or the box entitled "Special Delivery Instructions" on the letter of transmittal; or

(2) for the account of:

- a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc.;
- a commercial bank or trust company located or having an office or correspondent in the United States; or
- an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act that is a member of one of the recognized signature guarantee programs identified in the letter of transmittal,

an eligible guarantor institution must guarantee the signatures on a letter of transmittal or a notice of withdrawal described below under "-Withdrawal of Tenders".

If the letter of transmittal is signed by a person other than the registered holder, the Private Notes must be endorsed or accompanied by a properly completed bond power, signed by the registered holder as the registered holder's name appears on the Private Notes.

If the letter of transmittal or any Private Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, they should so indicate when signing, and unless waived by us, they must submit evidence satisfactory to us of their authority to so act with the letter of transmittal.

The exchange agent and the depositary have confirmed that any financial institution that is a participant in the depositary's system may utilize the depositary's Automated Tender Offer Program to tender Private Notes.

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, acceptance and withdrawal of tendered Private Notes, which determination will be final and binding. We reserve the absolute right to reject any and all Private Notes not properly tendered or any Private Notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular Private Notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, you must cure any defects or irregularities in connection with tenders of Private Notes within the time we determine. Although we intend to notify you of defects or irregularities with respect to tenders of Private Notes, neither we, the exchange agent nor any other person will incur any liability for failure to give you that notification. Unless waived, we will not deem tenders of Private Notes to have been made until you cure the defects or irregularities.

While we have no present plan to acquire any Private Notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any Private Notes that are not tendered in the exchange offer, we reserve the right in our sole discretion to purchase or make offers for any Private Notes that remain outstanding after the expiration date. We also reserve the right to terminate the exchange offer, as described below under "-Conditions", and, to the extent permitted by applicable law, purchase Private Notes in the open market, in privately negotiated transactions or otherwise. The terms of any of those purchases or offers could differ from the terms of the exchange offer.

If you wish to tender Private Notes in exchange for Exchange Notes in the exchange offer, we will require you to represent that:

- you are not an affiliate of ours;
- you will acquire any Exchange Notes in the ordinary course of your business; and
- at the time of completion of the exchange offer, you have no arrangement with any person to participate in the distribution of the Exchange Notes.

In addition, in connection with the resale of Exchange Notes, any participating broker-dealer who acquired the Private Notes for its own account as a result of market-making or other trading activities must deliver a prospectus meeting the requirements of the Securities Act. The SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to the Exchange Notes, other than a resale of an unsold allotment from the original sale of the Private Notes, with the prospectus contained in the registration statement.

RETURN OF PRIVATE NOTES

If we do not accept any tendered Private Notes for any reason described in the terms and conditions of the exchange offer or if you withdraw any tendered Private Notes or submit Private Notes for a greater principal amount than you

desire to exchange, we will return the unaccepted, withdrawn or non-exchanged Private Notes without expense to you as promptly as practicable. In the case of Private Notes tendered by book-entry transfer into the exchange agent's account at the depositary pursuant to the book-entry transfer procedures described below, we will credit the Private Notes to an account maintained with the depositary as promptly as practicable.

BOOK-ENTRY TRANSFER

The exchange agent will make a request to establish an account with respect to the Private Notes at the depositary for purposes of the exchange offer within two business days after the date of this prospectus, and any financial institution that is a participant in the depositary's systems may make book-entry delivery of Private Notes by causing the depositary to transfer the Private Notes into the exchange agent's account at the depositary in accordance with the depositary's procedures for

transfer. However, although delivery of Private Notes may be effected through book-entry transfer at the depositary, you must transmit and the exchange agent must receive, the letter of transmittal or a facsimile of the letter of transmittal, with any required signature guarantees and any other required documents, at the address below under "-Exchange Agent" on or before the expiration date or pursuant to the guaranteed delivery procedures described below.

GUARANTEED DELIVERY PROCEDURES

If you wish to tender your Private Notes, but time will not permit a letter of transmittal, certificates representing the Private Notes to be tendered or other required documents to reach the exchange agent before the expiration date, you may effect a tender if:

(a) the tender is made by or through an eligible guarantor institution;

(b) before the expiration date, the exchange agent receives from the eligible guarantor institution a properly completed and duly executed notice of guaranteed delivery, substantially in the form provided by us, that:

- states the name and address of the holder of the Private Notes, the name(s) in which the Private Notes are registered and the principal amount of Private Notes tendered;
- states that the tender is being made by that notice of guaranteed delivery; and
- guarantees that, within three New York Stock Exchange trading days after the expiration date, the eligible guarantor institution will deposit with the exchange agent the letter of transmittal, together with the certificates representing the Private Notes in proper form for transfer or a confirmation of a book-entry transfer, as the case may be, and any other documents required by the letter of transmittal; and

(c) within three New York Stock Exchange trading days after the expiration date, the exchange agent receives a properly executed letter of transmittal, as well as the certificates representing all tendered Private Notes in proper form for transfer and all other documents required by the letter of transmittal.

