LA JOLLA PHARMACEUTICAL CO
Form S-3
August 01, 2007

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As filed with the Securities and Exchange Commission on July 31, 2007
Registration No. 333-_____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

LA JOLLA PHARMACEUTICAL COMPANY
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**33-0361285**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

6455 Nancy Ridge Drive
San Diego, California 92121
(858) 452-6600
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Deirdre Y. Gillespie
La Jolla Pharmaceutical Company
6455 Nancy Ridge Drive
San Diego, California 92121
(858) 452-6600
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

with copies to:

Mitchell S. Bloom, Esq.
Ryan A. Murr, Esq.
Goodwin Procter LLP
4365 Executive Drive
San Diego, California 92121
(858) 202-2700; Facsimile: (858) 457-1255

Approximate date of commencement of proposed sale to public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. þ

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

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the

following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered (1)(2)(3)	Proposed Maximum Aggregate Offering Price (4)(5)(6)	Amount of Registration Fee
Common Stock, par value $0.01 per share		
Preferred Stock, par value $0.01 per share		
Warrants		
Total	**$ 77,000,000**	**$ 2,364**

(1) This registration statement also covers (i) preferred stock and common stock that may be issued upon exercise of warrants and (ii) such indeterminate amount of securities as may be issued in exchange for or upon conversion of, as the case may be, the securities registered hereunder. In addition, securities registered hereunder may be sold separately or as units with other securities registered hereunder. Each share of common stock

registered hereunder includes a right to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock pursuant to the Rights Agreement between the registrant and American Stock Transfer & Trust Company, as Rights Agent, as amended.

(2) An indeterminate number of or aggregate principal amount of the securities is being registered as may at various times be issued at indeterminate prices, with an aggregate public offering price not to exceed $77,000,000 or the equivalent thereof in one or more currencies.

(3) Not specified as to each class of securities to be registered pursuant to General Instruction II.D of Form S-3 under the Securities Act

of 1933.

(4) Estimated solely for the purpose of computing the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended and exclusive of accrued interest, if any.

(5) The proposed maximum offering price per unit will be determined from time to time by the registrant in connection with, and at the time of, the issuance of the securities registered hereunder.

(6) Includes consideration to be received by us for registered securities that are issuable upon exercise, conversion or exchange of other registered securities.

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 this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION, DATED JULY 31, 2007

The information contained 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.

PROSPECTUS

$77,000,000
Common Stock
Preferred Stock
Warrants

This prospectus relates to common stock, preferred stock and warrants that we may sell from time to time in one or more offerings up to a total public offering price of $77,000,000 (or its equivalent in foreign or composite currencies) on terms to be determined at the time of sale. We will provide specific terms of these securities in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest. This prospectus may not be used to offer and sell securities unless accompanied by a prospectus supplement for those securities.

Our common stock is traded on The NASDAQ Global Market under the symbol LJPC. On July 30, 2007, the closing price for our common stock, as reported on The NASDAQ Global Market, was $3.91 per share. Each prospectus supplement to this prospectus will contain information, where applicable, as to any other listing on any national securities exchange or The NASDAQ Global Market of the securities covered by such prospectus supplement.

These securities may be sold directly by us, through dealers or agents designated from time to time, to or through underwriters or through a combination of these methods. See Plan of Distribution in this prospectus. We may also describe the plan of distribution for any particular offering of these securities in any applicable prospectus supplement. If any agents, underwriters or dealers are involved in the sale of any securities in respect of which this prospectus is being delivered, we will disclose their names and the nature of our arrangements with them in a prospectus supplement. The net proceeds we expect to receive from any such sale will also be included in a prospectus supplement.

Investing in our securities involves a high degree of risk. See Risk Factors on page 2 of this prospectus. We may include updated or additional risk factors in an applicable prospectus supplement under the heading Risk Factors. You should review that section of the prospectus supplement for a discussion of matters that investors in our securities should consider.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus or any accompanying prospectus supplement. Any representation to the contrary is a criminal offense.

The date of this prospectus is August , 2007.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS, ANY PROSPECTUS SUPPLEMENT OR ANY DOCUMENT TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE ELSE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. THIS PROSPECTUS AND ANY PROSPECTUS SUPPLEMENT MAY BE USED ONLY WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION IN THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT IS CURRENT ONLY AS OF THE DATE ON THE FRONT OF THESE DOCUMENTS.

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ABOUT THIS PROSPECTUS

This prospectus is part of a Registration Statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total public offering price of $77,000,000 (or its equivalent in foreign or composite currencies). This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the securities being offered and the terms of that offering. The prospectus supplement may also add to, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading Where You Can Find More Information carefully before making an investment decision.

Unless the context otherwise requires, in this prospectus, LJPC, the Company, we, us, our and similar names to La Jolla Pharmaceutical Company and its subsidiary.

ABOUT LA JOLLA PHARMACEUTICAL COMPANY

We are a biopharmaceutical company focused on developing innovative pharmaceutical products to improve human health by addressing unmet medical needs. Our lead product candidate, Riquent, is designed to treat lupus renal disease by preventing or delaying renal flares. Riquent is currently in a Phase 3 clinical trial under a Special Protocol Assessment and has been granted Fast Track designation by the FDA.

Lupus renal disease is a chronic illness that can lead to irreversible renal damage, renal failure and the need for dialysis, and is a leading cause of death in lupus patients. Lupus is an antibody-mediated disease caused by autoantibodies, of which antibodies to double-stranded DNA, or dsDNA, are an important subgroup. Riquent is designed to prevent or delay renal flares by lowering the levels of circulating antibodies to dsDNA, which are believed to cause lupus renal disease. Current treatments for this autoimmune disorder often address only symptoms of the disease, or nonspecifically suppress the normal operation of the immune system, which can result in severe, negative side effects and hospitalization. We believe that Riquent has the potential to treat lupus renal disease without these severe, negative side effects. The Lupus Foundation estimates that there are approximately one million lupus patients in the United States. We believe that 30% to 50% of these lupus patients have renal disease.

We have also developed novel, orally-active, small-molecule SSAO inhibitors for the treatment of autoimmune diseases and acute and chronic inflammatory disorders. Preclinical studies have shown that these inhibitors reduce disease activity in animal models of multiple sclerosis, rheumatoid arthritis, inflammatory bowel disease, stroke, systemic inflammation and acute inflammation.

CORPORATE INFORMATION

We were incorporated in the State of Delaware in 1989. Our principal executive offices are located at 6455 Nancy Ridge Drive, San Diego, California 92121 and our telephone number is (858) 452-6600. Our website is located at *www.ljpc.com.* We make available on our website, free of charge, a link to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as practicable after we electronically file such material with the Securities and Exchange Commission, or SEC. The information contained on our website is not part of this prospectus.

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RISK FACTORS

Investing in our securities involves risk. The prospectus supplement applicable to each type or series of securities we offer will contain a discussion of the risks applicable to an investment in La Jolla Pharmaceutical Company and to the particular types of securities that we are offering under that prospectus supplement. Prior to making a decision about investing in our securities, you should carefully consider the specific factors discussed under the heading Risk Factors in the applicable prospectus supplement, together with all of the other information contained or incorporated by reference in the prospectus supplement or appearing or incorporated by reference in this prospectus. You should also consider the risks, uncertainties and assumptions discussed under the heading Risk Factors included in our most recent annual report on Form 10-K, as revised or supplemented by our most recent quarterly report on Form 10-Q, each of which are on file with the SEC and are incorporated herein by reference, and which may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future.

DESCRIPTION OF CAPITAL STOCK

On the date of this prospectus, our authorized capital stock consists of 225,000,000 shares of common stock, $0.01 par value per share, and 8,000,000 shares of preferred stock, $0.01 par value per share. The following is a description of our capital stock. The following summary of our amended and restated certificate of incorporation, amended and restated bylaws, and rights plan does not describe the certificate, the bylaws, or the rights plan entirely. We urge you to read our certificate, bylaws, and rights plan which are incorporated by reference as exhibits to the registration statement of which this prospectus is a part. See Where You Can Find More Information and Incorporation by Reference on page 7.

Common Stock

As further described in our other filings with the SEC and our certificate, bylaws, and rights plan, the holders of our common stock are entitled to one vote per share on all matters to be voted upon by our stockholders. Holders of our common stock are entitled to receive, when and if declared by the board of directors from time to time, such dividends and other distributions in cash, stock or property from our assets or funds legally available for such purposes subject to any dividend preferences that may be attributable to preferred stock that may be authorized. In the event of our liquidation, dissolution or winding up, after all liabilities and the holders of each series of preferred stock, if any, have been paid in full, the holders of our common stock are entitled to share ratably in all remaining assets available for distribution. American Stock Transfer & Trust Company is the Transfer Agent and Registrar for the shares of our common stock.

Each outstanding share of our common stock is accompanied by a right to purchase our preferred stock, our common stock or the common stock of a successor company pursuant to the terms of a rights agreement. Please refer to the discussion entitled La Jolla Pharmaceutical Company Rights Plan below.

Preferred Stock

Our board of directors has the authority, without further action by stockholders, to issue up to 8,000,000 shares of preferred stock in one or more series and to fix the powers, designations, rights, preferences, privileges, qualifications, and restrictions thereof, including dividend rights, conversion rights, voting rights, rights and terms of redemption, liquidation preferences and sinking fund terms, any or all of which may be greater than the rights of our common stock. Our board of directors, without further stockholder approval, can issue preferred stock with voting, conversion, and other rights that could adversely affect the voting power and other rights of the holders of common stock. The issuance of preferred stock in certain circumstances may have the effect of delaying, deferring or preventing a change in control of La Jolla Pharmaceutical Company, may discourage bids for our common stock at a premium over the market price of the common stock, and may adversely affect the market price of our common stock. As of the date of this prospectus, there are no shares of our preferred stock outstanding. If we offer any shares of preferred stock under this prospectus, the specific rights, preferences and privileges of that series of preferred stock will be described in the prospectus supplement for that offering.

We have filed a certificate of designation with the Secretary of State of the State of Delaware, which designates 100,000 shares of preferred stock as Series A Junior Participating Preferred Stock in connection with our

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stockholder rights plan, as described below. We refer to our Series A Junior Participating Preferred Stock as our Series A Preferred Shares. Except to the extent that a right to purchase our Series A Preferred Shares accompanies each share of our common stock, no shares of our Series A Junior Participating Preferred Stock are covered by this prospectus.

La Jolla Pharmaceutical Company Rights Plan

On November 19, 1998, our board of directors authorized and declared a dividend of one right for each share of our common stock. On December 3, 1998, we entered into a rights agreement with American Stock Transfer & Trust Company, as rights agent, and filed a Certificate of Designation with the State of Delaware regarding our Series A Preferred Shares. The Company paid the rights dividend to the holders of record of common stock as of the close of business on December 18, 1998. Common stock certificates issued after December 18, 1998, and prior to the Distribution Date (as defined in the rights agreement), contain a notation incorporating the rights agreement by reference. The rights agreement was subsequently amended to eliminate the concept of continuing directors in response to a clarification of Delaware law and to permit certain stockholders to acquire more than 15% of our outstanding common stock without triggering the rights agreement by amending the definition of an acquiring person. Currently, there are no separate rights certificates. Each right is attached to each share of our common stock and trades automatically with the common stock. Rights will not be separable from common stock or exercisable, unless specified events described in the rights agreement occur. Upon the occurrence of the events described in the rights agreement, the rights will separate from the common stock and may thereafter become exercisable to purchase additional securities.

DESCRIPTION OF WARRANTS

We may issue securities warrants for the purchase of preferred stock or common stock. Securities warrants may be issued independently or together with preferred stock or common stock and may be attached to or separate from any offered securities. Each series of securities warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent. The securities warrant agent will act solely as our agent in connection with the securities warrants and will not assume any obligation or relationship of agency or trust for or with any registered holders of securities warrants or beneficial owners of securities warrants. This summary of some provisions of the securities warrants is not complete. You should refer to the applicable prospectus supplement and the securities warrant agreement, including the forms of securities warrant certificate representing the securities warrants, relating to the specific securities warrants being offered for the complete terms of the securities warrant agreement and the securities warrants. That securities warrant agreement, together with the terms of securities warrant certificate and securities warrants, will be filed with the SEC in connection with the offering of the specific securities warrants.

The particular terms of any issue of securities warrants will be described in the prospectus supplement relating to the issue. Those terms may include:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies (including composite currencies) in which the price of such warrants may be payable;

the terms of the securities purchasable upon exercise of such warrants and the procedures and conditions relating to the exercise of such warrants;

the price at which the securities purchasable upon exercise of such warrants may be purchased;

the date on which the right to exercise such warrants will commence and the date on which such right shall expire;

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any provisions for adjustment of the number or amount of securities receivable upon exercise of the warrants or the exercise price of the warrants;

if applicable, the minimum or maximum amount of such warrants that may be exercised at any one time;

if applicable, the designation and terms of the securities with which such warrants are issued and the number of such warrants issued with each such security;

if applicable, the date on and after which such warrants and the related securities will be separately transferable;

information with respect to book-entry procedures, if any; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange or exercise of such warrants.

The prospectus supplement relating to any warrants to purchase equity securities may also include, if applicable, a discussion of certain U.S. federal income tax and ERISA considerations.

Securities warrants for the purchase of preferred stock and common stock will be offered and exercisable for U.S. dollars only. Securities warrants will be issued in registered form only.

Each securities warrant will entitle its holder to purchase the number of shares of preferred stock or common stock at the exercise price set forth in, or calculable as set forth in, the applicable prospectus supplement.

After the close of business on the expiration date, unexercised securities warrants will become void. We will specify the place or places where, and the manner in which, securities warrants may be exercised in the applicable prospectus supplement.

Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, we will, as soon as practicable, forward the purchased securities. If less than all of the warrants represented by the warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants.

Prior to the exercise of any securities warrants to purchase preferred stock or common stock, holders of the securities warrants will not have any of the rights of holders of preferred stock or common stock purchasable upon exercise, including the right to vote or to receive any payments of dividends on the preferred stock or common stock purchasable upon exercise.

USE OF PROCEEDS

Unless we tell you otherwise in a prospectus supplement, we will use the net proceeds from the sale of these securities for general corporate purposes, which may include funding clinical trials, research and development, regulatory activities and product marketing, including acquisitions of companies, products, intellectual property or other technology, repayment or refinancing of existing indebtedness, investments, capital expenditures, repurchase of our capital stock and for any other purposes that we may specify in any prospectus supplement. We may also invest the net proceeds temporarily in short-term or marketable securities until we use them for their stated purpose.

PLAN OF DISTRIBUTION

The securities that may be offered pursuant to this prospectus and any prospectus supplement may be offered by us to one or more underwriters for public offering and sale by them, to investors directly (through a specific bidding or auction process, or otherwise) or through agents. Any such underwriter or agent involved in the offer and sale of such securities will be named in the applicable prospectus supplement. Sales of such securities may be effected from time to time in one or more types of transactions, which may include block transactions, on the

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NASDAQ Global Market or other securities exchange, in the over-the-counter market, in negotiated transactions, through put or call options transactions relating to the securities, through short sales of the securities, or a combination of such methods of sale. Such transactions may or may not involve brokers or dealers. The prospectus supplement with respect to the securities being offered will set forth the terms of the offering of those securities, including the names of the underwriters, dealers or agents, if any, the purchase price, the net proceeds to us, any underwriting discounts and other items constituting underwriters compensation, the public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchanges on which such securities may be listed.

