FORM 10-K

TENET HEALTHCARE CORP - THC

Filed: August 25, 1995 (period: May 31, 1995)

Annual report with a comprehensive overview of the company

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED MAY 31, 1995. [FEE REQUIRED]

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO . [NO FEE REQUIRED]

COMMISSION FILE NUMBER: I-7293

TENET HEALTHCARE CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEVADA	95-2557091
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
2700 COLORADO AVENUE SANTA MONICA, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)	90404 (ZIP CODE)

AREA CODE (310) 998-8000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock	New York Stock Exchange Pacific Stock Exchange
9 5/8% Senior Notes due 2002	New York Stock Exchange
10 1/8% Senior Subordinated Notes due 2005	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange Pacific Stock Exchange

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Indicate by check mark whether the Registrant (1) has filed all reports

required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K ((S)229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. [_]

As of July 31, 1995 there were 199,997,979 shares of Common Stock outstanding. The aggregate market value of the shares of Common Stock held by non-affiliates of the Registrant, based on the closing price of these shares on the New York Stock Exchange, was $3,042,163,040. For the purposes of the foregoing calculation only, all directors and executive officers of the Registrant have been deemed affiliates.

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended May 31, 1995, have been incorporated by reference into Parts I, II and IV of this Report. Portions of the definitive Proxy Statement for the Registrant's 1995 Annual Meeting of the Shareholders have been incorporated by reference into Part III of this Report.

TABLE OF CONTENTS

FORM 10-K ANNUAL REPORT--1995

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES

Note: The responses to Items 5 through 8, Items 12 and 13 and portions of Items 1, 3, 10, 11 and 14 are included in the Registrant's Annual Report to Shareholders for the year ended May 31, 1995, or the definitive Proxy Statement for the Registrant's 1995 Annual Meeting of Shareholders. The required information is incorporated into this Report by reference to those documents and is not repeated herein.

PART I

ITEM 1. BUSINESS

GENERAL

Tenet Healthcare Corporation (formerly known as National Medical Enterprises, Inc.) (together with its subsidiaries, "Tenet", the "Registrant" or the "Company") is a leading investor-owned healthcare company that operates general hospitals and related healthcare facilities serving primarily urban areas in 13 states and holds investments in other healthcare companies. At May 31, 1995, Tenet operated 70 domestic general hospitals, with a total of 15,451 licensed beds, located in Alabama, Arkansas, California, Florida, Georgia, Indiana, Louisiana, Missouri, Nebraska, North Carolina, South Carolina, Tennessee and Texas. Tenet grew from an operator of 35 general hospitals at May 31, 1994, to an operator of 70 general hospitals and related healthcare facilities at May 31, 1995, through its acquisition of American Medical Holdings, Inc. ("AMH"). That acquisition was accomplished on March 1, 1995, when a subsidiary of Tenet was merged into AMH, leaving AMH as a wholly-owned subsidiary of Tenet (the "Merger").

In May, 1995, Tenet announced agreements to acquire a two-general-hospital system in New Orleans, Louisiana and one general hospital in El Paso, Texas. The New Orleans transaction closed in the first quarter of fiscal 1996, and the El Paso transaction is expected to close in the second or third quarter of fiscal 1996. In the first quarter of fiscal 1996, Tenet acquired a one-third interest in a general hospital (82 beds) outside of Birmingham, Alabama, announced a joint venture formed to develop a new general hospital in Weston, Florida, and announced the signing of a letter of intent by another joint venture to acquire a general hospital in Jonesboro, Arkansas. In fiscal 1995, Tenet sold two general hospitals (202 beds) in Montclair and Ontario, California.

At May 31, 1995, Tenet also operated six rehabilitation hospitals (the "Campus Rehabilitation Facilities"), seven long-term care facilities (the "Campus Long-Term Care Facilities") and five psychiatric facilities (the "Campus Psychiatric Facilities") located on the same campus as, or nearby, Tenet's general hospitals and various ancillary healthcare operations discussed in more detail under Other Domestic Operations on page 5 below.

At May 31, 1995, Tenet operated 13 general hospitals in Australia, Singapore, Spain and Malaysia, with a total of 1,693 licensed beds. Tenet has

sold its two Singapore hospitals and is in the process of selling certain of its other international operations. These operations are discussed in more detail under International Operations on page 5 below.

At May 31, 1995, Tenet held investments in the following other healthcare companies: (i) The Hillhaven Corporation ("Hillhaven"), a publicly traded company listed on the New York Stock Exchange ("NYSE"), (ii) Westminster Health Care Holdings PLC ("Westminster"), a publicly traded company listed on the London Stock Exchange, (iii) Total Renal Care, Inc. ("TRC"), and (iv) Health Care Property Partners ("HCPP"), a partnership originally formed by the Company and Health Care Property Investors, Inc. These investments, including the anticipated acquisition of Hillhaven by Vencor, Inc. ("Vencor"), are discussed in more detail under Investments on page 6 below.

At the beginning of fiscal 1995, Tenet continued to operate as a discontinued business 54 freestanding psychiatric hospitals, residential treatment centers and substance abuse recovery facilities (collectively, the "Discontinued Facilities"). By the end of fiscal 1995, Tenet had sold or closed all but two of those Discontinued Facilities. In fiscal 1995, Tenet also sold its Management Services Division, which through subsidiaries managed psychiatric, substance abuse and rehabilitation hospitals and units for third parties and for Tenet.

Under segment reporting criteria, Tenet believes that "healthcare" is its only material business segment. See the discussion of Tenet's revenues and operations in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Tenet's 1995 Annual Report to Shareholders.

OPERATIONS

DOMESTIC GENERAL HOSPITALS

All of Tenet's general hospital and other healthcare operations are conducted through NME Hospitals, Inc., AMH and various other subsidiaries and affiliates. At May 31, 1995, Tenet's subsidiaries and affiliates operated 70 general hospitals (15,451 beds) serving primarily urban areas in 13 states. Of those hospitals, 54 are owned (including one owned facility that is on leased land) and 16 are owned by and leased from others (including two leased from HCPP).

In May, 1995, Tenet announced agreements to acquire a two-general-hospital system in New Orleans, Louisiana and one general hospital in El Paso, Texas. The New Orleans transaction closed in the first quarter of fiscal 1996, and the El Paso transaction is expected to close in the second or third quarter of fiscal 1996. In the first quarter of fiscal 1996, Tenet acquired a one-third interest in a general hospital (82 beds) outside of Birmingham, Alabama, announced a joint venture formed to develop a new general hospital in Weston, Florida, and announced the signing of a letter of intent by another joint venture to acquire a general hospital in Jonesboro, Arkansas. In fiscal 1995, Tenet sold two general hospitals (202 beds) in Montclair and Ontario, California.

Each of Tenet's general hospitals offers acute care services and generally offers fully equipped operating and recovery rooms, radiology services, intensive care and coronary care nursing units, pharmacies, clinical laboratories, respiratory therapy services, physical therapy services and outpatient facilities. A number of the hospitals also offer tertiary care services such as open heart surgery, neonatal intensive care, neurosciences, orthopedics services and oncology services and two of the hospitals, USC University Hospital and Sierra Medical Center, offer quartenary care in such areas as heart, lung, liver and kidney transplants and gamma knife brain surgery. With the exception of one general hospital that has not sought to be accredited, each of the Company's facilities that is eligible for accreditation is fully accredited by the Joint Commission on Accreditation of

Healthcare Organizations ("JCAHO"), the Commission on Accreditation of Rehabilitation Facilities (in the case of the Campus Rehabilitation Hospitals) or another appropriate accreditation agency, which accreditation generally is required for participation in government payment programs.

Technological developments permitting more procedures to be performed on an outpatient basis, in conjunction with pressures to contain healthcare costs, have led to a shift from inpatient care to ambulatory or outpatient care. Tenet has responded to this trend by enhancing its hospitals' outpatient service capabilities, including (i) establishing freestanding outpatient surgery centers at or near certain of its hospital facilities, (ii) reconfiguring certain hospitals to more effectively accommodate outpatient treatment, by, among other things, providing more convenient registration procedures and dedicated entrances, and (iii) restructuring existing surgical capacity to allow a greater number and range of procedures to be performed on an outpatient basis. Tenet's facilities will continue to emphasize those outpatient services that can be provided on a cost-effective basis and which the Company believes will experience increased demand.

In addition, inpatient care is continuing to move from acute care to sub-acute care. Tenet has been proactive in the development of a variety of sub-acute inpatient services to utilize a portion of its unused capacity, thereby retaining a larger share of overall healthcare expenditures. By offering cost-effective ancillary services in appropriate circumstances, Tenet is able to provide a continuum of care where the demand for such services exists. For example, in certain hospitals the Company has developed transitional care units and pediatric, rehabilitation and long-term care sub-acute units. Such units utilize less intensive staffing levels to provide the range of services sought by payers with a lower cost structure.

The following table lists, by state, the general hospitals owned or (if indicated below) leased by Tenet's subsidiaries and operated domestically as of May 31, 1995:

OWNED OR LEASED GENERAL HOSPITALS

NAME OF FACILITY	LOCATION	NUMBER OF LICENSED BEDS
ALABAMA		
Brookwood Medical Center	Birmingham	586
ARKANSAS		
Central Arkansas Hospital	Searcy	169
National Park Medical Center	Hot Springs	166
St. Mary's Regional Hospital	Russellville	170
CALIFORNIA		
Alvarado Hospital Medical Center	San Diego	231
Century City Hospital(1)	Los Angeles	190
Community Hospital & Rehabilitation Center of Los Gatos(1)	Los Gatos	175
Doctors Hospital of Manteca	Manteca	73
Doctors Hospital of Pinole(1)	Pinole	137
Doctors Medical Center of Modesto	Modesto	433
Encino Hospital(2)	Encino	151
Garden Grove Hospital and Medical Center	Garden Grove	167
Garfield Medical Center	Monterey Park	223
Irvine Medical Center(1)	Irvine	176
John F. Kennedy Memorial Hospital	Indio	130
Lakewood Regional Medical Center	Lakewood	175
Los Alamitos Medical Center	Los Alamitos	173
Medical Center of North Hollywood	North Hollywood	163
Placentia Linda Community Hospital	Placentia	114
Redding Medical Center	Redding	185
San Dimas Community Hospital	San Dimas	99
San Ramon Regional Medical Center	San Ramon	123
Sierra Vista Regional Medical Center	San Luis Obispo	195
South Bay Hospital(1)	Redondo Beach	201
Tarzana Regional Medical Center(2)	Tarzana	233
Twin Cities Community Hospital	Templeton	84

USC University Hospital(3)	Los Angeles	261
FLORIDA		
Delray Community Hospital	Delray Beach	211
Hollywood Medical Center	Hollywood	334
Memorial Hospital of Tampa(4)	Tampa	174
North Ridge Medical Center	Ft. Lauderdale	395
Palm Beach Gardens Medical Center(1)	Palm Beach Gardens	204
Palmetto General Hospital	Hialeah	360
Palms of Pasadena Hospital	St. Petersburg	310
Seven Rivers Community Hospital	Crystal River	128
Town and Country Hospital	Tampa	201
West Boca Medical Center	Boca Raton	185
GEORGIA		
North Fulton Regional Hospital(1)	Roswell	167
Spalding Regional Hospital	Griffin	160
INDIANA		
Culver Union Hospital	Crawfordsville	120

NAME OF FACILITY	LOCATION	NUMBER OF LICENSED BEDS
LOUISIANA		
Doctors Hospital of Jefferson(1)	Metairie	138
Jo Ellen Smith Medical Center	New Orleans	164
Meadowcrest Hospital	Gretna	200
Northshore Regional Medical Center(1)	Slidell	174
St. Charles General Hospital	New Orleans	173
Kenner Regional Medical Center	Kenner	300
MISSOURI		
Columbia Regional Hospital(5)	Columbia	301
Kirksville Osteopathic Medical Center(1)	Kirksville	119
Lucy Lee Hospital(1)	Poplar Bluff	201
Lutheran Medical Center	St. Louis	408
NEBRASKA		
Saint Joseph Hospital	Omaha	374
NORTH CAROLINA		
Central Carolina Hospital	Sanford	137
Frye Regional Medical Center(1)	Hickory	355
SOUTH CAROLINA		
East Cooper Community Hospital	Mount Pleasant	100
Hilton Head Hospital(6)	Hilton Head	68
Piedmont Medical Center	Rock Hill	268
TENNESSEE		
John W. Harton Regional Medical Center	Tullahoma	137
Saint Francis Hospital	Memphis	890
University Medical Center	Lebanon	260
TEXAS		
Brownsville Medical Center	Brownsville	165
Doctors Hospital	Dallas	268
Mid-Jefferson Hospital	Nederland	138
Nacogdoches Medical Center	Nacogdoches	150
Odessa Regional Hospital(7)	Odessa	100
Park Place Hospital	Port Arthur	223
Park Plaza	Houston	468
RHD Memorial Medical Center(1)	Dallas	190
Sierra Medical Center	El Paso	365
Trinity Medical Center(1)	Carrollton	149
Twelve Oaks Hospital	Houston	336

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(1) Leased from a third party.

(2) Leased by a partnership in which Tenet's subsidiaries own a 75% interest.

(3) On leased land.

(4) Owned by a partnership in which Tenet's subsidiaries own a 76% interest.

(5) Excludes the 64-bed Keller Memorial Hospital in Columbia, Missouri, the financial results of which were combined with the Columbia Regional Hospital. The lease for Keller Memorial Hospital was terminated during the first quarter of fiscal year 1996.

(6) Owned by a partnership in which Tenet's subsidiaries own a 70% interest.

(7) Owned by a partnership in which Tenet's subsidiaries own an 82% interest.

The following table shows certain information about the general hospitals owned or leased domestically by Tenet, for the fiscal years ended May 31:

	1995	1994	1993	1992	1991
Total number of facilities.....	70	35	35	35	35
Total number of licensed beds.....	15,451	6,873	6,818	6,559	6,591
Average occupancy during the period.....	47%	47%	48%	51%	52%

The above tables do not include the Campus Rehabilitation Hospitals, the Campus Long-Term Care Facilities or the Campus Psychiatric Facilities.

OTHER DOMESTIC OPERATIONS

At May 31, 1995, Tenet's subsidiaries operated the Campus Rehabilitation Hospitals, which are located in California, Florida, Louisiana and Texas, Campus Long-Term Care Facilities, which are located in California, Florida, Louisiana and Texas (and which are managed by Hillhaven) and Campus Psychiatric Facilities, which are located in California, Louisiana, Florida and Nebraska. In the first quarter of fiscal 1996, the Company combined the operations of one Campus Rehabilitation Facility with the operations of a nearby general hospital. In addition, Tenet's subsidiaries operated various ancillary healthcare operations, including outpatient surgery centers, home healthcare programs, ambulatory, occupational and rural healthcare clinics, a health maintenance organization, a preferred provider organization and a managed care insurance company.

INTERNATIONAL OPERATIONS

At May 31, 1995, the Company's subsidiaries (i) operated two hospitals in Singapore (650 beds), (ii) owned a 52% interest in Australian Medical Enterprises ("AME"), a publicly traded Australian healthcare company that operated nine hospitals (634 beds) and a pathology business, (iii) operated the tertiary-care Centro Medico Teknon hospital (184 beds) in Barcelona, Spain, which opened in February, 1995, (iv) managed one hospital (225 beds) (in which it owns a 30% interest) in Kuala Lumpur, Malaysia, (v) owned a 40% interest in a joint venture that is developing the new 554-bed tertiary-care Bumrungrad Medical Center in Bangkok, Thailand, expected to be completed during the first quarter of fiscal 1997, and (vi) owned a 90% interest in a joint venture with a local community organization that is developing a 56-bed hospital in Cham, Canton Zug, Switzerland, expected to open in the second quarter of fiscal 1996, a project acquired in connection with the Merger. The net operating revenues of these operations comprised approximately 5% of Tenet's consolidated net operating revenues from all sources for both fiscal 1995 and 1994.

During fiscal 1995, Tenet's management concluded that it would be in the best interests of Tenet's shareholders for the Company to focus on its core business of operating domestic general hospitals rather than on its international operations. Consequently, on June 28, 1995, Tenet sold its two Singapore hospitals to Parkway Holdings Limited ("Parkway"), pursuant to a May 24, 1995 agreement, and on July 5, 1995, Tenet entered into a definitive agreement with Parkway to sell Tenet's approximately 52% interest in AME. On August 22, 1995, Health Care of Australia, an Australian company, made a bid for all of AME's shares. Tenet expects to complete the sale of its interest in AME to Parkway, Health Care of Australia or any other party prior to the end

of the second quarter of fiscal 1996. Tenet also expects to sell its 40% interest in the Bumrungrad Medical Center in Thailand and to sell to its partner its 30% interest in the Subang Jaya Medical Centre in Malaysia prior to the end of the second quarter of fiscal 1996.

INVESTMENTS

The Company owns 8,878,147 shares, or an approximately 26% voting interest, of Hillhaven, a Nevada corporation listed on the NYSE under the symbol "HIL". In addition, at May 31, 1995, the Company held 35,000 shares of Hillhaven's cumulative non-voting 8 1/4% Series C Preferred Stock (the "Hillhaven Series C Preferred"), with an aggregate liquidation preference of $35.0 million, and 64,416 shares of Hillhaven's cumulative non-voting 6 1/2% payable-in-kind Series D Preferred Stock (the "Hillhaven Series D Preferred"), with an aggregate liquidation preference of approximately $64.4 million. On June 1, 1995, the Company received a dividend of 1,014 additional shares of Hillhaven Series D Preferred and on September 1, 1995, the Company expects to receive a dividend of 1,014 additional shares of Series D Preferred. At May 31, 1995, Hillhaven operated 287 long-term care facilities, 57 pharmacies and 19 retirement housing communities in the United States.

On April 24, 1995, Vencor and Hillhaven announced that they had entered into an agreement pursuant to which Vencor would acquire Hillhaven. Under the terms of that agreement, Hillhaven's shareholders are to receive $32.25 in value (subject to adjustment under certain circumstances depending upon the market price of Vencor's stock) in Vencor common stock for each share of Hillhaven common stock. In addition, the Company expects to receive approximately $90 million for its Hillhaven Series C Preferred and Hillhaven Series D Preferred, which equals 90% of the aggregate of the liquidation values at the time the transaction is expected to close. That transaction currently is pending.

The Company owns 21,499,999 shares (26,874,998 shares following Westminster's pending 1 for 4 rights offering expected to close August 31, 1995), or approximately 42%, of the outstanding common stock of Westminster, a United Kingdom company listed on the London Stock Exchange under the symbol "WHC". Westminster, which operated 69 nursing homes and conducted other healthcare operations at May 31, 1995, currently is the second largest long-term care provider in the United Kingdom.

The Company also owns 4,500,000 shares of common stock, or an approximately 23% voting interest, of TRC, a leading dialysis services provider in the United States. TRC operated 57 freestanding kidney dialysis units in 10 states at May 31, 1995.

Additionally, the Company owns approximately 23% of HCPP, a partnership originally formed by the Company and Health Care Property Investors, Inc. for the purpose of acquiring from and leasing back to the Company 21 long-term care facilities, two general hospitals and one psychiatric facility. Since that time, the Company has assigned to Hillhaven and other third parties its leasehold interests in the 21 long-term care facilities and the psychiatric hospital, but remains contingently liable for the lease payments on those facilities. The Company continues to lease the two general hospitals from HCPP. HCPP does not own any properties other than those originally purchased from the Company.

PROPERTIES

Tenet's principal executive offices are located in an approximately 310,000 square foot office building owned by Tenet and located at 2700 Colorado Avenue, Santa Monica, California 90404. The telephone number is (310) 998-8000. The Company has announced that it intends to sell its corporate headquarters building in Santa Monica. Following the Merger, all of Tenet's hospital support services were moved to leased space in its operations center in Dallas, Texas, leaving only the corporate headquarters in Santa Monica. The Company has announced that it has leased new space for its corporate

headquarters in Santa Barbara, California, and expects to move to that new space during the third quarter of fiscal 1996. At May 31, 1995, Tenet and its operating subsidiaries also were leasing other office space in Fairfax, Virginia; Tampa, Florida; Irving, Texas; and Costa Mesa, Los Angeles, Modesto, Santa Ana and Santa Monica, California.

As of May 31, 1995, Tenet's subsidiaries operated domestically 65 medical office buildings, including 22 that are leased from others, most of which are adjacent to Tenet's general hospitals. These buildings are occupied by approximately 1,700 physicians.

The number of licensed beds and locations of the Company's general hospitals are described on pages 2 through 5. As of May 31, 1995, Tenet had approximately $104 million of outstanding loans secured by real property and approximately $51 million of capitalized lease obligations. The Company believes that all of these properties, as well as the administrative and medical office buildings described above, are suitable for their intended purposes.

MEDICAL STAFF AND EMPLOYEES

Tenet's hospitals are staffed by licensed physicians who have been admitted to the medical staff of individual hospitals. Members of the medical staffs of Tenet's hospitals often serve on the medical staffs of hospitals not owned by the Company and may terminate their affiliation with the Tenet hospital or shift their admissions to competing hospitals at any time. Although the Company recently has begun to purchase physician practices and employ physicians, most of the physicians who practice at the Company's hospitals are not employees of the Company. Nurses, therapists, lab technicians, facility maintenance staff and the administrative staff of hospitals, however, normally are employees of the Company.

The number of Tenet employees (of which approximately 30% were part-time employees) at May 31, 1995, was approximately as follows:

Hospital Division(1)	63,000
International Hospital Division	4,800
Other Businesses	550
Corporate Headquarters and Operations Center	700
Total	69,050

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(1) Includes employees whose employment relates to the operations of the Campus Psychiatric Facilities and the Campus Rehabilitation Hospitals.

As a result of the Merger and the relocation of substantially all of the Company's hospital support services to the Company's Dallas, Texas, operations center, approximately 150 positions are to be eliminated from the corporate headquarters or the operations center prior to the end of fiscal 1996. Tenet established a reserve at May 31, 1995, to cover the costs of the severance packages and other costs related to the reduction in force.

Tenet is subject to the federal minimum wage and hour laws and maintains various employee benefit plans. Labor relations at Tenet's facilities have been satisfactory. A small percentage of Tenet's employees are represented by labor unions. Although the Company currently is not experiencing a shortage of nursing personnel, the availability of nursing personnel fluctuates from year to year, and the Company cannot predict the degree to which it will be affected by the future availability and cost of nursing personnel.

COMPETITION

Tenet's general hospitals, rehabilitation hospitals, long-term care facilities and psychiatric facilities operate in competitive environments. A facility's competitive position within the geographic area in which it operates is affected by such competitive factors as the quality of care provided, including the number, quality and specialties of the physicians, nurses and other healthcare professionals on staff, its reputation, the number of competitive facilities, the state of its physical plant, the quality and the state of the art of its medical equipment, its location and its charges for services. Tax-exempt competitors may have certain financial advantages such as endowments, charitable contributions, tax-exempt financing and exemption from sales, property and income taxes not available to Tenet facilities. The length of time a facility has been a part of the community and the availability of other healthcare alternatives also are competitive factors.

An expanding factor in the competitive position of Tenet's facilities is the ability of Tenet to obtain managed care contracts with payers that contract with healthcare providers on a discounted or capitated basis in exchange for sending some or all of their members/employees to those providers. Under capitated contracts, hospitals receive specific fixed periodic payments based on the number of members of the health maintenance organization or preferred provider organization, regardless of the actual costs incurred and services provided. The importance of obtaining managed care contracts has increased over the years as employers and others attempt to control rising healthcare costs. Tenet evaluates changing circumstances on an ongoing basis and positions itself to compete in the managed care market. Tenet's facilities have been actively pursuing and entering into managed care contracts.

The Company, and the healthcare industry as a whole, face the challenge of continuing to provide quality patient care while dealing with strong competition for patients and pressure on reimbursement rates by both private and government payers. National and state efforts to reform the United States healthcare system may further impact reimbursement rates. Changes in medical technology, existing and future legislation, regulations and interpretations and competitive contracting for provider services by payers may require changes in the Company's facilities, equipment, personnel, rates and/or services in the future.

The general hospital industry and the Company's general hospitals continue to have significant unused capacity, and thus there is substantial competition for patients. Inpatient utilization, average lengths of stay and average occupancy continue to be negatively affected by payer-required pre-admission authorization and utilization review and payer pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. Increased competition, admissions constraints and payer pressures are expected to continue. There continue to be increases in inpatient acuity and intensity of services as less intensive services shift from an inpatient to an outpatient basis or to alternative healthcare delivery services because of technological improvements and as cost controls by payers become greater. Allowances and discounts are expected to continue to rise, and to cause decreases in revenues, because of increasing cost controls by government and private payers and because of the increasing percentage of business negotiated with purchasers of group healthcare services. To meet these challenges, the Company (i) has expanded many of its general hospitals' facilities to include outpatient centers, (ii) offers discounts to private payer groups, (iii) enters into capitation contracts in some service areas, (iv) upgrades facilities and equipment and (v) offers new programs and services.

The Company also is responding to these changes by forming integrated healthcare delivery systems. Components of these systems include encouraging physicians practicing at its hospitals to form independent physician associations ("IPAs"), having the Company join with those IPAs, physicians and

physician group practices to form physician hospital organizations ("PHOs") to contract with managed care and other payers and forming management services organizations ("MSOs") to (i) purchase physician practices or their assets, as appropriate, (ii) provide management and administrative services to physicians, physician group practices and IPAs and (iii) enter into managed care contracts both on behalf of those groups and, in certain circumstances, on behalf of PHOs.

In large part, hospital revenues depend on the physicians on staff who admit or refer patients to the hospital. Physicians refer patients to hospitals on the basis of the quality of services provided by the hospital to patients and their physicians, the hospital's location, the quality of the medical staff affiliated with the hospital and the quality of the hospital's facilities, equipment and employees. The Company attracts physicians to its hospitals by equipping its hospitals with sophisticated equipment, providing physicians with a large degree of independence in conducting their hospital practices and sponsoring training programs to educate physicians on advanced medical procedures. While physicians may terminate their association with a hospital at any time, Tenet believes that by striving to maintain and improve the level of care at its hospitals and by maintaining high ethical and professional standards, it will retain qualified physicians with a variety of specialties. A hospital's revenues also may be affected by the ability of its management to negotiate favorable group health service contracts with payers. The number of persons and the patient mix represented by such group contracts impact the hospital's operating results.

As a result, in part, of the changes in the industry, there has been significant consolidation in the hospital industry over the past decade and many hospitals have closed. Tenet's management believes that continuing cost-containment pressures will lead to a continued increase in managed care and further consolidation in the hospital industry.

MEDICARE, MEDICAID AND OTHER REVENUES

Tenet receives payments for patient care from private insurance carriers, Federal Medicare programs for elderly and disabled patients, health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), state Medicaid programs for indigent and cash grant patients, the Civilian Health and Medical Program of the Uniformed Services ("CHAMPUS"), employers and patients directly. In general, Medicare payments for general hospital outpatient services, psychiatric care and physical rehabilitation are based on the lower of charges and allowable costs, subject to certain limits. General hospital inpatient services are reimbursed under Medicare based on a prospective payment system ("PPS"), discussed below. Payments from state Medicaid programs are based on reasonable costs or are at fixed rates. Substantially all Medicare and Medicaid payments are below retail rates for Tenet facilities. Payments from other sources usually are based on the hospital's established charges, a percentage discount or all-inclusive per diem rates.

The approximate percentages of Tenet's net patient revenue by payment sources for Tenet's general hospitals are as follows:

	YEARS ENDED MAY 31,				
	1995 (1)	1994	1993	1992	1991
Medicare	38.9%	35.9%	33.9%	32.1%	31.8%
Medicaid	7.2	8.5	7.5	6.4	6.0
Private and Other	53.9	55.6	58.6	61.5	62.2

Totals	100.0%	100.0%	100.0%	100.0%	100.0%

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(1) Fiscal year 1995 includes twelve months of results for general hospitals owned by Tenet prior to the Merger and three months of results for the general hospitals acquired by Tenet in connection with the Merger.

The following table presents the percentage of net patient revenues of the general hospitals acquired by Tenet in connection with the Merger for AMH's fiscal years 1994, 1993 and 1992 under each of the following programs:

	YEARS ENDED AUGUST 31,		
	1994	1993	1992
Medicare	36.2%	32.6%	32.3%
Medicaid	7.5	6.2	4.8
Private and Other	56.3	61.2	62.9
Totals	100.0%	100.0%	100.0%

Medicare payments for general hospital inpatient care are based on a PPS that generally has been applicable to Tenet's facilities since 1984. Under the PPS, a general hospital receives for each Medicare patient a fixed amount for operating costs based on each Medicare patient's assigned diagnostic related group ("DRG"). DRG payments do not consider a specific hospital's costs, but are adjusted for area wage differentials. DRG payments exclude the reimbursement of (a) capital costs, including depreciation, interest relating to capital expenditures, property tax and lease expenses and (b) outpatient services.

Medicare reimburses general hospitals' capital costs separately from DRG payments. Beginning in 1992, a prospective payment system for Medicare reimbursement of general hospitals' inpatient capital costs ("PPS-CC"), described in the following paragraph, generally became effective with respect to the Company's general hospitals. The Omnibus Budget Reconciliation Act of 1990 ("OBRA '90") provides that through September 30, 1995, the total annual estimated aggregate payment to all PPS hospitals for capital costs under the PPS-CC is to be 10% less than the estimated aggregate amount that would be paid if all such hospitals were to be reimbursed for 100% of their actual capital costs. This reduction to PPS-CC is set to expire on September 30, 1995. The expiration of this section of OBRA 90 should, in theory, reset the total capital payments to 100% of aggregate capital costs. Congress, however, is in the process of establishing the healthcare budget for future periods, which budget may include a reduction rather than an increase in the PPS-CC. Until this process is completed, the final increase or decrease, if any, to PPS-CC will not be known.

The PPS-CC applies an estimated national average of Medicare capital costs per patient discharge (the "Federal Rate") in making payments to each individual hospital based on its actual number of patient discharges. The Federal Rate is based on national 1989 capital costs and patient discharges and has been and will be updated annually to reflect estimated increases in capital costs per patient discharges. In addition, the Federal Rate actually applied to each hospital is adjusted based on various factors such as that hospital's case mix and geographic location.

Rules adopted by the HCFA provide that the PPS-CC will be phased in over a 10-year transition period, during which many hospitals' actual capital costs

will be given less consideration, and the Federal Rate will be given more consideration, each year. The Company's general hospitals will receive a major portion of their reimbursement in the early years of the transition period based on their own capital costs. The impact in later years will depend on the Company's need for new capital as compared to the updated Federal Rate.

Outpatient services provided at general hospitals, physical rehabilitation hospitals and psychiatric facilities generally are reimbursed by Medicare at the lower of customary charges or 94.2% of actual cost. Notwithstanding the foregoing, Congress has established additional limits on the reimbursement of the following outpatient services: (i) clinical laboratory services, which are reimbursed based on a fee schedule and (ii) ambulatory surgery procedures and certain imaging and other diagnostic procedures, which are reimbursed based on a blend of the hospital's specific cost and the rate paid by Medicare to non-hospital providers for such services.

For several years the percentage increases to the DRG rates have been lower than the percentage increases in the cost of goods and services purchased by general hospitals. The index used by HCFA to adjust the DRG rates gives consideration to the cost of goods and services purchased by hospitals as well as non-hospitals (the "Market Basket"). The increase in the Market Basket for the year beginning October 1, 1995, currently is projected to be 3.5%. Based on the Omnibus Budget Reconciliation Act of 1993 ("OBRA '93"), the DRG rates for urban hospitals will be adjusted by the annual Market Basket percentage change: (1) minus 2.5%, effective October 1, 1994, (2) minus 2.0%, effective October 1, 1995, (3) minus .5%, effective October 1, 1996, and (4) without reduction, effective October 1, 1997 and each year thereafter, unless altered by subsequent legislation (which legislation Tenet believes has become more likely in light of the stated desire of both the current Administration and Congress to balance the budget). Substantially all of the Tenet hospitals are urban hospitals for purposes of DRG rates.

Hospitals exempt from the PPS, such as qualified psychiatric facilities and physical rehabilitation hospitals, are reimbursed by Medicare on a cost-based system wherein target rates for each facility are used in applying various limitations and incentives. Tenet's exempt facilities received a Market Basket increase of 3.7% in target rates effective for cost reporting periods commencing in Federal fiscal year 1995. Based on OBRA '93, the target rates for Tenet's hospitals exempt from the PPS are scheduled to be adjusted in cost reporting years 1995, 1996 and 1997 by the applicable annual Market Basket percentage change minus 1%. Proposals have been made that would change the method of payment for services provided at these facilities to a prospective payment system. OBRA '90 requires the HHS to develop a proposal to modify the current target rate system or to replace it with a prospective payment system. It is not known if any such proposals will be implemented.