Upon request, the exchange agent will send to you a notice of guaranteed delivery if you wish to tender your Private Notes according to the guaranteed delivery procedures described above.

WITHDRAWAL OF TENDERS

Except as otherwise provided in this prospectus, you may withdraw tenders of Private Notes at any time before 5:00 p.m., New York City time, on the expiration date.

To withdraw a tender of Private Notes in the exchange offer, the exchange agent must receive a written or facsimile transmission notice of withdrawal at its address listed in this prospectus before the expiration date. Any notice of withdrawal must:

- specify the name of the person who deposited the Private Notes to be withdrawn;
- identify the Private Notes to be withdrawn, including the principal amount of the Private Notes; and
- be signed in the same manner as the original signature on the letter of transmittal by which the Private Notes were tendered, including any required signature guarantees.

We will determine in our sole discretion all questions as to the validity, form and eligibility of the notices, and our determination will be final and binding on all parties. We will not deem any properly withdrawn Private Notes to have been validly tendered for purposes of the exchange offer, and we will not issue Exchange Notes with respect to those Private Notes, unless you validly re-tender the withdrawn Private Notes. You may re-tender properly withdrawn Private Notes by following one of the procedures described above under "-Procedures for Tendering" at any time before the expiration date.

CONDITIONS

Notwithstanding any other term of the exchange offer, we will not be required to accept for exchange, or exchange the Exchange Notes for, any Private Notes, and may terminate the exchange offer as provided in this prospectus before the acceptance of the Private Notes, if:

(1) the exchange offer violates applicable law, rules or regulations or an applicable interpretation of the staff of the SEC;

(2) an action or proceeding has been instituted or threatened in any court or by any governmental agency which might materially impair our ability to proceed with the exchange offer;

(3) a material adverse development shall have occurred in any existing action or proceeding with respect to us; or

(4) all governmental approvals which we deem necessary for the completion of the exchange offer have not been obtained.

If we determine in our reasonable discretion that any of these conditions are not satisfied, we may:

- refuse to accept any Private Notes and return all tendered Private Notes to you;

- extend the exchange offer and retain all Private Notes tendered before the exchange offer expires, subject, however, to your rights to withdraw the Private Notes; or

- waive the unsatisfied conditions with respect to the exchange offer and accept all properly tendered Private Notes that have not been withdrawn.

If the waiver constitutes a material change to the exchange offer, we will promptly disclose the waiver by means of a prospectus supplement that we will distribute to the registered holders of the Private Notes.

TERMINATION OF RIGHTS

All of your rights under the registration rights agreement will terminate upon consummation of the exchange offer, except with respect to our continuing obligations:

- to indemnify you and parties related to you against liabilities, including liabilities under the Securities Act; and

- to provide, upon your request, the information required by Rule 144A(d)(4) under the Securities Act to permit resales of the Private Notes pursuant to Rule 144A.

SHELF REGISTRATION

In the event that:

(1) any changes in law or the applicable interpretations of the staff of the SEC do not permit us to effect the exchange offer;

(2) the exchange offer is not consummated within 180 days of the date of initial issuance of the Private Notes;

(3) any holder of Private Exchange Notes (as defined in the registration rights agreement) so requests; or

(4) a holder participating in the exchange offer does not receive Exchange Notes on the date of the exchange that may be sold without restriction under the federal securities laws (other than due solely to the status of the holder as our affiliate within the meaning of that term under the Securities Act),

we will file with the SEC a shelf registration statement to register for public resale the transfer-restricted securities held by you if you provide us with the necessary information for inclusion in the shelf registration statement.

LIQUIDATED DAMAGES

If:

(1) we do not file the registration statement with the SEC on or prior to the 60th day following the date of initial issuance of the Private Notes;

(2) we do not cause the registration statement to become effective on or

prior to the 150th day following the date of initial issuance of the Private Notes;

(3) we do not complete the exchange offer on or prior to the 180th day following the date of initial issuance of the Private Notes;

(4) we are obligated to file a shelf registration statement and we do not file the shelf registration statement with the SEC on or prior to the 45th day following the date on which we have notice of the filing obligation;

(5) we are obligated to file a shelf registration statement and the SEC does not declare the shelf registration statement effective on or prior to the later of the 60th day following the date on which we have notice of the filing obligation or the 180th day following the date of initial issuance of the Private Notes; or