Underwriters may offer and sell the securities at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The consideration may be cash or another form negotiated by the parties. If underwriters are used in an offering, we will execute an underwriting agreement with such underwriters and will specify the name of each underwriter and the terms of the transaction (including any underwriting discounts and other terms constituting compensation of the underwriters and any dealers) in a prospectus supplement. The securities may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by one or more investment banking firms or others, as designated. If an underwriting syndicate is used, the managing underwriter(s) will be specified on the cover of the prospectus supplement. If underwriters are used in the sale, the offered securities will be acquired by the underwriters for their own accounts and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Any public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time. Unless otherwise set forth in the prospectus supplement, the obligations of the underwriters to purchase the offered securities will be subject to conditions precedent and the underwriters will be obligated to purchase all of the offered securities if any are purchased.

In connection with the sale of the securities, we may grant to the underwriters options to purchase additional securities to cover over-allotments, if any, at the public offering price, with additional underwriting commissions or discounts, as may be set forth in a related prospectus supplement. The terms of any over-allotment option will be set forth in the prospectus supplement for those securities. Underwriters may also receive compensation from us in the form of underwriting discounts, concessions or commissions and may also receive commissions from purchasers of the securities for whom they may act as agent. Underwriters may sell the securities to or through dealers who may receive compensation from the underwriters in the form of discounts, concessions or commissions or commissions from the purchasers for whom they may act as agents.

If any underwriters are involved in the offer and sale, they will be permitted to engage in transactions that maintain or otherwise affect the price of the securities. These transactions may include over-allotment transactions, purchases to cover short positions created by the underwriter in connection with the offering and the imposition of penalty bids. If an underwriter creates a short position in the securities in connection with the offering, i.e., if it sells more securities than set forth on the cover page of the applicable prospectus supplement, the underwriter may reduce that short position by purchasing the securities in the open market. In general, purchases of a security to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. As noted above, underwriters may also choose to impose penalty bids on other underwriters and/or selling group members. This means that if underwriters purchase securities on the open market to reduce their short position or to stabilize the price of the securities, they may reclaim the amount of the selling concession from those underwriters and/or selling group members who sold such securities as part of the offering.

Neither we nor any underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of such securities. In addition, neither we nor any underwriter make any representation that such underwriter will engage in such transactions or that such transactions, once commenced, will be discontinued without notice.

Direct sales of securities may be made on a national securities exchange or otherwise.

Dealers and agents participating in the distribution of the securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the securities may be

deemed to be underwriting discounts and commissions under the Securities Act of 1933, as amended. Underwriters, dealers, agents and remarketing firms described below may be entitled, under agreements entered into with us, to

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indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act of 1933, as amended. The terms of any indemnification provisions will be set forth in a prospectus supplement.

Certain of the underwriters, dealers, agents and remarketing firms and their associates may engage in transactions with, and perform services for, us in the ordinary course of business.

We may directly solicit offers to purchase the securities and we may make sales of securities directly to institutional investors or others. These persons may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, with respect to any resales of the securities. To the extent required, the prospectus supplement will describe the terms of any such sales, including the terms of any bidding or auction process, if used.

Under the securities laws of some states, the securities offered by the prospectus may be sold in those states only through registered or licensed brokers or dealers.

It is possible that one or more underwriters may make a market in our common stock, but the underwriters will not be obligated to do so and may discontinue any market making at any time without notice. We cannot give any assurance as to the liquidity of the trading market for our common stock.

If dealers are used in an offering, we will sell the securities to the dealers as principals. The dealers then may resell the securities to the public at varying prices, which they determine at the time of resale. The names of the dealers and the terms of the transaction will be specified in a prospectus supplement.

The securities may be sold directly by us or through agents we designate from time to time at a fixed price or prices, which may be changed, or at varying prices determined at the time of sale. If agents are used in an offering, the names of the agents and the terms of the agency will be specified in a prospectus supplement. Unless otherwise indicated in a prospectus supplement, the agents will act on a best-efforts basis for the period of their appointment.

Offered securities may also be offered and sold, if so indicated in the applicable prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more remarketing firms acting as principals for their own accounts or as agents for us. Any remarketing firm will be identified and the terms of its agreements, if any, with us, and its compensation will be described in the applicable prospectus supplement. Remarketing firms may be deemed to be underwriters, as that term is defined in the Securities Act of 1933, as amended, in connection with the securities marketed by them.

If we so indicate in the prospectus supplement, we may authorize agents, underwriters or dealers to solicit offers from certain purchasers to purchase securities from us at the public offering price set forth in the applicable prospectus supplement pursuant to delivery contracts providing for payment and delivery on a future date.

Each series of securities will be a new issue of securities and will have no established trading market (other than our common stock). Any common stock sold pursuant to a prospectus supplement will be listed on NASDAQ, subject to official notice of issuance. Any underwriters to whom securities are sold by us for public offering and sale may make a market in the securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The securities, other than the common stock, may or may not be listed on a national securities exchange or eligible for quotation on any other trading or quotation system.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for us by Goodwin Procter LLP, San Diego, California. If counsel for any underwriters passes on legal matters in connection with an offering of the securities described in this prospectus, we will name that counsel in the prospectus supplement relating to that offering.

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EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006, as set forth in their report, which is incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements are incorporated by reference in reliance on Ernst & Young LLP s report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION AND INCORPORATION BY REFERENCE

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You may read and copy any document we file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C., 20549. You may also obtain copies from the SEC s public reference room by mail at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the public reference room. Our SEC filings are also available to the public from the SEC s web site at http://www.sec.gov. Information about La Jolla Pharmaceutical Company is also available to the public from our website at http://www.ljpc.com.

The SEC allows us to incorporate by reference the information that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede information in this prospectus. We incorporate by reference the documents listed below and any future filings we make with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until this offering is completed:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Our Current Reports on Form 8-K filed with the SEC on February 1, 2007, February 9, 2007, March 8, 2007, March 20, 2007, March 30, 2007, April 27, 2007 (excluding the matters in Item 7.01 and Exhibit 99.1, therein, which are not incorporated by reference into this Registration Statement), and May 10, 2007 (excluding the matters in Item 7.01 and Exhibit 99.1, therein, which are not incorporated by reference into this Registration Statement).

The description of our capital stock contained in our Registration Statements on Form 8-A, filed on June 2, 1994 and on December 4, 1998, and the post-effective amendments thereto, filed on January 26, 2001, December 12, 2005 and March 1, 2006.

Each person to whom a copy of this prospectus is delivered may request a copy of any or all of the information incorporated by reference in this prospectus, including the exhibits to any filings incorporated by reference herein, at no cost by writing or telephoning us at the following address or telephone number:

Corporate Secretary
La Jolla Pharmaceutical Company
6455 Nancy Ridge Drive
San Diego, California 92121
(858) 452-6600

You should rely only on the information contained in this prospectus. We have not authorized anyone else to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this prospectus that are based on our management s beliefs and assumptions and on information currently available to our management. Forward-looking statements include information concerning our possible or assumed future results of operations and statements preceded by, followed by, or that include the words believes, expects, anticipates, intends, plans, estimates or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You are cautioned not to put undue reliance on any forward-looking statements. The forward-looking statements made in this prospectus, as well as the information that we have previously filed with the Securities and Exchange Commission and incorporated by reference, is accurate only as of the date of the applicable document. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. These forward-looking statements appear in a number of places in this prospectus and include statements regarding our intentions, plans, strategies, beliefs or current expectations and those of our directors or our officers. You should understand that a number of factors could cause our results to differ materially from those expressed in the forward-looking statements. The information incorporated by reference or provided in this prospectus identifies important factors that could cause such differences. Those factors include, among others, the high cost and uncertainty of technology and drug development, as well as regulatory approvals, which can result in loss of profitability and long delays in getting products to market, and other factors discussed in Risk Factors and elsewhere in this prospectus and the documents incorporated by reference.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses payable by us in connection with the offerings described in this registration statement, other than underwriting discounts and commissions.

SEC Registration Fee	$ 2,364
NASDAQ Global Market Listing Fee	*45,000
Printing Expenses	*25,000
Accounting Fees and Expenses	*10,000
Legal Fees and Expenses	*50,000
Miscellaneous	
TOTAL	$ 132,364

* Estimated pursuant to Item 511 of Regulation S-K

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

La Jolla Pharmaceutical Company is a Delaware corporation. Section 145(a) of the General Corporation Law of the State of Delaware (the DGCL) provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred

by such person in connection with such action, suit or proceeding if the person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the court in which such action or suit was brought shall determine that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to be indemnified for such expenses which the court shall deem proper.

Section 145 of the DGCL further provides that to the extent a present or former director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsection (a) and (b) of Section 145 or in the defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith; that indemnification and advancement of expenses provided for by Section 145 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise; and that the corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liabilities under Section 145.

As used in this Item 15, the term proceeding means any threatened, pending, or completed action, suit, or proceeding, whether or not by or in the right of La Jolla Pharmaceutical Company, and whether civil, criminal, administrative, investigative or otherwise.

As permitted by Section 102(b)(7) of the DGCL, our certificate of incorporation provides that a director shall not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. However, such provision does not eliminate or limit the liability of a director for acts or omissions not in good faith or for breaching his or her duty of loyalty, engaging in intentional misconduct, knowingly violating the law, paying an illegal dividend, approving an illegal stock repurchase, or obtaining an improper personal benefit. A provision of this type has no effect on the availability of equitable remedies, such as injunction or rescission, for breach of fiduciary duty. Our bylaws require that directors and officers be indemnified to the maximum extent permitted by Delaware law.

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We also have entered into indemnity agreements with each of our directors and executive officers. These indemnity agreements generally require that we pay on behalf of each director and officer party thereto all amounts that he or she is or becomes legally obligated to pay because of any claim or claims made against him or her because of any act or omission which he or she commits or suffers while acting in his or her capacity as our director and/or officer and because of his or her being a director and/or officer. Under the DGCL, absent an indemnity agreement or a provision in a corporation s bylaws or certificate of incorporation, indemnification of a director or officer is discretionary rather than mandatory (except in the case of a proceeding in which a director or officer is successful on the merits). In addition, if indemnification is unavailable and may not be paid to an officer or director, we have agreed, subject to a limited number of exceptions, to contribute to the amount of expenses incurred or payable by the officer or director, to the extent allowed by applicable law, in such proportion as is appropriate to reflect the relative benefits received by us, on the one hand, and by the officer or director, on the other, from the transaction from which the proceeding arose and the relative faults of the parties, as well as any other applicable equitable considerations.

Consistent with our bylaw provision on the subject, the indemnity agreements require us to make prompt payment of defense and investigation costs and expenses at the request of the director or officer in advance of indemnification, provided that the recipient undertakes to repay the amounts if it is ultimately determined that he or she is not entitled to indemnification for such expenses and provided further that such advance shall not be made if it is determined that the director or officer would not be permitted to be indemnified under applicable law. The indemnity agreements make the advance of litigation expenses mandatory absent a special determination to the contrary. Under the DGCL, absent an indemnity agreement or a provision in a corporation s bylaws or certificate of incorporation, the advancement of expenses is discretionary. Under the indemnity agreement, the director or officer is permitted to petition the court to seek recovery of amounts due under the indemnity agreement and to recover the expenses of seeking such recovery if he or she is successful. The benefits of the indemnity agreement will not be available to the extent that an officer or director has other indemnification or insurance coverage for the subject claim. In addition, no indemnity will be paid by us: with respect to remuneration paid to an officer or director if it is determined by a final judgment that such remuneration was in violation of law; on account of any suit or judgment rendered against an officer or director for violating Section 16(b) of the Securities Exchange Act of 1934, or analogous provisions of law; if an officer s or director s conduct is adjudged to be fraudulent or deliberately dishonest, or constitutes willful misconduct; or if it is adjudged that indemnification is not lawful. Absent the indemnity agreement, indemnification that might be made available to directors and officers could be changed by amendments to our certificate of incorporation or bylaws.

We currently maintain an insurance policy which, within the limits and subject to the terms and conditions thereof, covers certain expenses and liabilities that may be incurred by directors and officers in connection with actions, suits or proceedings that may be brought against them as a result of an act or omission committed or suffered while acting as a director or officer.

ITEM 16. EXHIBITS

Exhibit No.	Description
1.1**	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation of La Jolla Pharmaceutical Company, as amended to date. (filed with the Company s Current Report on Form 8-K filed March 1, 2006 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of La Jolla Pharmaceutical Company (filed as Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference).
4.1**	Form of Common Stock Warrant Agreement (together with form of Common Stock Warrant Certificate).

4.2**	Form of Preferred Stock Warrant Agreement (together with form of Preferred Stock Warrant Certificate).
4.3**	Form of Certificate of Designation for the Preferred Stock (together with Preferred Stock Certificate).
4.4	Form of Common Stock Certificate (filed as Exhibit 4.6 to the Company s Registration Statement on Form S-3 (Registration No. 333-131246) filed January 24, 2006 and incorporated herein by reference).
4.5	Rights Agreement dated as of December 3, 1998 between the Company and American Stock Transfer & Trust Company (filed with the Company s Registration Statement on Form 8-A on December 4, 1998 and incorporated herein by reference).
4.6	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Company (filed with the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).

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Exhibit No.	Description
4.7	Amendment No. 1 to the Rights Agreement, effective as of July 21, 2000, between the Company and American Stock Transfer & Trust Company (filed with the Company s Current Report on Form 8-K on January 26, 2001 and incorporated herein by reference. The changes effected by the amendment are also reflected in the Registration Statement on Form 8-A/A filed on January 26, 2001).
4.8	Amendment No. 2 to the Rights Agreement, effective as of December 14, 2005, between the Company and American Stock Transfer & Trust Company (filed with the Company s Current Report on Form 8-K on December 16, 2005 and incorporated herein by reference. The changes effected by the amendment are also reflected in the Registration Statement on Form 8-A/A filed on December 16, 2005).
4.9	Amendment No. 3 to the Rights Agreement, effective as of March 1, 2006, between the Company and American Stock Transfer & Trust Company (filed with the Company s Current Report on Form 8-K filed March 1, 2006 and incorporated herein by reference).
5.1*	Legal Opinion of Goodwin Procter LLP.
23.1*	Consent of Independent Registered Public Accounting Firm.
23.2*	Consent of Goodwin Procter LLP (included in the opinion filed as Exhibit 5.1).
24.1*	Power of Attorney (included on signature page to this Registration Statement).

* Filed herewith.

** To be subsequently filed by an amendment to the Registration Statement or by a Current Report on Form 8-K.

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant, pursuant to the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby further undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that clauses (i), (ii) and (iii) of this paragraph (1) do not apply if the information required to be included in a post-effective amendment by such clauses is contained in reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated herein by reference, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

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(i) If the registrant is relying on Rule 430B:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) That, for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(8) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on this 31st day of July, 2007.

LA JOLLA PHARMACEUTICAL COMPANY

By: /s/ Deirdre Y. Gillespie
Deirdre Y. Gillespie, M.D.
President, Chief Executive Officer and Assistant Secretary

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Deirdre Y. Gillespie, Niv E. Caviar and Gail A. Sloan his or her true and lawful attorneys-in-fact and agents, each acting alone, with full powers of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as full to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, each acting alone, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on the dates indicated.

Signature	Title	Date
/s/ Deirdre Y. Gillespie Deirdre Y. Gillespie, M.D.	President, Chief Executive Officer and Assistant Secretary (Principal Executive Officer)	July 31, 2007
/s/ Niv E. Caviar Niv E. Caviar	Executive Vice President, Chief Business Officer and Chief Financial Officer (Principal Financial Officer)	July 31, 2007
/s/ Gail A. Sloan Gail A. Sloan	Vice President of Finance and Secretary (Principal Accounting Officer)	July 31, 2007
/s/ Thomas H. Adams Thomas H. Adams, Ph.D.	Director	July 31, 2007
/s/ Robert A. Fildes Robert A. Fildes, Ph.D.	Director	July 31, 2007

/s/ Stephen M. Martin	Director	July 31, 2007
Stephen M. Martin		
/s/ Nader J. Naini	Director	July 31, 2007
Nader J. Naini		
/s/ Craig R. Smith	Director	July 31, 2007
Craig R. Smith, M.D.		
/s/ Martin Sutter	Director	July 31, 2007
Martin Sutter		
/s/ James N. Topper	Director	July 31, 2007
James N. Topper, M.D., Ph.D.		
/s/ Frank E. Young	Director	July 31, 2007
Frank E. Young, M.D., Ph.D.		