OBRA '93 provides for certain budget targets for the next four years which, if not met, may result in adjustments in payment rates. Both Congress and the current Administration have proposed healthcare budgets which reduce Federal payments to hospitals and other providers. The Company anticipates that payments to hospitals will be reduced as a result of future legislation but is unable to predict what the amount of the final reduction will be.

The Medicare, Medicaid and CHAMPUS programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, requirements for utilization review and new governmental funding restrictions, all of which may materially increase or decrease program payments as well as affect the cost of providing services and the timing of payments to facilities. The final determination of amounts earned under the programs often requires many years, because of audits by the program representatives, providers' rights of appeal and the application of numerous technical reimbursement provisions. Management believes that adequate provision has been made for such adjustments. Until final adjustment, however, significant issues remain unresolved and previously determined allowances could become either inadequate or more than ultimately required.

HEALTHCARE REFORM, REGULATION AND LICENSING

Certain Background Information. Healthcare, as one of the largest industries in the United States, continues to attract much legislative interest and public attention. Medicare, Medicaid, mandatory and other public and private hospital cost-containment programs, proposals to limit healthcare spending, proposals to limit prices and industry competitive factors are highly significant to the healthcare industry.

There continue to be Federal and state proposals that would, and actions that do, impose more limitations on government and private payments to providers such as Tenet and proposals to increase co-payments and deductibles from program and private patients. Tenet's facilities also are affected by controls imposed by government and private payers designed to reduce admissions and lengths of stay. Such controls, including what is commonly referred to as "utilization review," have resulted in fewer of certain treatments and procedures being performed. Utilization review entails the review of the admission and course of treatment of a patient by a third party. Utilization review by third-party peer review organizations ("PROs") is required in connection with the provision of care paid for by Medicare and Medicaid. Utilization review by third parties also is a requirement of many managed care arrangements.

Tennessee has implemented a revision to its Medicaid program that covers its Medicaid and uninsured population through a managed care program. California has created a voluntary health insurance purchasing cooperative that seeks to make healthcare coverage more affordable for businesses with five to 50 employees and, effective January 1, 1995, began changing the payment system for participants in its Medicaid program in certain counties from fee-for-service arrangements to managed care plans. Florida has enacted a program creating a system of local purchasing cooperatives and has proposed other changes that have not yet been enacted. Louisiana and Texas are considering wider use of managed care for their Medicaid populations. These proposals also may attempt to include coverage for some people who presently are uninsured. A number of other states are considering the enactment of managed care initiatives designed to provide universal low-cost coverage. Florida has adopted, and other states are considering adopting, legislation imposing a tax on revenues of hospitals to help finance or expand those states' Medicaid systems.

Certificate of Need Requirements. Some states require state approval for construction and expansion of healthcare facilities, including findings of need for additional or expanded healthcare facilities or services. Certificates of Need, which are issued by governmental agencies with jurisdiction over healthcare facilities, are at times required for capital expenditures exceeding a prescribed amount, changes in bed capacity or services and certain other matters. Following a number of years of decline, the number of states requiring Certificates of Need is once again on the rise as state legislators once again are looking at the Certificate of Need process as a way to contain rising healthcare costs. Tenet operates hospitals in eight states that require state approval under

Certificate of Need Programs. Tenet is unable to predict whether it will be able to obtain any Certificates of Need in any jurisdiction where such Certificates of Need are required.

Antifraud and Self-Referral Regulations. The healthcare industry is subject to extensive Federal, state and local regulation relating to licensure, conduct of operations, ownership of facilities, addition of facilities and services and prices for services. In particular, Medicare and Medicaid antifraud and abuse amendments codified under Section 1128B(b) of the Social Security Act (the "Antifraud Amendments") prohibit certain business practices and relationships that might affect the provision and cost of healthcare services reimbursable under Medicare and Medicaid, including the payment or

receipt of remuneration for the referral of patients whose care will be paid for by Medicare or other government programs. Sanctions for violating the Antifraud Amendments include criminal penalties and civil sanctions, including fines and possible exclusion from the Medicare and Medicaid programs. Pursuant to the Medicare and Medicaid Patient and Program Protection Act of 1987, the Department of Health and Human Services ("HHS") has issued regulations that describe some of the conduct and business relationships permissible under the Antifraud Amendments ("Safe Harbors"). Tenet believes its business arrangements comply in all material respects with applicable law and substantially satisfy the Safe Harbors. The fact that a given business arrangement does not fall within a Safe Harbor does not render the arrangement per se illegal. Business arrangements of healthcare service providers that fail to satisfy the applicable Safe Harbor criteria, however, risk increased scrutiny by enforcement authorities. Because Tenet may be less willing than some of its competitors to enter into business arrangements that do not clearly satisfy the Safe Harbors, it could be at a competitive disadvantage in entering into certain transactions and arrangements with physicians and other healthcare providers.

In addition, Section 1877 of the Social Security Act, which restricts referrals by physicians of Medicare and other government-program patients to providers of a broad range of designated health services with which they have ownership or certain other financial arrangements, was amended effective January 1, 1995, to significantly broaden the scope of prohibited physician referrals under the Medicare and Medicaid programs to providers with which they have ownership or certain other financial arrangements (the "Self-Referral Prohibitions"). Many states have adopted or are considering similar legislative proposals, some of which extend beyond the Medicaid program to prohibit the payment or receipt of remuneration for the referral of patients and physician self-referrals regardless of the source of the payment for the care. Tenet's participation in and development of joint ventures and other financial relationships with physicians could be adversely affected by these amendments and similar state enactments. The Company systematically reviews all of its operations to ensure that it complies with the Social Security Act and similar state statutes.

Tenet is unable to predict the future course of Federal, state and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Further changes in the regulatory framework could have a material adverse effect on the financial results of Tenet's operations.

Environmental Regulations. The Company's healthcare operations generate medical waste that must be disposed of in compliance with Federal, state and local environmental laws, rules and regulations. The Company's operations are also subject to compliance with various other environmental laws, rules and regulations. Such compliance does not, and the Company anticipates that such compliance will not, materially affect the Company's capital expenditures, earnings or competitive position.

Healthcare Facility Licensing Requirements. Tenet's healthcare facilities are subject to extensive Federal, state and local legislation and regulation. In order to maintain their operating licenses, healthcare facilities must comply with strict standards concerning medical care, equipment and hygiene. Various licenses and permits also are required in order to dispense narcotics, operate pharmacies, handle radioactive materials and operate certain equipment. Tenet's healthcare facilities hold all required governmental approvals, licenses and permits. With the exception of one general hospital that has not sought to be accredited, each of Tenet's facilities that is eligible for accreditation is fully accredited by the JCAHO, the Commission on Accreditation of Rehabilitation Facilities (in the case of the Campus Rehabilitation Hospitals) or another appropriate accreditation agency, which accreditation generally is required for participation in government-sponsored provider programs.

Tenet's healthcare facilities are subject to and comply with various forms

of utilization review. In addition, under the Medicare PPS, each state must have a PRO to carry out a federally mandated system of review of Medicare patient admissions, treatments and discharges in general hospitals. Medical and surgical services and practices are extensively supervised by committees of staff doctors at each healthcare facility, are overseen by each healthcare facility's local governing board, comprised of healthcare professionals, community members and hospital representatives, and are reviewed by Tenet's quality assurance personnel. The local governing boards also help maintain standards for quality care, develop long-range plans, establish, review and enforce practices and procedures and approve the credentials and disciplining of medical staff members.

COMPLIANCE PROGRAM

As previously reported in the Company's Annual Reports on Form 10-K for the fiscal years ended May 31, 1993 and 1994, various government agencies have conducted investigations concerning whether Tenet and certain of its subsidiaries engaged in improper practices. As a result of negotiations between the Company and the Civil and Criminal Divisions of the Department of Justice ("DOJ"), and the Department of Health and Human Services ("HHS"), the Company entered into various agreements on June 29, 1994, which brought to a close all open investigations of the Company, its subsidiaries and its facilities as they existed on June 29, 1994 by the federal government and its agencies. As a result of those agreements, on July 12, 1994, the United States District Court for the District of Columbia accepted a plea by a subsidiary operating the Company's psychiatric hospitals, to an information charging a six-count violation of 42 U.S.C. (S)1320-7(b)(2)(A) (paying remuneration to induce referrals) and a one-count violation of 18 U.S.C. (S)371 (conspiracy to make such payments). In addition, the Company agreed to pay $362,700,000 to the federal government. The court also accepted a plea agreement pursuant to which another subsidiary pled guilty to an information charging a one-count violation of 18 U.S.C. (S)666 (making illegal payments concerning programs receiving federal funds), which related to a single general hospital. The count relates to activities that occurred while an individual convicted of defrauding the hospital was its chief executive. On July 12, 1994, the Company, without admitting or denying liability, consented to the entry, by the United States District Court for the District of Columbia, of a civil injunctive order in response to a complaint by the Securities and Exchange Commission. The complaint alleged that the Company failed to comply with anti-fraud and recordkeeping requirements of the federal securities laws concerning the manner in which the Company recorded the revenues from the activities that were the subject of the federal government settlement referred to above. In the order, the Company is directed to comply with such requirements of the federal securities laws. In May, 1994, the Company also agreed with 27 states and the District of Columbia to pay an additional $16.3 million to settle potential claims arising from matters involved in the federal investigations. The 27 states and the District of Columbia are all of the areas in which the Company's subsidiaries operated psychiatric facilities.

One component of the Company's settlement with Federal agencies is the adoption of a corporate compliance program under which the Company has agreed, among other things, to: complete the disposition of its psychiatric division facilities (with the exception of the four campus psychiatric facilities owned by the Company prior to the Merger), no later than November 30, 1995, not own or operate other psychiatric facilities (defined for the purposes of the agreement to include residential treatment centers and substance abuse facilities) for five years from the date of completion of the disposition of its psychiatric division facilities and divest any psychiatric facilities acquired incidental to a corporate transaction within 180 days of such acquisition. In addition, the Company has agreed to implement certain oversight procedures and to continue its ethics training program and ethics telephone hotline. Should the oversight procedures or hotline reveal, after investigation by the Company, credible evidence of violations of criminal, or potential material violations of civil, laws, rules or regulations governing federally funded programs, Tenet is required to report any such violation to the DOJ and HHS.

MANAGEMENT

The executive officers of the Company who also are not Directors as of August 22, 1995 are:

NAME	POSITION	AGE
Maris Andersons	Senior Vice President and Treasurer	58
Scott M. Brown	Senior Vice President, General Counsel and Secretary	50
Raymond L. Mathiasen	Senior Vice President and Chief Financial Officer	52

Maris Andersons has served as Treasurer of Tenet since 1981, and as Senior Vice President since 1992. He is a director of Hillhaven and TRC. Mr. Andersons joined Tenet in 1976, prior to which he served as a Vice President of Bank of America.

Scott M. Brown is Senior Vice President, Secretary and General Counsel of the Company. He joined Tenet in 1981. Mr. Brown was elected Secretary in 1984 and Senior Vice President in 1990. Mr. Brown was appointed acting General Counsel in July 1993 and General Counsel in February 1994.

Raymond L. Mathiasen is Senior Vice President and, since February 1994, Chief Financial Officer of the Company. From September 1993 to February 1994, Mr. Mathiasen was Senior Vice President and acting Chief Financial Officer. Prior to joining Tenet as a Vice President in 1985, he was a partner with Arthur Young & Company (now known as Ernst & Young). Mr. Mathiasen was elected to the position of Senior Vice President in 1990 and Chief Operating Financial Officer in 1991.

ITEM 2. PROPERTIES.

The response to this item is included in Item 1.

ITEM 3. LEGAL PROCEEDINGS.

The shareholder derivative actions filed in the Los Angeles Superior Court in October and November of 1991 were consolidated into one shareholder derivative action entitled Harry Polikoff, Harry Ackerman, and Bette Rita Grayson, Derivatively on Behalf of Nominal Defendant National Medical Enterprises, Inc. v. Richard K. Eamer, Leonard Cohen, John C. Bedrosian, William S. Banowsky, Ph.D., Jeffrey C. Barbakow, Bernice B. Bratter, Maurice J. DeWald, Peter de Wetter, Edward Egbert, M.D., Michael H. Focht, Sr., Raymond A. Hay, Nita P. Heckendorn, Taylor R. Jenson, Lloyd R. Johnson, James P. Livingston, A.J. Martinson, M.D., Howard F. Nachtman, M.D., Richard S. Schweiker, Richard L. Stever, Norman A. Zober, Maris Andersons, Scott M. Brown, Raymond L. Mathiasen and Marcus E. Powers, Defendants. Plaintiffs' suit was based primarily on alleged breaches of fiduciary duties and constructive fraud on the part of the individual defendants. The plaintiffs alleged that, among other things, the individual defendants knew or should have known of allegedly improper marketing, billing and other practices within what formerly was known as the Company's psychiatric division and failed to take appropriate action as required by their fiduciary responsibilities. Based on these claims, plaintiffs sought compensatory damages on behalf of the Company, punitive damages, injunctive relief, attorneys' fees, interest and costs. Defendants filed three separate demurrers that were sustained and resulted in dismissal of the action with prejudice on May 21, 1993. The dismissal was appealed by the plaintiffs.

The federal class action lawsuits filed in October and November of 1991 were consolidated into one action pending in the U.S. District Court in the Central District of California entitled In Re National Medical Enterprises, Inc.

Securities Litigation I. The defendants in this action were National Medical Enterprises, Inc., Richard K. Eamer, Leonard Cohen, John C. Bedrosian, William S. Banowsky, Michael H. Focht, Sr., Norman A. Zober, Marcus E. Powers and Maris Andersons. The class action alleged violations of Section 10(b) of the Securities Exchange Act of 1934. Specifically, plaintiffs alleged that each defendant knew or recklessly disregarded that the public statements made by the Company and several of its officers and directors in reports to the Securities and Exchange Commission and others were false and misleading because the financial data and projections were based upon a number of alleged illegal practices at many of the Company's psychiatric facilities. Plaintiffs sought compensatory damages, injunctive relief, attorneys' fees, interest and costs.

As a result of a mediation process previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994, and Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1994, the parties in the derivative and class action suits described above agreed to a global settlement of all plaintiffs' claims. The settlement, which will require court approval, involves a total payment of $63.75 million plus interest by or on behalf of the defendants. Of this amount, Tenet's directors' and officers' liability insurance ("D&O") carriers have agreed to pay a total of $32.5 million plus interest on behalf of the individual defendants. The Company will pay $31.25 million plus interest on its own behalf. In addition, one of the D&O carriers has reimbursed the Company for $5.5 million in attorneys fees expended on the litigation. The parties in the federal class action litigation have executed a stipulation of settlement, and on July 3, 1995, the court issued an order preliminarily approving the settlement. A hearing regarding approval of the settlement is scheduled to take place on September 18, 1995. The parties to the derivative litigation have executed a memorandum of understanding regarding the terms of the settlement. A stipulation of settlement is expected and also will require court approval.

Two additional federal class actions filed in August 1993 and previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994, were consolidated into one action pending in the U.S. District Court in the Central District of California captioned In re: National Medical Enterprises Securities Litigation II. These consolidated actions are on behalf of a purported class of shareholders who purchased or sold stock of the Company between January 14, 1993 and August 26, 1993, and allege that each of the defendants violated Section 10(b) of the Securities Exchange Act of 1934. Specifically, plaintiffs allege that each defendant knew or recklessly disregarded that the public statements made by the Company and several of its officers and directors in reports to the Securities and Exchange Commission, in press releases, communications with shareholders, and communications with the financial community were false and misleading because the financial data and projections were based upon a number of alleged illegal practices at many of the Company's psychiatric facilities. Plaintiffs claim that each of the defendants was a direct participant in this wrongdoing and conspired with and aided and abetted each of the other defendants in perpetrating the alleged fraudulent scheme. Based on these claims, plaintiffs seek compensatory damages, injunctive relief, attorneys' fees, interest and costs. The parties commenced a voluntary mediation in July, 1994. The mediation efforts were unsuccessful and in May 1995 the parties agreed to proceed with the litigation. On June 23, 1995, the defendants filed a motion to dismiss and to strike plaintiffs' complaint. The Company believes it has meritorious defenses to this action and will defend this litigation vigorously.

The Company continues to experience a greater than normal level of litigation relating to its former psychiatric operations. The majority of the lawsuits filed contain allegations of fraud and conspiracy against the Company and certain of its subsidiaries and former employees. The Company believes that the increase in litigation stems, in whole or in part, from advertisements by certain lawyers seeking former psychiatric patients in order to ascertain whether potential claims exist against the Company. The advertisements focus, in many instances, on the Company's settlement of past

disputes involving the operations of its psychiatric subsidiaries, including the Company's 1994 resolution of the government's investigation and a corresponding criminal plea agreement. Among the suits filed during fiscal 1995 were two lawsuits in Texas aggregating approximately 760 individual plaintiffs who are purported to have been patients in certain Texas psychiatric facilities and a number of lawsuits filed in the District of Columbia. In addition, a purported class action was filed in Texas state court in May, 1995, entitled Justin Love vs. National Medical Enterprises, Inc.; NME Psychiatric Hospitals, Inc., f/k/a Psychiatric Institutes of America, Inc.; NME Specialty Hospitals, Inc., f/k/a North Houston Healthcare Campus, Inc., d/b/a Laurelwood Hospital; Baywood Hospital, Inc., d/b/a Baywood Hospital; Psychiatric Facility at Amarillo, Inc., f/k/a P.I.A. Amarillo, Inc., d/b/a Cedar Creek Hospital; P.I.A. Denton, Inc., d/b/a Twin Lakes Hospital; P.I.A. of Fort Worth, Inc., d/b/a Psychiatric Institute of Fort Worth; P.I.A. San Antonio, Inc., d/b/a Colonial Hills Hospital; P.I.A. Stafford, Inc., d/b/a Stafford Meadows Hospital; P.I.A. Waxahachie, Inc., d/b/a Willowbrook Hospital; Psychiatric Institute of Bedford, Inc., d/b/a Bedford Meadows Hospital; Psychiatric Institute of Sherman, Inc., d/b/a Arbor Creek Psychiatric Hospital; Brookhaven Psychiatric Pavilion; Richard K. Eamer; Leonard Cohen; John C. Bedrosian; Jeffrey C. Barbakow; Norman A. Zober; Ronald Bernstein; and Peter J. Alexis. The case contains allegations of fraud and conspiracy similar to those described above. The plaintiff purports to represent all psychiatric patients treated during the period of January 1987 through October 1991.

The Company believes that the class is not capable of being certified. The Company believes it has a number of defenses to these actions and will defend the litigation vigorously. Until the lawsuits are resolved, however, the Company will continue to incur substantial legal expenses. The Company expects that additional lawsuits of this nature will be filed.

On October 5, 1993, John Bedrosian filed the lawsuit John C. Bedrosian vs. National Medical Enterprises, Inc., Jeffrey C. Barbakow, Michael H. Focht, Sr., Bernice B. Bratter, Maurice J. DeWald, Peter de Wetter and Lester B. Korn in the Los Angeles Superior Court. Mr. Bedrosian, who was a director of the Company until September 28, 1994 and served as its Senior Executive Vice President until September 24, 1993, when his employment with the Company was terminated without cause pursuant to the terms of his employment agreement, alleged: breach of oral agreement; breach of implied in fact contract; breach of the covenant of good faith and fair dealing; negligent misrepresentation of material fact; bad faith denial of existence of a contract; breach of written agreement; age discrimination in employment; libel; tortious interference with contractual relations; conspiracy to interfere with contractual relations; and intentional infliction of emotional distress. The suit seeks damages in excess of $20,000,000, exemplary and punitive damages, declaratory relief, including relief from six loans he obtained from the Company, attorneys fees and costs of suit and other equitable relief. The Company filed a cross-complaint against him for his refusal to make repayment on his six loans. The Company also filed a motion to have the portion of Mr. Bedrosian's lawsuit that pertains to his employment agreement with the Company referred to a Superior Court Referee as provided in the employment agreement. The Company's motion was granted and Mr. Bedrosian's employment claims against the Company were referred to a Superior Court Referee for trial. The Company filed motions for summary judgment on several of Mr. Bedrosian's claims and on its cross-complaint against Mr. Bedrosian for his failure to repay his loans. The Company's motions for summary judgment ultimately were granted as to several of Mr. Bedrosian's claims against the Company, and also as to its claims against Mr. Bedrosian on his six loans totalling approximately $4,300,000. The trial of Mr. Bedrosian's employment-related claims took place in June and July, 1994 before a retired California Superior Court Judge sitting as a Referee. During that trial, the Court granted defendants' motion to have certain other of Mr. Bedrosian's employment claims dismissed. The trial on Mr. Bedrosian's two remaining claims was concluded on July 29, 1994. A decision on those claims was issued by the Referee on November 4, 1994. The Referee ruled that Mr. Bedrosian's claim of age discrimination was without merit, but that

the Company must pay to Mr. Bedrosian approximately $476,000 in addition to amounts already paid to him under his employment contract for bonus compensation and other benefits under his employment contract. All of Mr. Bedrosian's other employment claims, including his claim that he was entitled to be employed by the Company until age 65, also were dismissed. Mr. Bedrosian filed numerous motions in the Superior Court attempting to have the decision of the Referee vacated on various grounds. All of those motions were denied. Mr. Bedrosian has appealed the denial of several of those motions, and those appeals currently are pending before the California Court of Appeal.

On February 15, 1995, the Company filed a complaint seeking declaratory and injunctive relief in the California Superior Court for the County of Los Angeles entitled National Medical Enterprises, Inc. v. The Hillhaven Corporation, Bruce L. Busby, Christopher J. Marker and Does 1-25. The Company alleges, among other things, that the named defendants have breached their fiduciary duties to the Company and its fellow shareholders in Hillhaven and interfered with the Company's prospective economic advantage by undertaking a series of acts designed to: (1) entrench themselves, (2) dilute the Company's equity interest in Hillhaven, and (3) deprive all of Hillhaven's shareholders the opportunity to consider the friendly acquisition proposal made by Horizon Healthcare Corporation to Hillhaven. On March 7, 1995, the Services Employees International Union, a union allegedly representing 2,000 Hillhaven employees at approximately 40 Hillhaven nursing homes, and Joann Sforza, an individual allegedly employed by Hillhaven moved to file a complaint in intervention in the case. On March 23, 1995, the parties entered into a stipulation staying all activity in the case for a 45 day period. On March 24, 1995, an order confirming the stay was entered by the court. On May 16, 1995, the parties agreed to stay the action in light of Vencor's April 24, 1995, announcement that it had signed a definitive agreement to acquire Hillhaven.

A total of nine purported class actions (the "Class Actions") have been filed challenging the Merger in both Delaware and California. The seven Class Actions filed in the Delaware Court of Chancery have been consolidated under the caption, In re: American Medical Holdings, Inc., Shareholders Litigation, C.A. No. 13797, and discovery is continuing in this case. In addition, two purported class actions, entitled Ruth LeWinter and Raymond Cayuso v. the AMH Directors (with the exception of Harold S. Williams), NME and AMH, Case No. BC-115206 and David F. and Sylvia Goldstein v. O'Leary, NME, AMH, et al., Case No. BC-116104, have been filed in the Superior Court of the State of California, County of Los Angeles. The California actions have been stayed pending the resolution of the Delaware actions. Because the Merger has been consummated, plaintiffs seek rescission or rescissory damages, an accounting of all profits realized and to be realized by the defendants in connection with the Merger and the imposition of a constructive trust for the benefit of the plaintiffs and other members of the purported classes pending such an accounting. Plaintiffs also seek monetary damages of an unspecified amount together with prejudgment interest and attorney's and experts' fees. The Company believes that the complaints are without merit and will defend this litigation vigorously.

In its normal course of business the Company also is subject to claims and lawsuits relating to injuries arising from patient treatment. The Company believes that its liability for damages resulting from such claims and lawsuits is adequately covered by insurance or is adequately provided for in its financial statements.

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

None.

PART II

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

The response to this item is included on page 47 of the Registrant's Annual Report to Shareholders for the year ended May 31, 1995. The required information hereby is incorporated by reference.

ITEM 6. SELECTED FINANCIAL DATA.

The response to this item is included on page 16 of the Registrant's Annual Report to Shareholders for the year ended May 31, 1995. The required information hereby is incorporated by reference.

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

The response to this item is included on pages 17 through 22 of the Registrant's Annual Report to Shareholders for the year ended May 31, 1995. The required information hereby is incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The response to this item is included on pages 23 through 47 of the Registrant's Annual Report to Shareholders for the year ended May 31, 1995. The required information hereby is incorporated by reference.

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

None.

PART III

ITEMS 10 AND 11. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT; EXECUTIVE COMPENSATION.

Information concerning the Directors of the Registrant, including executive officers of the Registrant who also are Directors, and other information required by Items 10 and 11, is included on pages 2 through 5 of the definitive Proxy Statement for Registrant's 1995 Annual Meeting of Shareholders and hereby is incorporated by reference. Similar information regarding executive officers of the Registrant who, except as noted therein, are not Directors is set forth on page 14 above. Information regarding compensation of executive officers and Directors of the Registrant is included on pages 8 through 16 and pages 21 through 23 of the definitive Proxy Statement for the Registrant's 1995 Annual Meeting of Shareholders and hereby is incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The response to this item is included on pages 6 and 27 of the definitive Proxy Statement for the Registrant's 1995 Annual Meeting of Shareholders. The required information hereby is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The response to this item is included on pages 23 and 24 of the definitive Proxy Statement for the Registrant's 1995 Annual Meeting of Shareholders. The required information hereby is incorporated by reference.

PART IV

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

(a) 1. FINANCIAL STATEMENTS.

The consolidated financial statements to be included in Part II, Item 8, are incorporated by reference to the Registrant's 1995 Annual Report to Shareholders. (See exhibit (13)).

2. FINANCIAL STATEMENT SCHEDULES.

Schedule II Valuation and Qualifying Accounts and Reserves (included on page F-1)

All other schedules and Condensed Financial Statements of Registrant are omitted because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

3. EXHIBITS.

(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession

(a) Agreement and Plan of Merger, dated as of October 10, 1994, among the Company, AMH Acquisition Co. and American Medical Holdings, Inc. (Incorporated by reference to Exhibit 2(A) to Registrant's Quarterly Report on Form 10-Q, dated October 14, 1994)

(3) Articles of Incorporation and Bylaws

(a) Restated Articles of Incorporation of Registrant, as amended October 13, 1987 and June 22, 1995

(b) Restated Bylaws of Registrant, as amended March 1, 1995 (Incorporated by reference to Exhibit 3(b) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995)

(4) Instruments Defining the Rights of Security Holders, Including Indentures

(a) Form of Indenture for the Registrant's Convertible Floating Rate Debentures, dated as of February 1, 1992, among NME PIP Funding I, Inc., the Registrant and Bankers Trust Company, as Trustee (Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-3, Registration No. 33-45689, dated February 14, 1992)

(b) Form of Convertible Floating Rate Debenture due April 3, 1996 (Incorporated by reference to Exhibit (e) to Registrant's Registration Statement on Form S-3, Registration No. 33-45689, dated February 14, 1992)

(c) Agreement Providing for First Amendment to Convertible Floating Rate Debentures due April 3, 1996, dated as of December 11, 1991, between the Registrant and NME PIP Funding I, Inc. (Incorporated by reference to Exhibit (f) to Registrant's Registration Statement on Form S-3, Registration No. 33-45689, dated February 14, 1992)

(d) Certificate of Designation, Preference and Rights of Series A Junior Participating Preferred Stock (Incorporated by reference to Exhibit 4(h) to Registrant's Annual Report on Form 10-K dated August 30, 1993)

(e) Certificate of Designation, Preferences and Rights of Series B Convertible Preferred Stock (Incorporated by reference to Exhibit 4(d) to Registrant's Annual Report on Form 10-K dated August 23, 1991)

(f) Form of Investment Option Agreement

(g) Indenture, dated as of March 1, 1991, between the Registrant and The Bank of New York, as Trustee, relating to Medium Term Notes (Incorporated by reference to Exhibit 4(a) to Registrant's Annual Report on Form 10-K dated August 23, 1991)

(h) Indenture, dated as of March 1, 1995, between Tenet and The Bank of New York, as Trustee, relating to 9 5/8% Senior Notes due 2002 (Incorporated by reference to Exhibit 4(a) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995)

(i) Indenture, dated as of March 1, 1995, between Tenet and The Bank of New York, as Trustee, relating to 10 1/8% Senior Subordinated Notes due 2005 (Incorporated by reference to Exhibit 4(b) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995)

(j) Registration Rights Agreement, dated as of February 22, 1995, by and between the Registrant and the Selling Shareholders (Incorporated by reference to Exhibit 4.1 to Registrants Registration Statement on Form S-3, Registration No. 33-57801, dated February 22, 1995)

(10) Material Contracts

(a) Guaranty Reimbursement Agreement, dated as of January 31, 1990, by and between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(e) to Registrant's Annual Report on Form 10-K dated August 21, 1992)

(b) First Amendment to Guarantee Reimbursement Agreement, dated as of May 30, 1991, by and between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(g) to Registrant's Annual Report on Form 10-K dated August 23, 1991)

(c) Second Amendment to Guarantee Reimbursement Agreement, dated as of October 2, 1991, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(w) to Registrant's Annual Report on Form 10-K dated August 21, 1992)

(d) Third Amendment to Guarantee Reimbursement Agreement, dated as of April 1, 1992, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(dd) to Registrant's Annual Report on Form 10-K dated August 21, 1992)

(e) Fourth Amendment to Guarantee Reimbursement Agreement, dated as of November 12, 1992, between the Registrant and Hillhaven (Incorporated by reference to Exhibit 10(pp) to Registrant's Annual Report on Form 10-K dated August 30, 1993)

(f) Fifth Amendment to Guarantee Reimbursement Agreement, dated as of February 19, 1993, between the Registrant and Hillhaven (Incorporated by reference to Exhibit 10(qq) to Registrant's Annual Report on Form 10-K dated August 30, 1993)

(g) Sixth Amendment to Guarantee Reimbursement Agreement, dated as of May 28, 1993, between the Registrant and Hillhaven (Incorporated by reference to Exhibit 10(rr) to Registrant's Annual Report on Form 10-K dated August 30, 1993)

(h) Seventh Amendment to Guarantee Reimbursement Agreement, dated as of May 28, 1993, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(h) the Registrant's Annual Report on Form 10-K dated August 25, 1994)

(i) Eighth Amendment to Guarantee Reimbursement Agreement, dated September 2, 1993, between the Registrant and The Hillhaven

Corporation (Incorporated by reference to Exhibit 10(i) to Registrant's Annual Report on Form 10-K dated August 25, 1994)

(j) Agreement and Waiver, dated September 2, 1993, among the Registrant, the subsidiaries of the Company signatories thereto, The Hillhaven Corporation and First Healthcare Corporation (Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K dated August 25, 1994)

(k) Shareholding Agreement, dated 30 March 1993, among the Registrant, Westminster Health Care Holdings PLC and P. R. Carter and Others (Incorporated by reference to Exhibit 10(tt) to Registrant's Annual Report on Form 10-K dated August 30, 1993)

(l) $2,300,000 Credit Agreement, dated as of February 28, 1995, among the Company, the Lenders party thereto, Morgan Guaranty Trust Company of New York, Bank of America National Trust and Savings Association, The Bank of New York and Bankers Trust Company, as Arranging Agents, and Morgan Guaranty Trust Company of New York, as Administration Agent (Incorporated by reference to Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995)

(m) $91,350,000 Amended and Restated Letter of Credit and Reimbursement Agreement, dated as of February 28, 1995, among the Company, as Account Party, and Bank of America National Trust and Savings Association, The Bank of New York, Bankers Trust Company and Morgan Guaranty Trust Company of New York, as Banks, and The Bank of New York, as Issuing Bank (Incorporated by reference to Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995)

(n) Agreement, dated August 22, 1995, among the Registrant, The Hillhaven Corporation and Vencor, Inc.