(6) the registration statement or the shelf registration statement, as the case may be, is declared effective but thereafter ceases to be effective or useable in connection with resales of the Registrable Notes (as defined in the registration rights agreement) for the time of non-effectiveness or nonusability,

with each of items (1) through (6) constituting a "registration default", we agree to pay you, as liquidated damages, additional interest on the Registrable Notes in cash on each June 1 and December 1 in an amount equal to 0.25% per annum of the aggregate principal amount of the Registrable Notes, with respect to the first 90-day period immediately following the occurrence of the registration default. The amount of the additional interest will increase by an additional 0.25% to a maximum of 1.0% per annum of the aggregate principal amount of the Registrable Notes for each subsequent 90-day period until the registration default has been cured. We will not be required to pay additional interest for more than one registration default at any given time. Following the cure of all registration defaults, the accrual of additional interest will cease.

EXCHANGE AGENT

We have appointed The Bank of Nova Scotia Trust Company of New York as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or the letter of transmittal and requests for a notice of guaranteed delivery to the exchange agent addressed as follows:

BY REGISTERED OR CERTIFIED MAIL:	BY FACSIMILE TRANSMISSION: (Eligible Institutions Only)	BY HAND OR OVERNIGHT DELIVER
The Bank of Nova Scotia Trust Company of New York One Liberty Plaza, 23rd Floor New York, New York 10006 Attention: Exchanges	(212) 225-5436	The Bank of Nova Scotia Trus Company of New York One Liberty Plaza, 23rd Flo New York, New York 10006 Attention: Exchanges

FOR INFORMATION CALL:
Pat Keane
(212) 225-5427

Delivery to an address other than the one stated above or transmission via facsimile to a number other than the one stated above will not constitute a valid delivery.

FEES AND EXPENSES

We will bear the expenses of soliciting tenders. We are making the principal solicitation by mail; however, our officers and regular employees may make additional solicitations by facsimile, telephone or in person.

We have not retained any dealer manager in connection with the exchange offer and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses.

We will pay the cash expenses incurred in connection with the exchange offer, which we estimate to be approximately $200,000. These expenses include registration fees, fees and expenses of the exchange agent and the trustee, accounting and legal fees and printing costs, among others.

We will pay all transfer taxes, if any, applicable to the exchange of Private Notes pursuant to the exchange offer. If, however, a transfer tax is imposed for any reason other than the exchange of the Private Notes pursuant to the exchange offer, then you must pay the amount of the transfer taxes. If you do not submit satisfactory evidence of payment of the taxes or exemption from payment with the letter of transmittal, we will bill the amount of the transfer taxes directly to you.

CONSEQUENCE OF FAILURE TO EXCHANGE

Participation in the exchange offer is voluntary. We urge you to consult your financial and tax advisors in making your decisions on what action to take. Private Notes that are not exchanged for Exchange Notes pursuant to the exchange offer will remain restricted securities. Accordingly, those Private Notes may be resold only:

- to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A under the Securities Act;
- in a transaction meeting the requirements of Rule 144 under the Securities Act;
- outside the United States to a person who is not a U.S. person in a transaction meeting the requirements of Rule 904 of Regulation S under the Securities Act;

- in accordance with another exemption from the registration requirements of the Securities Act, subject to the receipt by the exchange agent (and us, if we so request) of a certification of the transferor and an opinion of counsel;
- to us or our affiliates; or

o pursuant to an effective registration statement.

In each case, the Private Notes may be resold only in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction.

USE OF PROCEEDS

There will be no cash proceeds payable to us from the issuance of the Exchange Notes pursuant to the exchange offer. The net proceeds from the sale of the Private Notes were used to repay our outstanding indebtedness under our revolving credit facility with Bank of America, N.A., and other participating banks, which we terminated on June 14, 2002, and for general corporate purposes, including the reduction of other outstanding indebtedness and similar obligations. In consideration for issuing the Exchange Notes as contemplated in this prospectus, we will receive in exchange the Private Notes in like principal amount, the terms of which are identical in all material respects to the Exchange Notes, except that the Exchange Notes do not contain terms with respect to transfer restrictions, registration rights or additional interest. The Private Notes surrendered in exchange for the Exchange Notes will be retired and cancelled and cannot be reissued. Accordingly, the issuance of the Exchange Notes will not result in any increase in our indebtedness.

CAPITALIZATION

The following table sets forth, as of June 30, 2002, our capitalization, which reflects the sale of the Private Notes on May 22, 2002 and the application of the net proceeds therefrom to the repayment of our outstanding indebtedness under our revolving credit facility with Bank of America, N.A., and other participating banks, and for general corporate purposes, including the reduction of other outstanding indebtedness and similar obligations. See "Use of Proceeds".