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EXHIBIT INDEX

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23.1*	Consent of Independent Registered Public Accounting Firm.
23.2*	Consent of Goodwin Procter LLP (included in the opinion filed as Exhibit 5.1).
24.1*	Power of Attorney (included on signature page to this Registration Statement).

* Filed herewith.

** To be subsequently filed by an amendment to the Registration Statement or by a Current Report on Form 8-K.

ING=0>
Barbakow

Schochet

Sulzbach

Farber

Mathiasen

Fetter

Dennis

Mackey

Tenet Retirement Savings
Plan -0- -0- 517 821 -0- -0- -0- -0-Deferred Compensation Plan 146,893 45,825 34,516 26,134 34,911 -0- 78,708 78,708Life and Disability Insurance Under SERP 6,805 4,245 3,660 3,005 4,155 -0- 4,315 4,335

(4)

On May 26, 2003, the Board, by mutual agreement, accepted the resignation of Mr. Barbakow from the position of Chief Executive Officer of the Company.

(5)

The total for 2001 includes $2,000,000 awarded to Mr. Barbakow under the 1997 Annual Incentive Plan and a $1,359,000 discretionary contribution made to Mr. Barbakow's DCP account. Mr. Barbakow became entitled to the distribution of his DCP account, including the discretionary contribution upon termination of his employment.

(6)

The total for the 2002 Transition Period includes $18,060 of membership fees, organizational dues and related expenses. The totals for fiscal years 2002 and 2001 include $66,962 and $36,786, respectively, that are the incremental cost to us of Mr. Barbakow's personal use of our aircraft. The totals for fiscal years 2002, 2001 and 2000 include $12,331, $34,090 and $47,290, respectively, of corporate-sponsored automobile use.

(7)

Mr. Schochet was elected as an executive officer effective November 22, 2002.

(8)

The totals for fiscal years 2002 and 2001 include $904,180 and $719,304 awarded to Ms. Sulzbach under the 2001 Annual Incentive Plan and 1997 Annual Incentive Plan, respectively, and $47,520 and $72,100, respectively, of discretionary contributions made by us to Ms. Sulzbach's DCP account. Ms. Sulzbach will not be entitled to receive the discretionary contributions until termination of employment.

(9)

Mr. Farber was elected as an executive officer effective November 7, 2002.

(10)

The totals for the 2002 Transition Period and fiscal years 2002, 2001 and 2000, include $34,615, $60,000, $60,120 and $171,731, respectively, of relocation-related expenses reimbursed to Mr. Farber pursuant to a relocation program.

(11)

The totals for fiscal years 2002 and 2001 include $908,420 and $722,813 awarded to Mr. Mathiasen under the 2001 Annual Incentive Plan and 1997 Annual Incentive Plan, respectively, and $47,740 and $72,100, respectively, of discretionary contributions made by us to Mr. Mathiasen's DCP account. Mr. Mathiasen will not be entitled to receive the discretionary contributions until termination of employment.

(12)

The totals for fiscal years 2002, 2001 and 2000 include $18,100, $18,084 and $17,600, respectively, of corporate-sponsored automobile use and $20,699, $29,529 and $35,700, respectively, of relocation-related expenses reimbursed to Mr. Mathiasen pursuant to a relocation program.

(13)

Although Mr. Fetter became our President on November 7, 2002 and our acting Chief Executive Officer on May 27, 2003, he did not receive sufficient compensation during the 2002 Transition Period to require us to report his compensation, we are voluntarily disclosing compensation information regarding Mr. Fetter in order to provide our shareholders more disclosure about our current executive officers.

(14)

Includes $218,750 paid to Mr. Fetter as compensation for his services to Broadlane, Inc. and $113,750 paid to Mr. Fetter as compensation for his services to us.

(15)

Mr. Dennis resigned from the position of Vice Chairman, Chief Corporate Officer and Chief Financial Officer in the Office of the President effective November 7, 2002. From the date of his resignation through December 31, 2002, Mr. Dennis received salary continuation in the amount of $115,000, which amount is included in the above table, under the letter of employment dated February 18, 2000 described below at page 33.

(16)

Mr. Dennis was elected as an executive officer effective March 1, 2000.

(17)

The totals for the 2002 Transition Period and fiscal years 2002 and 2001 include $37,504, $37,445 and $32,048, respectively, that are the incremental cost to us attributable to Mr. Dennis' personal use of our aircraft. The totals for fiscal years 2002 and 2001 also include $24,200 and $24,177, respectively, of corporate-sponsored automobile use. The total for 2001 also includes $24,973 of membership fees, organizational dues and related expenses.

(18)

Mr. Mackey retired from the position of Chief Operating Officer in the Office of the President effective November 7, 2002. From the date of his retirement through December 31, 2002, Mr. Mackey received a total of $195,000 as the equivalent of salary continuation for three months, which was paid as consulting fees, under the Consulting and Non-Compete Agreement dated November 8, 2002 described below at page 33. $115,000 of that amount is included in the above table.

(19)

The totals for the 2002 Transition Period and fiscal years 2002, 2001 and 2000 include $85,447, $152,108, $94,017 and $265,148, respectively, of relocation-related expenses reimbursed to Mr. Mackey pursuant to a relocation program. The total for 2001 also includes $186,604 of membership fees, organizational dues and related expenses.

OPTION GRANTS DURING THE 2002 TRANSITION PERIOD

The following table sets forth information concerning options granted to the Named Executive Officers during the 2002 Transition Period.

	Individual Grants				
Name	**Number of Securities Underlying Options Granted(1)**	**% of Total Options Granted to Employees in the 2002 Transition Period(2)**	**Exercise Price ($/Share)(3)**	**Expiration Date(4)**	**Grant Date Present Value($)(5)**
Barbakow(6)	-0-	-0-	-0-	-0-	-0-
Schochet	275,000	2.4	17.56	12/10/2012	3,066,250
Sulzbach	275,000	2.4	17.56	12/10/2012	3,066,250
Farber	275,000	2.4	17.56	12/10/2012	3,066,250
Mathiasen	150,000	1.3	17.56	12/10/2012	1,672,500
Fetter(7)	450,000	3.8	27.95	11/07/2012	6,637,500
Dennis	-0-	-0-	-0-	-0-	-0-
Mackey	-0-	-0-	-0-	-0-	-0-

(1)

These options other than those granted to Mr. Fetter vest as follows: One-third will vest on the first anniversary of the grant date if the closing price of the Company's stock is at $24 or above and has been at that price level for at least 20 consecutive trading days immediately preceding such anniversary. If the closing price is below that level, then one-third of the options will vest at any time after the first anniversary that the closing price is at least $24 and has been so for at least 20 consecutive trading days. An additional one-third will vest on the second anniversary of the grant date if the closing price is at $27 or above and has been at that price level for

at least 20 consecutive trading days immediately preceding such anniversary. If the closing price on the second anniversary is below that level, then the additional one-third of the options will vest at any time after the second anniversary that the closing price is at least $27 and has been so for at least 20 consecutive trading days. The remaining one-third will vest on the third anniversary of the grant date if the closing price is at $30 or above and has been at that price level for at least 20 consecutive trading days immediately preceding such anniversary. If the closing price on the third anniversary is below that level, then the remaining one-third of the options will vest at any time after the third anniversary that the closing price is at least $30 and has been so for at least 20 consecutive trading days. All previously unvested options will vest on the fourth anniversary of the grant date. The options granted to Mr. Fetter vest ratably over a three-year period. All of Mr. Barbakow's unvested options vested upon the termination of his employment effective May 27, 2003 pursuant to the terms of the Tenet Executive Severance Protection Plan, which is described on page 34.

(2)

The percentages shown are percentages of the total number of options granted to employees to purchase our common stock.

(3)

All options to purchase our common stock are exercisable at a price equal to the closing price of our common stock on the date of grant.

(4)

All options expire 10 years from the date of grant.

(5)

The Grant Date Present Values of the options granted to the Named Executive Officers during the 2002 Transition Period were derived using a standard Black-Scholes stock option valuation model. The valuation data and assumptions used to calculate the values for the options granted to all Named Executive Officers other than Mr. Fetter were as follows:

Date of Grant	**12/10/2002**
Stock Price	$ 17.56
Exercise Price	$ 17.56
Expected Dividend Yield	0%
Expected Volatility	51.40%
"Risk Free" Interest Rate	3.93%
Expected Life (Years)	9
Present Value/Option	$ 11.15

The valuation data and assumptions used to calculate the values for the options granted to Mr. Fetter were as follows:

Date of Grant	**11/07/2002**
Stock Price	$ 27.95
Exercise Price	$ 27.95
Expected Dividend Yield	0%
Expected Volatility	38.12%
"Risk Free" Interest Rate	3.74%
Expected Life (Years)	9
Present Value/Option	$ 14.75

The Expected Volatility is derived using daily data drawn from the five years preceding the Date of Grant. The Risk Free Interest Rate is the approximate yield on seven- and ten-year United States Treasury Bonds on the date of grant. The Expected Life is an estimate of the number of years the option will be held before it is exercised. The valuation model was not adjusted for nontransferability, risk of forfeiture or the vesting restrictions of the options, all of which would reduce the value if factored into the calculation.

We do not believe that the Black-Scholes model or any other valuation model is a reliable method of computing the present value of the options granted to the Named Executive Officers. The value ultimately realized, if any, will depend on the amount by which the

market price of our common stock on the date of exercise exceeds the exercise price.

(6)

On May 26, 2003, the Board, by mutual agreement, accepted the resignation of Mr. Barbakow from the position of Chief Executive Officer of the Company.

(7)

Although Mr. Fetter became our President on November 7, 2002 and our acting Chief Executive Officer on May 27, 2003, he did not receive sufficient compensation during the 2002 Transition Period to require us to report his compensation, we are voluntarily disclosing compensation information regarding Mr. Fetter in order to provide our shareholders more disclosure about our current executive officers.

OPTION EXERCISES AND YEAR-END VALUE TABLE
DECEMBER 31, 2002

The following table sets forth information concerning options exercised by each of the Named Executive Officers during the 2002 Transition Period and unexercised options held by each of them as of December 31, 2002.

Name	Shares Acquired on Exercise(#)	Value Realized($)	Number of Unexercised Options at 12/31/2002(#)		Value of Unexercised In-the-Money Options at 12/31/2002($)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Barbakow(2)	-0-	-0-	5,497,000	2,000,000	9,311,505	-0-
Schochet	-0-	-0-	590,000	405,000	1,414,125	-0-
Sulzbach	-0-	-0-	312,501	457,500	489,130	-0-
Farber	81,251	2,957,755	116,250	495,000	-0-	375,417
Mathiasen	-0-	-0-	634,700	310,000	829,677	-0-
Fetter(3)	50,000	1,943,750	100,000	450,000	131,875	-0-
Dennis	-0-	-0-	675,000	450,000	1,773,765	886,882
Mackey	277,500	9,920,625	855,000	525,000	395,625	-0-

(1)

Based on the $16.40 per share closing price of our common stock on December 31, 2002.

(2)

On May 26, 2003, the Board, by mutual agreement, accepted the resignation of Mr. Barbakow from the position of Chief Executive Officer of the Company. All of Mr. Barbakow's unvested options vested upon the termination of his employment effective May 27, 2003 pursuant to the Tenet Executive Severance Protection Plan, which is described at page 34.

(3)

Although Mr. Fetter became our President on November 7, 2002 and our acting Chief Executive Officer on May 27, 2003, he did not receive sufficient compensation during the 2002 Transition Period to require us to report his compensation, we are voluntarily disclosing compensation information regarding Mr. Fetter in order to provide our shareholders more disclosure about our current executive officers.

Stock Ownership and Stock Option Exercise Retention Guidelines

In March 2003, the Board adopted stock ownership and stock option exercise retention guidelines for our directors and senior officers to help demonstrate the alignment of the personal interests of directors and senior officers with those of our shareholders. The stock ownership guidelines require each senior officer to own shares of our stock with a value equal to the following multiples of his or her salary and require each director to own shares of our stock with a value equal to three times the annual Board retainer. The ownership guidelines must be met by

the later of March 12, 2008 and five years from the date on which an individual becomes a senior officer or a director joins the Board, as the case may be.

Title	Multiple of Base Salary
CEO	5x
President	4x
EVP and others above SVP	2x
SVP	1x

The stock retention guidelines require all officers with the title of senior vice president or above to hold for at least one year the "net shares" received upon the exercise of stock options. For this purpose, "net shares" means the number of shares obtained by exercising the option, less the number of shares sold to pay the exercise price of the option and any taxes or transaction costs due upon the exercise.

Supplemental Executive Retirement Plan ("SERP")

The SERP provides our Named Executive Officers with supplemental retirement benefits in the form of retirement payments for life. At retirement, the monthly benefit paid to a Named Executive Officer will be a product of four factors: (i) the officer's highest average monthly earnings for any consecutive 60-month period during the 10 years preceding retirement; (ii) the number of years of service with a maximum of 20 years; (iii) a vesting factor; and (iv) a percentage factor, not to exceed 2.7 percent, to reduce this benefit to reflect the projected benefit from our other retirement benefits available to the officer and from Social Security. The monthly benefit is reduced in the event of early retirement or termination of employment. Unreduced retirement benefits are available at age 62.

In the event of the death of an officer, before or after retirement, one-half of the benefit earned as of the date of death will be paid to the surviving spouse for life (or to the participant's children until the age of 21 if the participant dies without a spouse). Lump sum distributions are permitted in certain circumstances and subject to certain limitations.

For participants who were not actively at work as regular, full-time employees on or after February 1, 1997, "earnings" is defined in the SERP as the participant's base salary excluding bonuses and other cash and noncash compensation. In fiscal year 1997, the SERP was amended to provide that for all participants who are actively at work as regular, full-time employees on or after February 1, 1997, "earnings" means the participant's base salary and annual cash bonus, but not automobile and other allowances and other cash and noncash compensation.

The SERP also was amended in fiscal 1997 to provide that for all participants who are actively at work as regular, full-time employees on or after February 1, 1997: (i) the reduction for early retirement (retirement before age 65) for benefits received prior to age 62 was reduced from 5.04 percent to 3.0 percent per year and the maximum of such yearly reductions was reduced from 35.28 percent to 21 percent; (ii) the offset factor for the projected benefits from other Company benefit plans will be applied only to the base salary component of Earnings; and (iii) the annual eight percent cap on increases in Earnings that had been in effect was eliminated.