(o) Asia Stock Purchase Agreement, dated as of May 24, 1995, between the Registrant and Parkway Holdings Limited

(p) Australian Stock Purchase Agreement, dated as of July 5, 1995, between the Registrant and Parkway Holdings Limited

(q) Amending Agreement to the Australia Stock Purchase Agreement, dated as of August 14, 1995, between the Registrant and Parkway Holdings Limited

(r) Letter from the Registrant to Jeffrey C. Barbakow, dated May 26, 1993 (Incorporated by reference to Exhibit 10(l) to Registrant's Annual Report on Form 10-K dated August 30, 1993)

(s) Letter from the Registrant to Jeffrey C. Barbakow, dated June 1, 1993 (Incorporated by reference to Exhibit 10(m) to Registrant's Annual Report on Form 10-K dated August 30, 1993)

(t) Memorandum from the Registrant to Jeffrey C. Barbakow, dated June 14, 1993 (Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K dated August 30, 1993)

(u) Board of Directors Retirement Plan, effective January 1, 1985 (Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K dated August 23, 1991)

(v) First Amendment to Board of Directors Retirement Plan, effective as of August 18, 1993 (Incorporated by reference to Exhibit 10(xx) to Registrant's Annual Report on Form 10-K dated August

30, 1993)

(w) Amendment to Directors Retirement Plan, dated as of April 25, 1994 (Incorporated by reference to Exhibit 10(oo) to Registrant's Annual Report on Form 10-K dated August 25, 1994)

(x) Supplemental Executive Retirement Plan, as amended May 31, 1986 (Incorporated by reference to Exhibit 10(o) to Registrant's Annual Report on Form 10-K dated August 21, 1992)

(y) Amendment to Supplemental Executive Retirement Plan, dated as of April 25, 1994 (Incorporated by reference to Exhibit 10(ss) to Registrant's Annual Report on Form 10-K dated August 25, 1994)

(z) Amendment to Supplemental Executive Retirement Plan, dated as of July 25, 1994 (Incorporated by reference to Exhibit 10(tt) to Registrant's Annual Report on Form 10-K dated August 25, 1994)

(aa) 1994 NME Supplemental Executive Retirement Plan Trust Agreement, dated as of May 25, 1994, as amended July 25, 1994, between the Registrant, and United States Trust Company of New York (Incorporated by reference to Exhibit 10(uu) to Registrant's Annual Report on Form 10-K dated August 25, 1994)

(bb) Long Term Incentive Plan (Incorporated by reference to Exhibit 10(p) to Registrant's Annual Report on Form 10-K dated August 21, 1992)

(cc) 1994 Annual Incentive Plan (Incorporated by reference to Exhibit B to the Definitive Proxy Statement for the Registrant's 1994 Annual Meeting of Shareholders)

(dd) Deferred Compensation Plan, effective March 23, 1983 (Incorporated by reference to Exhibit 10(v) to Registrant's Annual Report on Form 10-K dated August 23, 1991)

(ee) First Amendment to Deferred Compensation Plan, dated as of August 15, 1994 (Incorporated by reference to Exhibit 10(zz) to Registrant's Annual Report on Form 10-K dated August 25, 1994)

(ff) 1994 NME Deferred Compensation Plan Trust Agreement, dated as of May 25, 1994, as amended July 25, 1994, between the Registrant and United States Trust Company of New York (Incorporated by reference to Exhibit 10(aaa) to Registrant's Annual Report on Form 10-K dated August 25, 1994)

(gg) Performance Investment Plan (Incorporated by reference to Exhibit 10(d) to Registrant's Annual Report on Form 10-K dated August 23, 1991)

(hh) Revolving Credit and Term Loan Agreement, dated as of December 11, 1991, between the Registrant and NME PIP Funding I, Inc. (Incorporated by reference to Exhibit 10(g) to Registrant's Registration Statement on Form S-3, Registration No. 33-45689, dated February 14, 1992)

(ii) 1994 Directors Stock Option Plan (Incorporated by reference to Exhibit A to the Definitive Proxy Statement for the Registrant's 1994 Annual Meeting of Shareholders)

(jj) 1991 Stock Incentive Plan (Incorporated by reference to Exhibit B to the definitive Proxy Statement for the Registrant's 1991 Annual Meeting of Shareholders)

(kk) 1995 Stock Incentive Plan (Incorporated by reference to Exhibit

A to the definitive Proxy Statement for the Registrant's 1995 Annual Meeting of Shareholders)

(ll) 1995 Employee Stock Purchase Plan (Incorporated by reference to Exhibit B to the definitive Proxy Statement for the Registrant's 1995 Annual Meeting of Shareholders)

(mm) Severance Protection Agreement, dated June 28, 1994, between the Registrant and Barry P. Schochet (Incorporated by reference to Exhibit 10(ggg) to Registrant's Annual Report on Form 10-K dated August 25, 1994)

(11) Statement Re: Computation of Per Share Earnings, page 23

(13) 1995 Annual Report to Shareholders of Registrant

(21) Subsidiaries of the Registrant

(23) Consent of Experts

(a)Accountants' Consent and Report on Consolidated Schedule (KPMG Peat Marwick LLP)

(27) Financial Data Schedule (included only in the EDGAR filing)

(b) REPORTS ON FORM 8-K

Tenet filed no reports on Form 8-K during the last quarter of the 1995 fiscal year.

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES

(1) STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

(EXHIBIT 11)

	1995	1994	1993	1992	1991
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
FOR PRIMARY EARNINGS PER SHARE					
Shares outstanding at beginning of period.....	166,081	165,898	166,963	174,765	157,782
Shares issued in connection with merger.....	8,358	--	--	--	--
Shares issued upon exercise of stock options.....	311	60	27	299	722
Dilutive effect of outstanding stock options.....	2,068	1,114	172	495	1,156
Shares issued as grants of restricted stock, net of cancellations.....	(1)	(48)	(52)	75	2
Shares repurchased as treasury stock.....	--	--	(999)	(4,295)	--
Shares issued upon conversion of notes and debentures.....	--	--	--	529	348
Other.....	--	--	--	(15)	--
Weighted average number of shares and share equivalents outstanding.....	176,817	167,024	166,111	171,853	160,010

Income from continuing operations	$194,381	$215,901	$263,644	$218,199	$145,142
Earnings per share from continuing operations	$ 1.10	$ 1.29	$ 1.59	$ 1.27	$ 0.91
FOR FULLY DILUTED EARNINGS PER SHARE					
Weighted average number of shares used in primary calculation	176,817	167,024	166,111	171,853	160,010
Additional dilutive effect of stock options	203	97	23	1	64
Assumed conversion of dilutive convertible notes and debentures	13,119	13,966	14,356	20,990	37,118
Fully diluted weighted average number of shares	190,139	181,087	180,490	192,844	197,192
Income from continuing operations used in primary calculation	$194,381	$215,901	$263,644	$218,199	$145,142
Adjustments for interest expense, contractual allowances and income taxes	7,547	5,981	4,628	12,207	25,991
Adjusted income from continuing operations	$201,928	$221,882	$268,272	$230,406	$171,133
Earnings per share from continuing operations	$ 1.06	$ 1.23	$ 1.49	$ 1.19	$ 0.87

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(1) All numbers of shares in these tables are weighted on the basis of the number of days the shares were outstanding or assumed to be outstanding during each period.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 25, 1995.

Tenet Healthcare Corporation

By: /s/ Raymond L. Mathiasen
Raymond L. Mathiasen
Senior Vice President,
Chief Financial Officer and
Chief Accounting Officer

By: /s/ Scott M. Brown
Scott M. Brown
Senior Vice President

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW ON AUGUST 25, 1995, BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES INDICATED:

SIGNATURE	TITLE

/s/ Jeffrey C. Barbakow Jeffrey C. Barbakow	Chairman, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Michael H. Focht, Sr. Michael H. Focht, Sr.	President, Chief Operating Officer and Director
/s/ Bernice Bratter Bernice Bratter	Director
/s/ John T. Casey John T. Casey	Director
/s/ Maurice J. DeWald Maurice J. DeWald	Director
/s/ Peter de Wetter Peter de Wetter	Director
/s/ Edward Egbert, M.D. Edward Egbert, M.D.	Director
/s/ Raymond A. Hay Raymond A. Hay	Director

SIGNATURE	TITLE
/s/ Lester B. Korn Lester B. Korn	Director
/s/ James P. Livingston James P. Livingston	Director
/s/ Robert W. O'Leary Robert W. O'Leary	Director
/s/ Thomas J. Pritzker Thomas J. Pritzker	Director
/s/ Richard S. Schweiker Richard S. Schweiker	Director

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

YEARS ENDED MAY 31, 1993, 1994 AND 1995

(IN MILLIONS)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO: CONTINUING OPERATIONS (1)	ADDITIONS CHARGED TO: DISCONTINUED OPERATIONS	DEDUCTIONS (2)	OTHER ITEMS(3)	BALANCE AT END OF PERIOD
Allowance for doubtful accounts:						
1993	$152	$122	$40	$199	$ --	$115
1994	$115	$111	$35	$128	$(56)	$ 77
1995	$ 77	$140	$25	$153	$ 95	$184

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(1) Before considering recoveries on accounts or notes previously written off.

(2) Accounts written off.

(3) Beginning balances of purchased businesses, net of balances of businesses sold.

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO DISCONTINUED OPERATIONS	DEDUCTIONS (1)	BALANCE AT END OF PERIOD
Reserves related to discontinued operations:				
1993	$113	$ 160	$172	$101
1994	$101	$1,113	$749	$465
1995	$465	$ 16	$404	$ 77

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(1) Primarily cash disbursements and, in 1994, write-down of assets to net realizable value and reclassification to other long-term liabilities.

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
(2)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	
(a)	Agreement and Plan of Merger, dated as of October 10, 1994, among the Company, AMH Acquisition Co. and American Medical Holdings, Inc. (Incorporated by reference to Exhibit 2(A) to Registrant's Quarterly Report on Form 10-Q, dated October 14, 1994).....	

(3) Articles of Incorporation and Bylaws

(a) Restated Articles of Incorporation of Registrant, as amended October 13, 1987 and June 22, 1995.....

(b) Restated Bylaws of Registrant, as amended March 1, 1995 (Incorporated by reference to Exhibit 3(b) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995).....

(4) Instruments Defining the Rights of Security Holders, Including Indentures

(a) Form of Indenture for the Registrant's Convertible Floating Rate Debentures, dated as of February 1, 1992, among NME PIP Funding I, Inc., the Registrant and Bankers Trust Company, as Trustee (Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-3, Registration No. 33-45689, dated February 14, 1992).....

(b) Form of Convertible Floating Rate Debenture due April 3, 1996 (Incorporated by reference to Exhibit (e) to Registrant's Registration Statement on Form S-3, Registration No. 33-45689, dated February 14, 1992)....

(c) Agreement Providing for First Amendment to Convertible Floating Rate Debentures due April 3, 1996, dated as of December 11, 1991, between the Registrant and NME PIP Funding I, Inc. (Incorporated by reference to Exhibit (f) to Registrant's Registration Statement on Form S-3, Registration No. 33-45689, dated February 14, 1992).....

(d) Certificate of Designation, Preference and Rights of Series A Junior Participating Preferred Stock (Incorporated by reference to Exhibit 4(h) to Registrant's Annual Report on Form 10-K dated August 30, 1993).....

(e) Certificate of Designation, Preferences and Rights of Series B Convertible Preferred Stock (Incorporated by reference to Exhibit 4(d) to Registrant's Annual Report on Form 10-K dated August 23, 1991).....

(f) Form of Investment Option Agreement.....

(g) Indenture, dated as of March 1, 1991, between the Registrant and The Bank of New York, as Trustee, relating to Medium Term Notes (Incorporated by reference to Exhibit 4(a) to Registrant's Annual Report on Form 10-K dated August 23, 1991).....

(h) Indenture, dated as of March 1, 1995, between Tenet and The Bank of New York, as Trustee, relating to 9 5/8% Senior Notes due 2002 (Incorporated by reference to Exhibit 4(a) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995).....

(i) Indenture, dated as of March 1, 1995, between Tenet and The Bank of New York, as Trustee, relating to 10 1/8% Senior Subordinated Notes due 2005 (Incorporated by reference to Exhibit 4(b) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995).....

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
(j)	Registration Rights Agreement, dated as of February 22, 1995, by and between the Registrant and the Selling Shareholders (Incorporated by reference to Exhibit 4.1 to Registrants Registration Statement on Form S-3, Registration No. 33-57801, dated February 22, 1995)....	
(10)	Material Contracts	
(a)	Guaranty Reimbursement Agreement, dated as of January 31, 1990, by and between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(e) to Registrant's Annual Report on Form 10-K dated August 21, 1992).....	
(b)	First Amendment to Guarantee Reimbursement Agreement, dated as of May 30, 1991, by and between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(g) to Registrant's Annual Report on Form 10-K dated August 23, 1991).....	
(c)	Second Amendment to Guarantee Reimbursement Agreement, dated as of October 2, 1991, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(w) to Registrant's Annual Report on Form 10-K dated August 21, 1992).....	
(d)	Third Amendment to Guarantee Reimbursement Agreement, dated as of April 1, 1992, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(dd) to Registrant's Annual Report on Form 10-K dated August 21, 1992).....	
(e)	Fourth Amendment to Guarantee Reimbursement Agreement, dated as of November 12, 1992, between the Registrant and Hillhaven (Incorporated by reference to Exhibit 10(pp) to Registrant's Annual Report on Form 10-K dated August 30, 1993).....	
(f)	Fifth Amendment to Guarantee Reimbursement Agreement, dated as of February 19, 1993, between the Registrant and Hillhaven (Incorporated by reference to Exhibit 10(qq) to Registrant's Annual Report on Form 10-K dated August 30, 1993).....	
(g)	Sixth Amendment to Guarantee Reimbursement Agreement, dated as of May 28, 1993, between the Registrant and Hillhaven (Incorporated by reference to Exhibit 10(rr) to Registrant's Annual Report on Form 10-K dated August 30, 1993).....	
(h)	Seventh Amendment to Guarantee Reimbursement Agreement, dated as of May 28, 1993, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(h) the Registrant's Annual Report on Form 10-K dated August 25, 1994).....	
(i)	Eighth Amendment to Guarantee Reimbursement Agreement, dated September 2, 1993, between the Registrant and The Hillhaven Corporation (Incorporated by reference to Exhibit 10(i) to Registrant's Annual Report on Form 10-K dated August 25, 1994).....	

(j)	Agreement and Waiver, dated September 2, 1993, among the Registrant, the subsidiaries of the Company signatories thereto, The Hillhaven Corporation and First Healthcare Corporation (Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K dated August 25, 1994).....	

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
(k)	Shareholding Agreement, dated 30 March 1993, among the Registrant, Westminster Health Care Holdings PLC and P. R. Carter and Others (Incorporated by reference to Exhibit 10(tt) to Registrant's Annual Report on Form 10-K dated August 30, 1993).....	
(l)	$2,300,000 Credit Agreement, dated as of February 28, 1995, among the Company, the Lenders party thereto, Morgan Guaranty Trust Company of New York, Bank of America National Trust and Savings Association, The Bank of New York and Bankers Trust Company, as Arranging Agents, and Morgan Guaranty Trust Company of New York, as Administration Agent (Incorporated by reference to Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995).....	
(m)	$91,350,000 Amended and Restated Letter of Credit and Reimbursement Agreement, dated as of February 28, 1995, among the Company, as Account Party, and Bank of America National Trust and Savings Association, The Bank of New York, Bankers Trust Company and Morgan Guaranty Trust Company of New York, as Banks, and The Bank of New York, as Issuing Bank (Incorporated by reference to Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q dated April 14, 1995).....	
(n)	Agreement, dated August 22, 1995, among the Registrant, The Hillhaven Corporation and Vencor, Inc.....	
(o)	Asia Stock Purchase Agreement, dated as of May 24, 1995, between the Registrant and Parkway Holdings Limited.....	
(p)	Australian Stock Purchase Agreement, dated as of July 5, 1995, between the Registrant and Parkway Holdings Limited.....	
(q)	Amending Agreement to the Australia Stock Purchase Agreement, dated as of August 14, 1995, between the Registrant and Parkway Holdings Limited.....	
(r)	Letter from the Registrant to Jeffrey C. Barbakow, dated May 26, 1993 (Incorporated by reference to Exhibit 10(l) to Registrant's Annual Report on Form 10-K dated August 30, 1993).....	
(s)	Letter from the Registrant to Jeffrey C. Barbakow, dated June 1, 1993 (Incorporated by reference to Exhibit 10(m) to Registrant's Annual Report on Form 10-K dated August 30, 1993).....	

(t)	Memorandum from the Registrant to Jeffrey C. Barbakow, dated June 14, 1993 (Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K dated August 30, 1993).....	
(u)	Board of Directors Retirement Plan, effective January 1, 1985 (Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K dated August 23, 1991).....	
(v)	First Amendment to Board of Directors Retirement Plan, effective as of August 18, 1993 (Incorporated by reference to Exhibit 10(xx) to Registrant's Annual Report on Form 10-K dated August 30, 1993).....	
(w)	Amendment to Directors Retirement Plan, dated as of April 25, 1994 (Incorporated by reference to Exhibit 10(oo) to Registrant's Annual Report on Form 10-K dated August 25, 1994).....	

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
(x)	Supplemental Executive Retirement Plan, as amended May 31, 1986 (Incorporated by reference to Exhibit 10(o) to Registrant's Annual Report on Form 10-K dated August 21, 1992).....	
(y)	Amendment to Supplemental Executive Retirement Plan, dated as of April 25, 1994 (Incorporated by reference to Exhibit 10(ss) to Registrant's Annual Report on Form 10-K dated August 25, 1994).....	
(z)	Amendment to Supplemental Executive Retirement Plan, dated as of July 25, 1994 (Incorporated by reference to Exhibit 10(tt) to Registrant's Annual Report on Form 10-K dated August 25, 1994).....	
(aa)	1994 NME Supplemental Executive Retirement Plan Trust Agreement, dated as of May 25, 1994, as amended July 25, 1994, between the Registrant, and United States Trust Company of New York (Incorporated by reference to Exhibit 10(uu) to Registrant's Annual Report on Form 10-K dated August 25, 1994).....	
(bb)	Long Term Incentive Plan (Incorporated by reference to Exhibit 10(p) to Registrant's Annual Report on Form 10-K dated August 21, 1992).....	
(cc)	1994 Annual Incentive Plan (Incorporated by reference to Exhibit B to the Definitive Proxy Statement for the Registrant's 1994 Annual Meeting of Shareholders).....	
(dd)	Deferred Compensation Plan, effective March 23, 1983 (Incorporated by reference to Exhibit 10(v) to Registrant's Annual Report on Form 10-K dated August 23, 1991).....	
(ee)	First Amendment to Deferred Compensation Plan, dated as of August 15, 1994 (Incorporated by reference to Exhibit 10(zz) to Registrant's Annual Report on Form 10-K dated August 25, 1994).....	

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE

Tenet filed no reports on Form 8-K during the last quarter of the 1995 fiscal year.

Exhibit 3(a)

CERTIFICATE OF AMENDMENT
OF RESTATED ARTICLES OF INCORPORATION

NATIONAL MEDICAL ENTERPRISES, INC.

We the undersigned, Terence P. McMullen, Vice President, and Richard B. Silver, Assistant Secretary, of National Medical Enterprises, Inc., do hereby certify:

That the Board of Directors of said corporation at a meeting duly convened, held on the 29th day of March, 1995, adopted a resolution to amend the original restated articles as follows:

Article I is hereby amended to read in its entirety as follows:

"I

The name of this corporation is:

Tenet Healthcare Corporation"

The number of shares of the corporation outstanding and entitled to vote on an amendment to the Restated Articles of Incorporation is 201,241,735; that the said change and amendment have been consented to and approved by a majority vote of the stockholders holding at least a majority of each class of stock outstanding and entitled to vote thereon.

/s/ Terence P. McMullen

Terence P. McMullen, Vice President

/s/ Richard B. Silver

Richard B. Silver, Assistant Secretary

State of California

County of Los Angeles

On June 22, 1995, personally appeared before me, a Notary Public, TERENCE P. MCMULLEN and RICHARD B. SILVER, who acknowledged that they executed the above instrument.

/s/ Corrine L. Sotolov

Signature of Notary

(Notary Stamp or Seal)

CERTIFICATE OF DIVISION OF SHARES

OF

NATIONAL MEDICAL ENTERPRISES, INC.

The undersigned, being the duly qualified Secretary of National Medical Enterprises, Inc., a Nevada corporation (the "Corporation"), certifies that 20 members of the Board of Directors of the Corporation, being at least a majority of the Directors of the Corporation, voted to adopt the following resolutions at a meeting of the Board of Directors duly called, noticed and held on the 31st day of July, 1991 in accordance with the provisions of Nevada Revised Statutes Section 78.207 to effectuate a division of the shares of the Common Stock of the Company into smaller denominations without changing the amount of the capital stock:

WHEREAS, the total number of shares which the Corporation is authorized to issue is 227,500,000 shares consisting of 225,000,000 shares of Common Stock and 2,500,000 shares of Preferred Stock, with a par value per share of $0.15 and an aggregate par value of all s hares of $34,125,000;

BE IT RESOLVED, that from and after the date of the filing of a Certificate certifying these resolutions in the office of the Nevada Secretary of State, the Common Stock of this Corporation shall be 450,000,000 shares, with a par value of $.075 per share; and

FURTHER RESOLVED, that the number and amount of the shares of the Preferred Stock of this Corporation shall not be changed by these resolutions or the filing of the Certificate.

DATED this 31st day of July, 1991.

/s/ Scott M.Brown

Scott M. Brown
Secretary

VERIFICATION BY DIRECTORS OF

CERTIFICATE OF DIVISION OF SHARES

OF

NATIONAL MEDICAL ENTERPRISES, INC.

State of California)
) ss.
County of Los Angeles)

The undersigned under penalties of perjury, being first duly sworn, do each depose and say that he or she is a Director of National Medical Enterprises, Inc., a Nevada corporation (the "Corporation"), that they are a majority of the directors of the Corporation, and that the contents of the Certificate of Division of Shares to which this verification is attached is true of his or her own knowledge.

DATED this 31st day of July, 1991.

/s/ Howard F. Nachtman, M.D.

Director

/s/ A.J. Martinson, M.D.

Director

/s/ Raymond A. Hay

/s/ Leonard Cohen

Director	Director
/s/ Edward Egbert, M.D.	/s/ Richard K. Eamer
Director	Director
/s/ John C. Bedrosian	/s/ Peter de Wetter
Director	Director
/s/ Edward Egbert, M.D.	/s/ Richard K. Eamer
Director	Director
/s/ Maurice J. DeWald	/s/ Lloyd R. Johnson
Director	Director
/s/ Richard L. Stever	/s/ Jeffrey C. Barbakow
Director	Director
/s/ Nita P. Heckendorn	/s/ William S. Banowsky
Director	Director
/s/ Richard S. Schweiker	/s/ Taylor R. Jenson
Director	Director
/s/ Bernice B. Bratter	/s/ Michael H. Focht, Sr.
Director	Director
/s/ James P. Livingston	/s/ Norman A. Zober
Director	Director

SUBSCRIBED and SWORN to before me
this 31st day of July, 1991

/s/ Linda K. Davis
NOTARY PUBLIC, In and For
said County and State

CERTIFICATE OF AMENDMENT

OF

ARTICLES OF INCORPORATION

NATIONAL MEDICAL ENTERPRISES, INC., a corporation organized under the laws of the State of Nevada, by its Senior Vice President and Secretary does hereby

certify:

1. That the Board of Directors of said corporation at a meeting duly convened and held on the 29th day of July, 1987, passed a resolution declaring that the change and amendment in the Articles of Incorporation hereinafter set forth is advisable, and called an annual meeting of the shareholders to take action thereon.

2. That thereafter, on the 13th day of October, 1987, pursuant to such call of the Board of Directors, and upon notice given to each shareholder of record entitled to vote on an amendment to the Articles of Incorporation as provided by law, an annual meeting of the shareholders of the company was held, at which meeting, the holders of 67,320,228 shares, representing at least a majority of the voting power, were present in person or represented by proxy; that the number of shares of the corporation outstanding and entitled to vote on the adoption of said amendment was 74,982,774; that 4,410,282 shares voted against such change and amendment, and that 59,984,200 shares, constituting at least a majority of the shares outstanding and entitled to vote thereon, voted in favor of such change and amendment, such change and amendment being as follows:

That said Articles of Incorporation be amended to add Article X as follows:

"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."

WE, THE UNDERSIGNED, do make and file this amendment to the Articles of Incorporation, hereby declaring and certifying that the facts herein are true, and accordingly have hereunto set our hands this 19th day of October, 1987.

/s/ Marcus E. Powers

Marcus E. Powers
Senior Vice President

/s/ Scott M. Brown

Scott M. Brown
Secretary

STATE OF CALIFORNIA

County of Los Angeles

On this 19th day of October, 1987, before me, a Notary Public, personally

appeared Marcus E. Powers, Senior Vice President and Scott M. Brown, Secretary, who severally acknowledged that they executed the above instrument.

/s/ Harriet Gingberg

Notary Public

(NOTARIAL SEAL)

RESTATED
ARTICLES OF INCORPORATION
OF
NATIONAL MEDICAL ENTERPRISES, INC.

I

The name of this corporation is:

NATIONAL MEDICAL ENTERPRISES, INC.

II

The principal office of this corporation in the State of Nevada is to be located at One East First Street, 16th Floor (care of Woodburn, Wedge, Blakey, Folsom & Hug), City of Reno, County of Washoe.

III

This corporation may engage in any lawful activity, including but not without limitation thereto, its further-development 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 Two Hundred Twenty-Seven Million, Five Hundred Thousand (227,500,000) shares. Each share shall have a par value of Fifteen Cents ($.15), and the aggregate par value of all shares is Thirty Four Million, One Hundred Twenty Five Thousand Dollars ($34,125,000). The stock of this corporation shall be divided into two classes, consisting of Two Million Five Hundred Thousand (2,500,000) shares of Preferred Stock and Two Hundred Twenty-Five Million (225,000,000) shares of Common Stock. No shares shall have any pre-emptive rights.

The shares of Preferred Stock may be issued and reissued from time to time in one or more series. The Board of Directors is hereby authorized to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, the liquidation preference, and any other rights, preferences, privileges, attributes or other matters which may be reserved to the Board of Directors by law, of any wholly-unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof; and 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.

V

This corporation shall be governed by a Board of Directors, 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 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 the Board of Directors nor the Shareholders may ever increase the number of Directorships by more than one within any period of twelve months, except upon the affirmative vote of 2/3 of the Directors of each class, or the affirmative vote of the holders of 2/3 of all the outstanding shares voting together and not by class, and 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 serve for a term 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

This corporation is to have perpetual existence.

IX

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.

We, the undersigned officers of NATIONAL MEDICAL ENTERPRISES, INC., certify that the foregoing "Restated Articles of Incorporation" of the NATIONAL MEDICAL ENTERPRISES, INC. set forth the Articles of the said Corporation, as amended to the 10th day of October, 1985.

/s/ Marcus E. Powers

Marcus E. Powers
Senior Vice President

/s/ Scott M. Brown

Scott M. Brown
Secretary

STATE OF CALIFORNIA

County of LOS ANGELES

On this 19th day of October, 1987, before me, a Notary Public, personally appeared Marcus E. Powers, Senior Vice President and Scott M. Brown, Secretary who severally acknowledged that they executed the above instrument.

/s/ Patricia L. Donahue

Notary Public

(NOTARIAL SEAL)

Exhibit 4(f)

$_____ principal amount of Debentures

_____ the "Participant"

INVESTMENT OPTION AGREEMENT, made as of this 29th day of March, 1989, among NATIONAL MEDICAL ENTERPRISES, INC. (the "Company'), NME PIP FUNDING 1, INC., a wholly owned subsidiary of the Company ("PIP Funding I"), and the above-named Participant.

WHEREAS, the Participant is employed by the Company or one of its subsidiaries in a key capacity, and the Company desires to provide an incentive to the Participant to continue the Participant's employment and to work in the best interests of the Company's stockholders by offering the Participant the opportunity to make an investment that will increase the Participant's participation in the potential appreciation of the Company's Common Stock (the "Common Stock");

WHEREAS, the Board of Directors of the Company has adopted the 1989 Performance Investment Plan (the "Plan") to be administered by a committee designated by the Company's Board of Directors (the "Committee"), and the Committee has designated the Participant as an eligible employee under the Plan;

WHEREAS, in connection with the Plan, the Company is issuing and selling to PIP Funding I an issue of Convertible Subordinated Floating Rate Debentures due April 3, 1996 (the "Debentures"), which will be convertible into shares of the Company's Series B Convertible Preferred Stock (the "Convertible Preferred Stock"), which in turn will be convertible into shares of Common Stock; and

WHEREAS, PIP Funding I has agreed to sell to the Participant an investment option to purchase from PIP Funding I a specified principal amount of the Debentures and the Participant has agreed to purchase such option from PIP Funding I.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

1. Sale and Purchase of Option. PIP Funding I hereby sells, and the Participant hereby purchases, an investment option (the "Option") evidenced by this Investment Option Agreement entitling the Participant to purchase from PIP Funding I the principal amount of Debentures indicated at the top of the preceding page (the "Option Debentures"), at a purchase price equal to $100,000 per $105,264 principal amount of Option Debentures (the "Purchase Price"), plus interest, if any, on such Option Debentures. The Option Debentures may only be purchased in denominations of $105,264 or an integral multiple thereof.

2. Investment Option Amount for the Option. Simultaneously with the Participant's execution and delivery of this Investment Option Agreement, the Participant has delivered to PIP Funding I $5,264 per $105,264 principal amount of the Option Debentures, representing the purchase price of the Option (the "Investment Option Amount").

3. Restrictions on Exercise of the Option.

(a) Vesting. Except as otherwise provided herein, the Option may not be exercised, in whole or in part, at any time prior to the second anniversary of the date of this Investment Option Agreement. Thereafter, the Option may be

exercised beginning on the second anniversary of the date hereof with respect to 25% of the principal amount of the Option Debentures, and beginning on each of the third, fourth and fifth anniversaries of the date hereof with respect to an additional 25% of the principal amount of the Option Debentures.

(b) Accelerated Vesting. Notwithstanding Section 3(a), but subject to Sections 3(c) and 3(d), the Option shall vest in full and may be exercised immediately upon the occurrence of any Accelerated Vesting Event as defined in Exhibit A hereto.

(c) Expiration. The Option may not be exercised after, and shall expire on, April 3, 1996 or such earlier date as is provided herein (the "Expiration Date").

(d) Securities Laws. The Participant confirms that the Participant will not make any distribution of Option Debentures purchased pursuant to any exercise of the Option, the Convertible Preferred Stock into which such Option Debentures are convertible or the Common Stock into

which such Convertible Preferred Stock is convertible, in violation of applicable securities laws. Prior to the second anniversary of the date of this Investment Option Agreement (or as soon as practicable after any portion of the Option becomes exercisable, if earlier), the Company will file and cause to be declared effective a registration statement covering secondary offerings by the Participant of all Common Stock acquired or which may be acquired upon the conversion of Convertible Preferred Stock. In connection therewith, the Company will also cause such Common Stock to be listed on the New York Stock Exchange, if not already so listed. If the current market price of the Common Stock is below the conversion price applicable to the Convertible Preferred Stock at the time such filing of a registration statement is required, the Company may defer any such filing of a registration statement and listing until such time as the market price of the Common Stock is at least equal to such conversion price.

4. Repurchase of the Option.

(a) Discretionary Repurchase. At any time after April 3, 1994, PIP Funding I may repurchase the Option (and all other options outstanding under investment option agreements entered into pursuant to the Plan), in whole, 20 business days after notice to the Participant specifying PIP Funding I's determination to repurchase the Option and the date of repurchase. The repurchase shall be effected by paying the Participant an amount equal to the Investment Option Amount applicable to the unexercised portion of the Option, plus a premium (calculated as a percentage of such Investment Option Amount) of 41.9% if the repurchase date is during the 12-month period ending April 3, 1995 and 50.4% thereafter; provided, however, that the Participant shall have the right to exercise the unexercised portion of the Option within 18 business days after the date of such notice. Upon repurchase, the then unexercised portion of the Option shall expire.

(b) Mandatory Repurchase. (i) If there occurs a "Call Event" or an "Acceleration Event" as such terms are defined in Exhibit A hereto, PIP Funding I shall repurchase the Option (and all other options outstanding under investment option agreements entered into pursuant to the Plan), in whole. PIP Funding I shall notify the Participant of such Call Event or Acceleration Event within 5 business days thereof and specify in such notice the repurchase date, which shall be 15 business days after the date of notice, and the repurchase price which shall be computed in accordance I with clause (ii) below. If there occurs a "Call Event" or an "Acceleration Event",

the Option shall vest in full and the Participant shall have the right to exercise the unexercised portion of the Option within 13 business days after the date of PIP Funding I's notice thereof.

