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I. SCOPE:

This policy applies to Tenet Healthcare Corporation (“Tenet”), its consolidated subsidiaries and all hospital and other operations owned or operated by Tenet’s consolidated subsidiaries (each, a “Tenet Facility”).

II. PURPOSE:

The purpose of this policy is to outline the authorization levels and the process to review and approve commitments of capital expenditures for property and equipment; information systems and software development; acquisitions of facilities/businesses and other assets; investments in joint ventures, partnerships and other entities; and capital leases. The process is designed to ensure that requested items are approved, without undue delay, while maintaining strong controls over the use of company funds.

This policy does not apply to operating leases or the approval of disbursements or contracts executed after approval of a capital expenditure project. Refer to Law Department Policy L-15 Electronic Contract Approval Term Sheet (eCATS) for guidance on review and approval of operating leases and contracts whether new, renewals or assumed as part of a transaction.

Refer to Administrative Policy AD 2.02 Authorized Financial Approval Limits for Divestiture of Assets/Facilities/Investments for authorized financial approval limits related to the divestiture of assets/facilities/investments.


Refer to Administrative Policy AD 2.05 Authorized Financial Approval Limits for Disbursements for authorized financial approval limits related to disbursements, including those disbursements associated with an approved capital project.

III. DEFINITIONS:

- A. **“Capital Expenditure”** means funds spent to acquire assets or improve the useful life of an existing asset.

IV. POLICY:

- A. Capital Expenditure Request Authorization Limits
 - 1. The positions listed below are authorized to approve capital expenditures up to the limits shown.
 - a. These limits apply to all expenditures for: (a) property and equipment; (b) information systems and software development; (c) acquisitions of facilities/businesses and other assets; and (d) investments in joint ventures, partnerships and other entities.

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- b. These limits apply to the net present value of the minimum non-cancelable lease payments related to capital leases plus any expected additional payments, contingent or otherwise, associated with such leases.

APPROVAL LIMITS FOR CAPITAL EXPENDITURES¹

Hospital Position or Title	Dollar Limit
Chief Executive Officer	\$500,000*
Chief Financial Officer	150,000
Chief Operating Officer	150,000

**Expenditures over \$150,000 must also have Hospital CFO approval.*

Capital expenditure requests greater than \$500,000 also require review and approval by the Group CFO and Group CEO before proceeding to the corporate level for approval.

All hospital or business unit unbudgeted expenditures over \$100,000 must also be approved by the Vice President, Operations Finance or designee.


For business units that do not report through a hospital, contact the Corporate Controller's office for appropriate approval levels.

Conifer Health Solutions Position or Title	Dollar Limit
President	\$1,500,000*
Chief Financial Officer	1,000,000
Chief Operating Officer	1,000,000

**Expenditures over \$1,000,000 must also have Conifer CFO approval.*

All Conifer unbudgeted expenditures over \$100,000 must also be approved by Tenet's Chief Financial Officer.

¹ See Subsection IV.C. of this policy for consultations and/or approvals that are required.


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Corporate Office Position or Title	Dollar Limit
Board of Directors	> \$25,000,000*
Chief Executive Officer	\$25,000,000*
Chief Operating Officer	5,000,000**
Vice Chairman	5,000,000**
Chief Financial Officer	5,000,000
Executive Vice President & General Counsel	3,000,000
Executive Vice President & Chief Information Officer	3,000,000
Vice President & Treasurer	3,000,000
Vice President & Controller/Principal Accounting Officer	3,000,000
Vice President, Operations	3,000,000
Vice President, Operations Finance	3,000,000
Vice President, Hospital Operations Controller	1,500,000
Vice President, Procurement & Supply Chain	1,500,000
Vice President, Practice Management, Physician Resources	1,000,000
Vice President, Finance, Physician Resources	1,000,000
Executive Vice President (all other)	1,000,000
Senior Vice President	500,000
Vice President (all other)	250,000
Assistant General Counsel	150,000
Senior Director	50,000
Senior Counsel	25,000
Director	25,000
Manager	5,000

**Expenditures over \$5 million must also be approved by the General Counsel and Corporate Finance. The Corporate Finance approval can be accomplished by the Tenet CFO, Treasurer, VP Operations Finance, or the Corporate Controller.*

***Expenditures between \$3 million and \$5 million must also have approval from Corporate Finance.*

2. A Capital Expenditure Request (CER) must be submitted for review and approval for any capital expenditure over \$500. See Section V. of this policy for Procedures to be followed.
3. The CER process will be used to review and approve all capital leases for equipment. Each CER submitted for approval must contain a completed spreadsheet demonstrating that the proposed lease meets the accounting tests for capital lease treatment. In addition to the standard approvals, the finance terms of the capital lease will require approval from the Treasury Department. Lease documents, plus the CER approval and the CER number

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as supporting documentation, must be submitted into eCATS at which time they will be reviewed and approved by appropriate corporate legal counsel, as necessary, and then archived in eCATS. (See Law Department Policy L-15 Electronic Contract Approval Term Sheet (eCATS).)