In the event of a change of control, the Named Executive Officers will be deemed fully vested in the SERP for all years of service to the Company without regard to actual years of service and will be entitled to normal retirement benefits without reduction on or after age 60. In addition, if a participant is a regular, full-time employee actively at work on or after April 1, 1994, with the corporate office or a division or a subsidiary that has not been declared to be a discontinued operation, and who has not yet begun to receive benefit payments under the SERP and voluntarily terminates employment following the occurrence of certain events discussed below, or is terminated without cause, within two years of a change of control, then such participant will be (i) deemed fully vested in the SERP without regard to actual years of service, (ii) credited with three additional years of service, not to exceed a total of 20 years credited service, and (iii) entitled to the normal retirement benefits without reduction on or after age 60 or benefits at age 50 with reduction for each year of receipt of benefit prior to age 60. In addition, the "earnings" used in calculating the benefit will include the participant's base salary and the annual cash bonus paid to the participant, but exclude other cash and noncash compensation. Furthermore, the provision in the SERP prohibiting benefits from being paid to a participant if the participant becomes an employee or consultant of a competitor of the Company within three years of leaving the Company would be waived. The occurrence of any of the following events within two years of a change of control causes the additional payments discussed above to

become payable if a participant voluntarily terminates his or her employment: (1) a material downward change in the participant's position, (2)(A) a reduction in the participant's annual base salary, (B) a material reduction in the participant's annual incentive plan award other than for financial performance as it broadly applies to all similarly situated executives in the same plan, or (C) a material reduction in the participant's retirement or supplemental retirement benefits that does not broadly apply to all executives in the same plan, or (3) the transfer of the participant's office to a location that is more than 50 miles from his or her current principal office. Finally, the SERP provides that in no event shall (x) the total present value of all payments under the SERP that are payable to a participant and are contingent upon a change of control in accordance with the rules set forth in Section 280G of the IRS Code when added to (y) the present value of all other payments (other than payments that are made pursuant to the SERP) that are payable to a participant and are contingent upon a change of control, exceed an amount equal to 299 percent of the participant's "base amount" as that term is defined in Section 280G of the IRS Code.

A change of control is deemed to have occurred if (i) any entity becomes the beneficial owner, directly or indirectly, of 20 percent or more of our common stock, or (ii) individuals who, as of April 1, 1994, constitute the Board (the "Incumbent Board") cease for any reason to constitute the majority of the Board; provided that individuals nominated by a majority of the directors then constituting the Incumbent Board and elected to the Board after April 1, 1994, will be deemed to be included in the Incumbent Board and individuals who initially are elected to the Board as a result of an actual or threatened election contest or proxy solicitation (other than on behalf of the Incumbent Board) will be deemed not to be included in the Incumbent Board.

We established a trust for the purpose of securing our obligation to make distributions under the SERP. The trust is a "rabbi trust" and is funded with 3,750,000 shares of our common stock. The trustee will make required payments to participants or their beneficiaries in the event that we fail to make such payments for any reason other than our insolvency. In the event of our insolvency, the assets of the SERP Trust will be subject to the claims of our general creditors. In the event of a change of control, we are required to fund the SERP Trust in an amount that is sufficient, together with all assets then held by the SERP Trust, to pay each participant or beneficiary, on a pretax basis, the benefits to which the participant or the beneficiary would be entitled as of the date of the change of control.

The table below presents the estimated maximum annual retirement benefits payable to the Named Executive Officers under the SERP.

Pension Plan Table
(Supplemental Executive Retirement Plan)(1)

	Estimated Annual Retirement Benefit For Years of Service Indicated($)			
Earnings($)(2)	**5 Years**	**10 Years**	**15 Years**	**20 Years(3)**
700,000	94,500	189,000	283,500	378,000
900,000	121,500	243,000	364,500	486,000
1,100,000	148,500	297,000	445,500	594,000
1,300,000	175,500	351,000	526,500	702,000
1,500,000	202,500	405,000	607,500	810,000
1,700,000	229,500	459,000	688,500	918,000
1,900,000	256,500	513,000	769,500	1,026,000
2,100,000	283,500	567,000	850,500	1,134,000
2,300,000	310,500	621,000	931,500	1,242,000
2,500,000	337,500	675,000	1,012,500	1,350,000
2,700,000	364,500	729,000	1,093,500	1,458,000
2,900,000	391,500	783,000	1,174,500	1,566,000
3,100,000	418,500	837,000	1,255,500	1,674,000
3,300,000	445,500	891,000	1,336,500	1,782,000
3,500,000	472,500	945,000	1,417,500	1,890,000
3,700,000	499,500	999,000	1,498,500	1,998,000
3,900,000	526,500	1,053,000	1,579,500	2,106,000

	Estimated Annual Retirement Benefit For Years of Service Indicated($)			
4,100,000	553,500	1,107,000	1,660,500	2,214,000
4,300,000	580,500	1,161,000	1,741,500	2,322,000
4,500,000	607,500	1,215,000	1,822,500	2,430,000
4,700,000	634,500	1,269,000	1,903,500	2,538,000
4,900,000	661,500	1,323,000	1,984,500	2,646,000
5,100,000	688,500	1,377,000	2,065,500	2,754,000
5,300,000	715,500	1,431,000	2,146,500	2,862,000
5,500,000	742,500	1,485,000	2,227,500	2,970,000
5,700,000	769,500	1,539,000	2,308,500	3,078,000
5,900,000	795,500	1,593,000	2,389,500	3,186,000
6,100,000	823,500	1,647,000	2,470,500	3,294,000
6,300,000	850,500	1,701,000	2,551,500	3,402,000
6,500,000	877,500	1,755,000	2,632,500	3,510,000

(1) The benefits listed are subject to reduction for projected benefits from the Tenet Retirement Savings Plan, Deferred Compensation Plan and Social Security. The effect of these reductions is not included in the table.

(2) As defined above.

(3) The benefit is the same for each period beyond 20 years since benefits under the SERP are calculated based on a maximum of 20 years of service.

As of December 31, 2002, the estimated credited years of service for the Named Executive Officers were as follows: Mr. Barbakow, 13 years; Mr. Schochet, 20 years; Ms. Sulzbach, 19 years; Mr. Farber, 3 years; Mr. Mathiasen, 17 years; Mr. Fetter, 7 years; Mr. Dennis, 4 years; and Mr. Mackey, 17 years. In fiscal years 1999 through 2001, Mr. Barbakow's credited years of service under the SERP were enhanced such that he received credit for two years of service for each year he served as Chief Executive Officer, totaling six additional years of service. In an April 2003 letter, Mr. Barbakow acknowledged that he would not receive an award with respect to the 2002 Transition period under the Company's 2001 Annual Incentive Plan and waived the previously approved enhancements to his years of service under the SERP for any period after May 31, 2002. At the time Mr. Barbakow waived his right to these previously approved enhancements, it also was determined that the positions of Chairman and Chief Executive Officer would be separated and he would not stand for re-election to the Board. In connection with these actions, the Compensation Committee added the Chief Executive Officer position to the TESPP, with Mr. Barbakow being eligible to receive the same level of severance benefits as the other Named Executive Officers. As discussed above, on May 26, 2003, the Board, by mutual agreement, accepted the resignation of Mr. Barbakow from the position of Chief Executive Officer of the Company.

We purchased insurance policies on the lives of certain current and past participants in the SERP to reimburse us, based on actuarial calculations, for amounts to be paid to the participants under the SERP over the course of the participants' retirement (assuming that our original estimates as to interest rates, mortality rates, tax rates and certain other factors are accurate). SERP participants also are provided a life insurance benefit for the designee of each participant and a disability insurance policy for the benefit of each participant. Both of these benefits are fully insured.

Employment Agreements

Mr. Barbakow

Mr. Barbakow was Chief Executive Officer of the Company from June 1993 through May 26, 2003. Mr. Barbakow did not have a formal employment agreement, but the terms of his initial employment are set forth in letters dated May 26 and June 1, 1993, and a memorandum dated June 14, 1993 (the "1993 Correspondence"). The 1993 Correspondence set an initial base salary and provided that Mr. Barbakow would be entitled to participate in our incentive, pension and other benefit plans. In addition, he was guaranteed the same type of fringe benefits and perquisites that are provided to other executive officers. A special-purpose committee of the Board retained a nationally recognized compensation consulting firm to assist it in negotiating the terms of Mr. Barbakow's initial employment and received an opinion from that firm stating that the terms of his employment were fair and reasonable.

We entered into a Deferred Compensation Agreement with Mr. Barbakow, dated as of May 31, 1997, pursuant to which we agreed that the portion of Mr. Barbakow's salary in any year that would not be deductible by us under Section 162(m) of the Code will be deferred. Amounts deferred are unsecured and bear interest at one percent less than the prime rate.

In connection with the stock option grants made to him on May 29 and June 1, 2001, Mr. Barbakow sent us a Memorandum of Understanding, dated June 1, 2001, in which he confirmed his intention to remain in his current position for a period of at least three years.

In an April 2003 letter, Mr. Barbakow acknowledged that he would not receive an award with respect to the 2002 Transition period under the Company's 2001 Annual Incentive Plan and waived the previously approved enhancements to his years of service under the SERP for any period after May 31, 2002. At the time Mr. Barbakow waived his right to these previously approved enhancements, it also was determined that the positions of Chairman and Chief Executive Officer would be separated and he would not stand for re-election to the Board. In connection with these actions, the Compensation Committee added the Chief Executive Officer position to the TESPP, with Mr. Barbakow being eligible to receive the same level of severance benefits as the other Named Executive Officers. As discussed above, on May 26, 2003, the Board, by mutual agreement, accepted the resignation of Mr. Barbakow from the position of Chief Executive Officer of the Company.

Mr. Fetter

Mr. Fetter was named acting Chief Executive Officer of the Company effective May 27, 2003. Mr. Fetter does not have a formal employment agreement, but the terms of his employment as our President are set forth in a letter dated November 7, 2002 and remain in effect. The letter set an initial base salary, set his target award percentage for purposes of annual bonus awards, provided for an initial grant of 450,000 options to acquire our common stock and provided that Mr. Fetter would be entitled to participate in our retirement, health and welfare and other benefit plans.

Mr. Dennis

Mr. Dennis was Vice Chairman, Chief Corporate Officer and Chief Financial Officer in the Office of the President until November 7, 2002, when he resigned from his position. Under a letter of employment dated February 18, 2000, we agreed to provide Mr. Dennis with two years' salary and benefits continuation (excluding bonus). The salary and benefits continuation commenced upon Mr. Dennis' resignation. We also agreed to provide certain relocation benefits that are described below.

Mr. Mackey

Mr. Mackey was Chief Operating Officer in the Office of the President until November 7, 2002, when he retired from his position. Effective November 8, 2002, we entered into a Consulting and Non-Compete Agreement with Mr. Mackey. Under the agreement, which has a two-year term, we agreed to (1) pay him a consulting fee of $65,000 for three months, (2) reimburse him for any and all reasonable expenses incurred by him at our request, (3) treat him as a retiree for purposes of his outstanding stock options, (4) provide him with health and welfare benefits, (5) credit him with two additional years of service under the SERP for the term of the agreement and (6) provide him with office support as needed to perform consulting assignments. We also agreed to provide certain relocation benefits that are described below. In return, Mr. Mackey agreed to provide consulting services to us and not to compete with us (or our subsidiaries) during the course of his engagement.

Executive Severance Protection Plan

In January 2003 the Board adopted the Tenet Executive Severance Protection Plan ("TESPP"), which is a comprehensive severance policy for officers at or above the senior vice president level that replaced all then existing severance agreements and arrangements that these individuals may have had. Each of the Named Executive Officers participates in the TESPP and is entitled to certain severance payments and other benefits if his or her employment is terminated for certain reasons ("qualifying terminations") or if there is a change of control of the Company. The qualifying terminations covered by the plan include (1) involuntary termination without "cause" and (2) resignation as a result of: (a) a material reduction in job duties; (b) a 10 percent or more reduction in combined base salary and target bonus; (c) a material reduction in retirement or supplemental retirement benefits; or (d) an involuntary relocation more than 50 miles from the executive's current workplace. The term "cause" includes dishonesty, fraud, willful misconduct, breach of fiduciary duty, conflict of interest, commission of a felony, a material failure or refusal to perform one's job duties or other wrongful conduct of a similar nature and degree.

Upon a qualifying termination, which includes the mutually agreed resignation of Mr. Barbakow as Chief Executive Officer, a Named Executive Officer is entitled to receive, for a three-year period following termination, annual severance payments equal to her or his annual salary and target bonus as of the date of the termination. The three-year period is referred to as the "severance period." During the severance period, the Named Executive Officer will continue to receive health and welfare benefits, a car allowance, age and service credit for purposes of our SERP, and certain other benefits and perquisites (excluding club memberships and personal use of our corporate aircraft). Also, any options will immediately vest and be exercisable until the end of the severance period, unless by their terms they expire sooner. A Named Executive Officer who attains retirement age during the severance period will be treated as a retiree and any vested options held by the individual will continue to be exercisable for the term of the options.

In the event of a change of control, a Named Executive Officer who did not have a qualifying termination will be entitled to the immediate acceleration and vesting of all her or his unvested options if such options are not assumed and/or substituted with equivalent options in connection with the change of control. For purposes of the TESPP, a "change of control" will have occurred if: (i) any entity is or becomes the beneficial owner directly or indirectly of 20 percent or more of our stock, or (ii) individuals who, as of April 1, 1994, constitute the Board (the "Incumbent Board") cease for any reason to constitute the majority of the Board; provided that individuals nominated by a majority of the directors then constituting the Incumbent Board and elected to the Board after April 1, 1994, will be deemed to be included in the Incumbent Board. Individuals who initially are elected to the Board as a result of an actual or threatened election contest or proxy solicitation (other than on behalf of the Incumbent Board) will be deemed not to be included in the Incumbent Board. Pursuant to the requirements of the TESPP, each Named Executive Officer who is the subject of a qualifying termination is required to execute a severance agreement at the time of termination in a form acceptable to us. The severance agreement will obligate the executive to deliver a release of liability to us and agree to certain covenants, including covenants regarding non-competition, cooperation and confidentiality of company information, as a condition to receiving benefits under the TESPP.

Ms. Sulzbach and Messrs. Farber and Mathiasen are also entitled to the following relocation benefits under the TESPP following a qualifying termination: a "basic round trip" benefit that consists of (1) one house-hunting trip and related expenses to search for a home in the general area from which previously relocated, (2) home sale commissions and closing costs, (3) household goods moving expense, and (4) relevant tax gross up for reimbursed relocation costs.

Relocation Agreements

We entered into relocation agreements with Ms. Sulzbach and each of Messrs. Farber, Mathiasen and Mackey that entitled each of them to a housing differential, for a period not to exceed seven years, based on actual additional housing expenses incurred by them when they moved to Santa Barbara. The differential is paid at 100 percent for the first four years, 75 percent in year five, 50 percent in year six and 25 percent in year seven. Ms. Sulzbach's housing differential expired in December 2002. Currently, the amount of Mr. Farber's annual housing differential is $60,000 and will expire on May 23, 2007, and the amount of Mr. Mathiasen's annual housing differential is $8,925 and will expire on September 12, 2003. As discussed further below, Mr. Mackey's housing differential is continued under his Consulting and Non-Compete Agreement and is $111,670 for the period from January 1, 2003 to December 31, 2003 and $62,979 from the period from January 1, 2004, to November 7, 2004.

Mr. Dennis

Under our relocation agreement with Mr. Dennis, Mr. Dennis' relocation agreement entitled him to relocation benefits if he terminated his employment. As a result of Mr. Dennis' resignation, we will pay the costs of his relocation from Santa Barbara to Los Angeles, guarantee the resale of his Santa Barbara home at cost plus documented capital improvements, and reimburse him for any loss-on-sale and furnishings acquired for his Santa Barbara home.

Mr. Mackey

Under the Consulting and Non-Compete Agreement described above, we agreed to continue Mr. Mackey's housing differential until November 8, 2004, provided he remains in his Santa Barbara home. If Mr. Mackey relocates from Santa Barbara prior to November 8, 2004, we will pay the costs of his relocation to a destination as far away as San Diego, and will guarantee the resale of his Santa Barbara home at cost plus any documented capital improvements so long as the original purchase price of his Santa Barbara home was within five percent of the appraised value of the property at the time of purchase.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board administers the Company's director and executive compensation programs. The Committee is responsible for establishing and interpreting the Company's compensation policies and approving all compensation paid to directors and executive officers.