(ii) The amount to be paid to Participant in the case of a repurchase of the Option in accordance with clause (i) above shall be equal to the Investment Option Amount applicable to the unexercised portion of the Option plus, in the case of a Call Event (but not an Acceleration Event), a Premium (calculated as a percentage of such Investment Option Amount) of 6.0% if repurchased on or before April 3, 1990 and thereafter the applicable premium (calculated as a Percentage of such Investment Option Amount) set forth below:

Repurchase date during the 12-month period ending April 3	Premium
1991	12.4%
1992	19.1%
1993	26.2%
1994	33.8%
1995	41.9%
1996	50.4%

Upon repurchase, the then unexercised portion of the Option shall expire.

(c) Deferral of Repurchase. If the Participant is a person subject to Section 16 of the Securities Exchange Act of 1934, as amended, by reason of being or having been an officer or director of the Company, the Participant may by notice to PIP Funding I elect to defer any repurchase until 15 business days after the end of such Participant's Section 16 holding period. To be effective, any such notice of election must be received by PIP Funding I not later than 3:00 P.M., Los Angeles time, on the second business day prior to the repurchase date specified by PIP Funding I. The repurchase price for any such deferred repurchase shall be computed in accordance with Section 4(a) or Section 4(b)(ii), as applicable.

(d) Repurchase following Expiration. Unless repurchased pursuant to section 4 (a), 4(b) or 4(c), PIP Funding I shall repurchase the Option, in whole, on the business day next following April 3, 1996 by paying the Participant an amount equal to the Investment Option Amount applicable to the unexercised portion of the Option.

5. Termination of Employment.

(a) Death. If the Participant dies while employed by the Company or any of its subsidiaries, the Option shall continue in effect in accordance with its terms, and the beneficiary designated by the Participant, or, if no such beneficiary is so designated, the Participant's estate or any person who acquires the right to exercise the Option by reason of the Participant's death, shall be entitled (until the Expiration Date and subject to Sections 3 and 4) to exercise the Option to the extent not previously exercised.

(b) Permanent Disability. If the Participant's employment with the

Company or any of its subsidiaries is terminated by reason of permanent disability, as determined by the Committee, the Option shall continue in effect in accordance with its terms, and the Participant shall be entitled (until the Expiration Date and subject to Sections 3 and 4) to exercise the Option to the extent not previously exercised.

(c) Voluntary or Involuntary Termination of Employment. If the Participant's employment with the Company or any of its subsidiaries is voluntarily or involuntarily terminated for any reason other than as referred to in Sections 5(a), (b) or (d), the Participant shall be entitled, for a period of 90 days after such termination (but not after the Expiration Date), (i) to exercise the portion of the Option vested prior to the date of such termination to the extent not previously exercised or (ii) require that PIP Funding I repurchase the Option for the Investment Option Amount applicable to the unexercised portion thereof. Any such repurchase shall be effected within 7 business days after PIP Funding I receives a request therefor.

(d) Retirement. If the Participant retires at normal retirement age or, with the consent of the Committee, retires at an earlier age, the Option shall continue in effect in accordance with its terms and the Participant shall be entitled (until the Expiration Date and subject to Sections 3 and 4) to exercise the Option to the extent not previously exercised.

(e) Other. Following any termination of employment referred to in this Section 5, the Participant (or another person specified in Section 5(a) if that Section is applicable) may not at any time transfer the unexercised portion of the Option unless the Company, in its sole discretion, requests that the unexercised portion of the Option be transferred to another eligible employee of the Company or a subsidiary of the Company under arrangements mutually satisfactory to the Participant (or such other person specified in Section 5(a)), the Company and the transferee.

6. Exercise.

(a) General. The Option may be exercised by the Participant as a whole or from time to time in part by completion and delivery to PIP Funding I of an exercise notice (together with any documents specified therein) in one of several forms to be prescribed by PIP Funding I depending on whether the Participant proposes to pay the Purchase Price for the Debentures being purchased in cash or by delivery of a secured recourse note or by application of the proceeds from a simultaneous conversion of Debentures into Convertible Preferred Stock and then into Common Stock and the sale of all or a portion of such Common Stock. Upon exercise of the Option the Participant will be required to pay to PIP Funding I an amount equal to the Purchase Price (i.e., $100,000 for each $105,264 principal amount of Option Debentures being purchased) plus interest, if any (which payment of interest may be in cash or by a short-term secured recourse note). If requested several days in advance of exercise of the Option, PIP Funding I will endeavor to ascertain and advise the Participant of the approximate amount of any interest to be paid upon such exercise and the next date on which the Option may be exercised without payment of interest. The communications in the preceding sentence may be oral or in writing.

(b) Delivery of Notes. If payment of the Purchase Price and/or any interest is to be made by delivery of a secured recourse note or notes, the Purchased Option Debentures will be retained by PIP Funding I as security for the payment of the notes. The notes shall be in such forms as shall be prescribed by PIP Funding I and shall require a pledge of such Debentures and the delivery to PIP Funding I of such other documents as it may require in

connection therewith.

(c) Schedule. Upon each exercise of the Option, the Participant will be required to submit to PIP Funding I the Participant's copy of this

Investment Option Agreement for notation by PIP Funding I on the schedule annexed hereto of the principal amount of Option Debentures purchased, the date of exercise and the remaining principal amount of Option Debentures for which the Option may be exercised. When the Option has been fully exercised, the Participant's copy of this Investment Option Agreement will be marked cancelled. Upon any repurchase of the Option, the Participant will be required to deliver the Participant's copy of this Investment Option Agreement to PIP Funding I for similar marking.

7. Conversion. Conversion of Debentures acquired by a Participant upon exercise of the Option shall be effected by completion and delivery to the Company of a conversion notice (together with the documents specified therein) in one of several forms to be prescribed by the Company depending on the manner of payment of the Purchase Price and the disposition to be made of the Convertible Preferred Stock issuable upon conversion of the Debentures and the Common Stock issuable upon conversion of the Convertible Preferred Stock.

8. Subordinated Guarantee of the Company. The Company unconditionally and irrevocably guarantees that if PIP Funding I does not repay the investment Option Amount (including any premium with respect thereto) in connection with any repurchase of the Option required herein, the Company shall pay such amount as if the Company instead of PIP Funding I were the primary obligor for such amount under this Investment Option Agreement; provided, however, that this obligation of the Company is subordinated to the extent and in the manner provided in the Debentures as originally issued to PIP Funding I with regard to the Company's obligations under such Debentures, to the prior payment in full of all "Senior Debt" of the Company, as such term is defined in such Debentures.

9. Miscellaneous.

(a) No Right to Continued Employment. Neither this Investment Option Agreement nor the Plan shall be construed as giving the Participant any right to be retained in the employ of the Company or any of its subsidiaries.

(b) Non-Transferability. The Option is exercisable only by the Participant during his or her lifetime and neither this Investment Option Agreement nor the Option may be sold, pledged, assigned, hypothecated or

transferred in any manner other than by will or the laws of descent and distribution, except that they may be pledged as security for a loan to finance the Investment Option Amount or the Purchase Price under arrangements satisfactory to the Company or except as contemplated by Section 5(e). Upon exercise of the Option by the Participant, the purchased Debentures may be pledged, assigned, hypothecated or transferred, subject to compliance with applicable securities laws and delivery to the Company of a legal opinion satisfactory to the Company with respect to such compliance (except that the purchased Debentures may be pledged as security for any secured recourse notes delivered to PIP Funding I without the delivery of a legal opinion); provided,

however, that, concurrently with such sale, pledge, assignment, hypothecation or transfer, the Participant repays the outstanding balance of any secured recourse notes delivered by such Participant or the Company approves the assignment of the Participant's secured recourse notes to the transferee. Thereafter the Debentures shall be convertible only by the transferee.

(c) Tax Withholding. The Company and its subsidiaries shall have the right to require the Participant to remit to the Company, prior to the delivery of any certificate or certificates for Debentures, Convertible Preferred Stock or Common Stock or the payment of any money or other property, an amount sufficient to satisfy any Federal, state and/or local tax withholding requirements.

(d) Amendment. This Investment Option Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by each of the parties hereto. The waiver by any party of compliance with any provision of this Investment Option Agreement by any other party shall not operate or be construed as a waiver of any other provision of this investment Option Agreement, or of any subsequent breach by such party of a provision of this Investment Option Agreement.

(e) Maintenance of an Office or Agency. PIP Funding I will maintain an office or agency at the principal executive offices of the Company where this Investment Option Agreement may be submitted for exercise of the Option and where notices or demands to or upon PIP Funding I in respect hereof may be served. PIP Funding I will advise the Participant of any change in the location of such office or agency.

(f) Notices. Except as otherwise provided herein, every notice or other communication relating to this Investment Option Agreement shall be in writing, and shall be mailed or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; provided, however, that unless and until some other address shall be so designated, all notices or communications by the Company to the Participant may be given to the Participant personally or may be mailed to the address noted under the Participant's signature below.

(g) Headings. The headings of paragraphs herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Investment Option Agreement.

(h) Governing Law. This Investment Option Agreement is to be governed by and interpreted in accordance with the laws of the State of New York.

(i) Acknowledgment of Agency. The parties hereto acknowledge that PIP Funding I is acting as agent on behalf of the Company and is issuing and selling the Option and the remarketed notes issued under the indenture referred to in Exhibit A hereto, and is acquiring, holding and transferring the Debentures, in its capacity as such pursuant to the terms of this Investment Option Agreement and the Plan.

IN WITNESS WHEREOF, the parties hereto have executed this Investment

Option Agreement as of the day and year first above written.

NATIONAL MEDICAL ENTERPRISES, INC.

By_____
Title: Senior Vice President
Address: 11620 Wilshire Boulevard
Los Angeles, CA 90025
Attention: Treasurer
With a copy to: General Counsel

NME PIP FUNDING I, INC.

By_____
Title: President
Address: 11620 Wilshire Boulevard
Los Angeles, CA 90025
Attention: Treasurer

_____
Participant
Address:

_____
Social Security or Tax I.D. Number

Schedule

Record of Option Exercises

Date	Principal Amount of Debentures Purchased Pursuant to Option	Remaining Principal Amount of Debentures Subject to Option	Notation Made By

For the purposes of Section 3(b) the term "Accelerated Vesting Event" shall mean any of the following:

(i) Any "Designated Event" (as such term is defined below) not approved in advance by the Board of Directors of the Company or any "Call Event" or any "Acceleration Event", as such terms are defined below;

(ii) During any period of two consecutive years (not including any period prior to the execution of this Investment Option Agreement), individuals who at the beginning of such period constituted the Board of Directors of the Company and any new directors, whose election by the Board of Directors of the Company or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period, or whose election or nomination for election was previously so approved, cease to constitute a majority thereof; and

(iii) Any determination by the Board of Directors of the Company, in its sole and absolute discretion, that there has occurred a change in control of the Company.

For the purposes of (i) above and the definition of "Acquiring Person" below, any transaction not approved in advance by the Board of Directors of the Company is a transaction which has not obtained the concurrence of a majority of Continuing Directors, where "Continuing Director" shall mean any member of the Board of Directors of the Company (while such person is a member of the Board of Directors of the Company) who is not an Acquiring Person (as defined below) or an Affiliate (as defined below) or Associate (as defined below) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who either (i) was a member of the Board of Directors of the Company prior to the time that any person became an Acquiring Person or (ii) became a member of the Board of Directors of the Company subsequent to the time that any person became an Acquiring Person, if such person's nomination for election or election to the Board of Directors of the Company was recommended or approved by a majority of the Continuing Directors then in office and "Acquiring Person" shall mean any person who or which, together with all Affiliates and Associates of such Person, shall Beneficially Own a number of shares of voting stock having in the aggregate 20% or more of the general voting power of the Company, but shall not include (i) the Company, (ii) any subsidiary of the Company, (iii) any employee benefit plan or employee stock plan of

the Company or of any subsidiary of the Company or any person organized, appointed, established or holding voting stock by, for or pursuant to, the terms of any such plan, and (iv) any person who acquires a number of shares of voting stock having in the aggregate 20% or more of the general voting power of the Company in connection with a transaction or series of transactions approved prior to such transaction or transactions by the Board of Directors of the Company. "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect as of the date of the Indenture referred to below.

A person shall be deemed to "Beneficially Own" any securities of the Company in accordance with Section 13 of the Securities Exchange Act of 1934 and the Rules of the Securities and Exchange Commission thereunder (including Rule 13d-3, Rule 13d-5 or any successor provisions); provided, however, that a person

shall be deemed to Beneficially Own all securities that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time and without regard to the 60-day limitation referred to in Rule 13d-3.

For the purposes of (i) above, the terms "Designated Event", "Call Event" and "Acceleration Event" shall have the following meanings:

I. "Designated Event" means any one or more of the following events which shall occur subsequent to the date of the issuance by PIP Funding I of its Remarketed Notes (the "Notes") pursuant to the Indenture dated as of March 15, 1989 among the Company, PIP Funding I and Bankers Trust Company, as Trustee (the "Indenture"):

(A) (1) the Company shall consolidate with or merge into any other corporation or convey, transfer or lease all or substantially all of its assets to any person (other than a wholly owned direct or indirect subsidiary of the Company), or (2) any corporation shall consolidate with or merge into the Company, in either event pursuant to a transaction in which any common stock of the Company outstanding immediately prior to the effectiveness thereof is changed into or exchanged for cash, securities or other property.

(B) any person (other than the Company or any direct or indirect subsidiary of the Company or any employee benefit plan or employee stock plan of the Company or of any direct or indirect subsidiary of the Company or any person organized, appointed, established or holding voting securities by, for or pursuant to, the terms of any such plan) shall purchase or otherwise acquire, directly or indirectly, Beneficial Ownership

of securities of the Company and, as a result of such purchase or acquisition, such person (together with its "Associates" and "Affiliates') shall directly or indirectly Beneficially Own in the aggregate (1) twenty percent (20%) or more of the common stock of the Company, or (2) securities representing twenty percent (20%) or more of the combined voting power of the Company's voting securities, in each case under clause (1) or (2) outstanding on the date immediately prior to the date of such purchase or acquisition (or, if there be more than one, the last such purchase or acquisition); or

(C) on any day (a "Calculation Date") (1) the Company shall make any distribution or distributions of cash, securities or other property (other than regular periodic cash dividends at a rate which is substantially consistent with past practice and other than common stock, or rights to acquire common stock or preferred stock substantially equivalent to common stock) to holders of capital stock, whether by means of dividend, reclassification, recapitalization or otherwise, or (2) the Company or any direct or indirect subsidiary of the Company shall purchase or otherwise acquire, directly or indirectly, Beneficial Ownership of capital stock of the Company; and the sum of the Designated Percentages of all such distributions, purchases and acquisitions which have occurred an the Calculation Date and during the 365-day period immediately preceding the Calculation Date shall equal or exceed thirty percent (30%).

"Designated Percentage" means (1) in the case of each distribution referred to in clause (C) of the definition of Designated Event, the percentage determined as of the Calculation Date (as such term is defined in the definition of Designated Event) of each such distribution by dividing the aggregate fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive) of such distribution, by the fair market value (based on the Current market Price) of all of the shares of capital stock of the Company outstanding on the day immediately prior to such Calculation Date, and (2) in the case of each purchase or acquisition referred to in clause (C) of the definition of Designated Event, the percentage determined as of the Calculation Date of each such purchase or acquisition by

dividing-all amounts expended by the Company and its direct or indirect subsidiaries (the amount expended, if other than in cash, to be determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive) in connection with the purchase or acquisition of any shares of any class of capital stock of the Company by the fair market value (based on the Current Market Price) of all of the shares of capital stock of the Company outstanding on the day immediately prior to such Calculation Date.

"Current Market Price" means the average of the daily closing prices
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(or, if none, the average of the last daily bid and asked prices) of the applicable class of capital stock as quoted by the Primary securities exchange on which such stock is traded, or, if

none, the primary interdealer quotation system which reports quotations for such stock, for the trading days during the period of 90 consecutive calendar days ending on the day immediately prior to the Calculation Date.

II. A "Call Event" shall have occurred in the event that both (A) a
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Designated Event occurs on or before April 3, 1996 and (B) on any date which occurs during the period commencing 120 days prior to the public disclosure of the occurrence of such Designated Event and ending 120 days after such public disclosure, the rating of the Notes is downgraded to lower than BBB- by Standard & Poor's Corporation and its successors or lower than Baa3 by Moody's investors Service, Inc. and its successors, and if such downgrading occurs prior to such public disclosure, the rating assigned by S&P or Moody's on the date of such public disclosure remains lower than BBB- or lower than Baa3, respectively.

III. An "Acceleration Event" shall have occurred if both (i) an
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"Event of Default" with respect to the Notes has occurred and is continuing and (ii) the Trustee under the Indenture or the holders of the requisite percentage of the Notes shall have declared the principal of all the Notes to be due and payable immediately .

"Event of Default" means any one of the following events (whatever the
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reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Note when it becomes due and payable and the continuance of such default for a period of five days; or

(2) default in the payment of the principal on any Note at its maturity; or

(3) failure by PIP Funding I to redeem any Notes that are subject to mandatory redemption pursuant to the Indenture; or

(4) default in the performance, or breach, of any covenant of PIP Funding I or the Company contained in Article Eight or Section 10.8 of the indenture; or

(5) default in the performance or breach of any covenant of PIP Funding I or the Company contained in the indenture or in the Notes (other than

a default or breach which results specifically in an Event of Default under a clause of this definition other than this clause (5)), and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to PIP Funding I by the Trustee under the Indenture or to PIP Funding I and such Trustee by the holders of at least 25% in principal amount of the outstanding Notes, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture; or

(6) PIP Funding I or the Company pursuant to or within the meaning of any bankruptcy law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors; or

(7) a court of competent jurisdiction enters an order or decree under any bankruptcy law that:

(A) is for relief against PIP Funding I or the Company in an involuntary case and such order or decree shall continue for a period of 60 days undismissed, undischarged or unbonded,

(B) appoints a custodian of PIP Funding I or the Company or for all or substantially all of its property and such order or decree shall continue for a period of 60 days undismissed, undischarged or unbonded, or

(C) orders the liquidation of PIP Funding I or the Company and such order remains unstayed and in effect for a period of 60 days undismissed, undischarged or unbonded.

EXHIBIT 10(n)

AGREEMENT

AGREEMENT (the "Agreement"), dated as of August 22, 1995, between Tenet Healthcare Corporation, a Nevada corporation and stockholder ("Stockholder") of The Hillhaven Corporation, a Nevada corporation ("Hillhaven"), Hillhaven and Vencor, Inc., a Delaware corporation (the "Company").

WHEREAS, the Company and Hillhaven have entered into an Amended and Restated Agreement and Plan of Merger, dated as of April 23, 1995 and as amended and restated as of July 31, 1995 (as the same may be further amended from time to time, the "Merger Agreement"), providing for the merger (the "Merger") of Hillhaven with and into the Company pursuant to the terms and conditions of the Merger Agreement, and setting forth certain representations, warranties, covenants and agreements of the parties thereto in connection with the Merger; and

WHEREAS, to facilitate the transactions contemplated by the Merger Agreement, Stockholder, Hillhaven and the Company have agreed to the matters set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt, sufficiency and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Representations of the Parties. (a) Stockholder represents and warrants to the Company and Hillhaven that (i) Stockholder owns beneficially (as such term is defined in the Securities Exchange Act of 1934, as amended (the "1934 Act")) 8,878,147 shares of Hillhaven's Common Stock, par value $0.75 per share (the "Hillhaven Common Stock"), 35,000 shares of Series C Preferred Stock, par value $.15 per share (the "Series C Preferred Stock"), of Hillhaven and 65,430 shares of Series D Preferred Stock, par value $.15 per share (the "Series D Preferred Stock"), of Hillhaven (collectively, the Series C Preferred Stock and the Series D Preferred Stock the "Shares") free and clear of all liens, claims, charges, security interests or other encumbrances and, except for this Agreement and the Merger Agreement and except as set forth in publicly available documents prior to the date hereof, there are no options, warrants or other rights, agreements, arrangements or commitments of any character to which Stockholder is a party relating to the pledge, disposition or voting of any shares of capital stock of Hillhaven and there are no voting trusts or voting agreements with respect to such Shares, (ii) Stockholder does not beneficially own any shares of Hillhaven Common Stock or Shares other than as set forth above and does not have any options, warrants or other rights to acquire any additional shares of capital stock of

Hillhaven or any security exercisable for or convertible into shares of capital stock of Hillhaven, and (iii) Stock holder has full power and authority to enter into, execute and deliver this Agreement and to perform fully its obligations hereunder. This Agreement has been duly executed and delivered by Stockholder and constitutes the legal, valid and binding obligation of Stockholder in accordance with its terms.

(b) The Company represents and warrants to Stockholder and Hillhaven that the Company has full power and authority to enter into, execute and deliver this Agreement and to perform fully its obligations hereunder. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company in accordance with its terms.

(c) Hillhaven represents and warrants to the Company and Stockholder

that (i) Hillhaven has full power and authority to enter into, execute and deliver this Agreement and to perform its obligations hereunder and (ii) Hillhaven has taken all action, including, without limitation, any action required by its Board of Directors, so that this Agreement will not cause any "fair price", "moratorium", "control share acquisition" or other similar antitakeover statute or regulation enacted under any state or federal laws in the United States applicable to Hillhaven (including, without limitation, the Nevada Control Share Acquisition Act) to be applicable to the Merger or the transaction contemplated by the Merger Agreement. This Agreement has been duly executed and delivered by Hillhaven and constitutes the legal, valid and binding obligation of Hillhaven in accordance with its terms.

2. Agreement to Vote Shares. Subject to the terms and conditions of this Agreement, Stockholder agrees during the term of this Agreement to vote the Shares, and to cause any holder of record of such Shares to vote, in favor of adoption and approval of the Merger Agreement and the Merger at every meeting of the stockholders of Hillhaven at which such matters are considered and at every adjournment thereof. Notwithstanding the foregoing, Stockholder shall be free to vote its Hillhaven Common Stock in its sole discretion in connection with the Merger.

3. No Voting Trusts. Stockholder agrees that it will not, nor will it permit any entity under its control to, deposit any of the Shares in a voting trust or subject any of the Shares to any arrangement with respect to the voting of such Shares other than agreements entered into with the Company.

4. No Proxy Solicitations. (a) Stockholder agrees that unless Hillhaven receives a proposal for a merger or consolidation that Stockholder concludes is superior in its sole discretion to the Merger to Stockholder, Stockholder will not, nor will it permit any entity under its control to, (i) solicit proxies or become a "participant" in a "solicitation" (as such terms are defined in Regulation 14A under the 1934 Act) in opposition to or competition with the consummation of the Merger or (ii) become a member of a "group" (as such term is used in Section 13(d) of the 1934 Act) with respect to any voting securities of Hillhaven for the purpose of opposing or competing with the consummation of the Merger.

(b) In consideration for the undertaking in 4(a) above, Hillhaven agrees (i) not to set a record date or meeting date for a meeting (whether annual or special) of stockholders for the election of directors prior to the meeting of Hillhaven stockholders to consider the Merger Agreement and the Merger and (ii) if the Agreement is not approved by Hillhaven shareholders or the Merger Agreement is terminated, at the option of Hillhaven, to (x) waive the existing advance notice provisions of Sections 1.10 and 1.11 of Hillhaven's Amended and Restated By-Laws in connection with the next annual meeting of Hillhaven stockholders for the election of directors and apply the provisions relating to advance notice in connection with a special meeting for the election of directors to such annual meeting or (y) provide Stockholder with sufficient advance notice (whether orally or in writing) of the date of the next annual meeting of Hillhaven's stockholders to permit Stockholder to comply with such By-law Sections.

5. Transfer and Encumbrance. (a) Stockholder agrees not to transfer, sell, offer, exchange, pledge or otherwise dispose of or encumber (i) any of the Shares, or any shares of common stock, par value $.25 per share, of the Company (or any security into which such stock is converted or exchanged) (the "Company Common Stock"), from and after the date hereof or (ii) any shares of Hillhaven Common Stock from and after the date 30 days prior to the meeting of Hillhaven stockholders to consider the Merger Agreement and, in each case, until such time following the Merger as results covering at least 30 days of combined operations of Hillhaven and the Company (the "Combined Operations Results") have been

published by the Company in the form of a quarterly earnings report, an effective registration statement filed with the Securities and Exchange Commission (the "Commission"), a report to the Commission on Form 10-K, 10-Q or 8-K, or any other public filing or announcement which includes such combined results of operations (the

"Expiration Date"). The Company agrees that if requested to do so by Stockholder within five business days after the Effective Date of the Merger, the Company will publish the Combined Operations Results not later than 90 days after the Effective Date of the Merger (such request shall be a "Request Event" for purposes of this agreement). Notwithstanding the foregoing, Stockholder may tender its shares of Hillhaven Common Stock into a tender offer that Stockholder concludes is superior in its sole discretion to the Merger to Stockholder. Stockholder agrees not to exercise in connection with the Merger any appraisal or similar rights with respect to any Hillhaven Common Stock.

(b) Stockholder agrees that after the time of any Request Event and for so long as it is the beneficial owner of more than 5% of the issued and outstanding Company Common Stock it shall not transfer, sell, offer, exchange, or otherwise dispose of any of the Company Common Stock except pursuant to (i) a bona fide public offering of the Company Common Stock, registered under the Securities Act of 1933, as amended (the "1933 Act"), with the lead manager of such public offering being selected by Stockholder and the co-manager of such public offering being selected by the Company, if such offering shall be an underwritten offering; (ii) a private placement exempt from registration under federal securities laws, and (iii) the issuance by Stockholder (or an affiliate of Stockholder or an entity established by or at the request of Stockholder) of debt or equity securities of Stockholder (or an affiliate of Stockholder or an entity established by or at the request of Stockholder) that would be exchangeable or convertible into shares of Company Common Stock in a transaction in which the lead manager or lead placement agent is selected by the Stockholder and the co-manager or co-placement agent shall be selected by the Company; provided, however, that no sales or series of sales of more than 2.5% of the
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voting power of the then outstanding Company Common Stock shall be made to any person or related group of persons who would immediately thereafter own or have the right to acquire more than 5% of the voting power of the then outstanding Company Common Stock. Stockholder agrees that after the time of any Request Event it will not pledge or encumber any shares of Company Common Stock except in a bona fide financing transaction with a person or persons who are regularly engaged in the business of entering into such transaction.

6. Additional Purchases. Stockholder agrees that it will not
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purchase or otherwise acquire (except for shares of Series D Preferred Stock acquired as a dividend from Hillhaven in accordance with the terms hereof) beneficial ownership of any shares of Series C Preferred

Stock or Series D Preferred Stock after the execution of this Agreement ("New Shares"). Stockholder also agrees that any New Shares acquired or purchased by it shall be subject to the terms of this Agreement to the same extent as if they constituted Shares.

7. Litigation. Stockholder and Hillhaven are parties to Stipulation
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re: Stay of Present Action in National Medical Enterprises, Inc. v. The
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Hillhaven Corporation (Case No. BC 122083, Los Angeles County Superior Court),
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filed March 24, 1995 (the "Stipulation"). Stockholder and Hillhaven agree to extend the Stipulation during the term of this Agreement, provided that all parties in all actions pending against Hillhaven and certain of its directors in

other courts in other jurisdictions as well as an action by Hillhaven pending against Horizon Healthcare Corporation in Nevada Federal District Court agree to stay all litigation against and by Hillhaven and its directors on the terms set forth in the Stipulation. Stockholder and Hillhaven further agree that upon consummation of the Merger each shall voluntarily dismiss with prejudice any and all pending claims, litigation or court proceedings it may have against the other or any of its respective subsidiaries, directors or executive officers with respect to the matters relating to the acquisition proposal of Horizon Healthcare Corporation or the Merger.

8. Certain Actions. Stockholder agrees that after any Request Event, subject to the terms and conditions of this Agreement, for the period ending seven years following the consummation of the Merger neither it nor any of its Affiliates (as such term is defined in Rule 12b-2 under the 1934 Act) at such time, regardless of whether such person or entity is an Affiliate on the date hereof, will, directly or indirectly, alone or in concert with others (a) acquire, offer to acquire, or agree to acquire, by purchase, gift or otherwise, any Company Common Stock or direct or indirect rights, securities or options to acquire (through purchase, exchange, conversion or otherwise) any Company Common Stock (collectively, including such rights, securities and options, the "Voting Securities") or seek to advise, encourage or influence any person or entity with respect to the acquisition of Voting Securities of the Company, (b) make, or in any way participate in, any "solicitation" of "proxies" (as such terms are defined in Regulation 14A promulgated by the Commission pursuant to Section 14 of the 1934 Act) to vote, or communicate with or seek to advise, encourage or influence any person or entity with respect to the voting of, any Voting Securities, (c) form, join or in any way participate in a "group" within the meaning of Section 13(d)(3) of the 1934 Act with respect to

any Voting Securities, (d) deposit any Voting Securities into a voting trust or subject any such securities to any arrangement or agreement with respect to the voting thereof, except as provided herein, (e) otherwise act to seek, or to assist or encourage in any respect any other person or entity to seek, to control or influence in any manner the management, Board of Directors, policies or affairs of the Company, or (f) request that the Company waive or amend any provisions of this Section 8. Notwithstanding the foregoing, if Stockholder acquires Voting Securities as a result of the acquisition of an entity that beneficially owns Voting Securities, then Stockholder shall be permitted to dispose of such Voting Securities as promptly as is practicable.

9. Consent. (a) At the effective time of the Merger (the "Effective Time"), (i) the Company hereby agrees to assume all of the obligations of Hillhaven under the Guarantee Reimbursement Agreement, dated as of January 31, 1990, as amended from time to time, between Stockholder and Hillhaven (the "Guarantee Agreement") and to deliver to Stockholder a certificate of the Chief Financial Officer of the Company to the effect that no Default (as such term is defined in the Guarantee Agreement) or Event of Default (as such term is defined in the Guarantee Agreement) has occurred or is continuing or shall have occurred after giving effect to the Merger, and (ii) Stockholder hereby agrees (A) to consent to the assignment of the Guarantee Agreement to the Company, (B) that such assignment will not constitute an Event of Default under the Guarantee Agreement, (C) to waive any rights it may have to terminate the Guarantee Agreement as a consequence of the Merger or such assignment and (D) to consent to the Company's entering into a credit facility pursuant to which the Company will incur indebtedness secured by a first lien on certain assets and properties of the Company, as described in the Registration Statement on Form S-4 (File No. 33-59345).

(b) At the Effective Time, (i) the Company hereby agrees to assume all of the obligations of Hillhaven under the Services Agreement, dated as of January 31, 1990, as amended from time to time, between Stockholder and Hillhaven (the "Services Agreement") and (ii) Stockholder hereby agrees (A) to consent to the assignment of the Services Agreement to the Company and (B) to

waive any rights it may have to terminate the Services Agreement as a consequence of the Merger or such assignment.

10. Specific Performance. Each party hereto acknowledges that it will be impossible to measure in money the damage to the other party if a party hereto fails to

comply with any of the obligations imposed by this Agreement, that every such obligation is material and that, in the event of any such failure, the other party will not have an adequate remedy at law or damages. Accordingly, each party hereto agrees that injunctive relief or any other equitable remedy, in addition to remedies at law or damages, is the appropriate remedy for any such failure and will not oppose the granting of such relief on the basis that the other party has an adequate remedy at law.

11. Other Agreements. (a) Tax Matters. (i) With respect to the Tax Sharing Agreement between Stockholder and Hillhaven dated as of January 31, 1990 (the "Tax Sharing Agreement"), Stockholder agrees that:

(A) Sections 2.1, 2.2, 3.2(b) and 4.1 of the Tax Sharing Agreement shall have no effect with respect to any Taxes or Tax Returns (as such terms are defined in the Tax Sharing Agreement) for any taxable period that ends after the closing date of the Merger Agreement,

(B) anything in the Tax Sharing Agreement to the contrary notwithstanding, the Tax Sharing Agreement shall not restrict the Surviving Corporation (as defined in the Merger Agreement) from taking or omitting to take any action with respect to the Surviving Corporation's Taxes or Tax Returns for any taxable period that ends after the closing date of the Merger Agreement,

(C) unless otherwise required by applicable law or pursuant to a settlement with any Tax authority, Stockholder shall not, on or after the date hereof, change any election referred to in Section 2.1 of the Tax Sharing Agreement or make any additional elections thereunder,

(D) to the extent that any refund claim or suit referred to in Section 3.2(b) of the Tax Sharing Agreement as modified by Section 11(a)(i)(A) hereof, effects any material Tax Item (as defined in the Tax Sharing Agreement) of the Surviving Corporation, Stockholder agrees to consult in good faith with, and keep reasonably informed, the Surviving Corporation and the Company, in regard to such refund claims, or suits; provided, however, that any such refund claims or suits shall be contested, negotiated, and settled under the control, and at the sole discretion, of Stockholder, and

(E) anything in Section 4.1(b) of the Tax Sharing Agreement to the contrary notwithstanding, the Company or Surviving Corporation shall not be liable for any outside professional fees or similar third party costs reasonably incurred in the course of any Tax controversy which is controlled by Stockholder, provided that (w) Surviving Corporation shall, and the Company shall cause Surviving Corporation to, make its records available to Stockholder during normal business hours and permit Stockholder to make copies thereof to the extent reasonably necessary to contest, negotiate, and settle such Tax controversy, (x) the Company and Surviving Corporation shall make their employees available to render any assistance during normal business hours that may be reasonably requested by Stockholder in preparation for or during the course of such Tax controversy at no charge to Stockholder,

(y) Stockholder shall have the opportunity to review and approve any material outside professional fees or similar third party costs, as described above, that are proposed to be incurred by the Company or Surviving Corporation, which approval shall not be unreasonably withheld, and (z) the Company and Surviving Corporation shall not be entitled to any reimbursement from Stockholder pursuant to this Section 11(a)(i)(E) for any outside professional fees or similar third party costs incurred in connection with services that could be reasonably rendered by employees of the Company or Surviving Corporation.