4. Exceptions to the above policy must be approved in advance in writing by Tenet’s Chief Financial Officer or the Corporate Controller and sent to Capital Planning (Financial Planning & Analysis) and Audit Services.

B. Consultation With/Approval By Tenet’s Corporate Office Specialists

1. Appropriate technical specialists from Tenet’s corporate office must review and agree with proposed capital expenditures in areas of their specialization, both during the initial budgeting cycle and at the time of acquisition and/or project commencement.
2. The technical review is conducted to ensure that the project meets appropriate internal (Tenet) and external (regulatory agency) criteria and requirements. Criteria include defined project scope, accurate estimate of all-inclusive project costs, regulatory compliance, alliance with company strategy, and implementation by or acquisition from Tenet approved contractors or vendors whenever possible.
3. Areas which require prior consultation with and/or approval by technical specialists from Tenet’s corporate office include:
 - a. **Equipment:** To the extent possible, all equipment is to be purchased or leased through vendors with whom Tenet has negotiated national purchasing agreements. Proposed expenditures from any non-contract vendors are to be submitted to the Corporate Procurement & Supply Chain department for review prior to the release of any purchase orders.

For any agreement that contains both a supply and equipment component, it must meet at a minimum the requirements referenced in Attachment A. Regardless, all agreements containing these components must be reviewed by leadership in the Procurement & Supply Chain department in the corporate office. Contracts not meeting these guidelines are not permitted. If there is a business case to be made, an exception process does exist and those agreements must be reviewed by leadership in the Procurement & Supply Chain department with final joint approval required by

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Corporate Accounting and the Procurement & Supply Chain department at the corporate office.

- b. **Construction:** Design and construction expenditure requests for projects in excess of \$500,000 are required to be submitted to Tenet’s Construction & Design department (C&D) for assistance in the selection of architectural design teams and contractors and for review and recommendations regarding scope, design concepts and budgets.

C & D will be directly responsible for the budgeting, design and construction management (selection of project manager) on all projects in excess of \$1.5 million, including equipment projects that involve architectural or construction services.

To ensure standard company compliance, it is recommended that all facilities contact C & D for assistance in coordinating efforts and expenditures for lighting retrofits, chiller (CFC) replacement, earthquake retrofit, disaster (hurricane) preparedness and hazardous waste programs.


- c. **Information Systems:** All software, subscription and other similar licenses, and technology-related hardware acquisitions, including without limitation, telecommunications projects exceeding \$10,000, and all interfaces with data systems require prior review by Tenet’s Information Systems Department (ISD). ISD will place purchase orders for any telecommunications and data processing equipment.

- d. **Real Property:** The following real estate projects require consultation with Tenet’s Real Estate Development department:

1. All ground leases or development involving any portion of a hospital campus or adjoining property;
2. All other real estate projects in excess of \$500,000.

- e. **Financings and Third Party Debt:** Proposed transactions involving the assumption or incurrence of debt (including guarantees of debt) must be reviewed by the Treasurer or Assistant Treasurer and legal counsel responsible for overseeing compliance with Tenet’s debt covenants.

- f. **Pledges, Liens and Mortgages:** Proposed transactions involving a pledge, mortgage or the granting of any other security interest in the

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stock or assets of Tenet and/or its subsidiaries must be reviewed by the Treasurer or Assistant Treasurer and legal counsel responsible for overseeing compliance with Tenet’s debt covenants.

C. Project Cost Overruns

If the actual expenditure for a capital project exceeds the approved CER amount by more than \$100,000, a supplemental CER must be prepared. Supplemental CERs are to be submitted for approval by an individual with the requisite signature authority at the time the estimated variance is identified and documented. In most instances, this will be prior to the actual overrun.


D. Competitive Bidding for Construction

Competitive bidding is required for all construction projects. (See Administrative Policy AD 2.03 Competitive Bidding for Construction Projects.)

V. PROCEDURE:


A. Capital Expenditure Requests

1. Expenditures for property and equipment that have a useful life of more than one year and cost more than \$500 will be capitalized. Assets costing less than \$500 should be capitalized when a facility is newly acquired or built, when a new addition or service warrants an increase in the base stock of equipment, when group purchases of identical items cost more than \$500 in the aggregate, or when the purchase substantially improves or extends the useful life and/or productivity of an asset. Purchases which add minor or component parts to existing capital items, or which are of a basic maintenance or repair nature, should be expensed rather than capitalized.
2. The requesting entity is responsible for initiating the Capital Expenditure Request after the scope of the project has been properly defined (i.e., equipment to be purchased has been identified or the proposed construction sufficiently detailed).
 - a. The requesting entity will use the electronic CER system to create, review, approve and archive CER requests. (See the CER User Guide for details on how to create a CER.) The request will be electronically routed for approval per the authorization limits established in Section IV. of this policy.
3. On projects where CER approval is requested based on schematic or preliminary plans and the securing of construction or equipment bids is not