Each member of the Committee is an independent director as defined by proposed New York Stock Exchange rules and the Board's newly adopted independence standards. The Board also requires members of the Committee to meet (1) the more stringent independence requirements for audit committee members required by the New York Stock Exchange and the Securities and Exchange Commission, (2) requirements concerning who is a "nonemployee director" under the Exchange Act of 1934, as amended, and (3) the qualifications for compensation committee members required by Section 162(m) of the IRS Code.

Compensation Philosophy

The Company's executive compensation program consists of three key elements: a base salary, a performance-based annual incentive award and long-term incentives such as stock options. The purpose of the program is to attract, motivate and retain key executives and managers. The Committee retains independent counsel to assist it in legal matters and a nationally recognized compensation consulting firm to assist it in formulating its compensation policies, applying those policies to the compensation of directors and executives and advising the Committee as to the form and reasonableness of compensation paid to directors and executives.

When setting the compensation levels and opportunities available to executives, the Committee normally compares such opportunities primarily with the compensation levels and opportunities made available to executives at the Company's peer companies (which are the companies included in the S&P Healthcare Composite Index referred to in the "Common Stock Performance Graph") and at other companies with similar revenues. The Committee normally makes such comparison with those companies because it believes that it is with those companies that the Company must compete for qualified and experienced executives.

The Committee recognizes that a variety of circumstances may influence the performance of an individual or the Company at any given time. Accordingly, the Committee uses its judgment to make discretionary awards or adjustments under compensation plans when it believes that doing so would serve the long-term interests of its shareholders.

Effect of Change in Fiscal Year End

In March 2003, the Board voted to change the Company's fiscal year from May 31 to December 31, effective December 31, 2002. While this Report will address the compensation paid to the Named Executive Officers during the 2002 Transition Period, in order to provide the Company's investors with a clearer picture of the Committee's practices had the fiscal year not been changed, this Report also will address the policies the Committee established for the executives' base salaries, target annual incentive awards and long term incentives for the fiscal year that would have ended on May 31, 2003.

Compensation at Risk

During the 2002 Transition Period, over 89 percent of the annualized total compensation opportunities for the Named Executive Officers as a group were "at risk" based on the price of the Company's common stock and the Company's financial performance as measured by award criteria in the Company's 2001 Annual Incentive Plan ("AIP").

Base Salary

In determining an individual executive's actual base salary, including that of Mr. Barbakow, the Committee normally considers factors such as the executive's (1) past performance and contributions to the Company's success, (2) additional responsibilities arising from the growth of the Company, (3) expected future position and contributions, (4) tenure in the executive's current position, (5) vulnerability to recruitment by other companies, and (6) salary relative to other executives' salaries. The Committee also considers base salaries and the total of salaries and bonuses as well as expected increases in base salaries at the Company's peer companies and other similarly sized companies generally.

Annual Incentive Awards

For the 2002 Transition Period, the Company did not pay an AIP Award to any of the Company's reporting officers under Section 16 of the Securities Exchange Act of 1934, including each of the Named Executive Officers. Those officers will next be eligible to receive a bonus award under the AIP based on the Company's and the individual's performance during the Company's new fiscal year ending on December 31, 2003.

Prior to the Company changing its fiscal year end, the Committee established AIP measures for the Named Executive Officers for the fiscal year that would have ended May 31, 2003. Under those measures, the Named Executive Officers would have been eligible to receive a cash award based primarily on (a) the extent to which the Company meets its pre-established financial target, the measure of which was to be the Company's diluted earnings per share from continuing operations ("Diluted EPS"), (b) earnings growth, which was to be measured by the growth in earnings before interest and taxes ("EBIT") from the fiscal year ended May 31, 2002 to the fiscal year that would have ended May 31, 2003, and (c) patient satisfaction with the services provided to them in the Company's general hospitals. The Committee determines a target award for executive officer designated as a "Covered Employee" under Section 162(m) of the Code, sets a Diluted EPS target and sets an award threshold, which for the fiscal year that would have ended on May 31, 2003, was to be measured by return on equity ("ROE"). Target awards may vary among executives based on competitive market practices for comparable positions, their decision-making authority and their ability to affect financial performance. When the Company's financial and/or patient satisfaction performance exceeds target levels, the executive is rewarded with a relatively larger cash award. When the Company's financial and/or patient satisfaction performance are below target levels (but ROE is above the pre-established threshold) annual incentive awards are relatively smaller. If the Company fails to meet the threshold set in advance by the Committee, no AIP award may be paid to an executive except at the discretion of the Committee, which has the authority to pay discretionary awards.

Awards for executives who are not identified by the Committee as "Covered Employees" under Section 162(m) of the IRS Code may be increased or decreased based on the executive's support of the Company's ethical standards of conduct and other factors on a discretionary basis. For Covered Employees, discretion may be used only to decrease awards.

Long-Term Incentives

The Committee's objective for long-term compensation is to provide executives with an interest in common with that of the Company's shareholders and an incentive to enhance the Company's long-term financial performance, and thus shareholder value. The Committee's policy with respect to setting long-term compensation awards for the fiscal year that would have ended on May 31, 2003, and consequently for the 2002 Transition Period, was to consider the practices of its peer companies and other companies generally because: (a) the Company must compete with other companies in all industries in order to attract and retain qualified and motivated executives who will work to maximize long-term shareholder value, and (b) shareholders consider investing not only in other health care companies but also other companies generally when evaluating where best to invest their capital, requiring the Committee to create incentives for the executives to cause the Company's common stock to be competitive with that of other companies generally rather than only with the stock-based incentives of the peer companies.

During the 2002 Transition Period, the Committee implemented its long-term compensation policy by granting awards to executive officers under the Company's 2001 SIP, which awards provide long-term compensation opportunities linked directly to the Company's common stock price. In weighing the type and amount of long-term incentive award that is appropriate for a given executive, including awards to Mr. Barbakow, the Committee may consider such factors as total compensation, expected future contributions to the Company, current ownership of the Company's common stock and derivative securities, awards previously made, the likelihood of being hired by another company and the ability to influence future financial performance. The Committee also may consider the performance of the Company's common stock price and whether the health care industry in general is experiencing growth or is in a less favorable place in its business cycle. When the Company's common stock price appreciates, shareholder value is enhanced, and benefits to the executives appreciate commensurately. When the Company's common stock price declines, the executives will recognize lower gains or, in the case of options, may recognize no gains at all.

During the 2002 Transition Period, the Committee relied primarily on the grant of options to provide long-term incentives to the executives. The 2001 Stock Incentive Plan provides that the exercise price of options granted to executives will not be less than 100 percent of the fair market value of the Company's common stock on the date such option is granted and options normally will be exercisable during a term of not more than 10 years from the date of grant. In the past, stock options typically vested ratably over a three-year period. With respect to stock option grants made in December 2002 other than those made to Mr. Fetter, however, the Committee determined that it was appropriate to add a performance vesting component to stock option grants. The options granted in December 2002 other than those granted to Mr. Fetter will vest four years from the grant date but are subject to accelerated vesting if certain performance targets are met. One-third of the options will be

subject to accelerated vesting one year from the grant date if the stock price has reached $24 or above and has been at that price level for 20 consecutive trading days. If the stock price is below that level, then that one-third of the options will be subject to accelerated vesting at such time after the first anniversary of the grant date that the stock price is at least $24 and has been so for at least 20 consecutive trading days. An additional one-third of the options will be subject to accelerated vesting two years from the grant date if the stock price has reached $27 or above and has been at that price level for 20 consecutive trading days. If the stock price on the second anniversary is below that level, then that additional one-third of the options will be subject to accelerated vesting at such time after the second anniversary of the grant date that the stock price is at least $27 and has been so for at least 20 consecutive trading days. The remaining one-third of the options will subject to accelerated vesting three years from the grant date if the stock price has reached $30 or above and has been at that price level for 20 consecutive trading days. If the stock price on the third anniversary is below that level, then that remaining one-third of the options will subject to accelerated vesting at such time after the third anniversary of the grant date that the stock price is at least $30 and has been so for at least 20 consecutive trading days. The options granted to Mr. Fetter in December 2002 vest ratably over a three-year period. All of Mr. Barbakow's unvested options vested upon the termination of his employment effective May 27, 2003 pursuant to the Tenet Executive Severance Protection Plan, which is described at page 34.

During the 2002 Transition Period, the Named Executive Officers as a group were granted nonqualified options to acquire 1,425,000 shares of the Company's common stock. Neither Mr. Barbakow, nor Messrs. Dennis and Mackey, the Company's former Chief Financial Officer and Chief Operating Officer, respectively, were granted any stock options or other equity-based compensation during the 2002 Transition Period. For the remaining Named Executive Officers, the Committee has been advised by its independent compensation consultant that grants made during the 2002 Transition Period are in-line with median-to-75th percentile competitive grant levels.

In January 2003, the Committee offered to grant Mr. Fetter two shares of restricted stock, up to 200,000 shares of restricted stock, for each share of the Company's common stock purchased by him in the open market. On January 21, 2003, Mr. Fetter purchased 100,000 shares of the Company's common stock and was granted 200,000 shares of restricted stock. Subject to Mr. Fetter retaining all of the 100,000 shares he purchased in the market until all of the restricted stock has vested and his remaining continuously employed by the Company, one-third of the 200,000 shares of restricted stock will vest two years after the grant date, an additional one-third will vest three years after the grant date and the remaining one-third will vest four years after the grant date.

Following conclusion of the 2002 Transition Period, the Board, acting on the recommendations of the Corporate Governance Committee and the Compensation Committee, adopted additional policies to support the long-term nature of equity-based incentives. In particular, the Board adopted stock ownership guidelines for senior officers and directors, which set forth a minimum number of shares that each senior officer and director must accumulate and retain during his or her tenure with the Company, as well as a holding period requirement that directors and senior officers hold shares received upon the exercise of stock options, net of shares sold to pay the exercise price of and the taxes and transaction costs arising from the exercise, for at least one year.

Compensation for the Chief Executive Officer

The Committee met in July 2002 and decided to increase Mr. Barbakow's salary by 4% from $1,219,700 to $1,268,000 effective September 1, 2002. The Committee's independent Compensation consultant has advised the Committee that this salary amount was in the median-to-75th percentile range for comparable positions. As noted above, Mr. Barbakow did not receive an AIP award for the 2002 Transition Period. Mr. Barbakow also did not receive any stock options or other long-term incentive compensation during the 2002 Transition Period. As discussed above, on May 26, 2003, the Board, by mutual agreement, accepted the resignation of Mr. Barbakow from the position of Chief Executive Officer of the Company.

Policy Regarding One Million Dollar Tax Deduction Cap

Section 162(m) of the IRS Code generally disallows a tax deduction to public companies for compensation in excess of $1,000,000 paid to the company's chief executive officer or any of the four other most highly compensated executive officers, but exempts qualifying performance-based compensation from the deduction limit if certain requirements are met. The Committee currently intends to structure performance-based compensation, including bonus awards and stock option grants, for Covered Employees in a manner intended to satisfy those requirements.

The Board and the Committee reserve the authority to award nondeductible compensation as they deem appropriate. Further, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and related regulations, no assurance can be given that compensation intended by the Company to satisfy the requirements for deductibility under Section 162(m) does in fact do so.

In December of each year, Mr. Barbakow estimated the amount by which his base salary and perquisites for the following calendar year will exceed $1,000,000, and elected to defer an amount equal to or greater than the amount of such excess under the Deferred Compensation Plan. Amounts deferred are unsecured and may be credited with an annual rate of interest equal to one percent below the prime rate of interest; a rate of return based on one or more benchmark mutual funds; and/or a rate of return based on the performance of the price of the Company's stock, designated as "Stock Units," which are payable in shares of the Company's common stock. If Mr. Barbakow did not make a deferral election under the Deferred Compensation Plan, that portion of Mr. Barbakow's salary that would not be deductible by the Company under Section 162(m) of the IRS Code would have been deferred under a Deferred Compensation Agreement, dated as of May 31, 1997. (See "Employment Agreements.")

Members of the Compensation Committee

Bernice B. Bratter, Chair
Maurice J. DeWald
Van B. Honeycutt

COMMON STOCK PERFORMANCE GRAPH

The following graph shows the cumulative, five-year total return for our common stock compared to three indices, each of which includes us. The Standard & Poor's 500 Stock Index includes 500 companies representing all major industries. The Standard & Poor's Healthcare Composite Index is a group of 45 companies involved in a variety of health care related businesses. Because the Standard & Poor's Healthcare Composite is heavily weighted by pharmaceutical companies, we believe that at times it may be less useful than the Hospital Management Index included below. We compiled the Hospital Management Index which consists of publicly traded companies that have as their primary business the management of acute care hospitals and that have been in business for all five of the years shown. These companies are: HCA Inc. (HCA), Health Management Associates, Inc. (HMA), Tenet Healthcare Corporation (THC) and Universal Health Services, Inc. (UHS).

Performance data assumes that $100.00 was invested on December 31, 1997, in our common stock and each of the indices. The data assumes the reinvestment of all cash dividends and the cash value of other distributions. Stock price performance shown in the graph is not necessarily indicative of future stock price performance.

Comparison of Five Year Cumulative Total Return

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Lawrence Biondi, S.J.

Fr. Biondi has been the President of the Saint Louis University ("SLU") since 1987. As a result of our 1998 acquisition of the SLU Hospital (the "Hospital") and related health care operations, we entered into several agreements with SLU, including a 30-year Academic Affiliation Agreement. For the 2002 Transition Period, we paid SLU approximately $16.4 million under the Academic Affiliation Agreement. The other agreements relate to certain services that SLU provides to the Hospital for which SLU receives a contracted service fee, and certain supplies and services that we and the Hospital provide to SLU, for which we and the Hospital receive contracted fees. We also entered into a master lease agreement with SLU for space leased by SLU to us and by us to SLU. For its fiscal year ended June 30, 2002, SLU had total revenues of $452 million, of which $146.5 was derived from health care operations. Approximately $31.1 million of SLU's health care operations' revenues came from the Hospital or from us pursuant to the foregoing agreements.

Pursuant to a Corporate Sponsorship Agreement between us and the SLU Athletic Department, we pay the Athletic Department $50,000 a year to be the exclusive health care provider for sponsorship of all Billiken Athletic events. Such sponsorship provides us with certain marketing rights and season tickets to certain athletic events.

Sanford Cloud, Jr.

Mr. Cloud has been President and Chief Executive Officer of the National Conference for Community and Justice ("NCCJ") since 1994. In fiscal year 2000, The Tenet Healthcare Foundation committed to donate $500,000 over five years to NCCJ to fund programs and activities to advance the mission of NCCJ. Eighty percent of Tenet's annual contribution goes to fund programs in NCCJ regional offices in locations where

Tenet has hospitals. We have been informed that NCCJ received a total of $28.5 million of grants and contributions in its fiscal year ended August 31, 2002, only $100,000 of which came from Tenet, and Tenet made no other payments to NCCJ during the 2002 Transition Period.

Floyd D. Loop, M.D.

Dr. Loop has been the Chief Executive Officer and Chairman of The Board of Governors of The Cleveland Clinic Foundation (the "Foundation") since 1990. On July 2, 2001, a partnership formed between a subsidiary of the Company and the Foundation opened the Cleveland Clinic Florida Hospital (the "Hospital") in Weston, Florida. The Company's subsidiary provides operational and management expertise for the Hospital. Under a medical services agreement between The Cleveland Clinic Florida (the "Clinic") a subsidiary of the Foundation and the partnership, the Clinic provides clinical and medical administration and is the exclusive provider of all specialty medical staff for which it received fees of approximately $1.841 million for the 2002 Transition Period. For the 2002 Transition Period, the Hospital recorded net revenues of approximately $55 million, of which $4.0 million and $5.3 million, respectively, was received as partnership distributions by the Company's subsidiary and the Foundation. We have been informed by the Foundation that for the fiscal year ended December 31, 2002, the Foundation had net patient and other revenues of $2.877 billion.