(ii) Stockholder agrees to permit the Surviving Corporation and its representatives reasonable access to the records (other than records that are subject to an attorney-client privilege) of Stockholder to facilitate an understanding of matters relating to the spin-off of Hillhaven from Stockholder, provided that the Surviving Corporation executes a customary form of confidentiality agreement.

(b) Registration Rights. The Company agrees after the Effective Time of the Merger to provide Stock holder with registration rights for all shares of Company Common Stock received by Stockholder (or its subsidiaries) in the Merger (whether offered for sale directly or in connection with the issuance of debt or equity securities of Stockholder (or an affiliate of Stockholder or an entity established by or at the request of Stockholder) that would be exchangeable or convertible into shares of Company Common

Stock) on (except as contemplated by Section 5(b) of this Agreement) the same terms and subject to the same conditions as exist in the Warrant and Registration Rights Agreement, dated as of January 30, 1990, between Hillhaven and Stockholder. In addition to its obligations under the Warrant and Registration Rights Agreement, the Company agrees upon the request of Stockholder to cause its executive officers to be available for a reasonable period of time for meetings with investors and potential investors in any such offering of Company Common Stock and to otherwise use its reasonable efforts to assist in the orderly distribution of Company Common Stock received in the Merger (any such request shall be a "Request Event" for purposes of this Agreement).

12. Representation Letter. Stockholder agrees to provide the Company and Hillhaven, at or before the Effective Time of the Merger, with the representation letter previously agreed upon between the parties stating that Stockholder has no present plan or intention to dispose of any Company Common Stock which Stockholder receives in the Merger, if such letter will be required in order for the Company's or Hillhaven's counsel to provide the tax opinion required under Section 8 of the Merger Agreement.

13. Entire Agreement. This Agreement supersedes all prior agreements, written or oral, among the parties hereto with respect to the Merger Agreement and the Merger and contains the entire agreement among the parties with respect to the Merger Agreement and the Merger. This Agreement may not be amended, supplemented or modified, and no provisions hereof may be modified or waived, except by an instrument in writing signed by all the parties hereto. No waiver of any provisions hereof by any party shall be deemed a waiver of any other provisions hereof by any such party, nor shall any such waiver be deemed a continuing waiver of any provision hereof by such party.

14. Notices. All notices, requests, claims, demands or other communications hereunder shall be in writing and shall be deemed given when delivered personally, upon receipt of a transmission confirmation if sent by telecopy or like transmission and on the next business day when sent by Federal Express, Express Mail or other reputable overnight courier service to the

parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company:

Vencor, Inc.
1300 Providian Center
4000 West Market Street
Louisville, Kentucky 40202

Attention: Jill L. Force
Telecopy: (502) 569-1104

With a copy to:

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: Joseph B. Frumkin
Telecopy: (212) 558-3588

If to Stockholder:

Tenet Healthcare Corporation
2700 Colorado Avenue
Santa Monica, California 90404

Attention: General Counsel
Telecopy: (310) 998-6956

With a copy to:

Skadden, Arps, Slate, Meagher & Flom
300 South Grand Avenue
Los Angeles, California 90071

Attention: Brian J. McCarthy
Telecopy: (213) 687-5600

If to Hillhaven:

1148 Broadway Plaza
Tacoma, Washington 98402

Attention: Richard P. Adcock, Sr. V.P. and
General Counsel
Telecopy: (206) 502-3623

With a copy to:

Fried, Frank, Harris, Shriver & Jacobson
1 New York Plaza
New York, New York 10004

Attention: Peter Golden
Telecopy: (212) 859-4000

15. Miscellaneous.

(a) This Agreement shall be deemed a contract made under, and for all purposes shall be construed in accordance with, the laws of the State of

Delaware.

(b) If any provision of this Agreement or the application of such provision to any person or circum stances shall be held invalid or unenforceable by a court of competent jurisdiction, such provision or application shall be unenforceable only to the extent of such invalidity or unenforceability and the remainder of the provision held invalid or unenforceable and the application of such provision to persons or circumstances, other than the party as to which it is held invalid, and the remainder of this Agreement, shall not be affected.

(c) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(d) This Agreement shall terminate upon the earlier to occur of (i) termination of the Merger Agreement in accordance with its terms, (ii) by Stockholder, if the Merger has not been consummated by December 31, 1995, (iii) by Stockholder, if the product of the Parent Average Price (as defined in the Merger Agreement) times the Conversion Number (as defined in the Merger Agreement) is less than $31 per share, provided, however, that Stockholder may not terminate if Hillhaven has been advised in writing by the Company that the Conversion Number shall be determined by dividing $31 by the Parent Average price (without regard to any maximum imposed on the Conversion Number absent this clause by Section 1.02(b) of the Merger Agreement), (iv) when Stockholder no longer owns Voting Securities, and (v) the date specified in a written agreement duly executed and delivered by the Company, Hillhaven and Stockholder; provided that Sections 8 and 11(a) of this Agreement shall survive any termination of this Agreement pursuant to clause (iv) above.

(e) All Section headings herein are for convenience of reference only and are not part of this Agreement, and no construction or reference shall be derived therefrom.

(f) The parties agree that there is not and has not been any other agreement, arrangement or understand ing between the parties hereto with respect to the matters set forth herein.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

VENCOR, INC.

By: /s/ W. Earl Reed, III

Vice President, Finance
and Development

TENET HEALTHCARE CORPORATION

By: /s/ Raymond L. Mathiasen

Senior Vice President

THE HILLHAVEN CORPORATION

By: /s/ Bruce L. Busby

Chairman and Chief
Executive Officer

EXHIBIT 10(o)

ASIA STOCK PURCHASE AGREEMENT

dated as of

May 24, 1995,

between

NATIONAL MEDICAL ENTERPRISES, INC.

and

PARKWAY HOLDINGS LIMITED

TABLE OF CONTENTS

Exhibits

ASIA STOCK PURCHASE AGREEMENT

This Asia Stock Purchase Agreement is entered into as of May 24, 1995, between Parkway Holdings Limited, a Singapore corporation ("Buyer"), and National Medical Enterprises, Inc., a Nevada corporation ("Seller").

R E C I T A L S

WHEREAS, Seller, directly and indirectly through its subsidiaries and affiliates, owns and operates an international hospital, diagnostic, pathology, radiology and related healthcare services business currently operating in Singapore and Malaysia and holds interests in certain activities in Thailand (such operations and interests, as currently conducted, are hereinafter referred to as the "Business");

WHEREAS, the Business is conducted by Seller through NME Asia Pte Ltd., a Singapore corporation ("NME Asia"), Pacific Medical Enterprises Sdn. Berhad, a Malaysian corporation ("PME"), Subang Jaya Medical Centre Sdn Bhd, a Malaysian corporation ("SJMC"), and Bumrungrad Medical Center Limited, a Thailand corporation ("BMC" and together with NME Asia, (PME and SJMC, the "Companies"), and the Subsidiaries of the Companies;

WHEREAS, Seller desires to sell, and Buyer desires to buy, the Business; and

WHEREAS, pursuant to this Agreement, Seller desires to sell, and Buyer desires to buy, all (or, with respect to Malaysia, all of Seller's interest in) the outstanding capital stock of the Companies and, if Section 7.5(b) is applicable, all of Seller's interest in the Thai Business (collectively, the "Stock") for the consideration described herein.

A G R E E M E N T

In consideration of the mutual promises contained herein and intending to be legally bound the parties agree as follows (except as otherwise expressly provided, all defined terms in this Agreement shall have the meanings assigned to them in Article IX hereof):

ARTICLE I
PURCHASE AND SALE; CLOSING

1.1 SALE AND PURCHASE OF STOCK.

Subject to the terms and conditions of this Agreement, Seller agrees to, or to cause each Seller Entity to, sell the Stock and convey, transfer, assign and deliver the certificates evidencing the Stock to Buyer at the Closing, and Buyer agrees to purchase the Stock from Seller. Section 1.1 of the Disclosure Schedule sets forth each of the Seller Entities and the Stock owned thereby. The certificates will be accompanied by a board resolution of the applicable Company irrevocably approving the registration and transfer in favor of the Buyer subject to the transfer being duly stamped, and properly endorsed

for transfer to or accompanied by a duly executed stock power or transfer form in favor of Buyer or its nominee as Buyer may have directed prior to the Closing Date and otherwise in a form acceptable for transfer on the books of the Company in which they evidence an interest.

1.2 PURCHASE PRICE.

Subject to the terms and conditions of this Agreement, Buyer agrees to pay to Seller or its order at the Closing in exchange for the Stock an amount equal to (i) U.S.$352,000,000 less (ii) the U.S. dollar amount determined by converting S$120,000,000 (which represents the amount of indebtedness of the Business at February 28, 1995) less S$10,627,340 and MR1,429,792 (which represents cash and cash equivalents of the Business at February 28, 1995) into U.S. dollars at the average of the Singapore Dollar/U.S. Dollar and Malaysian Ringgit/U.S. Dollar exchange rates published in the "Currency Rates in New York" section of the Asian Wall Street Journal for the ten business day period ending two business days prior to the Closing Date (the "Purchase Price"); provided, however, that the Purchase Price may be adjusted or partially paid in accordance with Sections 1.6, 1.7, 4.11 and 7.5 hereof. The Purchase Price shall be paid in cash (in funds immediately available in Hong Kong). The Purchase Price shall be allocated among the Stock of each Company and certain Subsidiaries as set forth in Exhibit A.

1.3 THE CLOSING.

(a) The Closing shall take place at the offices of O'Melveny & Myers in Hong Kong, on the later of June 29, 1995 and the tenth business day after the satisfaction of the conditions specified in Sections 6.1(b), 6.2(c) and 6.3(b), or at such other place or on such other date as Seller and Buyer may agree, subject to Section 1.3(b). The parties shall use their reasonable best efforts to effectuate the Closing by June 29, 1995.

(b) In the event that pursuant to Section 7.5, the Closings in respect of the Malaysian Business and the Thai Business do not occur concurrently with the Closing in respect of the Core Business, the Closing in respect of either the Malaysian Business or the Thai Business, as the case may be, shall thereafter take place at the offices of O'Melveny & Myers in Hong Kong on the fifth business day after the satisfaction of the conditions specified in Sections 6.1(b), 6.2(c) and 6.3(b) (insofar as such conditions relate to the Malaysian Business or the Thai Business, as the case may be), or at such other place or on such other date as Seller and Buyer may agree.

1.4 MISCELLANEOUS ASSETS.

At the Closing, Seller shall convey or shall cause the Seller Entities to convey to Buyer or Buyer's designee all assets owned by Seller or any of its Affiliates (other than the Companies or the Subsidiaries) used in the Business at no additional consideration, including the assets set forth in Section 1.4 of the Disclosure Schedule, other than the assets identified in Section 2.1 (III) of the Disclosure Schedule. In connection with the sale of the Malaysian Business, Seller shall convey or shall cause the Seller Entities to convey to Buyer or Buyer's designee all of Seller's or the Seller Entity's rights to receive from Subang Jaya Medical Centre the principal amount of MR13,090,640 and all of its other rights in respect thereof. In connection with the sale of the Thai Business, Seller shall convey or shall cause the Seller Entities to convey to Buyer the Thai Promissory Note and any other instrument or instruments evidencing any rights of the Seller Entities in the Thai Business. The sale, conveyance, transfer, assignment and delivery by the Seller Entities to Buyer shall be effected on the Closing Date by such deeds, bills of sale, endorsements, stock powers, transfer forms, assignments and other instruments of transfer and conveyance as are reasonably satisfactory in form and substance to

counsel for Buyer (the "Conveyancing Documents").

1.5 RELEASE AND WAIVER.

Except as expressly provided for in this Agreement or as set forth in Section 1.5 of the Disclosure Schedule, the Closing shall constitute an unconditional release and waiver by Seller and its subsidiaries and Affiliates (other than the Companies and the Subsidiaries) of, and Seller thereby covenants to cause its subsidiaries and Affiliates to unconditionally release and waive, any and all claims it or any of its subsidiaries or Affiliates may have against or with respect to any of the Companies, the Subsidiaries or any other assets constituting part of the Business or described in Section 1.4 hereof.

1.6 TRANSFER OF ASSETS.

Prior to the Closing, Seller shall cause International-NME, Inc. ("International-NME"), a California corporation and a wholly owned subsidiary of Seller, to transfer to NME Asia all of its 19.46% interest in the outstanding capital stock of Mount Elizabeth Healthcare Holdings Ltd., a Singapore corporation, as set forth in Section 2.1 of the Disclosure Schedule. In consideration of the foregoing, NME Asia shall transfer the Thai Business (including the Promissory Note, dated July 22, 1993, in the principal amount of U.S. $8,900,000 payable on demand by BMC to NME Asia (the "Thai Promissory Note")) to International-NME. The portion of the Purchase Price allocated to the Core Business will be reduced by the amount of any loans or other contributions made by NME Asia or any of its Subsidiaries to the Thai Business after February 28, 1995 in excess of S$1,601,040, translated into U.S. Dollars in the manner set forth in Section 1.2 (the "Reduction Amount"). The Reduction Amount will be added to the portion of the Purchase Price allocated to the Thai Business.

1.7 DEPOSIT.

On or prior to the close of business in Los Angeles on May 30, 1995, Buyer shall cause to be wire transferred to an interest bearing account of Seller designated by Seller to Buyer, U.S. $5,000,000 (the "Deposit"). If the Closing with respect to the Core Business does not occur on or prior to July 31, 1995 solely as a result of the failure of the condition set forth in Section 6.3(c), the Deposit shall be forfeited and Buyer shall have no further right or interest with respect thereto. If the Closing with respect to the Core Business occurs on or prior to July 31, 1995, the amount of the Deposit, together with all accrued and unpaid interest thereon, shall be applied in full against the Purchase Price. If the Closing with respect to the Core Business does not occur for any reason other than the failure to satisfy the condition set forth in Section 6.3(c)(even if the condition set forth in Section 6.3(c) has not been satisfied), the Deposit, together with all accrued and unpaid interest thereon, will be returned by Seller to Buyer within two (2) business days after the earlier of August 1, 1995 and the termination of this Agreement with respect to the Core Business pursuant to Section 7.1. Seller should not be permitted to, and hereby waives, any right to exercise or claim any right of set-off, recoupment counterclaim or any similar right with respect to the Deposit or any of the accrued and unpaid interest thereon. Seller will place the Deposit in an interest-bearing account with Bank of America in Los Angeles and the Deposit shall thereafter accrue interest at the rate provided for such account.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller has invited Buyer to perform and Buyer has performed due diligence and business investigations with respect to each Company and

Subsidiary (other than the Malaysian Business), with the intention that Buyer form its own conclusions regarding the condition and value of the Business pursuant to the parties' express intention that the sale of the Business be without representation or warranty by Seller, express or implied, except as set forth in this Agreement and the Disclosure Schedule, which representations and warranties Seller acknowledges Buyer is relying upon in entering into this Agreement. Seller represents and warrants to Buyer as follows:

2.1 COMPANIES AND SUBSIDIARIES; ORGANIZATION AND RELATED MATTERS.

Section 2.1 of the Disclosure Schedule lists all Companies and all Subsidiaries of each Company and correctly sets forth the capitalization of each Company and Subsidiary, the jurisdiction in which each Company and each Subsidiary is organized and each jurisdiction in which each Company and Subsidiary is qualified or licensed to do business as a foreign person. Each Seller Entity and each Company and its Subsidiaries are corporations duly organized and validly existing under the respective laws of the jurisdiction of their incorporation or organization. Each Seller Entity has all necessary corporate power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated by this Agreement. Each Company and its Subsidiaries have all necessary corporate power and authority to own or lease their respective properties and assets and to carry on their respective businesses as now conducted and, in the case of BMC, as the Thai Business is contemplated to be conducted. Section 2.1 of the Disclosure Schedule correctly lists the current directors and executive officers of each Company and Subsidiary. Copies of the respective charter documents of each Company and Subsidiary, which have been delivered to Buyer, are true, correct and complete. The Companies and their respective Subsidiaries constitute all the entities through which Seller conducts the Business, and, except as set forth in Sections 1.4 or 2.1 of the Disclosure Schedule, the assets and properties owned or leased by the Companies and their respective Subsidiaries constitute all the material assets, properties and rights used by Seller and its subsidiaries and Affiliates in connection with the conduct of the Business.

2.2 STOCK.

(a) Except as described in Section 2.1 of the Disclosure Schedule, Seller owns through one or more Seller Entities all of the outstanding Equity Securities of each

Company beneficially and of record. Except as described in Section 2.1 of the Disclosure Schedule, each Company owns directly or indirectly through its Subsidiaries all of the outstanding Equity Securities of each of its Subsidiaries, beneficially and of record. Except as described in Section 2.2 of the Disclosure Schedule, all of such Equity Securities of the Companies and the Subsidiaries are owned free and clear of any Encumbrance. At the Closing, Buyer will acquire good and valid title to and complete ownership of the Stock, with all rights attaching thereto as of the Closing Date, free and clear of any Encumbrance. The authorized, issued and outstanding capital stock of each Company and Subsidiary is described in Section 2.1 of the Disclosure Schedule. Except as described in Section 2.2 of the Disclosure Schedule, there are no outstanding Contracts or other rights to subscribe for or purchase, or Contracts or other obligations to issue or grant any rights to acquire, any Equity Securities of any Company or Subsidiary, or to restructure or recapitalize any Company or Subsidiary. Other than this Agreement and except as set forth in Sections 2.2 or 2.8 of the Disclosure Schedule, neither the Stock nor the Equity Securities of any Subsidiary owned by any of the Companies or any Subsidiary is subject to any voting trust agreement or other Contract, agreement, arrangement, commitment or understanding, including any such agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or disposition thereof.

(b) Except as set forth in Section 2.2 of the Disclosure Schedule, no Company or Subsidiary directly or indirectly owns any Equity Securities of any Person and no Company or Subsidiary is a member of or participant in any partnership, joint venture or similar Person, including, to the knowledge of Seller, all joint ventures entered into with doctors in the ordinary course of Business (other than passive investment holdings in amounts not material in the aggregate and other than Equity Securities of Subsidiaries or other Subsidiaries).

2.3 FINANCIAL STATEMENTS; CHANGES; CONTINGENCIES.

(a) Seller has delivered to Buyer a consolidated balance sheet for the Business at each of May 31, 1994 and 1993 and the related consolidated statements of operations, changes in owner's equity and changes in financial position or cash flow (including the notes thereto and the consolidating schedules) for the periods ended May 31, 1994, 1993 and 1992, a true and correct copy of each of which has been provided to Buyer by Seller. All such financial statements have been audited by the Auditors whose reports thereon are included with such financial statements. Such statements of operations and cash flow present fairly in all

material respects the results of operations and cash flows of the Business for the respective periods covered, and the balance sheets present fairly in all material respects the financial condition of the Business as of their respective dates, in all cases in conformity with GAAP applied on a consistent basis (except for changes, if any, required by GAAP and disclosed therein).

(b) Seller has delivered to Buyer a consolidated balance sheet for the Business at each of February 28, 1995 (the "Balance Sheet") and 1994, and the related consolidated statements of operations, changes in owner's equity and changes in financial position or cash flow for the periods then ended; a true and correct copy of each of which has been provided to Buyer. Such statements of operations and cash flows present fairly in all material respects the results of operations and cash flows of the Business for the respective periods covered, and the balance sheets present fairly in all material respects the financial condition of the Business as of their respective dates, in all cases in conformity with GAAP applied on a consistent basis as applied in the audited financial statements referred to in Section 2.3(a), except for changes, if any, required by GAAP and disclosed therein (except for the absence of notes and normal recurring year-end adjustments).

(c) Except as described in Section 2.3 of the Disclosure Schedule, since February 28, 1995, whether or not in the ordinary course of business, there has not been, occurred or arisen:

(i) any change in or event or a series of connected events affecting the Business that has had or is reasonably expected to have an impact of $250,000 individually or $750,000 in the aggregate with all other such changes, events or series of events or otherwise has had or is reasonably expected to have a Material Adverse Effect, except for changes reflected in the financial statements referred to in this Section 2.3 and changes affecting generally the Singapore, Thailand or Malaysia health care industry, each as a whole (it being understood that Buyer assumes the risks of changes of such type);

(ii) any casualty, loss, damage or destruction of any property of any Company or Subsidiary or that has involved a loss to any Company or Subsidiary that has had or is reasonably expected to have an impact in excess of $250,000 individually or $750,000 in the aggregate with all other such casualties, losses, damages or destruction, or otherwise has had or is reasonably expected to have a Material Adverse Effect; or

(iii) any of the events described in Section 4.3 hereof.

(d) Except as set forth in Section 2.3 of the Disclosure Schedule, none of the Companies or Subsidiaries has any liability or obligation of any nature (whether known or unknown, absolute, accrued, contingent or otherwise) or has engaged in other types of financing transactions that would have or would reasonably be expected to have an impact of $250,000 individually or $750,000 in the aggregate with all other such liabilities or obligations or otherwise has had or is reasonably expected to have a Material Adverse Effect, other than (i) as disclosed, reflected or reserved against in the financial statements referred to in this Section 2.3 and the notes thereto and (ii) liabilities and obligations incurred in the ordinary course of business consistent with past practices since the date of the Balance Sheet and not in violation of this Agreement.

2.4 TAX MATTERS.

(a) Except as set forth in Section 2.4 of the Disclosure Schedule, as of the Closing Date (i) each Company and each Subsidiary has timely filed (or, where permitted or required, its respective direct or indirect parents have timely filed) all material required Tax Returns, (ii) each such Tax Return correctly sets forth the Tax liability required to be set forth therein (other than Taxes contested in good faith) and is otherwise true and correct in all material respects; (iii) all Taxes shown to be due on the Tax Returns referred to in clause (i) have been timely paid in full, other than Taxes contested in good faith, (iv) except with respect to BMC and SJMC, no material tax liens have been filed with respect to Taxes of any of the Companies or any Subsidiary; (v) no Governmental Entity has, during the past three years, examined or is in the process of examining any Tax Returns of any Company or Subsidiary, and (vi) no Governmental Entity has proposed in writing any deficiency, assessment or claim for Taxes of any Company or Subsidiary.

(b) Except as set forth in Section 2.4 of the Disclosure Schedule, during the period from March 1, 1995 through the Closing Date (the "Interim Period"), none of the Companies or Subsidiaries will have (i) engaged in any transaction, other than in the ordinary course of business, that will cause the effective Tax rate of the Companies and the Subsidiaries for Taxes for the Interim Period to be materially greater than the effective Tax rate of the Companies and the Subsidiaries for Taxes for the year ended May 31, 1994 as adjusted for changes in Tax law and other events beyond the control of Seller or (ii) made or changed any election, changed any annual accounting period, or

adopted or changed any accounting method that would have the effect of increasing the Tax liability of any Company or Subsidiary.

2.5 MATERIAL CONTRACTS.

Except as set forth in Section 2.5 of the Disclosure Schedule, no Company or Subsidiary is a party to or bound by any Contract which is an:

(i) employment agreement, employment contract or consultancy or other similar service agreement;

(ii) employee collective bargaining agreement or other contract with any labor union;

(iii) agreement or covenant of any Company or Subsidiary not to

compete or other covenant of any Company or Subsidiary restricting the development, manufacture, marketing or distribution of the products and services of the Business, which in each case is material in respect of any portion of the Territory;

(iv) agreement, contract or other arrangement (including management agreements) with (A) Seller or any Affiliate of Seller (other than any Company or Subsidiary) or (B) any current or former officer, director or employee of Seller, any Company, any Subsidiary or any Affiliate of Seller (other than employment agreements covered by clause (i) above);

(v) lease, sublease or similar agreement with any Person under which any Company or Subsidiary is a lessor or sublessor of, or makes available for use to any Person (other than any other Company or Subsidiary), a portion of the real property assets of such Company or Subsidiary (other than real property leases with doctors or clinics entered into in the ordinary course of the Business consistent with past practices);

(vi) agreement, contract or other instrument under which any Company or Subsidiary has borrowed any money from, or issued any note, bond, debenture or other evidence of indebtedness to, any Person (other than a Company or a Subsidiary) or any other note, bond, debenture or other evidence of indebtedness issued to any Person (other than a Company or a Subsidiary) which individually is in excess of $250,000 or in the aggregate are in the excess of $750,000;

(vii) agreement, contract or other instrument (including so-called keepwell agreements, letters of comfort or letters of moral intent) under which (A) any Person (including any Company or Subsidiary) has directly or indirectly guaranteed

indebtedness, liabilities or obligations of the Business or any Company or its Subsidiaries or (B) any Company or its Subsidiaries has directly or indirectly guaranteed indebtedness, liabilities or obligations of any Person (in each case other than endorsements for the purpose of collection in the ordinary course of business), which individually is in excess of $250,000 or in the aggregate are in the excess of $750,000;

(viii) agreement, memorandum of understanding, letter of intent, contract or other instrument under which any Company or Subsidiary has made or will make, directly or indirectly, any advance, loan, extension of credit or capital contribution to, or other investment in, any Person (other than to doctors in the ordinary course of business consistent with past practice which do not exceed in the aggregate S$500,000), which individually is in excess of $250,000 or in the aggregate are in the excess of $750,000;

(ix) material mortgage, pledge, security agreement, deed of trust or other instrument granting a lien or other Encumbrance upon any of the Company Real Properties;

(x) powers of attorney (other than powers of attorney given to officers or other representatives of the Companies or Subsidiaries in the ordinary course of the Business with respect to routine tax, securities and shareholder matters);

(xi) letter of intent, memorandum of understanding or agreement to acquire or develop any hospital or other medical-related property or business;

(xii) any agreement or Contract relating to the trading, hedging, exchange or sale or purchase of securities, indices, currencies, interest rates, futures or any financial or derivative instruments of any nature whatsoever; or

(xiii) other agreement, contract, lease, license, commitment or instrument to which any Company or Subsidiary is a party or by or to which it or any of its assets or business is bound or subject which has an aggregate future liability to any Person or Persons in excess of U.S.$250,000.

Except as set forth in Section 2.5 of the Disclosure Schedule, each Contract of any Company or Subsidiary listed in the Disclosure Schedule is valid, binding and in full force and effect and is enforceable, as applicable, by the relevant Company or Subsidiary and, to the knowledge of Seller, each of the other parties to the Contract in accordance with its terms. Except as set forth in Section 2.5 of the Disclosure Schedule, each relevant Company or Subsidiary has performed all obligations

required to be performed by it to date under the Contracts and no Company or Subsidiary or, to the knowledge of Seller, any other party to any of the Contracts (with or without the lapse of time or the giving of notice, or both) is in breach or default thereunder, except where such failure to perform or breach has not and would not reasonably be expected to result in a liability to any Company or Subsidiary individually in excess of $250,000 and $750,000 in the aggregate together with all such other failures or has not had and would not otherwise be expected to have a Material Adverse Effect.

2.6 REAL PROPERTY.

(a) Section 2.6 of the Disclosure Schedule sets forth a complete and accurate description of the real immovable property owned in fee simple by each Company and each Subsidiary (the "Owned Real Property") and a complete list of all real property and interests in real property leased by each Company and each Subsidiary (the "Leased Real Property").

(b) Each Company and each Subsidiary has (i) good and valid fee title to all Owned Real Property and (ii) good and valid title to the leasehold estates in all Leased Property (an Owned Real Property or Leased Real Property being sometimes referred to herein, collectively, as "Company Real Properties"), in each case free and clear of all Encumbrances, leases, assignments, subleases, easements, covenants, rights-of-way and other similar restrictions of any nature whatsoever, except (A) such as are set forth in Section 2.6 of the Disclosure Schedule; (B) leases, subleases and similar agreements set forth in Section 2.5 of the Disclosure Schedule or not required to be disclosed therein; and (C) Permitted Encumbrances. Except as set forth in Sections 2.3(II) and 2.6 of the Disclosure Schedule, the Company Real Properties have been maintained in all material respects in accordance with the past practices of the Business and consistent with industry practice and are in good operating condition and repair, ordinary wear and tear excepted. The current use by the Companies and the Subsidiaries of the plants, offices and other facilities located on Company Real Property does not constitute a material violation of any material local zoning or similar land use or government regulations. Each Company and each Subsidiary has all necessary material Approvals and Permits that are required to be obtained by it as of the date of this Agreement for any development or building projects currently in process.

2.7 ASSETS OTHER THAN REAL PROPERTY.

Each Company and each Subsidiary has good and valid title to all (a) its assets reflected on the Balance Sheet and

(b) its assets thereafter acquired, which in each case are material to the Business, except those sold or otherwise disposed of since the date of the

Balance Sheet in the ordinary course of business consistent with past practice and not in violation of this Agreement, in each case free and clear of all Encumbrances except (i) such as are set forth in Section 2.7 of the Disclosure Schedule and (ii) Permitted Encumbrances.

All the tangible personal property of each Company and each Subsidiary that is material to the Business has been maintained in all material respects in accordance with the past practices of the Business and consistent with industry practice. The tangible personal property of each Company and each Subsidiary is in good operating condition and repair, ordinary wear and tear excepted, consistent with industry practice. All leased personal property of each Company and each Subsidiary is in all material respects in the condition required of such property by the terms of the lease applicable thereto during the term of the lease and upon the expiration thereof.

This Section 2.7 does not relate to Company Real Property or interests therein, such items being the subject of Section 2.6.

2.8 AUTHORIZATION; NO CONFLICTS.

The execution and delivery of this Agreement by Seller and the performance of this Agreement by each Seller Entity and the consummation of the transactions contemplated by this Agreement have been duly and validly authorized by all necessary corporate action on the part of each Seller Entity. This Agreement constitutes the legally valid and binding obligation of Seller enforceable against Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors rights generally. The execution, delivery and, upon receipt of the Permits and Approvals listed in Sections 2.8(II) and 6.1(III) of the Disclosure Schedule, performance of this Agreement by Seller and each Seller Entity will not (i) violate, or constitute a breach or default under the charter documents or by-laws of any Seller Entity, Company or Subsidiary or (ii) violate, or constitute a material breach or material default or result in the acceleration of or permit the acceleration of any material obligation (whether upon lapse of time and/or the occurrence of any act or event or otherwise) under, any material Contract of any of such entities, or cause or give rise to a right of termination of or adverse change in the terms of any material Contract, or result in the imposition of any material Encumbrance against any asset or properties of any Company or Subsidiary, or violate any Law or any material Permit or material Approval or cause any material Permit or material Approval to be revoked, withdrawn or modified. Section 2.8 of the Disclosure Schedule

lists all material Permits and Approvals in connection with the operation of the Business as presently conducted, and such Permits and Approvals constitute all the material Permits and Approvals necessary to conduct the Business. Sections 6.1 and 2.8 (II) of the Disclosure Schedule lists all material Permits and Approvals that are required to be obtained by any Seller Entity or any Company or Subsidiary, or filings or registrations with any third party or Governmental Entity required for any Seller Entity or any Company or Subsidiary, to consummate the transactions contemplated by this Agreement.

2.9 LEGAL PROCEEDINGS.

Except as set forth in Section 2.9 of the Disclosure Schedule, there is no Order or Action pending, or, to the best knowledge of Seller, threatened, against or affecting any Company or Subsidiary or any of their respective properties or assets that has resulted or is reasonably expected to result in a liability in excess of $250,000 individually or $750,000 in the aggregate together with all other such Orders or Actions, or that has had or is reasonably expected to have, individually or in the aggregate together with all other such Orders and Actions, a Material Adverse Effect.