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possible or appropriate (at that point), total project cost estimates will be acceptable provided that the facility, C&D and/or other appropriate departments on major projects have coordinated efforts to achieve the following:

- a. On-site survey and study reflecting (1) any contingent cost impact on an existing facility (e.g., utilities, HVAC capacity, code compliance, parking) and/or (2) the potential impact on future expansion of either an existing facility or of a new free standing facility.
 - b. General agreement regarding the total medical program and space allocation to be achieved by the budget and income projections.
 - c. General agreement on preliminary medical equipment requirements and budgets.
4. Supplementary information may be required for the CER submission, including:
- a. Cover Letters: Cover letters are required when the information on the CER does not sufficiently describe the proposed project or provide adequate justification. Projects in excess of \$100,000 usually require a cover letter including a brief project history, detailed description of the project, and justification for the expenditure.
 - b. Financial Proforma: With the exception of items purchased under the Asset Life Cycle Management program (ALCM), a financial evaluation (proforma) is required on all revenue generating projects for which the total CER amount is in excess of \$100,000. **Proformas should be prepared on an incremental basis.** On construction projects costing in excess of \$1 million where the downside risk of not proceeding with the project outweighs the incremental benefits, the Tenet corporate office may request additional analysis of the total facility with and without the project. The financial proforma must be accompanied by a concise breakdown of the assumptions utilized in completing the evaluation, including volume, revenue, deductions, bad debts, controllable expenses, etc.
 - c. Equipment Lists: A list of required equipment should be included with all CERs; the party requesting the project is responsible for

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developing the list. In those instances where the equipment list will be extensive, the list should identify all major items and provide a subtotal for the remaining or minor items.

- d. C&D Project Cost Estimates: For all projects requiring C&D review, whether or not the project will be managed by them, C&D will prepare an estimate of the project cost by category. The most current cost estimate prepared by C&D must be utilized when preparing the CER for final approval.

- (1) If there is a need to more clearly define the scope of a proposed construction project, the facility should contact C&D to discuss the project. If a significant time commitment (greater than 16 hours) is required to bring together the necessary information to define scope, or if an outside consultant is required, a **Study CER** will be necessary.


C&D will provide the facility with the estimated cost to be used in the facility’s preparation of the CER. C&D labor at predetermined hourly rates and all direct out-of-pocket costs (airfare, hotel, etc.) by C&D personnel will be charged to the facility.

Approval limits are the same as those outlined in Section IV of this policy. Any Study CERs in excess of \$250,000 will also require review by C&D.

- (2) When a facility requests approval that is limited to the “design” portion of the project in order to secure more accurate pricing or to modify the projected expenditure of funds, the facility must request that C&D prepare a Project Cost Estimate (PCE) to substantiate a **“Design Only” CER**.

C&D will provide the facility with the approved PCE to be used in the facility’s preparation of the CER. The CER submission must identify the level of design to be completed (e.g., schematic, design development, construction documents).

Approval limits are the same as those outlined in Section IV. of this policy.

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B. Responsible Person

The Tenet Facility CFO is responsible for assuring that all personnel in the facility adhere to the requirements of this policy that these procedures are implemented and followed at the Tenet facility, and that instances of noncompliance with this policy are reported to Tenet’s CFO in the monthly internal controls certification.

The Conifer CFO is responsible for assuring that all personnel at Conifer adhere to the requirements of this policy that these procedures are implemented and followed at Conifer, and that instances of noncompliance with this policy are reported to Tenet’s CFO in the monthly internal controls certification.


Corporate Office Department Heads are responsible for assuring that all personnel in the department adhere to the requirements of this policy that these procedures are implemented and followed in their department, and that instances of noncompliance with this policy are reported to the Corporate Controller.

C. Enforcement

All employees whose responsibilities are affected by this policy are expected to be familiar with the basic procedures and responsibilities created by this policy. Failure to comply with this policy will be subject to appropriate performance management pursuant to all applicable policies and procedures, up to and including termination. Such performance management may also include modification of compensation, including any merit or discretionary compensation awards, as allowed by applicable law.

VI. REFERENCES:

- Administrative Policy AD 2.02 Authorized Financial Approval Limits for the Divestiture of Assets/Facilities/Investments
- Administrative Policy AD 2.03 Competitive Bidding for Construction Projects
- Administrative Policy AD 2.05 Authorized Financial Approval Limits for Disbursements
- Administrative Policy AD 2.14 Lease and Operation of Medical Office Buildings
- Law Department Policy L-4 Office Space and Equipment Leases with Physicians and Other Potential Referral Sources
- Law Department Policy L-15 Electronic Contract Approval Term Sheet (eCATS)
- Accounting Policies and Procedures C-f-9 – Capitalized Leases
- CER System User Manual
- Reference Guide for Authorized Financial Approval Limits

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VII. ATTACHMENTS

- Attachment A: Equipment Placement Agreement Requirements