At the end of the 2002 Transition Period, the Foundation owned 1.5 percent of Broadlane. The Foundation acquired 500,000 shares from Broadlane at a purchase price of $5.71 per share, which Broadlane believes was the fair market value of such shares on the date of purchase.

Mónica C. Lozano

Ms. Lozano has been President and Chief Operating Officer of La Opinión since 2000. La Opinión is the largest Spanish-language newspaper in the United States. In the 2002 Transition Period, several of the Company's Los Angeles area hospitals spent approximately $81,000 on advertisements in La Opinión. The Company's Los Angeles area hospitals have advertised in La Opinión for several years. We have been advised that the $81,000 in advertising revenues received from the Company's hospitals is a de minimis portion of La Opinión's total revenues.

Trevor Fetter

Trevor Fetter was appointed President of the Company on November 7, 2002 and acting Chief Executive Officer of the Company on May 27, 2003. Mr. Fetter previously served as our Chief Financial Officer and Chief Corporate Officer in the Office of the President from 1996 to 2000, when he left to become chairman and chief executive officer of Broadlane, Inc. The terms of his current employment are memorialized in a letter dated November 7, 2002, that sets out Mr. Fetter's initial base salary, his target award percentage for purposes of annual bonus awards, his grant of stock options and his participation in our retirement, health and welfare and other benefit plans. Pursuant to the letter, we agreed to pay the selling costs of Mr. Fetter's San Francisco apartment and will make up (on an after-tax basis) any loss on the sale of that apartment based on the difference between the sale price and what Mr. Fetter paid for it plus documented capital improvements and other expenses. We also agreed to nominate Mr. Fetter to the board of directors of Broadlane. A copy of this letter was included as an exhibit to our Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2002.

We entered into a restricted stock agreement with Mr. Fetter, dated January 21, 2003, pursuant to which we agreed to grant him two shares of restricted stock under our 2001 SIP for each share of our common stock purchased by Mr. Fetter in the open market, up to a maximum of 200,000 shares of restricted stock. On January 21, 2003, Mr. Fetter purchased 100,000 shares of our common stock and was granted 200,000 shares of restricted stock. Subject to Mr. Fetter retaining all of the 100,000 shares he purchased until all of the restricted stock has vested and his remaining continuously employed by us, one-third of the 200,000 shares of restricted stock will vest two years after the grant date, an additional one-third will vest three years after the grant date and the remaining one-third will vest four years after the grant date. A Form 4 reporting Mr. Fetter's purchase of shares and the grant of restricted stock was filed on January 22, 2003. A copy of the January 21, 2003 restricted stock agreement was included as an exhibit to our Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2003.

SHARES OWNED BY CERTAIN SHAREHOLDERS

Based on reports filed with the SEC, each of the following entities owns more than five percent of our outstanding common stock. We know of no other entity or person that beneficially owns more than five percent of our outstanding common stock.

Name and Address	Number of Shares Beneficially Owned	Percent of Class as of April 30, 2003
AXA Financial, Inc. and affiliates 1290 Avenue of the Americas, 11th Floor New York, NY 10104	24,644,822(1)	5.3%
FMR Corp. 82 Devonshire Street Boston, MA 02109	24,828,623(2)	5.3%
Pacific Financial Research, Inc. 9601 Wilshire Boulevard, Suite 800 Beverly Hills, CA 90210	23,626,100(3)	5.1%

(1) Based upon a Schedule 13G filed with the SEC on February 12, 2003 jointly by AXA Financial, Inc. ("AXA FI"), four French mutual insurance companies, AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA Conseil Vie Assurance Mutuelle and AXA Courtage Assurance Mutuelle (collectively, the "Mutuelles") and AXA (the Mutuelles and AXA collectively, "AXA"). AXA FI reported that it has sole voting power with respect to 8,237,131 shares, shared voting power with respect to 13,282,225 shares and sole investment power with respect to 23,977,701 shares. AXA reported that it has sole voting power with respect to 8,895,702 shares, shared voting power with respect to 13,282,225 shares, sole investment power with respect to 24,644,822 shares and shared investment power with respect to 10,000 shares.

(2) Based upon a Schedule 13G filed with the SEC on February 14, 2003 jointly by FMR Corp. ("FMR"), Edward C. Johnson, III, Chairman of FMR and Abigail P. Johnson, a director of FMR. The joint filers reported that they have sole voting power with respect to 2,761,503 shares and sole investment power with respect to all of the shares indicated above.

(3) Based upon a Schedule 13G filed with the SEC on February 14, 2003, by Pacific Financial Research, Inc. ("Pacific"). Pacific reported that it has sole voting and investment power with respect to all of the shares indicated above.

2. AMENDMENT AND RESTATEMENT OF ARTICLES OF INCORPORATION TO PROVIDE FOR ANNUAL ELECTION OF DIRECTORS AND MAKE CERTAIN OTHER CHANGES

Our Articles of Incorporation provide for the classification of the Board into three classes, with each class being elected every three years. In March 2003, the Board voted to approve, and to recommend to our shareholders that they approve, a proposal to amend and restate our Articles of Incorporation to phase out the current classification of the Board into three classes and to provide instead for the annual election of all directors, and to make certain other changes to the language of certain other clauses of the Articles of Incorporation. The proposed Amended and Restated Articles of Incorporation are included as Appendix C to this Proxy Statement.

In order to ensure a smooth transition to the new system, the proposed amendment would provide that, as they stand for election, our directors, including those elected at this year's annual meeting, will stand for a term ending at the next annual meeting of shareholders rather than for a three-year term. If the proposed measure is approved by our shareholders, the new procedure will apply to all directors as their current terms expire. Thus, Class 1 directors, which last stood for election at the 2001 annual meeting, would stand for election at the 2004 annual meeting for a one-year term and thereafter would stand for election at each successive annual meeting. Class 2 directors, which last stood for election at the 2002 annual meeting, would stand for election at the 2005 annual meeting for a one-year term and thereafter would stand for election at each successive annual meeting. Class 3 directors, which last stood for election at the 2000 annual meeting, would stand for election at this year's annual meeting for a one-year term ending at next year's annual meeting and thereafter would stand for election at each successive annual meeting. Beginning with the annual meeting in 2005, the declassification of the Board would be complete and all directors would be subject to annual election.

In deciding to recommend declassification of the Board, the Board considered the pros and cons of declassification and concluded that retaining a classified Board is not in the best interests of Tenet or its shareholders at this time. The election of a company's board of directors is among the most fundamental of shareholder rights. Among the factors the Board considered in favor of maintaining a classified board were the continuity, stability and experience that a classified board provides. On the other hand, allowing our shareholders to vote on the performance of the entire board, as well as individual directors, each year results in increased accountability of directors to shareholders, leading to an attendant increase in the accountability of management. The Board believes that sound corporate governance practices, such as the annual election of directors and the other recently adopted Corporate Governance Principles of the Company (see Appendix A), impose a higher level of accountability on management and the Board and will help to improve our performance over the long term. In making its decision to recommend declassification, the Board also took into consideration the expression of shareholders in favor of declassification at the 1998 and 1999 annual meetings.

If the Board's proposal is approved, Article V of our current Articles of Incorporation will be deleted and replaced by the following:

> The business and affairs of this corporation shall be managed by or under the direction of a Board of Directors. The Board of Directors may exercise all such authority and powers of the corporation and do all such lawful acts and things as are not by statute or these Articles of Incorporation directed or required to be exercised or done by the shareholders.

> The Board of Directors may change the number of directors from time to time and may fill any vacancies in the Board of Directors, however created, except vacancies first filled by the shareholders. Neither the Board of Directors nor the shareholders may ever increase the number of directors by more than one during any 12-month period, except upon the affirmative vote of two-thirds of the directors, or the affirmative vote of the holders of two-thirds of all outstanding shares voting together and not by class. This provision may not be amended except by a like vote.
>
> The Board of Directors shall not be classified. Any director elected or appointed after the effective time of this Article V shall serve for a term expiring at the next annual meeting or until their earlier resignation, death or removal. Each director elected or appointed prior to the effective time of this Article V shall serve for the full term for which she or he was elected or appointed, and any director elected or appointed to fill a vacancy created by the resignation, death or removal of such director during such term shall serve the remainder of such term. Regardless of their remaining term, directors shall not be entitled to vote as a class on any matter being voted on by the Board, other than those issues specifically related to a class and for which class voting was allowed immediately prior to the effective time of this amendment. In no case shall a decrease in the number of directors shorten the term of any incumbent director.

In addition to the proposed amendments to the provisions regarding the classification of directors, the Board also voted to approve amendments which are intended to clarify the meaning of certain other provisions of the Articles of Incorporation. These amendments are not substantive.

A marked version of the Articles of Incorporation, showing all the proposed changes, is included as Appendix D to this Proxy Statement. If the Board's proposal is approved, our bylaws will be amended by the Board to conform with the Amended and Restated Articles of Incorporation.

Shareholder Approval

Under Nevada law, the affirmative vote of at least a majority of our outstanding stock is required to amend the Articles of Incorporation to eliminate the classification of the Board. Abstentions and broker nonvotes will have the effect of votes against this proposal.

The Board recommends that shareholders vote FOR approval of the proposed Amended and Restated Articles of Incorporation to provide for the annual election of directors.

3. RATIFICATION OF SELECTION OF AUDITORS

The Audit Committee of the Board has selected KPMG to serve as our independent auditors for the fiscal year ending December 31, 2003. KPMG is familiar with our operations and together with its predecessor organizations have been our auditors since our inception. The Audit

Committee of the Board is satisfied with KPMG's reputation in the auditing field, its personnel, its professional qualifications and its independence.

KPMG representatives will attend the Annual Meeting and respond to questions where appropriate. KPMG representatives may make a statement at the Annual Meeting should they so desire.

Shareholder Approval

Ratification of the selection of the independent auditors by the shareholders requires that the votes cast in favor of ratification exceed the votes cast opposing ratification, provided a quorum is present. Abstentions and broker nonvotes will not be counted. If a favorable vote is not obtained, other auditors will be selected by the Audit Committee of the Board. Unless marked to the contrary, proxies will be voted FOR the ratification of the selection of KPMG as our auditors.

The Board recommends that shareholders vote FOR the ratification of the selection of KPMG as our auditors.

4. SHAREHOLDER PROPOSAL

We have been notified that one shareholder intends to present a proposal for consideration at the annual meeting. The address and stock ownership of the proponent identified below will be furnished by our Corporate Secretary to any person, orally or in writing as requested, promptly upon receipt of any oral or written request.

Proposal 1

We have been notified that M. Lee Pearce, M.D., intends to present the following proposal for consideration at the annual meeting:

"RESOLVED, that the shareholders of Tenet Healthcare Corporation request the Board of Directors to set a goal of establishing a Board comprised of at least 90 percent independent directors. The Board should pursue this goal following this year's election of directors and transition to an independent Board as quickly as possible through its power to nominate director candidates for election by shareholders. For purposes of this resolution, a director is independent only if he or she satisfies the standard established by the Council of Institutional Investors (www.cii.org/independent_director.asp): "A director is deemed independent if his or her only non-trivial professional, familial or financial connection to the corporation or its CEO is his or her directorship."

"Statement of Support

The board of directors plays a critical role in determining a company's long-term success. An effective board institutes corporate governance policies that allow it to perform optimally in both routine and difficult times, and that help individual directors and shareholders address problems when they arise. A board is responsible for management and works to assemble and motivate a well-qualified management team by providing necessary incentives and rewards that are proportionate to the company's success. In conjunction with management, a board contributes to the development and implementation of a company's competitive strategies, while also providing oversight to ensure the company's compliance with all applicable laws. If it is to fulfill its duty to hire, oversee, compensate, and (if necessary) replace management, a board of directors must have a sufficient number of independent members, so that it may staff its committees appropriately and operate without excessive reliance on management.

To best fulfill its responsibilities, I believe that at least 90 percent of the Board should be independent. At present, six of the Board's ten members are not independent under the Council of Institutional Investors definition. Jeffrey Barbakow, who will step down from the Board this year, has been the Company's CEO since 1993, and Lawrence Biondi, Sanford Cloud, Van B. Honeycutt, Floyd Loop, and Monica C. Lozano have each engaged in non-trivial related party transaction with the Company within the past five years. (THC 2002 Proxy Statement). Ironically, the three non-management directors who had no reportable related party transactions last year are retiring: Bernice B. Bratter, Maurice J. DeWald, and Lester B. Korn. While the Board approved a definition of "independent" that is stricter than minimum SEC and NYSE requirements, I believe that only by adopting the Council of Institutional Investors standard will the Board demonstrate its commitment to responsible corporate governance. The proposal recognizes the potential value of having management or affiliates of the Company participate in Board activities on a limited basis by allowing one non-independent director.

As a long-term Tenet investor, I believe an independent board best represents shareholders. Adoption of this resolution would encourage our company to work towards this goal. I urge your support for this resolution."

The Board of Directors recommends a vote "AGAINST" this proposal for the following reasons:

The Board has carefully considered this proposal and believes that its implementation is not in the best interests of our shareholders.

The Board is an advocate of strong corporate governance practices and, as demonstrated by the recently adopted Corporate Governance Principles (see *Appendix A*), is particularly committed to assuring the independence and appropriate composition of the Board. Specifically, the Board adopted a "bright-line" definition of director independence, similar to but considerably more stringent than that adopted by the NYSE (as our standard will become a "zero-tolerance" standard following the 2005 Annual Meeting). In addition, the Board adopted requirements that at least two-thirds of its directors be independent, that each of the Audit, Compensation and Nominating Committees be comprised entirely of independent directors and that no interlocking public-company directorships exist on the Board. The recent standards adopted by our Board have resulted in our "Corporate Governance Quotient" as determined by Institutional Shareholder Services to outperform 98.8% of the companies in the S&P 500 Index and 100% of the companies in the health care equipment and services group.

In creating its definition of independence, the Board considered the standards adopted by the NYSE, Institutional Shareholder Services and the Council of Institutional Investors ("CII"), the group referenced by the proponent. The Board determined that a "bright-line" rule, like that of the NYSE but with more stringent requirements, would provide the greatest assurance of director independence to shareholders. Under our requirements, 10 out of 12 of our directors are independent.

The proponent requests that at least 90% of the Board be independent as measured by CII's standard. This percentage goes beyond that recommended by the NYSE, which requires a majority, and even CII's own minimum standard, which requires that at least two-thirds of directors be independent, the same percentage already adopted by the Board. The Board believes that a Board composed of at least two-thirds independent directors, with the complete independence of the Audit, Compensation and Nominating Committees, adequately ensures the independent oversight of management and protection of shareholders.

In selecting candidates, the Board considers the individual's accomplishments, professionalism and integrity, management experience, financial expertise, healthcare expertise, familiarity with hospital operations, experience with government regulation and the fit of skills with those of other directors, as well as his or her independence from management. Due to our size and the diversity of our holdings, however, a large portion of the potential candidates for director may have prior or ongoing professional or business relationships with us. As a result, we believe that the proposal removes any real flexibility from the Board's ability to maximize shareholder value by nominating the best-suited and most-experienced candidates for director since it would limit the number of such candidates for Board consideration.

The Board of Directors recommends that shareholders vote AGAINST this proposal.