	JUNE 30, 2002 (IN THOUSANDS)
Cash and cash equivalents	$ 544,991
Current portion of long-term debt	$ 589,662
Long-term debt (net of current maturities):	
Advances under the $1,750,000,000 revolving credit facility	--
6.875% Senior Notes due 2005	$ 250,000
7 3/8% Senior Notes due 2006	200,000
7.0% Senior Notes due 2008	250,000
10-3/4% Senior Subordinated Notes due 2008	350,000
8 1/2% Senior Notes due 2008	375,000
8 3/8% Senior Notes due 2011	400,000
7 5/8% Senior Notes due 2012	1,000,000
Other long-term debt	64,863
Total long-term debt	2,889,863
Stockholders' equity:	
Preferred Stock, $.10 par value--1,500,000 shares authorized; no shares	

outstanding	--
Common Stock, $.01 par value--600,000,000 shares authorized; 436,837,000 shares outstanding (1)	4,368
Additional paid-in capital	2,707,728
Accumulated other comprehensive income	21,470
Retained earnings	1,512,936
Treasury stock	(282,528)
Receivable from Employee Stock Ownership Plan	(1,405)
Notes receivable from stockholders, officers and management employees	(29,363)
Total stockholders' equity	3,933,206
Total capitalization	$7,412,731

---

(1) Outstanding shares at June 30, 2002 do not include a total of 33,230,516 shares of Common Stock subject to options outstanding under our stock option plans. An additional 6,943,998 shares of Common Stock are reserved for future option grants under such plans. Outstanding shares also do not include 65,457 shares of Common Stock reserved for issuance pursuant to outstanding warrants, 2,350,000 shares of Common Stock reserved for issuance under our 1998 Restricted Stock Plan, and 15,501,707 shares of Common Stock initially reserved for issuance upon conversion of our 3.25% convertible subordinated debentures due 2003.

DESCRIPTION OF EXCHANGE NOTES

The Exchange Notes will evidence the same debt as the Private Notes. The Private Notes were issued, and the Exchange Notes offered hereby will be issued, pursuant to an indenture, dated as of May 22, 2002 (the "Indenture"), between us and The Bank of Nova Scotia Trust Company of New York, as Trustee (the "Trustee"). The following summary does not purport to be complete and is subject to the detailed provisions of the Indenture, to which reference is hereby made for a full description of such provisions, including the definition of certain terms used herein, and for other information regarding the Exchange Notes. Wherever particular sections or defined terms of the Indenture are referred to, such sections or defined terms are incorporated herein by reference as part of the statement made, and the statement is qualified in its entirety by such reference.

GENERAL

The form and terms of the Exchange Notes are the same in all material respects as the form and terms of the Private Notes, except that the Exchange Notes will have been registered under the Securities Act and, therefore, the Exchange Notes will not be subject to the transfer restrictions, registration rights or provisions providing for an increase in the interest rate applicable to the Private Notes. The Exchange Notes will be general unsecured obligations of the Company, pari passu in right of payment to all existing and future senior Indebtedness of the Company (including the Company's obligations under the Credit Agreements) and senior to the Company's existing and future Subordinated Indebtedness. The Company issued $1,000,000,000 aggregate principal amount of

the Private Notes. The Indenture permits the Company to issue additional Private Notes, without the consent of the holders of the Notes. Accordingly, the principal amount of Private Notes issued may be increased on the same terms and conditions, except for the issue price and the issue date, and with the same CUSIP numbers as the Private Notes initially issued. In July 2002, the Company repurchased and cancelled $2,000,000 aggregate principal amount of the Private Notes.

The Exchange Notes will bear interest from May 22, 2002 at the per annum rate of 7 5/8%, payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2002, to holders of record at the close of business on May 15 or November 15, as the case may be, immediately preceding the relevant interest payment date. The payment of interest on Exchange Notes will be in lieu of payment of any accrued but unpaid interest on Private Notes tendered for exchange. Interest on the Exchange Notes will be calculated on the basis of a 360-day year of twelve 30-day months. The Exchange Notes will mature on June 1, 2012 and will be issued in registered form, without coupons, and in denominations of $1,000 and integral multiples thereof. The Exchange Notes will be payable as to principal, premium, if any, and interest at the office or agency of the Company maintained for such purpose within the City and State of New York or, at the option of the Company, by wire transfer of immediately available funds or, in the case of certificated securities only, by mailing a check to the registered address of the holders of the Exchange Notes. See "--Book-Entry; Delivery and Form". Until otherwise designated by the Company, the Company's office or agency in New York will be the office of the Trustee maintained for such purpose.