Section 2.9 of the Disclosure Schedule sets forth a list of all Orders and Actions pending or, to the best knowledge of Seller, threatened against any Company or Subsidiary (i) brought by any Government Entity, (ii) in which money damages in excess of $250,000 individually or $750,000 in the aggregate with all such other Orders and Actions are sought against any Company or any Subsidiary or (iii) seeking injunctive relief against any Company or Subsidiary that could reasonably be expected to result in a Material Adverse Effect.

2.10 DIVIDENDS AND OTHER DISTRIBUTIONS.

Except as described in Section 2.10 of the Disclosure Schedule, there has been no dividend or other distribution of assets, whether consisting of money, securities, property or any other thing of value, declared, issued, paid, made or set aside by any Company or Subsidiary subsequent to the date of the Balance Sheet.

2.11 INSURANCE.

Section 2.11 of the Disclosure Schedule lists all insurance policies and bonds that are maintained by or for the benefit of the Companies and the Subsidiaries in connection with, and which are material to, the Business. All such policies and bonds are in full force and effect and, to the best knowledge of Seller, there is no threat by any of the insurers to terminate or not renew, or materially increase the premiums payable under, any of such policies or bonds. Except as set forth in Section 2.11

of the Disclosure Schedule, all insurance policies maintained for the benefit of the Business, the Companies and the Subsidiaries or their respective employees are maintained directly by the Companies and/or the Subsidiaries and not by Seller or any of Seller's other subsidiaries. Except as set forth in Section 2.11 of the Disclosure Schedule, all such insurance policies will remain in full force and effect from and after, and will not be modified or amended as a result of, the Closing.

2.12 COMPLIANCE WITH LAW.

Each Company and each Subsidiary has conducted its respective business in all material respects in accordance with applicable Laws. The procedures and practices of each Company and its Subsidiaries are in compliance in all material respects with all such Laws. To the best knowledge of Seller, no suspension, cancellation or termination of any Permits or Approvals required by any Governmental Entity to permit the Business to be conducted as it is currently conducted is threatened or imminent that could reasonably be expected to be material to the Business.

2.13 ENVIRONMENTAL MATTERS.

(a) Each Company and each Subsidiary has obtained and maintained in effect all material licenses, Permits, Approvals and other authorizations required under all applicable Laws of all applicable Governmental Entities or regulatory authorities relating to pollution, the disposition, storage or handling of medical waste, radioactive material or other materials which are classified under such Laws as harmful to the environment or to human health ("Hazardous Substance"), or to the protection of the environment ("Environmental Laws") and is in compliance in all material respects with all Environmental Laws and with all such licenses, Permits, Approvals and authorizations.

(b) The properties presently or formerly owned or operated by any of the Companies or Subsidiaries (including without limitation, soil, groundwater or surface water on, under or adjacent to the properties, and

buildings thereon) (the "Properties") do not contain any Hazardous Substance other than as permitted under any applicable Environmental Law (provided, however, that with respect to Properties formerly owned or operated by any of the Companies or Subsidiaries, such representation is limited to actions taken by any of the Companies or Subsidiaries during the period the Companies or the Subsidiaries owned or operated such Properties).

(c) None of the Companies or Subsidiaries has incurred, and, to the knowledge of Seller, none of the Properties are presently subject to, any material

liabilities (fixed or contingent) or clean-up obligations relating to Hazardous Substances or Environmental Laws.

2.14 INTELLECTUAL PROPERTY.

Except as set forth in Section 2.14 of the Disclosure Schedule, each Company and Subsidiary has all necessary rights to and in all material patents, trademarks (registered or unregistered), trade names, service marks and copyrights ("Intellectual Property") owned, used, filed by or licensed to such Company or Subsidiary in connection with the Business. Section 2.14 of the Disclosure Schedule sets forth a list of all jurisdictions in which registered trademarks are registered or applied for and all registration and application numbers. Except as set forth in Section 2.14 of the Disclosure Schedule, Seller does not know, and has received no notice, of any conflict with the asserted rights of others with respect to any Intellectual Property except where such conflict would not be material to the Business.

2.15 BENEFIT PLANS.

(a) Section 2.15 of the Disclosure Schedule contains a list of all retirement, pension, profit sharing, trust fund, bonus, stock option or other equity-based compensation, stock purchase, severance, deferred compensation, central provident fund, skills development fund and other employee fringe benefit plans (all the foregoing being herein called "Benefit Plans") maintained, or contributed to, by Seller, any Company or any Subsidiary for the benefit, or on the account, of any officers or employees of any Company or Subsidiary. Seller has delivered to Buyer true, complete and correct copies of (i) each Benefit Plan (or, in the case of any unwritten Benefit Plans, descriptions thereof), (ii) the most recent summary plan description for each Benefit Plan for which a summary plan description is required and (iii) each trust agreement and group annuity contract relating to any Benefit Plan. Except as set forth in Section 2.15 of the Disclosure Schedule, none of Seller and its subsidiaries (other than any Company or Subsidiary) maintains any Benefit Plan with, or for the benefit of, any officer or employee of any Company or any Subsidiary, including any employee referred to in Section 5.6. Except as set forth in Section 2.15 of the Disclosure Schedule, none of the Benefit Plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). None of the Companies nor any of the Subsidiaries has or will have any obligation or liability of any kind with respect to any of the Benefit Plans which are or may be subject to ERISA set forth in Section 2.15 of the Disclosure Schedule.

(b) Each Benefit Plan has been administered in all material respects in accordance with its terms. All the Benefit Plans are in compliance in all material respects with the applicable provisions of applicable Law. Furthermore, each Company and Subsidiary is in compliance in all material respects with the applicable laws, regulations and provisions contained in

each of its collective bargaining agreements. Except as set forth in Section 2.15 of the Disclosure Schedule, all payments and deductions from wages, material reports, returns and similar documents with respect to the Benefit Plans required to be filed with or paid to any Governmental Entity or Benefit Plan or distributed to any Benefit Plan participant have been duly and timely filed, distributed or paid. Except as set forth in Section 2.15 of the Disclosure Schedule, there is no pending or, to the knowledge of Seller, threatened litigation by any employee or former employee of the Business relating to any Benefit Plan, other than routine claims for benefits.

2.16 EMPLOYEE AND LABOR MATTERS.

Except as set forth in Section 2.16 of the Disclosure Schedule, (i) there is, and during the past two years there has been, no labor strike, dispute, work stoppage or lockout pending, or, to the knowledge of Seller, threatened, against or affecting any Company or Subsidiary; (ii) to the knowledge of Seller, no union organizational campaign is in progress with respect to the employees of any Company or Subsidiary and no question concerning representation exists respecting such employees; (iii) there is no unfair labor practice charge or complaint against any Company or Subsidiary pending, or, to the knowledge of Seller, threatened, before any Governmental Entity; (iv) there are no pending, or, to the knowledge of Seller, threatened, union grievances against the Company or a Subsidiary which are reasonably likely to have a Material Adverse Effect; and (v) none of Seller, any Company or any Subsidiary has received notice during the past two years of the intent of any Governmental Entity responsible for the enforcement of labor or employment laws to conduct an investigation of any Company or any Subsidiary and, to the knowledge of Seller, no such investigation is in progress.

2.17 CERTAIN INTERESTS.

(a) Except as set forth in Section 2.17 of the Disclosure Schedule, after the Closing neither Seller nor any Affiliate thereof, nor any officer or director of any thereof will have any interest in any property of the Business; and no Company or Subsidiary will be indebted to or otherwise obligated to any such Person, except for amounts due under normal arrangements applicable to all employees generally as to salary or reimbursement of

ordinary business expenses not unusual in amount or significance.

(b) Except as set forth in Section 2.17 of the Disclosure Schedule, after the Closing none of the agreements, contracts or other arrangements set forth in Section 2.5 of the Disclosure Schedule between any Company or Subsidiary, on the one hand, and Seller or any of its Affiliates, on the other hand, will continue in effect, and there will remain thereafter no outstanding obligation or liability in respect of any such agreement, contract or other arrangement.

2.18 BANK ACCOUNTS, POWERS, ETC.

Section 2.18 of the Disclosure Schedule lists each bank, trust company, savings institution, brokerage firm, mutual fund or other financial institution with which any Company or Subsidiary has an account or safe deposit box and the names and identification of all Persons authorized to draw thereon or to have access thereto.

2.19 NO BROKERS OR FINDERS.

Except as set forth in Section 2.19 of the Disclosure Schedule, no

agent, broker, finder, or investment or commercial banker, or other Person or firm (collectively, "Investment Bankers") engaged by or acting on behalf of Seller, any Company or Subsidiary or any of their respective Affiliates in connection with the negotiation, execution or performance of this Agreement or the transactions contemplated by this Agreement, is or will be entitled to any brokerage or finder's or similar fee or other commission as a result of this Agreement or such transactions.

2.20 TRUE AND COMPLETE COPIES OF DOCUMENTS.

Copies of all leases, insurance policies, agreements, contracts and other documents and instruments which are listed or referred to on the Disclosure Schedule and which have been delivered to, or made available for inspection by, Buyer are true and complete in all respects. Such documents, together with this Agreement and all certificates, exhibits, schedules and other instruments furnished by or on behalf of Seller pursuant to this Agreement, taken as a whole, do not as of the date hereof, and will not as of the Closing Date, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they are made, not misleading, except where such misstatements or omissions reflect facts, events or circumstances, or series of related facts, events or circumstances that would not have and would not reasonably be expected to have a Material Adverse Effect.

2.21 OVERHEAD EXPENSE.

The expense of overhead, comprising certain administrative, logistical, legal and other services, provided by Seller to the Business since February 28, 1995 that has been paid or accrued by the Companies and Subsidiaries or that has otherwise been allocated to the Business (the "Overhead Expense") does not in the aggregate exceed the amounts set forth in Section 2.21 of the Disclosure Schedule for the Business for the fiscal years ending May 31, 1995 and 1996, as prorated through the date of this Agreement.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

3.1 ORGANIZATION AND RELATED MATTERS.

Buyer is a corporation duly organized, validly existing and in good standing under the laws of Singapore. Buyer has all necessary corporate power and authority to carry on its business as now being conducted. Buyer has the necessary corporate power and authority to execute, deliver and perform this Agreement and any transactions contemplated by this Agreement.

3.2 AUTHORIZATION.

The execution, delivery and performance of this Agreement by Buyer, and the consummation by Buyer of the transactions contemplated under this Agreement, have been duly and validly authorized by the Board of Directors of Buyer and by all other necessary corporate action on the part of Buyer. This Agreement constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors' rights generally.

3.3 NO CONFLICTS; CONSENTS AND APPROVALS.

The execution, delivery and performance of this Agreement by Buyer will not (a) violate or constitute a breach or default under the charter documents or by-laws of Buyer or (b) violate or constitute a breach or default (whether upon lapse of time and/or the occurrence or any act or event or otherwise) under (i) any Law to which Buyer is subject or (ii) any Contract to which Buyer is a party, except (in the case of clause (b)) as is not reasonably be expected to materially and adversely affect the ability of Buyer to consummate the transactions contemplated by, or perform its obligations under, this Agreement. Sections

6.1 (I) and (II) and 3.3 of the Disclosure Schedule lists all material Permits and Approvals which are required to be obtained by Buyer, or filings or registrations with any third party or Governmental Entity required for Buyer to consummate the transactions contemplated by this Agreement.

3.4 NO BROKERS OR FINDERS.

Except as set forth in Section 3.4 of the Disclosure Schedule, no Investment Banker engaged by or acting on behalf of Buyer or its Affiliates in connection with the negotiation, execution or performance of this Agreement or the transactions contemplated by this Agreement, is or will be entitled to any broker's or finder's or similar fees or other commissions as a result of this Agreement or such transactions.

3.5 LEGAL PROCEEDINGS.

There is no Order or Action pending or, to the best knowledge of Buyer, threatened, against or affecting Buyer that individually or when aggregated with one or more other Actions has, or is reasonably be expected to, materially and adversely effect Buyer's ability to consummate the transactions contemplated by, or perform its obligations under, this Agreement.

3.6 INVESTMENT.

Buyer is acquiring the Stock for Buyer's own account, or for the account of Buyer and one or more of its Affiliates, for investment purposes only and not with a view to or for sale in connection with the public distribution thereof.

3.7 FUNDS AVAILABLE.

Buyer has sufficient cash, lines of credit, commitment letters or other sources of available funds to enable it to make the payments contemplated by Section 1.2.

ARTICLE IV
COVENANTS WITH RESPECT TO CONDUCT PRIOR TO CLOSING

4.1 ACCESS.

Subject to applicable laws and contractual confidentiality and privacy obligations with respect to the Malaysian Business and Thai Business, as modified by the letter dated, May 24, 1995 from Khun Chai Sophonpanich to Buyer, and to the terms of the Letter Agreement, dated March 17, 1995 (the "Letter Agreement"), entered into between Seller and Buyer, Seller shall cause each Company and its Subsidiaries and the

Seller Entities (but only with respect to the Business) to authorize and permit Buyer, Buyer's Affiliates (subject to the execution of customary confidentiality agreements) and their representatives (which term shall be deemed to include its independent accountants, counsel, financial advisors, and bankers (including, without limitation, potential lenders)) to have reasonable access during normal business hours, upon reasonable notice and in such manner as will not unreasonably interfere with the conduct of their respective businesses, to all of their respective properties, books, records, board and shareholder minutes (including agenda for meetings), accounts, ledgers, budgets, operating instructions and procedures, Tax Returns (provided, however, that to the extent that such Tax Returns are combined or consolidated returns, Buyer's access will be limited to information pertaining to each Company and its Subsidiaries only) and all other information with respect to the Business as Buyer may from time to time request. Without limiting the foregoing, Seller agrees to provide Buyer and its Affiliates and their representatives with such access, subject to the terms of this Section 4.1, to the extent necessary in connection with any proposed financings (including any public securities offering) by any of Buyer and its Affiliates. Buyer agrees that it will with reasonable expedition inform Seller prior to the Closing if Buyer has obtained knowledge that the covenants, representations or warranties of Seller hereunder have been breached. For purposes of the preceding sentence only, the knowledge of Buyer shall mean the actual knowledge of Tony Tan Choon Keat, Managing Director, or Tan Kai Seng, Finance Director, of Buyer or Dr. Lim Cheok Peng, Managing Director of Gleneagles Hospital.

4.2 MATERIAL ADVERSE CHANGES.

Seller will promptly notify Buyer of any event of which Seller obtains knowledge which has had or might reasonably be expected to have a Material Adverse Effect or which, if known as of the date hereof, would have been required to be disclosed to Buyer, or which constitutes a breach of any representation, warranty, obligation, covenant or undertaking under this Agreement. For purposes of the preceding sentence only, the knowledge of Seller shall mean the actual knowledge of Jeffrey C. Barbakow, Chief Executive Officer, Maris Andersons, Senior Vice President and Treasurer, or T.P. McMullen, Vice President of Seller.

4.3 CONDUCT OF BUSINESS.

Except as set forth in Section 4.3 of the Disclosure Schedule or otherwise expressly permitted by the terms of this Agreement, from the date hereof to the Closing, Seller shall cause the Business (except that with respect to the Malaysian Business and Thai Business, Seller shall use its reasonable best efforts consistent with the operative documents of those joint ventures) to be conducted in the ordinary course of business

consistent with past practice (including with respect to advertising, promotions, capital expenditures and inventory levels) and shall make all reasonable best efforts consistent with past practices to preserve the Business's structure and organization and its relationships with its customers, doctors, employees, suppliers and others with whom the Companies and Subsidiaries deal. Seller shall not, and shall not permit any Company or any Subsidiary (except that with respect to the Malaysian Business and Thai Business, Seller shall use its reasonable best efforts consistent with the operative documents of those joint ventures) to, take any action that would, or that could reasonably be expected to, cause Seller, any Company or any Subsidiary to be in breach of any representations, warranties, covenants or agreements contained in this Agreement or otherwise result in any of the conditions to Closing not being satisfied.

In addition, between the date of this Agreement and the Closing Date, except as set forth in Section 4.3 of the Disclosure Schedule or as specifically contemplated by this Agreement, Seller covenants and agrees that no Company or Subsidiary (except that with respect to the Malaysian Business and Thai Business, Seller shall use its reasonable best efforts consistent with the operative documents of those joint ventures) shall without the prior consent in writing of Buyer:

(a) change or amend its charter documents or by-laws (or their equivalents);

(b) declare, issue, make, pay or set aside any dividend or other distribution of assets, whether consisting of money or property, to its shareholders, or split, combine or reclassify any shares of its Equity Securities;

(c) make any capital expenditures not contemplated in Seller's capital expenditure budget delivered to Buyer prior to the date hereof;

(d) sell, transfer, mortgage, encumber or otherwise dispose of any assets, except (i) for property not material in amount, (ii) in the ordinary course of business consistent with past practice, or (iii) as contemplated by this Agreement;

(e) redeem or otherwise acquire any shares of its Equity Securities or issue any Equity Securities or any option, warrant or right relating thereto or any securities convertible into or exchangeable for any shares of Equity Securities;

(f) adopt or amend in any respect any Benefit Plan or collective bargaining agreement, except as required by applicable Law or as may be required under existing agreements and except with respect to Benefit Plans which

are not obligations of any of the Companies or any of the Subsidiaries and which will not result in any obligation or liability of any kind whatsoever to any Company or Subsidiary or the Business;

(g) grant to any executive officer or employee any increase in compensation or benefits, including grant of any options, except as may be required under existing agreements or applicable Law and except for any increases for which Seller shall be solely obligated;

(h) incur or assume any liabilities, obligations or indebtedness for borrowed money or guarantee, or issue any letters of comfort or letters of moral intent or enter into any keepwell agreement or similar arrangement relating to, any such liabilities, obligations or indebtedness, other than borrowing under existing lines of credit in the ordinary course of business consistent with past practice; provided that in no event shall any Company
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or any Subsidiary incur, assume or guarantee any long-term indebtedness for borrowed money;

(i) permit, allow or suffer any of its assets to become subjected to any mortgage, lien, security interest, encumbrance, easement, covenant, right-of-way or other similar restriction of any nature whatsoever, except immaterial items in the ordinary course of business consistent with past practice;

(j) forgive any indebtedness or waive any claims or rights of value other than in the ordinary course of business consistent with past practice and in amounts that are not material in the aggregate;

(k) pay, loan or advance any amount to, or sell, transfer or lease

any of its assets to, or enter into any agreement or arrangement with, Seller or any of its Affiliates (other than any Company or Subsidiary), except cash management activities in the ordinary course of business consistent with past practice;

(l) make any change in any method of accounting or accounting practice or policy other than those required by GAAP;

(m) change any tax accounting method, principle or practice;

(n) acquire by merging or consolidating with, or by purchasing the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire any assets (other than inventory in the ordinary

course of business consistent with past practice) which are material, individually or in the aggregate, to the Business;

(o) terminate or materially change any of the insurance policies (other than insurance policies of Seller) as they existed on the date of this Agreement;

(p) enter into any new service or employment agreement, or any renewals thereof, with any employee except for agreements for which Seller will be solely obligated and which will not result in any obligation or liability of any kind whatsoever to any Company or Subsidiary or the Business;

(q) allow or cause to lapse any right under any material Contract or Intellectual Property or cause to expire any Approvals or Permits relating to the Business;

(r) enter into any transaction other than on arm's length terms in the ordinary course of business consistent with past practice, between any of the Companies or Subsidiaries, on the one hand, and any director, officer, stockholder or Affiliate thereof, on the other hand;

(s) otherwise enter into a transaction or a series of connected transactions which would have, or is reasonably expected to have, a value in excess of $100,000 or which would otherwise be reasonably expected to have a Material Adverse Effect;

(t) pay Overhead Expense in the aggregate exceeding the amounts set forth in Section 2.21 of the Disclosure Schedule for the Business for the fiscal years ending May 31, 1995 and 1996, as prorated through the date of the Closing; or

(u) agree, whether in writing or otherwise, to do any of the foregoing.

4.4 PERMITS AND APPROVALS.

Seller and Buyer each agrees to, and to cause its subsidiaries and Affiliates to, cooperate and use its reasonable best efforts to obtain or transfer, and will promptly prepare all registrations, filings and applications, requests and notices preliminary to, all Approvals and Permits that may be necessary to consummate the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, Seller and Buyer shall consult with each other in advance regarding how to obtain or transfer, and shall cooperate in obtaining or transferring, the Approvals and Permits referred to in Sections 2.8, 3.3 and 6.1 of the Disclosure Schedule. Seller and Buyer shall permit each other to review and comment upon all such

registrations, filings, applications, requests and notices prior to submitting any of the foregoing.

4.5 CONFIDENTIALITY.

(a) In the event that the Closing occurs, Seller shall, and shall cause its subsidiaries, Affiliates, directors, officers and representatives to, keep confidential all information, documents and other materials relating to the Business (whether or not any such information remains in their possession), except to the extent that disclosure is required by applicable Law or stock exchange rules. From and after the Closing, the Letter Agreement (solely as it relates to the Business) shall terminate and shall thereafter be null and void, and no party shall have any liability or obligation thereunder. Unless and until the Closing occurs, the terms of the Letter Agreement shall apply to the transaction contemplated by, and all discussions and negotiations in connection with, this Agreement.

(b) In the event that pursuant to Section 7.5 the Closing in respect of either the Malaysian Business or the Thai Business does not occur concurrently with the Closing in respect of the Core Business, the first sentence of clause (a) of this Section 4.5 shall apply only with respect to those portions of the Business transferred at the Closing. Such clause (a) shall apply to the portions of the Business thereafter remaining with Seller when, if and to the extent such portions of the Business are subsequently transferred to Buyer in separate Closings in accordance with Section 7.5.

4.6 NO OTHER BIDS.

After the date of this Agreement, Seller shall not, nor shall it authorize or permit any Seller Entity, Company or Subsidiary, or any officer, director or employee of the foregoing, or any investment banker, attorney, accountant or other representative retained by any of the foregoing to, (i) solicit or encourage (including by way of furnishing information), or take any other action to facilitate, any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, a takeover proposal, or agree to endorse any takeover proposal, (ii) to participate in any negotiations regarding a takeover proposal or (iii) provide any non-public information regarding the Business or the transactions contemplated hereby to any Person in connection with a takeover proposal. Seller shall promptly advise Buyer of any written takeover proposal received by it or any Seller Entity or any of their representatives from any Person, other than a Person who has executed an agreement similar to the Letter Agreement, and will provide Buyer with a copy of such takeover proposal. As

used in this Section, "takeover proposal" shall mean any proposal for a merger or other business combination involving any Company or Subsidiary or any proposal to acquire in any manner any Equity Securities or any significant amount of assets of any Company or Subsidiary or of the Business, other than the transactions contemplated by this Agreement or the right of first refusal provisions of the agreements governing Seller's interest in the Malaysian Business and Thai Business.

4.7 INSURANCE PROCEEDS.

If prior to any relevant Closing Date the Business shall suffer any loss that is covered by insurance carried by any Seller or any of its Affiliates (other than any Company or Subsidiary), Seller shall, or shall cause such Affiliate to, make a claim under its insurance policy for recovery in respect of such loss and to pursue such claim actively. If Seller or such Affiliate, as the case may be, receives insurance proceeds in respect of such loss, Seller

shall, or cause such Affiliate to, remit promptly such proceeds to the applicable Company or Subsidiary.

4.8 AMOUNTS DUE TO SELLER.

The Companies and the Subsidiaries shall repay to Seller and its Affiliates at the Closing in respect of the Core Business the liability set forth in Section 4.8 of the Disclosure Schedule.

4.9 PROPRIETARY INFORMATION.

Prior to the Closing in respect of the Core Business, Seller shall request the recovery, or shall request the destruction (and request written notice of such destruction), of all Proprietary Information (as defined in the Letter Agreement) made available to or otherwise in possession of any potential acquirors or bidders relating to the Proposed Acquisition (as defined in the Letter Agreement but only as it relates to the Business).

4.10 RELEASE OF GUARANTEES.

Buyer agrees that it will use its reasonable best efforts to cause Seller and each of its Affiliates (other than any Companies or Subsidiaries acquired by Buyer) to be fully and unconditionally released, effective upon the Closing of the Core Business or, as to the item listed in Section 4.10(II) of the Disclosure Schedule, the Thai Business, by a document or documents in form and substance reasonably satisfactory to Seller, from all its obligations and liabilities, primary or contingent, to the lenders thereunder relating to its guarantees or obligations relating to the indebtedness and other obligations that are listed in Section 4.10 of the Disclosure Schedule.

4.11 LOANS TO INTERNATIONAL-NME.

Prior to the Closing in respect of the Core Business, Mount Elizabeth Hospital, Ltd. shall lend to International-NME the principal amount of up to S$5,600,000 with interest at the rate of 3% per annum, to be evidenced by a promissory note (the "First Note"). Prior to the Closing in respect of the Core Business, Mount Elizabeth Hospital, Ltd. shall also lend to International-NME any amounts in Singapore Dollars required by International-NME from time to time to fund its capital contribution obligations to the Thai Business, such loan to carry interest at the rate of 3% per annum and to be evidenced by a promissory note (the "Second Note"). At the Closing of the Core Business, Buyer shall assume all of International-NME's obligations and liabilities under each of the First Note and the Second Note and Mount Elizabeth Hospital, Ltd. shall fully and unconditionally release International-NME from all obligations and liabilities relating to such notes. In consideration of the foregoing, the portion of the Purchase Price allocated to the Core Business shall be reduced by an amount equal to the sum of the aggregate amounts due under the First Note and the Second Note on the Closing Date of the Core Business. Any conversion of Singapore Dollars or Malaysian Ringgit to U.S. Dollars shall be made in the manner set forth in Section 1.2.

ARTICLE V
ADDITIONAL CONTINUING COVENANTS AND INDEMNITIES

5.1 COOPERATION IN AUDITS.

Subject to execution of customary confidentiality agreements, Buyer will cause each Company and its Subsidiaries to cooperate in all reasonable respects during normal business hours and in such manner as will not

unreasonably interfere with the conduct of their respective businesses, in an audit, at Seller's cost, by Seller's independent accountants of the financial statements of each Company and its Subsidiaries through periods ending on or prior to the fiscal year of Seller first ending on or after the Closing Date (and, if desired, as of the Closing Date). Without limiting the foregoing, such cooperation shall include providing access to records and personnel, cooperating in verification of accounts receivable and such access to the premises of such Company and Subsidiaries, in each case as is reasonable and customary in an audit.

5.2 TAX MATTERS.

(a) Seller agrees to indemnify, defend and hold harmless Buyer and each Company and Subsidiary against (i) any Tax payable by or on behalf of Seller or any of its Affiliates, any Company or any of the Subsidiaries for the

Pre-Closing Tax Period except to the extent adequate provision for such Tax has been made in the financial statements referred to in Section 2.3(a) or (b) hereof; (ii) any deficiencies in any Tax payable by or on behalf of Seller or any of its Affiliates, any Company or any of the Subsidiaries arising from any audit by a Governmental Entity with respect to the Pre-Closing Tax Period except to the extent adequate provision for such Tax has been made in the financial statements referred to in Section 2.3(a) or (b) hereof; (iii) Taxes of any member of a consolidated, combined or unitary tax group of which Seller or any of its Affiliates, any Company or any Subsidiary, is or was at any time, part, of which a Company and/or any Subsidiary is jointly or severally liable as a result of its inclusion in such group at any time or on or prior to the Closing Date, except to the extent adequate provision for such Taxes has been made in the financial statements referred to in Section 2.3 hereof; and (iv) any Tax liability arising from, relating to or otherwise in respect of any breach of the representations and warranties contained in Section 2.4 of this Agreement. Seller's indemnity hereunder with respect to Taxes of SJMC shall apply only to 30% of such Taxes.

(b) Buyer agrees to indemnify, defend and hold harmless Seller and its Affiliates against (i) any Tax payable by or on behalf of Buyer or any of its Affiliates, any Company or any of the Subsidiaries for any taxable period other than the Pre-Closing Tax Period; (ii) any deficiencies in any Tax payable by or on behalf of Buyer or any of its Affiliates, any Company or any of the Subsidiaries arising from any audit by a Governmental Entity with respect to any taxable period other than the Pre-Closing Tax Period; (iii) Taxes of any member of a consolidated, combined or unitary tax group of which Buyer or any of its Affiliates, any Company or any Subsidiary is, or was at any time, part, of which a Company and/or any Subsidiary is jointly or severally liable as a result of its inclusion in such group at any time after the Closing Date; and (iv) if the Closing Date occurs after June 29, 1995, Seller's Transition Tax Exposure Amount. Any refund of Tax received after Closing by Buyer, any of its Affiliates, any Company or any Subsidiary which is attributable to the Pre-Closing Tax Period shall immediately be remitted to Seller. Buyer may retain any refund which is attributable to carryback losses, credits and other tax items arising in a period other than the Pre-Closing Tax Period and carried back to the Pre-Closing Tax Period.

(c) Seller and Buyer will each provide the other, and subsequent to the Closing Buyer will cause each Company and each Subsidiary to provide Seller (at Seller's sole cost and expense), with such assistance as may reasonably be requested in connection with the preparation of any matter

relating to Tax, including any Tax Return, any audit or other examination by a Governmental Entity, or any judicial or administrative proceedings relating to liability for Taxes, and each will retain and provide the requesting party with any records or information that may be reasonably relevant to such return, audit or examination, proceedings or determination for a period not to exceed ten years after the Closing Date. Prior to disposing of any records or information, the party retaining such records or information shall notify the other party and provide it with the opportunity to obtain or duplicate (at its own expense) such records or information for its own purposes. The party requesting assistance shall reimburse the other party for reasonable out-of-pocket expenses (other than salaries or wages of any employees of the parties) incurred in providing such assistance. Any information obtained pursuant to this clause (c) or pursuant to any other Section hereof providing for the sharing of information or the review of any Tax Return or other schedule relating to Tax shall be subject to Section 4.5.

(d) Subject to the provisions of the foregoing clause (c), Seller shall (i) have the responsibility for, and the right to control, at Seller's expense, the audit (and disposition thereof) of any Tax Return relating to periods ended on or prior to the Closing Date; and (ii) have the right to participate in and approve the disposition of the audit of any Tax Return relating to the periods ended after the Closing Date if, as a result of such audit or disposition, Buyer makes or intends to make a claim for indemnification under Section 5.2(a). Buyer shall have the right, directly or through its designated representatives, to participate in and review in advance and comment upon all submissions made in the course of audits or appeals thereof to a Governmental Entity relating to periods ending (or treated by this Agreement as ending) on or prior to the Closing Date and to approve the disposition of any audit adjustment or filing of any amended Tax Returns with respect to such periods if such disposition will result in an increase in the Tax liability of Buyer, any Company or any Subsidiary for any period beginning after (or treated by the Agreement as beginning after) February 28, 1995. Seller and Buyer shall each promptly notify the other party of any audit of any Tax Return which may result in claims for indemnification under this Agreement.

(e) In the event that Buyer makes an election under section 338(a) or section 338(g) of the Code in connection with its purchase of a Company or any Subsidiary:

(i) Section 5.2(f) hereof and clause (iv) of Section 5.2(b) hereof shall not apply with respect to such Company or Subsidiary; and

(ii) Buyer shall indemnify and hold harmless Seller and its Affiliates against the difference between (A) all U.S. Federal, state and local income tax liability incurred by Seller and its Affiliates as a result of such election and (B) all U.S. Federal, state and local income tax liability determined without regard to such election. For this purpose, U.S. Federal, state and local income tax liability shall be calculated by taking into account any foreign tax credits available to Seller and its Affiliates and by taking into account the effect of an increase in an overall foreign loss or increase in separate limitation loss (each as defined in section 904(f) of the Code) on the ability of Seller and its Affiliates to utilize foreign tax credits for U.S. Federal income tax purposes.

(f) If the Closing Date occurs after June 29, 1995, Buyer and each of its Affiliates shall, with respect to the occurrence of any of the following events with respect to any Company or Subsidiary on or before May 31, 1996, (i) notify Seller of the occurrence of any such event and (ii) cause each Company and each Subsidiary to furnish to Seller any records or information reasonably requested by Seller for the purpose of determining the Seller's Transition Tax Exposure Amount, including any records or information relating to the occurrence of any such event:

(i) any investment in "United States property" (as that term is defined in Section 956 of the Code);

(ii) the acquisition of any "passive asset" (as that term is defined in Section 956A(c)(2) of the Code);

(iii) the issuance of any Equity Security; any alteration in corporate, capital or legal structure; any merger, reorganization or consolidation; any liquidation, winding-up or dissolution; and any amendment or change in charter documents, by-laws or other governing documents;

(iv) the declaration, issuance or payment of any dividend or other distribution of assets; or any split, combination or reclassification of any Equity Securities;

(v) any sale, assignment, pledge or other encumbrance or disposition of any Equity Security of any Subsidiary (and any entity becoming a subsidiary of a Company or any Subsidiary during the Transition Period);

(vi) the receipt of any income that is foreign personal holding company income (as that term is defined in section 954(c) of the Code); and

(vii) the conduct of any business other than the business conducted by the Company or Subsidiary on the Closing Date.