Shareholder Approval

Approval of the foregoing shareholder proposal requires that the number of votes cast in favor of the proposal exceed the number of votes cast opposing the proposal, provided that a quorum is present. Unless marked to the contrary, proxies will be voted "AGAINST" the shareholder proposal. Abstentions and broker nonvotes will not be counted and thus will have no effect on the proposal.

DATE FOR RECEIPT OF SHAREHOLDER PROPOSALS

Any shareholder proposal intended to be presented at the next annual meeting and included in our proxy materials must be received by our Corporate Secretary by February 10, 2004. Any such proposal must comply with the SEC's Rule 14a-8 of Regulation 14A.

Our bylaws provide that any shareholder wishing to nominate a candidate for director or to propose other business at the next annual meeting must give us written notice between March 25, 2004 and April 24, 2004. The notice must comply with the requirements of our bylaws, which may be found on our corporate website, and any applicable law. Any such nomination or other business will not be included in our proxy materials but may be brought before the meeting.

Any proposal or nomination that is not received by our Corporate Secretary between March 25, 2004 and April 24, 2004, will not be considered at the next annual meeting.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and holders of more than 10 percent of our common stock to file with the SEC reports regarding their ownership and changes in ownership of our securities. All of our directors, executive officers and 10 percent shareowners complied with all Section 16(a) filing requirements during the 2002 Transition Period. In making this statement, we have relied upon examination of the copies of Forms 3, 4 and 5 provided to us and the written representations of our directors, executive officers and 10 percent shareowners.

By Order of the Board of Directors

Richard B. Silver
Corporate Secretary

Santa Barbara, California
June 6, 2003

Appendix A

TENET HEALTHCARE CORPORATION
CORPORATE GOVERNANCE PRINCIPLES

The Board of Directors of Tenet Healthcare Corporation, acting on the recommendation of its Corporate Governance Committee, has developed and adopted a set of corporate governance principles to promote a common set of expectations as to how the Board and its committees should perform their functions. These principles will be reviewed by the Board annually or more often as the Board deems appropriate.

1. Role of Board and Management.

Tenet's business is conducted by its employees, managers and officers, under the direction of its Chief Executive Officer and the oversight of the Board to enhance Tenet's long-term value for its shareholders. The Board is elected by the shareholders to oversee management and to assure that the long-term interests of the shareholders are being served. Both the Board and management recognize that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties including patients, employees, physicians who practice at hospitals owned by Tenet's subsidiaries, lenders, bondholders, communities in which Tenet and its subsidiaries' hospitals do business, legislators, regulators and other government officials and the public at large.

2. Board Committees.

The Board has established the following Committees to assist it in discharging its responsibilities: (i) Audit, (ii) Compensation, (iii) Corporate Governance, (iv) Ethics, Quality and Compliance, (v) Executive, and (vi) Nominating. Each Committee has a charter setting forth the key responsibilities of the Committee. Each Committee's charter establishes independence standards for its members and is reviewed at least annually. Each Committee (other than the Executive Committee, the Chair of which is the Chair of the Board) has a Chair who is nominated by the Nominating Committee and elected by the Board each year. Each Committee Chairperson reports the highlights of the meetings of his/her Committee to the full Board following each Committee meeting.

3. Functions of the Board and its Committees.

Members of the Board and each Committee meet in person for scheduled meetings six times each year and hold as many additional telephonic and in-person meetings as necessary to fulfill their responsibilities. At the Board and Committee meetings, Tenet's directors review, discuss, evaluate and ask questions of management and Board and Committee advisors concerning: reports by management on Tenet's business strategy and long-term goals; financial and operating performance; financial condition; prospects, including competitive challenges and opportunities; and compliance and litigation. The Board and Committees also:

Review, approve and monitor major corporate actions;

Select the CEO and oversee the selection of Tenet's other executive officers;

Evaluate and compensate Tenet's executive officers;

Evaluate and approve a CEO succession plan;

Assess major risks facing Tenet and review options for their mitigation;

Monitor the integrity of Tenet's accounting, financial reporting and finance processes and systems of internal controls; and

Ensure processes are in place for maintaining Tenet's ethical conduct, the quality of care provided at hospitals owned by Tenet's subsidiaries and compliance with laws and regulations.

4. Size of Board and Selection Process.

The Nominating Committee is responsible for nominating, and the Board is responsible for selecting the individuals to fill vacancies on the Board and to stand for election at each annual meeting. Shareholders also may propose nominees for election to the Board in accordance with Tenet's Bylaws, which may be found on Tenet's website. Tenet's Bylaws require that Tenet have between 8 and 15 directors with the exact number set by the Board. Tenet currently has 12 directors.

The Nominating Committee and the Board consider the following criteria when selecting new nominees for election to the Board and determining which of Tenet's existing directors will stand for re-election to the Board:

Personal qualities, characteristics and accomplishments;

Professionalism and integrity;

Experience as a chief executive officer, financial expertise, health care expertise or expertise in other areas that will enhance the Board's and Tenet's performance;

Familiarity with hospital operations, the health care industry or other industries with which Tenet and its subsidiaries do business;

Experience with government regulation of the health care industry;

Ability and willingness to commit adequate time to Board and Committee matters;

The fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective and responsive to Tenet's needs;

Diversity of viewpoints, background, experience and other demographics; and

Familiarity with and contacts in the communities in which Tenet and its subsidiaries do business.

5. Director Qualifications and Expectations.

The Board believes that directors should not expect to be re-nominated to stand for election. Each year, the Nominating Committee and Board will carefully consider each director's qualifications and contributions to the Board and make an informed decision as to which directors will stand for election.

Tenet's directors receive, and are expected to review, Board and Committee materials from management and the Board's and Committees' independent advisors in advance of all meetings. Directors are expected to attend all meetings of the Board and all meetings of the Committees on which they serve, and they are required to attend at least 75% of all regularly scheduled Board and Committee meetings in person.

Directors who serve as CEOs or in equivalent positions may not serve on the boards of more than two public companies in addition to Tenet's Board, and other directors may not serve on the boards of more than three public companies in addition to Tenet's Board. Also, no two Tenet directors may serve together on the board of any public company other than Tenet. Directors are expected to offer their resignation in the event of any significant change in their principal job responsibilities.

6. Independence of Directors.

Two-thirds of the Board will consist of directors who are independent under the Board's guidelines and who are otherwise independent under the rules of the SEC and NYSE.

The Board will not consider a director to be independent if (1) any entity affiliated with the director or an immediate family member receives the greater of (x) $200,000 or (y) one percent of its gross revenues from us in any year (beginning April 1, 2005, for existing directors and immediately for new directors, there will be a zero tolerance standard under this point (1)), or (2) from June 1, 2003, forward, either we or the Tenet Healthcare Foundation make grants to any charitable organization affiliated with the director or an immediate family member other than up to $10,000 in matching grants each year. The Board also determined that the Audit, Compensation and Nominating Committees must be composed exclusively of independent directors. Under our new independence standards, the Board has determined that every director, with the exceptions of Mr. Barbakow and Fr. Biondi, is independent.

7. Independence of Committee Members.

In addition to the requirement that a majority of the Board satisfy the independence standards discussed above, members of the Audit Committee must satisfy NYSE and SEC independence requirements. Specifically, they may not directly or indirectly receive any compensation from Tenet other than their directors' compensation for serving as a director. As a matter of policy, the Board also will apply this additional requirement to members of the Compensation and Nominating Committees.

8. Non-Executive Chairman or Lead Director.

The Board will designate an independent, nonemployee director as Chairman of the Board or Lead Director. In the event that the Board desires to elect a member of management to the Board and to appoint such individual as Chairman of the Board, the Board will designate an independent, nonemployee director as Lead Director. The duties of the Lead Director will include, but not be limited to, chairing executive sessions of the Board, serving as the principal liaison between the non-employee directors and members of senior management, representing the Board in meetings with investors, legislators, regulators and other government officials, and working with the Chairman to finalize information

flow to the Board, meeting agendas and meeting schedules. The Lead Director, in conjunction with the Corporate Governance Committee, also will take a role in the Board performance evaluation process.

9. Executive Sessions.

At least once each fiscal quarter, the Board will meet in executive session and, in the event there is an executive Chairman, the Lead Director will preside at such meetings. The non-employee directors may meet in executive session at such other times as determined by the Chairman and/or Lead Director. The Committees of the Board shall meet in executive session as prescribed in each Committee's charter. Each Committee of Tenet's Board regularly meets in executive session.

10. Board Performance Evaluation.

The Corporate Governance Committee will conduct an annual performance evaluation to determine how the Board and its Committees are functioning in view of their responsibilities and Tenet's business. The results of the evaluation will be reviewed by the Chairman and/or the Lead Director who will report the results to the Board. As part of the annual performance evaluation process, each Committee will compare its performance with the requirements of its charter.

11. Ethics and Conflicts of Interest.

The Board expects Tenet's directors, as well as all of Tenet's officers and other employees, to act ethically at all times and to acknowledge their adherence to the policies comprising Tenet's Standards of Conduct. The Board does not permit any waiver of any ethics policy for any director or executive officer. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the Chairman of the Board and/or the Lead Director. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Ethics, Quality and Compliance Committee shall resolve any conflict of interest question involving directors or executive officers.

12. Reporting Concerns to the Audit Committee.

Anyone who has a concern about Tenet's conduct, or about its accounting, internal accounting controls or auditing matters, may communicate that concern to the Audit Committee by calling Tenet's Ethics Action Line at 1-800-8-ETHICS (1-800-838-4427). Such communications may be confidential or anonymous. All such concerns will be forwarded to the Audit Committee for their review and simultaneously will be reviewed and addressed under the direction of Tenet's Senior Vice President of Ethics, Business Conduct and Administration. The Audit Committee may direct special treatment, including the retention of outside advisors, for any concern addressed to it. Tenet's Standards of Conduct prohibit any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an ethical concern.

13. Compensation of Board.

The Compensation Committee will conduct a review at least once every two years of the components and amount of Board compensation in relation to other similarly situated companies and make a report to the Board. Board compensation will be consistent with market practices and will be set at a level that does not call into question the Board's objectivity.

14. Stock Ownership and Retention Guidelines.

Directors are required to own shares of Tenet's stock with a value equal to three times the directors' annual retainer by the later of March 12, 2008, and five years from when he/she joins Tenet's Board. Tenet's senior officers are required to own shares of Tenet's stock with a value equal to a specific multiple of such senior officer's base salary as indicated in the table below. Senior officers must meet the guidelines by the later of March 12, 2008 and five years from when he/she becomes a senior officer.

Executive Level	Market Value of Shares Owned as a Multiple of Base Salary
Chief Executive Officer	5X
President	4X
Executive Vice President/Others above SVP	2X
Senior Vice President	1X

15. Retention of Net Shares from Option Exercises.

Directors and senior officers also are required to hold, for at least one year, 100% of the shares received upon the exercise of stock options net of those shares required to pay the exercise price and any taxes and transaction costs due upon exercise.

16. Succession Plan.

At least annually, the Executive Committee will review and report to the full Board regarding a succession plan for the CEO.

17. Contact with Management and Operations.

All directors are encouraged to contact the CEO and other members of management at any time to discuss any aspect of Tenet's business. The Board will have frequent opportunities for directors to meet with the CEO and other members of management in Board and Committee meetings and in other formal and informal settings. Directors are expected to visit at least one Tenet hospital each year.

18. Access to Independent Advisors.

The Board and its Committees have the authority and the funding to retain, at any time, independent outside financial, legal or other advisors. All such advisors are chosen by, and report directly to, the Board or the respective Committee.

19. Retirement of Directors.

Directors will not be nominated for election to the Board after their 72nd birthday.

20. Director Orientation.

Management, working with the Board, will provide an orientation process for new directors. That orientation process will include background materials on Tenet, its business, strategic plans and goals, prospects and risk profile, meetings with senior management and the appointment of an experienced Tenet director to serve as a mentor for each new director.

21. Continuing Education.

Each director is expected to attend a continuing education program related to their responsibilities as a director at least once every two years.

Appendix B

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF
TENET HEALTHCARE CORPORATION
PURPOSE**

The purposes of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Tenet Healthcare Corporation (the "Company") shall be: (1) to provide Board oversight of (a) the integrity of the Company's financial statements; (b) the Company's compliance

with legal and regulatory requirements with respect to the Company's accounting, internal accounting controls and auditing matters; (c) the independent auditors' qualifications, independence and performance; and (d) the performance of the Company's internal audit function; and (2) to prepare the report required to be prepared by the Committee pursuant to the rules of the Securities and Exchange Commission (the "SEC") for inclusion in the Company's annual proxy statement.

ORGANIZATION AND QUALIFICATIONS

The Committee shall consist of three or more directors who qualify as independent directors ("Independent Directors") pursuant to: (1) the listing standards of the New York Stock Exchange (the "NYSE"), (2) the Sarbanes-Oxley Act of 2002 (the "Act"), (3) the rules and regulations promulgated by the SEC pursuant to the Act with respect to the independence of audit committee members, and (4) the Company's Corporate Governance Principles. Each member shall have the requisite financial experience and ability to enable them to discharge their responsibilities and at least one member shall be a financial expert as such term is defined in the rules and regulations promulgated by the SEC pursuant to the Act.

The members of the Committee shall be nominated by the Nominating Committee and elected annually to one-year terms by majority vote of the Board at the first meeting of the Board to be held following the annual meeting of stockholders. The Board shall designate one member of the Committee as its Chairperson. Vacancies on the Committee shall be filled by majority vote of the Board at the next meeting of the Board following the occurrence of the vacancy. No member of the Committee shall be removed except by majority vote of the Board.

MEETINGS AND PROCEDURES

The Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter. The Committee shall meet at least once each quarter and may meet more frequently as circumstances require. The Chairperson of the Committee or a majority of the members of the Committee also may call a special meeting of the Committee. A majority of the members of the Committee present in person, or by means of a conference telephone or other communications equipment that permits all participants to hear each other, shall constitute a quorum.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; provided, however, that no subcommittee shall consist of fewer than two members; and provided further that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.

Following each of its meetings, the Committee shall deliver a report on the meeting to the Board, including a description of all significant actions taken by the Committee at the meeting. The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

DUTIES AND RESPONSIBILITIES

The Committee shall have the following duties and responsibilities:

(i) The Committee shall have the sole authority and responsibility to retain (subject to stockholder ratification, if applicable), oversee, evaluate and, if necessary, terminate and replace the Company's independent auditors. The independent auditors shall report directly to the Committee.

(ii) The Committee shall have the sole authority to approve all audit engagement fees and terms, and the Committee or a member of the Committee must pre-approve all audit and non-audit services provided to the Company by the Company's independent auditors, in accordance with any applicable law, rules or regulations.

(iii) The Committee annually shall evaluate the independent auditor's qualifications, performance and independence. In order to assess auditor independence, the Committee shall review at least annually all relationships between the independent auditor and the Company.

(iv) The Committee shall discuss with management and the independent auditor the annual audited financial statements and quarterly unaudited financial statements, and any other matters required to be reviewed under applicable legal, regulatory or NYSE listing standards.

(v) The Committee shall review (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting principles on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

(vi) The Committee shall review and discuss with management and the independent auditor any audit problems or difficulties encountered in the course of the audit work and management's response. The Committee also shall discuss with the independent auditor any restrictions on the scope of the independent auditor's activities or on access to requested information, and any disagreements with management.

(vii) The Committee shall discuss with management and the independent auditor, as appropriate, earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies.

(viii) The Committee shall discuss with management and the independent auditor, as appropriate, the Company's policies with respect to risk assessment and risk management. The Committee also shall discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

(ix) The Committee shall review and discuss with management and the independent auditor, as appropriate, the responsibilities, budget and staffing of the Company's internal audit function.