Whether or not required by the rules and regulations of the Commission, so long as any Exchange Notes are outstanding, the Company will file with the Commission, to the extent such filings are accepted by the Commission, and will furnish (within 15 days after such filing) to the Trustee and to the Holders all quarterly and annual reports and other information, documents and reports that would be required to be filed with the Commission pursuant to Section 13 of the Exchange Act if the Company were required to file under such section. In addition, the Company will make such information available to prospective purchasers of the Exchange Notes, securities analysts and broker-dealers who request it in writing.

OPTIONAL REDEMPTION OF THE NOTES

The Notes will be redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus any applicable Make-Whole Premium (as defined below) and accrued interest thereon to the date of redemption. In the event of a partial redemption, the Company shall specify the principal amount of the Notes to be redeemed.

For purposes of determining the optional redemption price, the following definitions are applicable:

"Adjusted Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of the principal amount) equal to the Comparable Treasury Price for such redemption date, plus .50%.

"Comparable Treasury Issue" means the United States Treasury security

selected by a Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains three or fewer such Reference Treasury Dealer Quotations, the average of all such quotations.

"Make-Whole Premium" means, for any Note to be redeemed, a premium equal to the excess (if any) of (i) as determined by a Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on such Note discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate over (ii) 100% of the unpaid principal amount of such Note. If a redemption date does not fall on an interest payment date, then, with respect to the interest payment immediately succeeding the redemption date, only the unaccrued portion of such interest payment as of the redemption date shall be included in the calculation pursuant to clause (i) above.

"Quotation Agent" means one of the Reference Treasury Dealers appointed by the Company.

"Reference Treasury Dealer" means each of UBS Warburg LLC, Deutsche Bank Securities Inc. and Banc of America Securities LLC and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York, New York (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by such Reference Treasury Dealer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

If less than all of the Notes are to be redeemed at any time, selection of the Notes to be redeemed will be made by the Trustee from among the outstanding Notes on a pro rata basis, by lot or by any other method permitted in the Indenture. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at the registered address of such Holder. On and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption.

The Notes will not be entitled to any sinking fund.

FALL-AWAY EVENT

In the event (i) the Notes are rated Investment Grade (as defined below) and (ii) no Event of Default or Default shall have occurred and be continuing, and upon delivery by the Company to the Trustee of an Officers' Certificate certifying as to the foregoing events (the occurrence thereof being collectively referred to as the "Fall-Away Event"), the covenants described under "-- Certain Covenants of the Company Before the Fall-Away Event" and the provisions of the Indenture described under "-- Change of Control" will no longer be applicable to the Company and its Subsidiaries. After the occurrence of the Fall-Away Event, the Company and its Subsidiaries will be subject to the covenants described

under "-- Certain Covenants of the Company After the Fall-Away Event". As a result, upon

the occurrence of the Fall-Away Event, the Notes will be entitled to substantially less covenant protection. If the Notes are subsequently downgraded to, or otherwise become, non-Investment Grade, the Indenture covenants previously released will not be reinstated.

CHANGE OF CONTROL

If a Change of Control shall occur, then each Holder will have the right to require that the Company purchase such Holder's Notes, in whole or in part in integral multiples of $1,000, at a purchase price (the "Change of Control Purchase Price") in cash in an amount equal to 101% of the principal amount thereof, plus accrued interest, if any, to the date of purchase (the "Change of Control Purchase Date"), pursuant to the offer described below (the "Change of Control Offer") and the other procedures set forth in the Indenture; provided, however, that if the Fall-Away Event shall have occurred prior to the time the Company shall otherwise be required to make such Change of Control Offer, then the Company shall not be required to make such Change of Control Offer.

Within 30 days following any Change of Control, the Company shall notify the Trustee thereof and give written notice of such Change of Control to each Holder by first-class mail, postage prepaid, at the address of such Holder appearing in the security register, stating, among other things:

(i) the offer to repurchase Notes at the Change of Control Purchase Price and on the Change of Control Purchase Date, which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed;

(ii) that any Note not tendered will continue to accrue interest;

(iii) that, unless the Company defaults in the payment of the Change of Control Purchase Price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date; and

(iv) certain other procedures that a Holder must follow to accept a Change of Control Offer or to withdraw such acceptance.

The occurrence of certain of the events constituting a Change of Control under the Indenture may result in an event of default in respect of the Credit Agreements and other Indebtedness of the Company and its Subsidiaries and, consequently, the lenders thereof will have the right to require repayment of such Indebtedness in full. If a Change of Control Offer is made, there can be no assurance that the Company will have available funds sufficient to pay the Change of Control Purchase Price for all of the Notes that might be delivered by Holders seeking to accept the Change of Control Offer and other amounts that might become due and payable in respect of other Indebtedness of the Company. The failure of the Company to make or consummate the Change of Control Offer or pay the Change of Control Purchase Price when due would result in an Event of Default and would give the Trustee and the Holders the rights described under "-- Events of Default".