In making a claim for indemnification under clause (iv) of Section 5.2(b) hereof, Seller shall furnish to Buyer in writing a description of the manner in which Seller determined the Seller's Transition Tax Exposure Amount, including a worksheet illustrating the computation of such amount.

(g) Buyer covenants that it will cause the purchasers of any interest in a Company or Subsidiary, which acquisition occurs on or before May 31, 1996, to comply with the provisions of this Section 5.2 as if such purchasers were the Buyer.

(h) Buyer shall cooperate, and will cause its Affiliates and each Company and Subsidiary to cooperate, with Seller and its Affiliates in connection with the filing of any amended Tax Returns requested by Seller or any of its Affiliates that related to taxable periods ending on or prior to Closing.

(i) Disputes arising under this Section 5.2 that are not resolved by mutual agreement shall, unless otherwise provided for, be resolved by an internationally recognized accounting or law firm (the "Tax Referee") chosen and mutually acceptable to Buyer and Seller within a reasonable amount of time from the date on which the dispute arises. The Tax Referee shall resolve any disputed items within a reasonable amount of time taking into consideration all relevant facts and circumstances. The costs, fees and expenses of the Tax Referee shall be borne equally by Buyer and Seller.

(j) Notwithstanding any other provision of this Agreement, Seller shall be solely responsible for any Taxes, and shall indemnify Buyer pursuant to this Section 5.2, for any Taxes relating to the Restructuring.

(k) Payments made pursuant to this Section 5.2 shall be made no later than fifteen (15) business days following the later of (i) fifteen (15) business days prior to the date on which the relevant Tax is due; or (ii) fifteen (15) business days after the indemnified party gives written notice to the indemnifying party that such Tax is due. Any payment not made within such time period shall bear interest at the rate in effect from time to time on underpayments of U.S. federal

income tax calculated in accordance with sections 6621 and 6622 of the Code.

5.3 ACCESS.

(a) Subject to the execution of customary confidentiality agreements, Buyer will cause each Company and Subsidiary, for a period of five years after the Closing in respect of such Company or Subsidiary, to afford promptly to Seller and its agents reasonable access to the properties, books, records, employees and auditors of such Company and Subsidiary relating to periods prior to such Closing to the extent necessary or desirable to permit Seller to determine any matter relating to its rights and obligations hereunder or to any period ending on or before the Closing Date relating to such Closing; provided, however, that Seller recognizes that certain records and other information of Buyer may contain information relating to such Companies or Subsidiaries as well as information relating to other activities of Buyer not connected with any of such Companies or Subsidiaries, in which event Buyer shall provide access only to the relevant portions thereof.

(b) Subject to the execution of customary confidentiality agreements, Seller will and will cause each Seller Entity for a period of five years after the Closing promptly to afford Buyer, its Affiliates, and their respective agents, counsel, financial advisors and auditors reasonable access to the properties, books and records, employees and auditors of each Seller Entity relating to periods prior to the Closing to the extent necessary or desirable with respect to the Business; provided, however, that Buyer recognizes that certain records and other information of Seller may contain information relating to the Companies or any of the Subsidiaries as well as information relating to other activities of Seller not connected with any of the Companies or Subsidiaries, in which event Seller shall provide access only to the relevant portions thereof.

5.4 USE OF AND RIGHT TO NAMES.

Commencing with the 90th day following the Closing Date with respect to the Singapore Operations, none of Buyer, the Companies or the Subsidiaries shall use the names or trademarks "National Medical Enterprises, Inc.," "NME," "N.M.E.," "Tenet Healthcare Corporation," "Tenet" or any derivative thereof.

5.5 EMPLOYMENT MATTERS.

(a) As of the Closing Date with respect to each Company or Subsidiary, Buyer shall, or shall cause each such Company and its Subsidiaries to, offer employment to all

employees of such Companies and Subsidiaries not represented by a collective bargaining agreement on substantially the terms and conditions as are provided currently by such Company or Subsidiary to such employees.

(b) As of the Closing Date with respect to each Company or Subsidiary, Buyer agrees that such Companies and Subsidiaries will be bound, to the same extent as they currently are bound, by the terms and conditions of the collective bargaining agreements listed in Section 2.12 of the Seller's Disclosure Schedule.

(c) In no event will Buyer, any Company or any Subsidiary assume, or have any liability or obligation under, any Benefit Plan or any other employment, compensation, severance or benefit plan, agreement or arrangement of Seller and its subsidiaries, other than those of the Companies and the Subsidiaries acquired by Buyer hereunder which are set forth in Section 2.5 of the Disclosure Schedule, with or for the benefit of any officer or employee of any Company or any Subsidiary.

5.6 RECORDS.

(a) Promptly following the Closing Date, Seller will deliver or cause to be delivered to Seller all original agreements, documents, accounts, ledgers, books, records and files, including records and files stored on computer disks or tapes or any other storage media (collectively, "Records"), in the possession of Seller relating to the Business, and the business and operations of the Companies and the Subsidiaries, in each of the foregoing instances, not then in the possession of the Companies or the Subsidiaries, subject to the following exceptions:

(i) Seller may retain all Records prepared in connection with the sale of the Stock, including bids received from other parties and analyses relating to the Companies and the Subsidiaries; and

(ii) Seller may retain any Tax returns, reports or forms, and Buyer shall be provided with copies of such returns, reports or forms to the extent that they relate to the separate returns or separate tax liability of the Companies or the Subsidiaries.

(b) Except as otherwise provided in this Agreement, for a period of seven (7) years following the Closing Date, Buyer agrees that it will not destroy any Records in the possession of Buyer relating to the business and operations of the Company and the Subsidiaries acquired by Buyer, relating to the period prior to the Closing Date with respect to such Company or Subsidiary without first offering such Records to Seller.

5.7 AGREEMENT NOT TO COMPETE.

(a) Seller understands that Buyer shall be entitled to protect and preserve the going concern value of the Business to the extent permitted by Law and that Buyer would not have entered into this Agreement absent the provisions of this Section and, therefore, agrees that it will not, and will not permit any of its Affiliates to, (i) prior to the second anniversary of the Closing Date, directly or indirectly, in any capacity, engage in, represent in any way, or be connected with, any Restricted Businesses (as defined below) in the Territory, (ii) prior to the fifth anniversary of the Closing Date, directly or indirectly, induce any employee of Buyer or any Company or Subsidiary to leave such employ, or to accept any other position or employment or assist any other person in hiring such employee (except for persons who contact Seller on their own initiative and without any direct or indirect solicitation by Seller other than general solicitations in the form of advertisements) and (iii) at any time communicate or divulge any secret or confidential information, knowledge or data related to the Business to any person other than Buyer. The term "Restricted Business" means the businesses included in the Business as presently conducted and, in the case of the Thai Business, as it is contemplated to be conducted. The term "Territory" means China, India, Indonesia, Myanmar (formerly Burma), Malaysia, the Philippines, Singapore, Sri Lanka, Thailand and Vietnam, provided that the Territory shall not include Thailand or Malaysia, as applicable, in the event that Buyer does not acquire, as the case may be, Seller's interest in the Malaysian Business or Thai Business, in each case as specifically contemplated in Section 7.5, but only so long as Seller continues to own

its interest in the Thai Business or the Malaysian Business, as the case may be. The covenant set forth in this paragraph (a) is referred to as the "Restrictive Covenant".

(b) Notwithstanding any provision of this Section 5.7 to the contrary, (i) Seller and its Affiliates shall not be in violation of this Section 5.7 as a result of owning ten percent (10%) or less of the stock of a public company whose common stock is listed on an established securities exchange, even if such company competes with Buyer in a Restricted Business in the Territory, and (ii) Seller and its Affiliates may acquire any business and operate such business, a part of which competes in a Restricted Business in the Territory, so long as such Restricted Business part constitutes less than fifty percent (50%) of the total acquired business in terms of revenues and is divested within twelve (12) months following its acquisition.

(c) If the Restrictive Covenant or any part thereof would be void as drawn but would be valid if the period of

application were reduced, the Restrictive Covenant shall apply with such minimum modification as may be necessary to make it valid and effective. The parties agree that if any court of competent jurisdiction determines that the Restrictive Covenant or any part thereof is invalid or unenforceable, the remainder of the Restrictive Covenant shall not thereby be affected and shall be given full effect, without regard to the invalid portions. Furthermore, if any portion of the Restrictive Covenant or the application of any portion of the Restrictive Covenant, to any person or circumstances, shall be held invalid or unenforceable by any court of competent jurisdiction, the remaining portion of the Restrictive Covenant, or the application of such portion of the Restrictive Covenant to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby. In either of the foregoing cases, the parties agree that they will amend the terms of the Restrictive Covenant or portion thereof so determined to be invalid or unenforceable, but only in the most minimal manner necessary to make such terms comply with the determination of such court.

5.8 TECHNICAL SERVICES AGREEMENT.

(a) Each of Buyer and Seller hereby agrees to provide to the other, on the terms and subject to the conditions set forth in this Section 5.8, (i) the services set forth in Section 5.8(I) of the Disclosure Schedule, (ii) advice concerning the operation of hospitals and other healthcare facilities and businesses, including, without limitation, the services set forth in Section 5.8(II) of the Disclosure Schedule, and (iii) such additional services and advice as may be agreed upon by Buyer and Seller from time to time, in each case with respect to the Business (collectively, "Consulting Services").

(b) The party requesting that Consulting Services be provided pursuant to this Section 5.8 (the "Requesting Party") shall deliver to the party being requested to provide Consulting Services (the "Providing Party") with reasonable advance notice, setting forth in reasonable detail the scope of Consulting Services requested, the time period during which such Consulting Services are requested and such other details as may be requested by the Providing Party.

(c) The Requesting Party shall reimburse the Providing Party for (i) all reasonable fees, costs and expenses incurred by the Providing Party in connection with the provision of Consulting Services, including, without limitation, (A) all fees, costs and expenses paid by the Providing Party to any third party performing any such

services or providing any advice on behalf of the Providing Party, and (B) all reasonable travel, accommodation, meal and other expenses, and (ii) the salaries, benefits and costs of all personnel who provide Consulting Services pursuant to this Section 5.8, prorated according to the actual time spent by each such person in the performance of such services; provided, however, that for purposes of calculating the amounts payable under this subsection (ii), (A) the Requesting Party shall be billed for each hour (or part thereof) of services rendered by any person performing such services, not to exceed eight hours for any continuous 24-hour period; and (B) the benefits attributable to each such person shall be deemed to be equal to 40% of a number that approximates such person's base salary.

(d) The Requesting Party hereby agrees to reimburse the Providing Party for all amounts due pursuant to this Section 5.8 within 45 days of the Requesting Party's receipt of an invoice showing in reasonable detail the amount due.

(e) Except for the reimbursement provided for in this Section 5.8, there shall be no fee required to be paid in connection with Consulting Services performed or to be performed hereunder.

(f) Each party hereto hereby agrees that all Consulting Services provided are merely advisory in nature and neither party shall have any liability to the other, pursuant to the terms of this Agreement or otherwise, in connection with any Consulting Services provided hereunder, except for its gross negligence or willful misconduct in the performance of such Consulting Services.

(g) (i) Buyer's obligation to provide Consulting Services pursuant to this Section 5.8 with respect to the Malaysian Business and the Thai Business, respectively, shall commence upon the Closing for the Core Business and shall terminate upon the later to occur of (x) the Closing for such Business, and (a) with respect to the Thai Business shall terminate five years after the date of this Agreement, and (b) with respect to the Malaysian Business shall terminate two years after the date of this Agreement, and (ii) Seller's obligation to provide Consulting Services pursuant to this Section 5.8 with respect to (A) the Core Business shall commence upon the Closing for the Core Business and shall terminate one year after the Closing for the Core Business, (ii) the Thai Business shall commence upon the Closing for such Business and shall terminate five years after the Closing for such Business, and (iii) the Malaysian Business shall commence upon the Closing for such Business and shall terminate two years after the Closing for such Business.

ARTICLE VI
CONDITIONS OF PURCHASE

6.1 GENERAL CONDITIONS.

Subject to Section 7.5 hereof, the obligations of the parties to effect the Closing shall be subject to the following conditions:

(a) No Orders; Legal Proceedings. No Law or Order shall have been enacted, entered, issued, promulgated or enforced by any Governmental Entity and remain so at the Closing Date, (i) that prohibits the transactions contemplated by this Agreement, (ii) that imposes or would impose upon the ownership or operation of, or exercise of control over, the Companies, the Subsidiaries and their respective assets, properties and businesses, burdens which are material and unreasonable to the Business, taken as a whole, by Buyer and its Affiliates (provided that the condition in this clause (ii) shall be a condition only to Buyer's obligations hereunder) or (iii) that would subject either party to this Agreement to

any material penalty or liability if any of the transactions contemplated under this Agreement were consummated. No Governmental Entity shall have notified any party to this Agreement that it intends to commence proceedings that, if successful, would result in the nonsatisfaction of a condition set forth above in this Section 6.1(a), unless such Governmental Entity shall have withdrawn such notice and abandoned any such proceedings prior to the time which otherwise would have been the Closing Date.

(b) Permits and Approvals. To the extent required by applicable Law and without the imposition of any conditions or provisions that are material and unreasonably burdensome on Buyer, Buyer's Affiliates, or the Business, all Permits and Approvals listed in Section 6.1 (I) of the Disclosure Schedule that are required to be obtained from Governmental Entities shall have been received or obtained.

6.2 CONDITIONS TO OBLIGATIONS OF BUYER.

Subject to Section 7.5 hereof, the obligations of Buyer to effect the Closing shall be subject to the following conditions except to the extent waived in writing by Buyer:

(a) Representations and Warranties and Covenants of Seller. The representations and warranties of Seller herein (as amended by matters consented to by Buyer pursuant to Section 4.3) contained shall be true and correct as of the date hereof and at the Closing Date with the same effect as though made as of such time; Seller and the other Seller

Entities in all material respects shall have performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with by them at or prior to the Closing Date, and Seller shall have delivered to Buyer a certificate of Seller, dated the Closing Date and signed by its chief executive officer, president, chief financial officer or treasurer, to such effect.

(b) No Material Adverse Change. Since the date of this Agreement, whether or not in the ordinary course of business, there shall not have been, occurred or arisen:

(i) any change in or event affecting the Business that has had or is reasonably expected to have a Material Adverse Effect, except for changes reflected in the financial statements referred to in Section 2.3 and changes affecting generally the Singapore, Thailand or Malaysia (as the case may be with respect to the specific Closing) health care industry, each as a whole (it being understood that Buyer assumes the risks of changes of such type); or

(ii) any casualty, loss, damage or destruction of any property of any Company or Subsidiary or that has involved a loss to any Company or Subsidiary in excess of applicable insurance coverage, in each case that has had or is reasonably expected to have a Material Adverse Effect.

(c) Consents. Buyer shall have obtained without the imposition of any conditions or provisions that are material and unreasonably burdensome on Buyer, Buyer's Affiliates, or the Business all material Approvals and Permits from third Persons listed in Section 3.3 of the Disclosure Schedule that are required to be obtained by Buyer in connection with the transactions contemplated hereby (except Approvals and Permits from Governmental Entities which are the subject of Section 6.1(b)).

(d) Resignation of Directors. Each of Company's and Subsidiary's directors designated by Seller or its Affiliates shall have submitted his or her resignation in writing to such Company or Subsidiary, as applicable. Such resignations of directors (in such capacity) shall be effective as of the Closing.

(e) Failure to Obtain Loan. Buyer shall not have received the amounts contemplated by the commitment letter, dated May 17, 1995, from Schroders Banking & Capital Markets as a result of the failure of Schroders Banking & Capital Markets to provide such funds solely as a result of, during

the thirty (30) days preceding the date of the relevant Closing, there having occurred or be continuing (i) any suspension of trading on the Singapore Stock Exchange or material governmental restrictions (not in force on the date hereof) on trading in securities generally, or (ii) any banking moratorium declared by Singapore governmental authorities, or (iii) any material adverse change in the financial, banking or capital markets, or (iv) any outbreak or material escalation of hostilities affecting Singapore or other calamity, panic or crisis, the affect of which on the financial markets of Singapore in each case described in clauses (i), (ii), (iii) or (iv) above, is that lending institutions have generally ceased providing funding for transactions of the size contemplated by such commitment letter, provided that the occurrence of any such event shall operate to delay the respective Closing only until the tenth (10th) day following the date upon which lending institutions generally have resumed providing funding for transactions of the size contemplated by such commitment letter.

(f) Malaysian Due Diligence. With respect to the Closing of the Malaysian Business only, Buyer and its representatives shall have (i) been provided the opportunity to conduct confirmatory due diligence reasonably satisfactory to it with respect to the representations and warranties, and the covenants and agreements contained in this Agreement and (ii) entered into an amendment to the Shareholders' Agreement, dated April 4, 1990, between SD Holdings Limited and Seller satisfactory in form and substance to Buyer. For the purposes of the preceding sentence only, "Seller" shall include Seller and/or any of its Affiliates.

6.3 CONDITIONS TO OBLIGATIONS OF SELLER.

Subject to Section 7.5 hereof, the obligations of Seller to effect the Closing shall be subject to the following conditions, except to the extent waived in writing by Seller:

(a) Representations and Warranties and Covenants of Buyer. The representations and warranties of Buyer herein contained shall be true and correct as of the date hereof and at the Closing Date with the same effect as though made as of such time; Buyer in all material respects shall have performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing Date, and Buyer shall have delivered to Seller certificates of Buyer, dated the Closing Date and signed by a director, its chief executive officer, chief financial officer or treasurer, to such effect.

(b) Consents. Seller shall have obtained without the imposition of any conditions or provisions that are material and unreasonably burdensome on Seller or Seller's Affiliates (other than the Companies and the Subsidiaries) all material Approvals and Permits from third Persons listed in Section 2.8 (II) of the Disclosure Schedule that are required to be obtained by Seller in connection with the transactions contemplated hereby (except Approvals and Permits from Governmental Entities which are the subject of Section 6.1(b)).

(c) Release from Guarantees. Seller and its Affiliates (other than any Companies or Subsidiaries acquired by Buyer) shall have been fully and unconditionally released from all of their obligations and liabilities under and relating to the guarantees and other obligations listed in Section 4.10 of the Disclosure Schedule in the manner set forth in Section 4.10.

(d) Purchase of Notes. Seller shall have purchased the First Note and the Second Note pursuant to the terms set forth in Section 4.11 hereof.

ARTICLE VII
TERMINATION OF OBLIGATIONS; INDEMNIFICATION; SURVIVAL

7.1 TERMINATION OF AGREEMENT.

Anything herein to the contrary notwithstanding, this Agreement and the transactions contemplated by this Agreement may be terminated at any time before the Closing as follows and in no other manner:

(a) By mutual consent in writing of Buyer and Seller;

(b) With respect to the Core Business, Malaysian Business or the Thai Business, as the case may be, by Buyer by written notice to Seller if any event occurs or condition exists which would render impossible the satisfaction of one or more conditions to the obligations of Buyer to consummate the transactions contemplated by this Agreement as set forth in Section 6.1 or 6.2 with respect to that Business;

(c) With respect to the Core Business, Malaysian Business or the Thai Business, as the case may be, by Seller by written notice to Buyer if any event occurs or condition exists which would render impossible the satisfaction of one or more conditions to the obligation of Seller to consummate the transactions contemplated by this Agreement as set forth in Section 6.1 or 6.3 with respect to that Business; or

(d) by Seller or Buyer, if the Closing does not occur (i) on or prior to July 31, 1995 (with respect to the Core Business), subject to any delays necessitated as contemplated by Section 6.2(e), and (ii) in any event for the Core Business and the remainder of the Business on or prior to September 30, 1995;

provided, however, that the party seeking termination pursuant to clause (b), (c), or (d) is not in wilful breach of any of its covenants or agreements contained in this Agreement.

7.2 EFFECT OF TERMINATION.

If this Agreement shall be terminated pursuant to Section 7.1 with respect to the Core Business all further obligations of the parties under this Agreement shall terminate without further liability of any party to another, and with respect to the Malaysian Business or Thai Business, all further obligations of the parties under this Agreement relating to such Business shall terminate without further liability of any party to another; provided that in no event the obligations of the parties contained in Sections 2.19, 3.4, 4.5 (including the Letter Agreement referenced in such section), 7.1, 7.2 and 8.13 shall survive any such termination.

Nothing in this Section 7.2 shall be deemed to release either party from any liability for any breach by such party of the terms and provisions of this Agreement or to impair the right of either party to compel specific performance by the other party of its obligations under this Agreement; provided, however, that if a party exercises its right to terminate this Agreement, such party will be deemed to have waived any claims of breach of representations or warranties by the other party.

7.3 INDEMNIFICATION.

(a) Indemnification by Seller. Seller shall indemnify Buyer, its Affiliates (including each Company and Subsidiary) and each of their respective officers, directors, employees, stockholders, agents and representatives against, and hold them harmless from, all losses, liabilities, claims, damages and expenses (including reasonable legal fees and expenses) suffered or incurred by any such indemnified party (other than any relating to Taxes, for which indemnification provisions are set forth in Section 5.2(a)) arising from, relating to or otherwise in respect of (i) any breach of any representation or warranty of Seller which survives the Closing contained in this Agreement or in any certificate delivered pursuant thereto and (ii) any breach of any covenant or agreement of Seller contained in this Agreement; provided, however, that Seller shall not have any liability under clause (i) above unless the aggregate of all losses, liabilities, costs and expenses

relating thereto for which Seller would, but for this proviso, be liable exceeds on a cumulative basis an amount equal to U.S.$500,000, and then only to the extent of any such excess; and provided further, that Seller's liability shall in no event exceed U.S.$150,000,000. Notwithstanding the foregoing, Buyer shall not seek indemnification for any individual claim or a series of claims under clause (i) above which arises out of any single breach or a series of breaches or a representation and warranty of Seller, in each case based on a single event or condition or series of related events or conditions having a relevant common basis in fact if such individual claim is, or such series of claims add up to, less than U.S.$25,000.

Buyer acknowledges and agrees that, should the Closing occur, its sole and exclusive remedy with respect to any and all claims for breaches of representations and warranties of Seller pursuant to this Agreement shall be pursuant to the indemnification provisions set forth in this Section 7.3.

Nothing in this Agreement shall be construed to prohibit or restrict Buyer from pursuing all remedies available to it at law or in equity in connection with Seller's breach of any provision of this Agreement, other than for breaches of representations and warranties of Seller pursuant to this Agreement, or from seeking equitable relief in respect of any breach of any covenant or agreement of Seller contained in this Agreement.

(b) Indemnification by Buyer. Buyer shall indemnify Seller, its

Affiliates and each of their respective officers, directors, employees, stockholders, agents and representatives against, and hold them harmless from, all losses, liabilities, claims, damages and expenses (including reasonable legal fees and expenses) suffered or incurred by any such indemnified party (other than any relating to Taxes, for which indemnification provisions are set forth in Section 5.2(b)) arising from, relating to or otherwise in respect of (i) any breach of any representation or warranty of Buyer which survives the Closing contained in this Agreement or in any certificate delivered pursuant hereto or thereto, (ii) any breach of any covenant or agreement of Buyer contained in this Agreement, and (iii) any guarantee or contingent liability to be released pursuant to Section 4.10; provided, however, Buyer shall not have any liability under clauses (i) above unless the aggregate of all losses, liabilities, costs and expenses relating thereto for which the Buyer would, but for this proviso, be liable exceeds on a cumulative basis an amount equal to U.S.$500,000, and then only to the extent of such excess; and provided further that the Buyer's liability shall in no event exceed U.S.$20,000,000. Notwithstanding the foregoing, Seller shall not seek indemnification for any individual claim or a

series of claims under clause (i) above which arises out of any single breach or a series of breaches or a representation and warranty of Buyer, in each case based on a single event or condition or series of related events or conditions having a relevant common basis in fact if such individual claim is, or such series of claim add up to, less than U.S.$25,000.

Seller acknowledges and agrees that, should the Closing occur, its sole and exclusive remedy with respect to any and all claims for breaches of representations and warranties of Buyer pursuant to this Agreement shall be pursuant to the indemnification provisions set forth in this Section 7.3.

Nothing in this Agreement shall be construed to prohibit or restrict Seller from pursuing all remedies available to it at law or in equity in connection with Buyer's breach of any provision of this Agreement, other than for breaches of representations and warranties of Buyer pursuant to this Agreement, or from seeking equitable relief in respect of any breach of any covenant or agreement of Buyer contained in this Agreement.

(c) Losses Net of Insurance, etc. The amount of any loss, liability, claim, damage, expense or Tax for which indemnification is provided under this Section 7.3 shall be net of any amounts recovered or recoverable by the indemnified party under insurance policies with respect to such loss, liability, claim, damage, expense or Tax (collectively, a "Loss") and, except for losses, liabilities, claims, damages or expenses relating to Section 7.3(b)(iii), shall be (i) increased to take account of any net Tax cost incurred by the indemnified party arising from the receipt of indemnity payments hereunder (grossed up for such increase) and (ii) reduced to take account of any net Tax benefit realized by the indemnified party arising from the incurrence or payment of any such Loss. In computing the amount of any such Tax cost or Tax benefit, the indemnified party shall be deemed to recognize all other items of income, gain, loss, deduction or credit before recognizing any item arising from the receipt of any indemnity payment hereunder or the incurrence or payment of any indemnified Loss. Any indemnification payment hereunder shall initially be made without regard to this paragraph and shall be increased or reduced to reflect any such net Tax cost (including gross-up) or net Tax benefit only after the indemnified party has actually realized such cost or benefit. For purposes of this Agreement, an indemnified party shall be deemed to

have "actually realized" a net Tax cost or a net Tax benefit to the extent that, and at such time as, the amount of Taxes payable by such indemnified party is increased above or reduced below, as the case may be, the amount of Taxes that such indemnified party would be

required to pay but for the receipt of the indemnity payment or the incurrence or payment of such Loss, as the case may be. The amount of any increase or reduction hereunder shall be adjusted to reflect any final determination (which shall include the execution of Form 870-AD or successor form) with respect to the indemnified party's liability for Taxes and payments between Seller and Buyer to reflect such adjustment shall be made if necessary. Any indemnity payment under this Agreement shall be treated as an adjustment to the Purchase Price for Tax purposes, unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its Affiliates causes any such payment not to be treated as an adjustment to the Adjusted Purchase Price for United States federal income tax purposes.

(d) Termination of Indemnification. The obligations to indemnify and hold harmless a party hereto (i) pursuant to Section 5.2, shall terminate at the time the applicable statutes of limitations with respect to the Tax liabilities in question expire (giving effect to any extension thereof), (ii) pursuant to Sections 7.3(a)(i) and 7.3(b)(i), shall terminate when the applicable representation or warranty terminates pursuant to Section 7.4 and (iii) pursuant to Section 7.3(a)(ii) and the other clauses of Section 7.3(b), shall not terminate; provided, however, that as to clauses (i) and (ii) above such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which the person to be indemnified or the related party thereto shall have, before the expiration of the applicable period, previously made a claim by delivering a notice of such claim (stating in reasonable detail the basis of such claim) to the indemnifying party; provided further, however, that in the case of a claim being made by reason of a Third Party Claim (as defined in Section 7.3(e) hereof), if the third party claimant has not asserted its claim in writing, the requirements of this clause shall nonetheless be deemed to be satisfied with respect thereto so long as the third party claimant has overtly threatened or otherwise indicated an intention to bring or pursue a claim, albeit orally, and the indemnified party, before the expiration of the applicable period, so notifies the indemnifying party by delivering a notice of such asserted claim (stating in reasonable detail the basis for such claim to the extent known to the indemnified party) to the indemnifying party and such third party claimant subsequently assets its claim in writing and a copy of the written notice from the third party claimant is furnished to the indemnifying party in no more than ten (10) business days after its receipt by the indemnified party.

(e) Procedures Relating to Indemnification. In order for a party (the "indemnified party") to be entitled to any

indemnification provided for under this Section 7.3 in respect of, arising out of or involving a claim or demand made by any person against the indemnified party (a "Third Party Claim"), such indemnified party must notify the indemnifying party in writing, and in reasonable detail, of the Third Party Claim promptly, but in no event more than ten (10) business days after receipt by such indemnified party of written notice of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the

extent the indemnifying party shall have been actually prejudiced as a result of such failure (except that the indemnifying party shall not be liable for any expenses of the indemnified party incurred during the period in which the indemnified party failed to give such notice). Upon delivering the initial notification and thereafter, promptly upon the indemnifying party's receipt thereof, the indemnified party shall deliver to the indemnifying party copies of all notices and documents (including court papers) received by the indemnified party relating to the Third Party Claim.

If a Third Party Claim is made against an indemnified party, the indemnifying party shall be entitled to participate in the defense thereof and, if it so chooses, to assume the defense thereof with counsel selected by the indemnifying party (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below);

provided that such counsel is not reasonably objected to by the indemnified
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party. If the indemnifying party assumes such defense, the indemnified party shall have the right to participate in the defense thereof and to employ counsel (not reasonably objected to by the indemnifying party), at its own expense, separate from the counsel employed by the indemnifying party, it being understood that the indemnifying party shall control such defense. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel) (not reasonably objected to by the indemnifying party), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel (not reasonably objected to by the indemnifying party) if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iii) the indemnifying party shall authorize the indemnified party to

employ separate counsel at the expense of the indemnifying party. The indemnifying party shall be liable for the reasonable fees and expenses of counsel employed by the indemnified party following the failure of the indemnifying party to assume the defense thereof (other than during the period prior to the time the indemnified party shall have given notice of the Third Party Claim as provided above).

If the indemnifying party so elects to assume the defense of any Third Party Claim, all of the indemnified parties shall cooperate with the indemnifying party in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the indemnifying party's request) the provision to the indemnifying party of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the indemnifying party shall have assumed the defense of a Third Party Claim, the indemnified party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the indemnifying party's prior written consent (which consent shall not be unreasonably withheld). If the indemnifying party shall have assumed the defense of a Third Party Claim, the indemnified party shall agree to any settlement, compromise or discharge of a Third Party Claim which the indemnifying party may recommend and which by its terms obligates the indemnifying party to pay the full amount of the liability in connection with such Third Party Claim, which releases the indemnifying party completely in connection with such Third Party Claim and which would not otherwise materially adversely affect the indemnified party.

The indemnification required by Sections 7.3(a) and 7.3(b) shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or loss, liability, claim, damage or expense is incurred. All claims under Sections 7.3(a) or 7.3(b) other than Third Party Claims shall be governed by Section 7.3(f).

(f) Other Claims. In the event any indemnified party should have a claim against any indemnifying party under Section 7.3(a) or 7.3(b) that does not involve a Third Party Claim being asserted against or sought to be collected from such indemnified party, the indemnified party shall deliver notice of such claim with reasonable promptness to the indemnifying party. The failure by any indemnified party so to notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to such indemnified party under Sections 7.3(a) or 7.3(b), except to the extent that the indemnifying party has been

actually prejudiced by such failure. If the indemnifying party does not notify the indemnified party within thirty (30) business days following its receipt of such notice that the indemnifying party disputes its liability to the indemnified party under Sections 7.3(a) or 7.3(b), such claim specified by the indemnified party in such notice shall be conclusively deemed a liability of the indemnifying party under Sections 7.3(a) or 7.3(b) and the indemnifying party shall pay the amount of such liability to the indemnified party on demand or, in the case of any notice in which the amount of the claim (or any portion thereof) is estimated, on such later date when the amount of such claim (or such portion thereof) becomes finally determined. If the indemnifying party has timely disputed its liability with respect to such claim, as provided above, the indemnifying party and the indemnified party shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved by the method of dispute resolution described in Section 8.4 hereof.

(g) No Contribution from the Companies or the Subsidiaries. Neither Seller nor any of its Affiliates shall have any right to seek, and they hereby waive, any and all claims they may have to, contribution from any of the Companies or the Subsidiaries with respect to all or any portion of its indemnification obligations under this Agreement.

7.4 SURVIVAL OF REPRESENTATIONS.

The representations and warranties in this Agreement as to the Core Business, Malaysian Business or Thai Business, as the case may be (other than the representations and warranties relating to Taxes), shall survive the Closing with respect thereto solely for purposes of Sections 7.3(a) and 7.3(b) and shall terminate on the later of June 30, 1996 and the close of business one year after the Closing with respect thereto.