(x) The Committee, on a periodic basis, shall meet in separate executive sessions with management, the Company's internal audit staff and the Company's independent auditors.

(xi) The Committee shall establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

(xii) The Committee shall prepare and publish an annual committee report in the Company's proxy statement.

(xiii) The Committee shall perform any other activities consistent with this Charter and the Company's Amended and Restated Articles of Incorporation and Bylaws as the Board from time to time may deem necessary, advisable or appropriate for the Committee to perform.

COMMITTEE AND CHARTER EVALUATION

The Committee shall, on an annual basis, evaluate its performance under this Charter. The Committee shall deliver to the Board a report setting forth the results of its evaluation. The Committee shall review at least annually the adequacy of this Charter and recommend any proposed changes to the Board.

STUDIES AND INVESTIGATIONS; OUTSIDE ADVISORS

The Committee may conduct or authorize studies of or investigations into matters within the Committee's scope of responsibilities, and may retain, at the Company's expense, such independent counsel or other advisors as it deems appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.

Appendix C

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
TENET HEALTHCARE CORPORATION

I

The name of this corporation is:

TENET HEALTHCARE CORPORATION

II

The principal office of this corporation in the State of Nevada is to be located at 6100 Neil Road, Suite 500, City of Reno, County of Washoe.

III

The corporation may engage in any lawful activity, including, without limitation, operating as a proprietary health care company.

IV

The stock of this corporation shall be divided into two classes, consisting of One Billion Fifty Million (1,050,000,000) shares of Common Stock and Two Million Five Hundred Thousand (2,500,000) shares of Preferred Stock. Each share of Common Stock shall have a par value of $0.05, and each share of Preferred Stock shall have a par value of $0.15.

The shares of Preferred Stock may be issued and reissued from time to time in one or more series. The Board of Directors hereby is authorized to fix or alter the dividend rights, dividend rate, conversion rights, voting rights and terms of redemption (including, without limitation, sinking fund provisions and the redemption price or prices), the liquidation preferences, and any other rights, preferences, privileges, attributes or other matters with respect to any wholly unissued series of Preferred Stock, including the authority (a) to determine the number of shares constituting any such series and the designation thereof; and (b) to increase the number of shares of any series at any time. In case the outstanding shares of any such series shall be reacquired or shall not be issued, such shares may be designated or redesignated and altered, and issued or reissued, hereunder, by action of the Board of Directors. The Board of Directors also shall have such other authority with respect to shares of Preferred Stock that may be reserved to the Board of Directors by law.

V

The business and affairs of this corporation shall be managed by or under the direction of a Board of Directors. The Board of Directors may exercise all such authority and powers of the corporation and do all such lawful acts and things as are not by statute or these Articles of Incorporation directed or required to be exercised or done by the shareholders.

The Board of Directors may change the number of directors from time to time and may fill any vacancies in the Board of Directors, however created, except vacancies first filled by the shareholders. Neither the Board of Directors nor the shareholders may ever increase the number of directors by more than one during any 12-month period, except upon the affirmative vote of two-thirds of the directors, or the affirmative vote of the holders of two-thirds of all outstanding shares voting together and not by class. This provision may not be amended except by a like vote.

The Board of Directors shall not be classified. Any director elected or appointed after the effective time of this Article V shall serve for a term expiring at the next annual meeting or until their earlier resignation, death or removal. Each director elected or appointed prior to the effective time of this Article V shall serve for the full term for which she or he was elected or appointed, and any director elected or appointed to fill a vacancy created by the resignation, death or removal of such director during such term shall serve the remainder of such term. Regardless of their remaining term, directors shall not be entitled to vote as a class on any matter being voted on by the Board, other than those issues specifically related to a class and for which class voting was allowed immediately prior to the effective time of this amendment. In no case shall a decrease in the number of directors shorten the term of any incumbent director.

VI

The capital stock of this corporation shall be non-assessable to the full extent permitted by law.

VII

The corporation is to have perpetual existence.

VIII

The affirmative vote of the holders of $^{2}/_{3}$ of all outstanding shares, voting together and not by class, shall be required to approve any merger or consolidation or the sale of substantially all of the assets of this corporation. This provision shall not be amended except by a like vote.

IX

No director or officer of this corporation shall be personally liable to this corporation or its shareholders for damages for breach of fiduciary duty as a director or officer, except for liability (i) for acts or omissions which involve intentional misconduct, fraud or a knowing violation of law or (ii) for the payment of dividends in violation of Section 300 of the Private Corporation Law of the State of Nevada.

If the Private Corporation Law of the State of Nevada is amended to authorize the further elimination or limitation of the liability of directors or officers, then the liability of a director or officer of this corporation shall be eliminated or limited to the fullest extent authorized by the Private Corporation Law of the State of Nevada, as so amended.

Any repeal or modification of this Article shall not adversely affect any right or protection of a director of this corporation or an officer of this corporation existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

I, the undersigned officer of TENET HEALTHCARE CORPORATION, certify that the foregoing Amended and Restated Articles of Incorporation of TENET HEALTHCARE CORPORATION set forth the Articles of the said Corporation, as amended to the 23rd day of July, 2003.

Richard B. Silver, Secretary

SUBSCRIBED AND SWORN TO BEFORE me, this 23rd day of July, 2003.

Notary Public in and for said County and State

Appendix D

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
TENET HEALTHCARE CORPORATION

I

The name of this corporation is:

TENET HEALTHCARE CORPORATION

II

The principal office of this corporation in the State of Nevada is to be located at 6100 Neil Road, Suite 500, City of Reno, County of Washoe.

III

The corporation may engage in any lawful activity, including ~~but not~~, without limitation ~~thereto,. its further development,~~ operating as a proprietary health care company ~~devoted to the ownership, management and operation of all types of facilities for the delivery of high quality health care~~.

IV

~~The total number of shares which this corporation is authorized to issue is Seven Hundred Two Million Five Hundred Thousand (702,500,000).~~

The stock of this corporation shall be divided into two classes, consisting of One Billion Fifty Million (1,050,000,000) shares of Common Stock and Two Million Five Hundred Thousand (2,500,000) shares of Preferred Stock~~, and Seven Hundred Million (700,000,000) shares of Common Stock. Each share of Preferred~~. Each share of Common Stock shall have a par value of ~~$.15~~ $0.05, and each share of ~~Common~~ Preferred Stock shall have a par value of ~~$.075, and the aggregate par value of all shares is Fifty-two Million Eight Hundred Seventy-five Thousand Dollars ($52,875,000).~~ $0.15.

The shares of Preferred Stock may be issued and reissued from time to time in one or more series. The Board of Directors hereby is authorized to fix or alter the dividend rights, dividend rate, conversion rights, voting ~~rights,~~ rights and terms of redemption (including, without limitation, sinking fund provisions~~),~~ and the redemption price or prices), the liquidation preferences, and any other rights, preferences, privileges, attributes or other matters ~~which may be reserved to the Board of Directors by law, of~~ with respect to any wholly unissued series of Preferred Stock, including the authority (a) to determine ~~and~~ the number of shares constituting any such series and the designation thereof; and (b) to increase the number of shares of any series at any time. In case the outstanding shares of any series shall be reacquired or shall not be issued, such shares may be designated or redesignated and altered, and issued or reissued, hereunder, by action of the Board of Directors. The Board of Directors shall also have such other authority with respect to shares of Preferred Stock that may be reserved to the Board of Directors by law.

~~V~~

~~This~~

The business and affairs of this corporation shall be ~~governed by~~ managed by or under the direction of a Board of Directors. The Board of Directors may exercise all such authority and powers of the corporation and do all such lawful acts and things as are not by statute or these Articles of Incorporation directed or required to be exercised or done by the shareholders.~~, and the members thereof shall be called Directors. This corporation initially shall have three directors, and their names and post office addresses are:~~

~~Richard K Eamer 11440 San Vicente Boulevard~~
~~Los Angeles, California 90049~~

~~Leonard Cohen 11440 San Vicente Boulevard~~
~~Los Angeles, California 90049~~

~~John C. Bedrosian 11440 San Vicente Boulevard~~
~~Los Angeles, California 90049~~

The Board of Directors may change the number of ~~Directors~~ directors from time to time, and may fill any vacancies in the Board of Directors, however created, except vacancies first filled by the shareholders. ~~However, neither~~ Neither the Board of Directors nor the shareholders may ever increase the number of ~~directorships~~ directors by more than one ~~within~~ during any 12-monthperiod of twelve months, except upon the affirmative vote of ~~the holders of 2/3~~ two-thirds of the directors ~~of each class~~, or the affirmative vote of ~~2/3 of~~ the holders of two-thirds of all ~~the~~ outstanding shares voting together and not by class~~, and this~~. This provision may not be amended except by a like vote.

~~If and when National Medical Enterprises, Inc., a California corporation, shall be merged into this corporation, thereupon the number of directors of this corporation automatically shall increase to eight, and the persons then serving as directors of National Medical Enterprises, Inc., a California corporation, shall become the directors of this corporation.~~

The Board of Directors of ~~this corporation shall thenceforth be classified into three classes, with three directors in Class 1, three directors in Class 2, and two directors in Class 3. Each director in Class 1 initially~~ shall not be classified. Any director elected or appointed after the effective time of this Article V shall serve for a term expiring at the next annual meeting or until their earlier resignation, death or removal. Each director elected or appointed prior to the effectiveness of this Article V shall serve for the full term for which she or he was elected or appointed, and any director elected or appointed to fill a vacancy created by the resignation, death or removal of such director during such term shall serve the remainder of such term. Regardless of their remaining term, directors shall not be entitled to vote as a class on any matter being voted on by the Board, other than those issues specifically related to a class and for which class voting was allowed immediately prior to the effective time of this amendment. In no case shall a decrease in the number of directors shorten the term of any incumbent director. ~~ending at the Annual Meeting of Shareholders in 1976; each director in Class 2 shall serve for an initial term ending at the Annual Meeting of Shareholders in 1977; and each director in Class 3 shall serve for an initial term ending at the Annual Meeting of Shareholders in 1978. After the respective initial terms of the classes indicated, each such class of directors shall be elected for successive terms ending at the Annual Meeting of Shareholders the third year after election.~~

~~The Board of Directors of this corporation shall designate the directors initially assigned to each class, in accordance with the classification of directors submitted to the Shareholders of National Medical Enterprises, Inc., a California corporation.~~

VI

The capital stock of this corporation shall be non-assessable to the full extent permitted by law.

~~VII~~

~~The name and post office address of each of the incorporators signing these Articles of Incorporation are:~~

~~Richard K. Eamer 11440 San Vicente Boulevard~~
~~Los Angeles, California 90049~~

~~Leonard Cohen 11440 San Vicente Boulevard~~
~~Los Angeles, California 90049~~

~~John C. Bedrosian 11440 San Vicente Boulevard~~
~~Los Angeles, California 90049~~

~~VIII~~

The corporation is to have perpetual existence.

~~IX~~
VIII

The affirmative vote of the holders of $^{2}/_{3}$ of all outstanding shares, voting together and not by class, shall be required to approve any merger or consolidation or the sale of substantially all of the assets of this corporation. This provision shall not be amended except by a like vote.

~~X~~
IX

No director or officer of this corporation shall be personally liable to this corporation or its shareholders for damages for breach of fiduciary duty as a director or officer, except for liability (i) for acts or omissions which involve intentional misconduct, fraud or a knowing violation of law or (ii) for the payment of dividends in violation of Section 300 of the Private Corporation Law of the State of Nevada.

If the Private Corporation Law of the State of Nevada is amended to authorize the further elimination or limitation of the liability of directors or officers, then the liability of a director ~~of this corporation~~ or ~~an~~ officer of this corporation shall be eliminated or limited to the fullest extent authorized by the Private Corporation Law of the State of Nevada, as so amended.

Any repeal or modification of this Article shall not adversely affect any right or protection of a director of this corporation or an officer of this corporation existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

TELEPHONE	INTERNET	MAIL
[1-866-860-0408] Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call. You will be prompted to enter your control number, located in the box below, and then follow the simple directions.	[https://www.proxyvotenow.com/thc] Use the Internet to vote your proxy. Have your proxy card in hand when you access the website. You will be prompted to enter your control number, located in the box below, to create an electronic ballot.	Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided.

Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned the proxy card.

If you have submitted your proxy by telephone or the Internet there is no need for you to mail back your proxy.

[CONTROL NUMBER FOR TELEPHONE OR INTERNET VOTING:]

[1-866-860-0408]
CALL TOLL-FREE TO VOTE

DETACH PROXY CARD HERE IF YOU ARE VOTING BY MAIL

PLEASE COMPLETE, SIGN, DATE
AND RETURN THIS PROXY CARD
PROMPTLY USING THE ENCLOSED
ENVELOPE. [X]

VOTES MUST BE INDICATED
(X) IN BLACK OR BLUE INK.

1. Election of the following nominees as Directors:

o o *EXCEPTIONS o

FOR all nominees	WITHHOLD AUTHORITY to vote
listed below	for all nominees listed below

Nominees: (1) Lawrence Biondi, S.J. (2) Van B. Honeycutt (3) Edward A. Kangas

(INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, MARK THE "EXCEPTIONS" BOX AND STRIKE A LINE THROUGH THAT NOMINEE'S NAME.)

*Exceptions

2. Proposal to approve the Amended and Restated Articles of Incorporation to provide for the annual election of directors.	FOR o	AGAINST o	ABSTAIN o
3. Proposal to ratify the selection of KPMG LLP as independent auditors for the fiscal year ending December 31, 2003.	FOR o	AGAINST o	ABSTAIN o
4. Shareholder proposal regarding independence of the Board of Directors.	FOR o	AGAINST o	ABSTAIN o

YOUR VOTE IS IMPORTANT TO THE COMPANY, WHETHER YOU OWN FEW OR MANY SHARES! Please vote in one of these ways: (1) use the toll-free telephone number shown on the reverse side, (2) visit the web site noted on the reverse side, or (3) mark, sign, date and promptly return the attached proxy card. If you attend the Annual Meeting, you may, if you wish, withdraw your proxy and vote in person.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR ALL NOMINEES" IN ITEM 1, "FOR" ITEMS 2 AND 3 AND "AGAINST" ITEM 4.

TENET HEALTHCARE CORPORATION
PROXY SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoints Trevor Fetter, Christi R. Sulzbach and Richard B. Silver, and each of them, proxies of the undersigned, with power of substitution, to represent the undersigned and to vote all shares of Tenet Healthcare Corporation that the undersigned would be entitled to vote at the Annual Meeting of Shareholders to be held on July 23, 2003, and any adjournments thereof, on the items set forth on the reverse hereof and on such other business as properly may come before the meeting.

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED BY THE SHAREHOLDER. IF NO DIRECTION IS GIVEN WHEN THE DULY AUTHORIZED PROXY IS RETURNED, SUCH SHARES WILL BE VOTED "FOR ALL NOMINEES" IN ITEM 1, "FOR" ITEMS 2 AND 3 AND "AGAINST" ITEM 4.

THE PROXIES ARE AUTHORIZED TO VOTE IN THEIR DISCRETION UPON OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING AND ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF.

Date Share Owner sign here Co-Owner sign here

Please mark, date and sign as your name(s) appear(s) to the left and return in the enclosed envelope. If acting as an executor, administrator, trustee, guardian, etc., you should so indicate when signing. If the signer is a corporation, please sign in full corporate name, by duly authorized officer. If shares are held jointly, each shareholder named should sign.

TENET HEALTHCARE CORPORATION
P.O. BOX 11009
NEW YORK, N.Y. 10203-0009

To change your address, please mark this box. o

QuickLinks

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
PROXY STATEMENT