One of the events which constitutes a Change of Control under the Indenture is the sale of "all or substantially all" of the Company's assets. This term has not been interpreted under New York law (which is the governing law of the

Indenture) to represent a specific quantitative test. As a consequence, in the event that the Holders believe that the Company is obligated to make a Change of Control Offer as a result of a sale of all or substantially all of the Company's assets and the Company does not believe it is so obligated, there can be no assurance as to how a court interpreting New York law would interpret the phrase.

The existence of a Holder's right to require the Company to purchase such Holder's Notes upon a Change of Control may deter a third party from acquiring the Company in a transaction that constitutes a Change of Control.

The definition of "Change of Control" in the Indenture is limited in scope and applies only to the occurrence of events before the Fall-Away Event. The provisions of the Indenture may not afford Holders the right to require the Company to purchase such Notes in the event of a highly leveraged transaction or a reorganization, restructuring, merger or similar transaction involving the Company that may adversely affect Holders, if such transaction is not a transaction defined as a Change of Control.

The Company will comply with any applicable securities laws and regulations in connection with a Change of Control Offer.

This provision will not apply to the Notes after the occurrence of the Fall-Away Event.

CERTAIN COVENANTS OF THE COMPANY BEFORE THE FALL-AWAY EVENT

Set forth below are summaries of certain covenants contained in the Indenture that, as is the case with the "Change of Control" provision of the Indenture, will apply to the Notes only before the occurrence of the Fall-Away Event.

Limitations on Additional Indebtedness and Subsidiary Preferred Stock. (a) After the Issue Date,

(i) the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee, extend the Stated Maturity of, or otherwise become liable with respect to (collectively, "incur"), any Indebtedness (including, without limitation, Acquired Indebtedness) and

(ii) the Company will not permit any of its Subsidiaries to issue (except to the Company or any of its Wholly Owned Subsidiaries) or create any Preferred Stock or permit any Person (other than the Company or a Wholly Owned Subsidiary) to own or hold any interest in any Preferred Stock of any such Subsidiary;

provided, however, that the Company may incur Indebtedness and the Company may permit its Subsidiaries to issue or create Preferred Stock if, after giving effect thereto, the Company's EBITDA Coverage Ratio on the date thereof would be at least 2.5 to 1, determined on a pro forma basis as if the incurrence of such additional Indebtedness or the issuance of such Preferred Stock (declared to have an aggregate principal amount equal to the aggregate liquidation value of such Preferred Stock), as the case may be, and the application of the net proceeds therefrom, had occurred at the beginning of the four-quarter period used to calculate the Company's EBITDA Coverage Ratio.

(b) Notwithstanding the foregoing, and irrespective of the EBITDA

Coverage Ratio, in addition to Existing Indebtedness:

(i) the Company may incur Indebtedness pursuant to the Private Notes issued on the Issue Date and the Exchange Notes issued in exchange for Private Notes;

(ii) the Company and its Subsidiaries may incur Refinancing Indebtedness in exchange for, or the net proceeds of which are applied to refund, refinance or extend, Existing Indebtedness or other Indebtedness that was permitted by the Indenture to be incurred under this "Limitations on Additional Indebtedness and Subsidiary Preferred Stock" covenant except for Indebtedness incurred under clause (iii) or (iv) of this paragraph (b);

(iii) the Company may incur any Indebtedness to any Subsidiary or any Subsidiary may incur any Indebtedness to the Company or to any Subsidiary;

(iv) the Company and its Subsidiaries may incur any Indebtedness evidenced by letters of credit which are used in the ordinary course of business of the Company and its Subsidiaries to secure workers' compensation and other insurance coverages;

(v) the Company and its Subsidiaries may incur Capitalized Lease Obligations and Attributable Indebtedness, in each case excluding Existing Indebtedness, but including all Refinancing Indebtedness incurred in exchange for, or the net proceeds of which are applied to refund, refinance or extend, any Indebtedness incurred pursuant to this clause (v), in an aggregate principal amount at any one time outstanding not to exceed 10% of Consolidated Tangible Assets at such time; and

(vi) the Subsidiaries of the Company may incur Indebtedness, including all Refinancing Indebtedness incurred in exchange for, or the net proceeds of which are applied to refund, refinance or extend, any Indebtedness incurred pursuant to this clause (vi), in an aggregate

principal amount at any time outstanding not to exceed $250,000,000, in addition to Existing Indebtedness and other Indebtedness permitted to be incurred by Subsidiaries of the Company pursuant to the foregoing clauses (ii)-(v).

(c) Notwithstanding the foregoing, the Company may permit any Subsidiary which is a partnership formed to operate a single healthcare facility to issue or create Preferred Stock, provided that the aggregate amount of all such Preferred Stock outstanding after giving effect to such issuance or creation shall not exceed 1% of Consolidated Tangible Assets as of the date of such issuance or creation.

This covenant will not apply to the Notes after the occurrence of the Fall-Away Event.

Limitations on Restricted Payments. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, make any Restricted Payment if at the time of such Restricted Payment:

(i) a Default or Event of Default shall have occurred and be continuing or shall occur as a consequence thereof;

(ii) after giving effect to the proposed Restricted Payment, the amount of such Restricted Payment, when added to the aggregate amount of all Restricted Payments made after September 25, 2000, exceeds the sum of:

(a) 50% of the Company's Consolidated Net Income accrued during the period (taken as a single period) commencing on July 1, 1997 to and including the fiscal quarter ended immediately prior to the date of such Restricted Payment (or, if such aggregate Consolidated Net Income shall be a deficit, minus 100% of such aggregate deficit),

(b) the net cash proceeds from the issuance and sale of the Company's Capital Stock (other than to a Subsidiary of the Company) that is not Disqualified Stock during the period (taken as a single period) commencing with the Issue Date, and

(c) $50,000,000; or

(iii) the Company would not be able to incur an additional $1.00 of Indebtedness under the EBITDA Coverage Ratio in the "-- Limitations on Additional Indebtedness and Subsidiary Preferred Stock" covenant.

Notwithstanding the foregoing, the Company may:

(w) pay any dividend within 60 days after the date of declaration thereof if the payment thereof would have complied with the limitations of this "Limitations on Restricted Payments" covenant on the date of declaration;

(x) retire shares of the Company's Capital Stock or the Company's or a Subsidiary of the Company's Indebtedness out of the proceeds of a substantially concurrent sale (other than to a Subsidiary of the Company) of shares of the Company's Capital Stock (other than Disqualified Stock);

(y) make Investments in Joint Ventures which, when added to the aggregate amount of all such other Investments made pursuant to this clause (y) (or such other Investments as would have been made pursuant to this clause (y) had such clause been in effect) after September 25, 2000, do not exceed 5% of Consolidated Tangible Assets at such time (with each such Investment being valued as of the date made and without regard to subsequent changes in value); and

(z) make Investments which, when added to the aggregate amount of all such other Investments made pursuant to this clause (z) (or such other Investments as would have been made pursuant to this clause (z) had such clause been in effect) after September 25, 2000, do not exceed 2.5% of Consolidated Tangible Assets at such time (with each such Investment being valued as of the date made and without regard to subsequent changes in value);

provided, however, that each Restricted Payment described in clause (w) or (x) above shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (ii) of the immediately preceding paragraph.

This covenant will not apply to the Notes after the occurrence of the Fall-Away Event.

Limitations on Restrictions on Distributions from Subsidiaries. The Company

will not, and will not permit any of its Subsidiaries to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by judicial or regulatory action or by provisions in leases or other agreements that restrict the assignability thereof) on the ability of any Subsidiary of the Company to

(i) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by the Company or any of its other Subsidiaries, or pay interest on or principal of any Indebtedness owed to the Company or any of its other Subsidiaries,

(ii) make loans or advances to the Company or any of its other Subsidiaries or

(iii) transfer any of its properties or assets to the Company or any of its other Subsidiaries,

in each case except for encumbrances or restrictions existing under or by reason of

(a) applicable law,

(b) the Credit Agreements,

(c) Existing Indebtedness,

(d) any restrictions under any agreement evidencing any Acquired Indebtedness that was permitted to be incurred pursuant to the Indenture and which was not incurred in anticipation or contemplation of the related acquisition, provided that such restrictions and encumbrances only apply to assets that were subject to such restrictions and encumbrances prior to the acquisition of such assets by the Company or its Subsidiaries,

(e) restrictions or encumbrances replacing those permitted by clause (b), (c) or (d) above which, taken as a whole, are not materially more restrictive,

(f) the Indenture,

(g) any restrictions and encumbrances arising in connection with Refinancing Indebtedness; provided, however, that any restrictions or encumbrances of the type described in this clause that arise under such Refinancing Indebtedness are not, taken as a whole, materially more restrictive than those under the agreement creating or evidencing the Indebtedness being refunded or refinanced,

(h) any restrictions with respect to a Subsidiary of the Company imposed pursuant to an agreement that has been entered into for the sale or other disposition of all or substantially all of the Capital Stock or assets of such Subsidiary,

(i) any agreement restricting the sale or other disposition of property securing Indebtedness if such agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make loans or advances and

(j) customary restrictions in purchase money debt or leases relating to the property covered thereby.

This covenant will not apply to the Notes after the occurrence of the

Fall-Away Event.

Limitations on Layering Indebtedness. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, incur any Indebtedness that purports to be by its terms subordinated to any other Indebtedness of the Company or such Subsidiary, as the case may be, unless such Indebtedness is also expressly subordinated to the Notes to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness.

This covenant will not apply to the Notes after the occurrence of the Fall-Away Event.

Limitations on Transactions with Affiliates. Neither the Company nor any of its Subsidiaries will, directly or indirectly, in one transaction or a series of transactions, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of the Company or any of its Subsidiaries or any Person (or any Affiliate of such Person) holding 10% or more of the Common Equity of the Company or any of its Subsidiaries, other than transactions in the ordinary course between the Company and its Subsidiaries or among Subsidiaries of the Company (an "Affiliate Transaction"), unless

(i) the terms of such Affiliate Transaction are fair and reasonable to the Company or such Subsidiary, as the case may be, and are at least as favorable as the terms which could be obtained by the Company or such Subsidiary, as the case may be, in a comparable transaction made on an arm's-length basis between unaffiliated parties;

(ii) with respect to any such Affiliate Transaction involving aggregate payments in excess of $5,000,000, the Company delivers an Officers' Certificate to the Trustee certifying that such Affiliate Transaction complies with clause (i) above and a Secretary's Certificate which sets forth and authenticates a resolution that has been adopted by a vote of a majority of the disinterested members of the Board of Directors approving such Affiliate Transaction; and

(iii) with respect to any such Affiliate Transaction involving aggregate payments in excess of $25,000,000, the Company delivers to the Trustee the certificates specified in clause (ii) above and an opinion of an independent investment banking firm of national standing in the United States, stating that such Affiliate Transaction is fair from a financial point of view to the Company or such Subsidiary, as the case may be;

provided, however, that the foregoing clauses (ii) and (iii) shall not apply to transactions between the Company or any of its Subsidiaries and MedCenterDirect, Inc. or Source Medical Solutions, Inc.

This covenant will not apply to the Notes after the occurrence of the Fall-Away Event.

Limitations on Liens. The Company will not create or suffer to exist any Lien (other than Permitted Liens) on any of its assets, unless contemporaneously therewith:

(i) in the case of any Lien securing an obligation that ranks pari passu with the Notes, effective provision is made to secure the Notes at least equally and ratably with or prior to such obligation with a Lien on the same collateral; and

(ii) in the case of any Lien securing an obligation that is subordinated in right of payment to the Notes, effective provision is made to secure the Notes with a Lien on the same collateral that is prior to the Lien securing such subordinated obligation.

Notwithstanding the above, the Company may, without securing the Notes, create or assume any Indebtedness which is secured by a Lien which would otherwise be subject to the foregoing restrictions, provided, that after giving effect thereto, the Exempted Debt then outstanding does not exceed 10% of the total Consolidated Tangible Assets at such time.

This covenant will not apply to the Notes after the occurrence of the Fall-Away Event.

30

Limitations on Asset Sales. (a) The Company will not, and will not permit any of its Subsidiaries to, consummate any Asset Sale unless

(i) the Company or such Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets included in such Asset Sale,

(ii) immediately before and immediately after giving effect to such Asset Sale, no Default or Event of Default shall have occurred and be continuing and

(iii) at least 75% of the consideration received by the Company or such Subsidiary therefor is in the form of cash paid at the closing thereof; provided, however, that this clause (iii) shall not apply if, after giving effect to such Asset Sale, the aggregate principal amount of all notes or similar debt obligations and Fair Market Value of all equity securities received by the Company from all Asset Sales since September 25, 2000 (other than such notes or similar debt obligations and such equity securities converted into or otherwise disposed of for cash and applied in accordance with the second succeeding sentence) would not exceed 2.5% of Consolidated Tangible Assets at such time.

The amount (without duplication) of any (x) Indebtedness (other than Subordinated Indebtedness) of the Company or such Subsidiary that is expressly assumed by the transferee in such Asset Sale and with respect to which the Company or such Subsidiary, as the case may be, is unconditionally released by the holder of such Indebtedness and (y) any notes, securities or similar obligations or items of property received from such transferee that are immediately converted, sold or exchanged by the Company or such Subsidiary for cash (to the extent of the cash actually so received), shall be deemed to be cash for purposes of this "Limitations on Asset Sales" covenant. If at any time any non-cash consideration received by the Company or such Subsidiary, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then the date of such conversion or disposition shall be deemed to constitute the date of an Asset Sale hereunder and the Net Proceed