7.5 SEPARATE CLOSINGS; ADJUSTMENT TO PURCHASE PRICE.

(a) Notwithstanding any other provision of this Agreement, on the later of June 29, 1995 or the tenth business day after the satisfaction of the conditions to Closing set forth in Sections 6.1(b), 6.2(c) and 6.3(b), other than with respect to the Thai Business and the Malaysian Business, the Closing shall occur with respect to the Business other than the Malaysian Business and Thai Business (the "Core Business"). In determining whether the conditions set forth in Article VI have been satisfied as of the Closing Date, the term "Business" shall refer to the Core Business only, the conditions in Section 6.1, 6.2 and 6.3 shall be read to relate

solely to the Core Business and

references to any of the Companies or Subsidiaries shall be read to refer only to the Companies and Subsidiaries constituting the Core Business. The Closing in respect of the Thai Business and Malaysian Business shall occur separately thereafter and independent of each other, on the tenth business day after the satisfaction of the conditions to Closing set forth in Sections 6.1(b), 6.2(c) and 6.3(b) with respect to each such business, as applicable. In determining whether the conditions set forth in Article VI have been satisfied at the Closing Date for such business, the term "Business" shall refer to that portion of the Business represented by the Thai Business, the Malaysian Business or both, as the case may be, the conditions in Sections 6.1, 6.2 and 6.3 shall be read to relate solely to the Thai Business, the Malaysian Business or both, as the case may be, and references to any Companies or Subsidiaries shall be read to refer only to the Companies or Subsidiaries constituting the Thai Business, the Malaysian Business or both, as the case may be. The portion of the Purchase Price payable in the manner contemplated in Section 1.2 at each such Closing shall be that portion of the Purchase Price allocated in Exhibit A to this Agreement to the Core Business, the Thai Business and the Malaysian Business.

(b) If the sale of the Thai Business and/or the Malaysian Business is not consummated prior to the termination of this Agreement, or Seller's interests in either or both such businesses shall have been purchased by the relevant joint venture partner or sold to a third party or otherwise reduced or changed pursuant to the respective terms of the joint venture or shareholders agreements governing the Thai Business or the Malaysian Business, the Purchase Price allocated to such Business in Exhibit A hereto shall not be paid.

ARTICLE VIII
GENERAL

8.1 AMENDMENTS; WAIVERS.

This Agreement and any schedule or exhibit attached hereto may be amended only by agreement in writing of all parties. No waiver of any provision nor consent to any exception to the terms of this Agreement shall be effective unless in writing and signed by the party to be bound and then only to the specific purpose, extent and instance so provided.

8.2 SCHEDULES; EXHIBITS; INTEGRATION.

Each schedule and exhibit delivered pursuant to the terms of this Agreement shall be in writing and shall constitute

a part of this Agreement, although schedules need not be attached to each copy of this Agreement. This Agreement, together with such schedules and exhibits, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersede all prior agreements and understandings of the parties in connection therewith, except the Letter Agreement, which, subject to Section 4.5 hereof, shall continue in full force and effect. Without limiting the effect of the foregoing provisions of this Section 8.2, except as expressly set forth in this Agreement, neither Buyer nor Seller is making or shall be deemed to have made any representation or warranty of any kind, either express or implied.

8.3 REASONABLE BEST EFFORTS; FURTHER ASSURANCES.

Each party will use its reasonable best efforts to cause all conditions to its obligations hereunder to be timely satisfied and to perform and fulfill all obligations on its part to be performed and fulfilled under this Agreement, to the end that the transactions contemplated by this Agreement shall be effected substantially in accordance with its terms as soon as feasible. The parties shall cooperate with each other in such actions and in securing requisite Approvals. Each party shall deliver such further documents and take such other actions as may be necessary or appropriate to consummate or implement the transactions contemplated hereby or to evidence such events or matters.

8.4 GOVERNING LAW; ARBITRATION.

(a) This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and performed in such State and without regard to conflicts of law doctrines except to the extent that certain matters are preempted by federal law or are governed by the law of the jurisdiction of incorporation of the respective parties.

(b) Any dispute arising out of or in connection with this Agreement or any amendment or modification hereto, other than with respect to matters covered in Section 5.2 hereof, (i) shall be referred to a single conciliator to be selected by the parties, or failing their agreement, by the International Chamber of Commerce, with the mission of attempting to resolve such dispute during a period of one hundred and twenty (120) days following the first notification of such dispute given to any party hereunder and (ii) if such dispute shall otherwise not be so resolved, shall be finally settled by arbitration conducted in the English language in London, England under the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules by three arbitrators, one of whom shall be appointed

by each of the parties, and the third by agreement of the two arbitrators, or failing such agreement by the International Chamber of Commerce as appointing authority. Either Buyer or Seller may initiate the procedures in this Section 8.4(b) by giving demand for arbitration to the other, setting forth the nature of any such dispute. Any written determination of the arbitrators shall be final and conclusive upon the parties. Each party hereto shall promptly pay to the prevailing party any amount determined to be due to it by such arbitration. It is the intention of each party that, to the maximum extent, actions of the arbitrators shall not be subject to review in the courts of England.

8.5 NO ASSIGNMENT.

Neither this Agreement nor any rights or obligations under it are assignable without the prior written consent of the other party; provided, however, that Buyer may assign its rights and obligations (including its rights to purchase the Stock) in whole or in part to one or more of its Affiliates without the prior written consent of Seller; provided further, however, that no assignment shall limit or affect the assignor's obligations hereunder. Any attempted assignment in violation of this Section 8.5 shall be void.

8.6 HEADINGS.

The descriptive headings of the Articles, Sections and subsections of

this Agreement are for convenience only and do not constitute a part of this Agreement.

8.7 COUNTERPARTS.

This Agreement and any amendment hereto or any other agreement (or document) delivered pursuant hereto may be executed in one or more counterparts and by different parties in separate counterparts. All of such counterparts shall constitute one and the same agreement (or other document) and shall become effective (unless otherwise provided therein) when one or more counterparts have been signed by each party and delivered to the other party.

8.8 PUBLICITY AND REPORTS.

Seller and Buyer shall coordinate all publicity relating to the transactions contemplated by this Agreement and no party shall issue any press release, publicity statement or other public notice relating to this Agreement, or the transactions contemplated by this Agreement, without obtaining the prior consent of the other party, which shall not be unreasonably withheld, except (following consultation with the other party to the extent reasonably possible) to the extent that

a particular action is required by applicable Law or stock exchange rules.

8.9 REMEDIES CUMULATIVE.

Except for the limitation on remedies by Buyer and Seller contained in Section 7.3 of this Agreement, all rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

8.10 PARTIES IN INTEREST.

This Agreement shall be binding upon and inure to the benefit of each party to this Agreement, and nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement. Nothing in this Agreement is intended to relieve or discharge the obligation of any third person to (or to confer any right of subrogation or action over against) any party to this Agreement.

8.11 NOTICES.

Any notice or other communication hereunder must be given in writing and (a) delivered in person, (b) transmitted by telefax or (c) mailed, postage prepaid, receipt requested as follows:

If to Buyer, addressed to:

Parkway Holdings Limited
80 Marine Parade Road
#22-01/99 Parkway Parade
Singapore 1544
Telephone: (65) 345-8822
Telefax: (65) 344-0356
Attention: Company Secretary

With a copy each to:

Khattar Wong & Partners

80 Raffles Place #25-01
UOB Plaza 1
Singapore 0104
Telephone: (65) 535-6844
Telefax: (65) 534-1909
Attention: Chang See Hiang, Esq.

and

Sullivan & Cromwell
28/F, Nine Queen's Road Central
Hong Kong
Telephone: (852) 2826-8688
Telefax: (852) 2522-2280
Attention: John Evangelakos, Esq.

If to Seller, addressed to:

Tenet Healthcare Corporation
2700 Colorado Avenue
Santa Monica, California 90404
Telephone: (310) 998-8000
Telefax: (310) 998-4088
Attention: General Counsel

With a copy to:

O'Melveny & Myers
400 South Hope Street, 15th Floor
Los Angeles, California 90071-2899
Telephone: (213) 669-6000
Telefax: (213) 669-6407
Attention: Richard A. Boehmer, Esq.

or to such other address or to such other person as either party shall have last designated by such notice to the other party. Each such notice or other communication shall be effective (i) if given by telecommunication, when transmitted to the applicable number so specified in (or pursuant to) this Section 8.11 and an appropriate answerback is received, (ii) if given by mail, three days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually received at such address.

8.12 STAMP DUTIES.

Buyer shall pay all stamp duties, goods and services taxes, and any similar charges (except receipts duties, financial institutions duties or bank account debits taxes, which shall be paid by the party upon which they fall) assessed on or in relation to this Agreement and the Conveyance Documents or any of the matters or transactions or sales under this Agreement, the share transfer form, or under any related document, except for all such duties, taxes or charges relating to or arising out of the Restructuring.

8.13 EXPENSES AND ATTORNEYS FEES.

Seller and Buyer shall each pay their own expenses incident to the negotiation, preparation and performance of this

Agreement and the transactions contemplated hereby, including but not limited to the fees, expenses and disbursements of their respective Investment Bankers,

accountants and counsel. In the event of any Action for the breach of this Agreement, indemnification or misrepresentation by any party, the prevailing party shall be entitled to reasonable attorney's fees, costs and expenses incurred in connection with investigating and prosecuting such Action.

8.14 SEVERABILITY.

If any provision of this Agreement is held invalid or unenforceable by any Governmental Entity, the remaining provisions of this Agreement shall remain in full force and effect provided that the essential terms and conditions of this Agreement for both parties remain valid, binding and enforceable.

8.15 DOLLARS.

Unless otherwise specified herein, all references to "$" and "dollars" shall mean United States Dollars.

ARTICLE IX
DEFINITIONS

9.1 DEFINITIONS.

For all purposes of this Agreement, except as otherwise expressly provided:

(a) the terms defined in this Article IX include the plural as well as the singular;

(b) all accounting terms not otherwise defined herein have the meanings assigned under GAAP;

(c) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement except as otherwise provided in this Agreement;

(d) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms;

(e) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; and

(f) all references to any Contract shall mean and include such Contract as it may have been amended, restated, modified, supplemented, renewed or replaced from time to time.

As used in this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement, the following definitions shall apply:

"Action" means any action, claim, complaint, petition, investigation, suit or other proceeding, whether civil or criminal, at law or in equity, or before any arbitrator or Governmental Entity.

"Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person.

"Agreement" means this Agreement by and between Buyer and Seller as amended or supplemented, together with all Exhibits and Schedules attached or incorporated by reference therein.

"Approval" means any approval, authorization, consent, waiver, qualification or registration, or any waiver of any of the foregoing, required to be obtained from, or any notice, statement or other communication required to be filed with or delivered to, any Governmental Entity or any other Person (including, without limitation, any of the foregoing required to be obtained from any lender or security holder).

"Auditors" means KPMG Peat Marwick L.L.P., independent public accountants to Seller or, with respect to any Company or Subsidiary, the auditors whose report is included in the financial statements of such entity.

"Balance Sheet" has the meaning assigned to it in Section 2.3(b).

"Benefit Plans" has the meaning assigned to it in Section 2.15.

"BMC" has the meaning assigned to it in the Recitals to this Agreement.

"Business" has the meaning assigned to it in the Recitals to this Agreement.

"Closing" means the consummation of the purchase and sale of the Stock under this Agreement or each of the purchases and sales of portions of Stock if the provisions of Section 7.5 are applicable.

"Closing Date" means the date of the Closing or the various dates of Closing if the provisions of Section 7.5 are applicable.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and successor statutes.

"Companies" has the meaning assigned to it in the Recitals to this Agreement.

"Company Real Properties" has the meaning assigned to it in Section 2.6(b).

"Contract" means any document, agreement, arrangement, bond, commitment, franchise, indemnity, indenture, instrument, lease, license or understanding, whether or not in writing.

"Conveyancing Documents" has the meaning assigned to it in Section 1.5.

"Core Business" has the meaning assigned to it in Section 7.5.

"Disclosure Schedule" means the Disclosure Schedule dated the date of this Agreement and delivered by Seller to Buyer, or Buyer to Seller, as the case may be, pursuant to this Agreement. Any information set forth in any section of the Disclosure Schedule shall be deemed to be set forth in such other section of the Disclosure Schedule as contains a cross-reference to the former section.

"Encumbrance" means any claim, charge, easement, encumbrance, security interest, lien, option, pledge, negative pledge, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law, equity or otherwise, except for any restrictions on transfer generally arising under any applicable U.S. or foreign securities law.

"Equity Securities" means any capital stock or other equity interest or any securities convertible into or exchangeable for such capital stock or other equity interest or any other rights, warrants or options to acquire any of the foregoing securities, including the rights to any dividend declared but unpaid in respect thereof.

"GAAP" means generally accepted accounting principles in the United States as in effect from time to time, with such specifically disclosed changes, if

any, as may be required by generally accepted accounting principles.

"Governmental Entity" means any government or any agency, district, bureau, board, statutory board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

"Intellectual Property" has the meaning assigned to it in Section 2.14.

"Interim Period" has the meaning assigned to it in Section 2.4(b).

"International - NME" has the meaning assigned to it in Section 1.6.

"Investment Bankers" has the meaning assigned to it in Section 2.19.

"Law" means any constitutional provision, statute or other law, rule, regulation, or interpretation of any Governmental Entity and any Order.

"Letter Agreement" has the meaning assigned to it in Section 4.1.

"Malaysian Business" means the portion of the Business carried on by or through PME and SJMC in Malaysia and shall not include business carried on by or through Mount Elizabeth Health Care Services Sdn. Bhd.

"Material Adverse Effect" means a material adverse effect on the business, assets, condition (financial or otherwise) or results of operations of the Business (or, if the entire Business is not sold to Buyer as contemplated in Section 7.5, of the portion of the Business to be sold to Buyer), taken as a whole, or on the ability of any Seller Entity to consummate the transactions contemplated in this Agreement.

"MR" means Malaysian Ringgits.

"NME Asia" has the meaning assigned to it in the Recitals to this Agreement.

"Order" means any decree, injunction, judgment, order, ruling, assessment or writ.

"Overhead Expenses" has the meaning assigned to it in Section 2.21.

"Permit" means any license, permit, franchise, certificate of authority, or order, or any waiver of the foregoing, required to be issued by any Governmental Entity.

"Permitted Encumbrances" means, collectively, (i) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business, liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business and liens for Taxes which are not due and payable or which may thereafter be paid without penalty, (ii) mortgages, liens, security interests and encumbrances which secure debt that is reflected as a liability on the financial

statements referred to in Section 2.3 and the existence of which is indicated in the notes thereto and (iii) other imperfections of title or encumbrances, if any, which do not, individually or in the aggregate, materially impair the value of or the continued use and operation of the assets to which they relate in the Business.

"Person" means an association, a corporation, an individual, a partnership, a joint venture, a trust or any other entity or organization, including a

Governmental Entity.

"PME" has the meaning assigned to it in the Recitals to this Agreement.

"Pre-Closing Tax Period" means all taxable periods ending on or before February 28, 1995 and the portion ending on February 28, 1995 of any taxable period that includes (but does not end on) such day.

"Purchase Price" has the meaning set forth in Section 1.2.

"Restructuring" means the transactions contemplated by Sections 1.6 and 4.11 hereof.

"Seller Entity" means Seller and each subsidiary or Affiliate of Seller that owns any Equity Security of any Company or any assets used in the Business to be conveyed to Buyer as contemplated by Sections 1.1 and 1.4.

"Seller's Transition Tax Exposure Amount" means the difference, if any, between (i) the U.S. Federal, state and local income tax liability of Seller and its Affiliates for Seller's taxable year ending on May 31, 1996 computed to take into account (A) any liability incurred by Seller and its Affiliates under Section 951(a) of the Code as a result of any income earned by any Company or Subsidiary during the Transition Period or the acquisition of any asset or the undertaking of any transaction or activity by any Company or Subsidiary during the Transition Period and (B) any reduction in the combined earnings and profits of the Companies and Subsidiaries (as determined under the Code) to an amount less than the combined earnings and profits of the Companies and Subsidiaries on the Closing Date that is attributable to any dividend or other distribution declared, issued, made or paid during the Transition Period by any Company or Subsidiary (or any entity becoming a subsidiary of any Company or any Subsidiary during the Transition Period) and (ii) the U.S. Federal, state and local income tax liability of Seller and its Affiliates for Seller's taxable year ending on May 31, 1996 computed without regard to the items described in subclauses (A) and (B) of clause (i) of this sentence. For this purpose, the Tax liability of Seller and its Affiliates shall be calculated by taking into account foreign tax credits available to Seller and its Affiliates and by taking into account the effect of an

increase in an overall foreign loss or increase in a separate limitation loss (each as defined in section 904(f) of the Code) on the ability of Seller and its Affiliates to utilize foreign tax credits for U.S. Federal income tax purposes.

"SJMC" has the meaning assigned to it in the Recitals to this Agreement.

"Stock" means the capital stock of the Companies as described in Section 2.1 of the Disclosure Schedule.

"Subsidiary" means any Person in which a Company has a direct or indirect equity or ownership interest in excess of fifty percent (50%).

"Tax" or "Taxes" means any foreign, federal, state, county or local income, sales, turnover, use, excise, franchise, ad valorem, goods and services, real and personal property, transfer, gross receipt, stamp, premium, profits, customs and excise, duties, windfall profits, capital stock, capital gains or duty, production, business and occupation, disability, employment, payroll, severance or withholding taxes, fees, assessments or charges of any kind whatever imposed by any Governmental Entity, all amounts equal to the Tax cost of any deprivation of any relief, allowance, set-off or deduction in computing profits or right to repayment of Tax granted by or pursuant to Law relating to Tax, any interest, charges and penalties (civil or criminal), additions to tax, payments in lieu of taxes or additional amounts related thereto or to the nonpayment thereof, and any Loss in connection with the determination, settlement or litigation of any Tax liability.

"Tax Return" means a declaration, statement, report, return, computation of

tax, invoice, records (accounting or otherwise) or other document or information required to be filed or supplied with respect to Taxes including, where permitted or required, combined or consolidated returns for any group of entities that includes any Company or Subsidiary.

"Territory" has the meaning assigned to it in Section 5.8.

"Thai Business" means the portion of the Business carried on or as currently contemplated to be carried on by or through BMC in Thailand.

"Thai Promissory Note" has the meaning assigned to it in Section 1.6.

"Transition Period" means the period beginning on the day after the Closing Date and ending on May 31, 1996.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

BUYER

PARKWAY HOLDINGS LIMITED,
a Singapore corporation

By: /s/ TAN KAI SENG
Tan Kai Seng

Its: Director

SELLER

NATIONAL MEDICAL ENTERPRISES, INC.,
a Nevada corporation

By: /s/ TERENCE P. MCMULLEN
Terence P. McMullen

Its: Vice President

Exhibit A
Allocation of Purchase Price

Pacific Medical Enterprises Sdn. Berhad (2 shares) and Subang Jaya Medical Centre Sdn. Bhd. (6,186,000 shares)	U.S. $12 million
NME Asia Pte Ltd (29,800,002 shares)	U.S. $323 million less the U.S. dollar amount determined in

	Section 1.2(ii)
Bumrungrad Medical Center Limited (22,695,000 shares)	U.S. $17 million plus all amounts lent to BMC by NME Inc. or its affiliates (other than NME Asia or any of its Subsidiaries) subsequent to February 28, 1995

Exhibit 10(p)

AUSTRALIA STOCK PURCHASE AGREEMENT

dated as of

July 5, 1995,

between

NATIONAL MEDICAL ENTERPRISES, INC.

and

PARKWAY HOLDINGS LIMITED

TABLE OF CONTENTS

AUSTRALIA STOCK PURCHASE AGREEMENT

This Australia Stock Purchase Agreement is entered into as of July 5, 1995, between Parkway Holdings Limited, a Singapore corporation ("Buyer"), and National Medical Enterprises, Inc., a Nevada corporation ("Seller").

R E C I T A L S

WHEREAS, Seller, through its subsidiaries, owns and operates a hospital, diagnostic, pathology and related healthcare services business in Australia (as currently conducted, the "Business");

WHEREAS, the Business is conducted by Seller through Tenet Healthcare Australia Pty Limited, an Australian corporation (the "Company"), and through the ownership of an interest in Australian Medical Enterprises Limited, an Australian corporation ("AME"); and

WHEREAS, pursuant to this Agreement, Seller desires to sell, and Buyer desires to buy, all of the issued shares of the Company (the "Stock") for the consideration described herein.

A G R E E M E N T

In consideration of the mutual promises contained herein and, subject to Section 6.1, intending to be legally bound the parties agree as follows (except as otherwise expressly provided, all defined terms in this Agreement shall have the meanings assigned to them in Article IX hereof):

ARTICLE I
PURCHASE AND SALE; CLOSING

1.1 SALE AND PURCHASE OF STOCK.

Subject to the terms and conditions of this Agreement, Seller agrees to sell, and to cause International - NME, Inc. ("International - NME") to sell, the Stock and convey, transfer, assign and deliver the certificates evidencing the Stock to Buyer at the Closing, and Buyer agrees to purchase the Stock from Seller and International - NME. The certificates will be accompanied by share transfers duly executed by Seller or International - NME, as the case may be, in respect of the Stock and a duly executed power of attorney by each of them to do any and all things in respect of the Stock until the time the share transfers in respect of the Stock are registered in favor of

Buyer, and otherwise in a form acceptable for transfer on the books of the Company.

1.2 PURCHASE PRICE.

Subject to the terms and conditions of this Agreement, Buyer agrees to pay to Seller or its order at the Closing in exchange for the Stock the amount of U.S.$63,000,000 (the "Purchase Price"). The Purchase Price shall be paid in cash (in funds immediately available in Hong Kong).

1.3 THE CLOSING.

The Closing shall take place at the offices of O'Melveny & Myers in Hong Kong, on the tenth business day after the satisfaction of the conditions specified in Sections 6.1(a), 6.2(b), 6.3(c) and 6.4(b), or at such other place or on such other date as Seller and Buyer may agree.

1.4 RELEASE AND WAIVER.

Except as expressly provided for in this Agreement, the Closing shall constitute an unconditional release and waiver by Seller and its subsidiaries and Affiliates (other than the Company, AME and its Subsidiaries) of, and Seller thereby covenants to cause its subsidiaries and Affiliates to unconditionally release and waive, any and all claims it or any of its subsidiaries or Affiliates may have against or with respect to the Company, AME or any of its Subsidiaries or any other assets constituting part of the Business.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller has invited Buyer to perform and Buyer has performed due diligence and business investigations with respect to the Company and AME, with the intention that Buyer form its own conclusions regarding the condition and value of the Business pursuant to the parties' express intention that the sale of the Business be without representation or warranty by Seller, express or

implied, except as set forth in this Agreement and the Disclosure Schedule, which representations and warranties Seller acknowledges Buyer is relying upon in entering into this Agreement. Unless the context otherwise requires, references to AME in this Article II shall include AME and its Subsidiaries. Seller represents and warrants to Buyer as of the date of the Disclosure Schedule as follows:

2.1 COMPANY AND AME; ORGANIZATION AND RELATED MATTERS.

Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of

Nevada. The Company is a corporation duly incorporated and validly existing under the laws of New South Wales and AME is a corporation duly incorporated and validly existing under the laws of Western Australia. Section 2.1 of the Disclosure Schedule correctly sets forth the capitalization of each of the Company and AME and each jurisdiction in which each of the Company and AME is qualified or licensed to do business as a foreign person. Seller has all necessary corporate power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated by this Agreement. Each of the Company and AME has all necessary corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted. Section 2.1 of the Disclosure Schedule correctly lists the current registered directors and executive officers of each of the Company and AME (other than its Subsidiaries). True, correct and complete copies of the respective memorandum and articles of association of each of the Company and AME (other than its Subsidiaries) have been delivered to Buyer. The Company and AME constitute all the entities through which Seller conducts, directly or indirectly, the Business, and, except as set forth in Section 2.1 of the Disclosure Schedule, the assets and properties owned or leased by the Company and AME constitute all the material assets, properties and rights used by Seller and its subsidiaries and Affiliates in connection with the conduct of the Business.

2.2 STOCK.

(a) Except as described in Section 2.1 of the Disclosure Schedule, Seller, directly or indirectly, owns all of the issued Equity Securities of the Company beneficially and of record. The Company owns 101,006,395 shares (the "AME Stock") of AME, beneficially and of record. Except as described in Section 2.2 of the Disclosure Schedule, all of such Equity Securities of Company and the AME Stock are owned free and clear of any Encumbrance. At the Closing, Buyer will acquire good and valid title to and complete ownership of the Stock, with all rights attaching thereto as of the Closing Date, free and clear of any Encumbrance. The authorized, issued and outstanding capital stock of each of the Company and AME is described in Section 2.1 of the Disclosure Schedule. Except as described in Section 2.2 of the Disclosure Schedule, there are no outstanding Contracts or other rights to subscribe for or purchase, or Contracts or other obligations to issue or grant any rights to acquire, any Equity Securities of the Company or the AME Stock or, to the knowledge of Seller, the Equity Securities of AME, or to restructure or recapitalize the Company or, to the knowledge of Seller, AME. Other than this Agreement and except as set forth in Section 2.2 or Section 2.8 of the Disclosure Schedule, neither the Stock nor the AME Stock nor, to the knowledge of Seller, the Equity Securities of AME is subject to any voting trust

agreement or other Contract, agreement, arrangement, commitment or understanding, including any such agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend

rights or disposition thereof.

(b) Except as set forth in Section 2.2 of the Disclosure Schedule, the Company does not own directly or indirectly any Equity Securities of any Person and the Company is not a member of or participant in any partnership, joint venture or similar Person (other than passive investment holdings in amounts not material in the aggregate and the AME Stock).

2.3 FINANCIAL STATEMENTS; CHANGES; CONTINGENCIES.

(a) Seller has delivered to Buyer a consolidated balance sheet for the Business at each of May 31, 1994 and 1993 and the related consolidated statements of operations, changes in owner's equity and cash flow (including the notes thereto and the consolidating schedules) for the two-year period ended May 31, 1994, and for the three-month period ended May 31, 1992, a true and correct copy of which has been provided to Buyer by Seller. All such financial statements have been audited by the Auditors whose report thereon is included with such financial statements. Such statements of operations and cash flow present fairly, in all material respects, the results of operations and cash flows of the Business for the respective periods covered, and the balance sheets present fairly, in all material respects, the financial condition of the Business as of their respective dates, in all cases in conformity with GAAP applied on a consistent basis (except for changes, if any, required by GAAP and disclosed therein).

(b) Seller has delivered to Buyer a consolidating balance sheet for the Business at February 28, 1995 (the "Balance Sheet"), and the related consolidating statements of operations for the nine-month periods ended February 28, 1995 and 1994; a true and correct copy of each of which has been provided to Buyer by Seller. Such statements of operations and the Balance Sheet have been compiled in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants and, except as set forth in the Independent Accountants' Compilation Report, dated April 3, 1995, included therewith, are in conformity with GAAP applied on a consistent basis.

(c) Except as described in Section 2.3 of the Disclosure Schedule, from February 28, 1995 to the date of the Disclosure Schedule, whether or not in the ordinary course of business, there has not been, occurred or arisen:

(i) any change in or event or a series of connected events affecting the Business that has had or is reasonably expected to have an impact of $100,000 individually or $500,000 in the aggregate with all other such changes, events or series of events or otherwise has had or is reasonably expected to have a Material Adverse Effect, except for changes reflected in the financial statements referred to in this Section 2.3 and changes affecting generally the Australian health care industry as a whole (it being understood that Buyer assumes the risks of changes of such type);

(ii) any casualty, loss, damage or destruction of any property of the Company or AME or that has involved a loss to the Company or AME in excess of applicable insurance coverage, that has had or is reasonably expected to have an impact in excess of $100,000 individually or $500,000 in the aggregate with all other such casualties, losses, damage or destruction, or otherwise has had or is reasonably expected to have a Material Adverse Effect; or

(iii) any of the events described in Section 4.3 hereof.

(d) Except as set forth in Section 2.3 of the Disclosure Schedule, neither the Company nor AME has any liability or obligation of any nature

(whether known or unknown, absolute, accrued, contingent or otherwise) or has engaged in other types of financing transactions that would have or would reasonably be expected to have an impact of $100,000 individually or $500,000 in the aggregate with all other such liabilities or obligations or otherwise has had or is reasonably expected to have a Material Adverse Effect, other than (i) as disclosed, reflected or reserved against in the financial statements referred to in this Section 2.3 and the notes thereto and (ii) liabilities and obligations incurred in the ordinary course of business consistent with past practices since the date of the Balance Sheet and not in violation of this Agreement.

2.4 TAX MATTERS.

(a) Except as set forth in Section 2.4 of the Disclosure Schedule, as of the Closing Date (i) each of the Company and AME has timely filed (or, where permitted or required, its respective direct or indirect parents have timely filed) all material required Tax Returns, (ii) each such Tax Return sets forth the Tax liability required to be set forth therein in accordance with the provisions of the Australian Income Tax Assessment Act, 1936, as amended, or other applicable law (other than Taxes contested in good faith) and is otherwise true and correct in all material

respects, (iii) all Taxes shown to be due on the Tax Returns referred to in clause (i) have been timely paid in full (other than Taxes contested in good faith), (iv) no material tax liens have been filed with respect to Taxes of the Company or AME, (v) no Governmental Entity has, during the past three years, conducted a taxation audit of the Company or AME, and (vi) no Governmental Entity has proposed in writing any deficiency, assessment or claim for Taxes of either the Company or AME.

(b) Except as set forth in Section 2.4 of the Disclosure Schedule, during the period from March 1, 1995 through the Closing Date (the "Interim Period"), neither the Company nor AME will have (i) engaged in any transaction, other than in the ordinary course of business, that will cause the effective Tax rate of the Company and AME for Taxes for the Interim Period to be materially greater than the effective Tax rate of the Company and AME for Taxes for the year ended May 31, 1994 as adjusted for changes in Tax law and other events beyond the control of Seller or (ii) made or changed any election, changed any annual accounting period, or adopted or changed any accounting method that would have the effect of increasing the Tax liability of the Company or AME.

(c) Nothing has occurred in respect of the Company or AME which would cause the disallowance for Tax purposes of either the carry forward of losses as of the date of the Balance Sheet or the deduction of losses incurred since that date other than as a result of the transfer of the Stock.

2.5 MATERIAL CONTRACTS.

Except as set forth in Section 2.5 of the Disclosure Schedule, neither the Company nor AME is a party to or bound by any Contract which is an:

(i) employment agreement, employment contract or consultancy or other similar service agreement;

(ii) employee collective bargaining agreement or other contract with any labor union;

(iii) agreement or covenant of the Company or AME not to compete or other covenant of the Company or AME restricting the development, manufacture, marketing or distribution of the products and services of the Business, which in each case is material in respect of any portion of

Australia;

(iv) agreement, contract or other arrangement (including management agreements) with (A) Seller or any Affiliate of Seller (other than the Company or AME) or (B) any current or former officer, director or employee of

Seller, the Company, AME or any Affiliate of Seller (other than employment agreements covered by clause (i) above);

(v) lease, sublease or similar agreement with any Person under which the Company or AME is a lessor or sublessor of, or makes available for use to any Person a portion of the real property assets of the Company or AME (other than real property leases with doctors or clinics entered into in the ordinary course of the Business consistent with past practices);

(vi) agreement, contract or other instrument under which the Company or AME has borrowed any money from, or issued any note, bond, debenture or other evidence of indebtedness to, any Person or any other note, bond, debenture or other evidence of indebtedness issued to any Person which individually is in excess of U.S.$100,000 or in the aggregate are in excess of U.S.$500,000;

(vii) agreement, contract or other instrument (including so-called keepwell agreements, letters of comfort or letters of moral intent) under which (A) any Person (including the Company or AME) has directly or indirectly guaranteed indebtedness, liabilities or obligations of the Business or the Company or AME or (B) the Company or AME has directly or indirectly guaranteed indebtedness, liabilities or obligations of any Person (in each case other than endorsements for the purpose of collection in the ordinary course of business), which individually, is in excess of U.S.$100,000 or in the aggregate are in excess of U.S.$500,000;

(viii) agreement, memorandum of understanding, letter of intent, contract or other instrument under which the Company or AME has made or will make, directly or indirectly, any advance, loan, extension of credit or capital contribution to, or other investment in, any Person (other than to doctors in the ordinary course of business consistent with past practice), which individually is in excess of U.S.$100,000 or in the aggregate are in excess of U.S.$500,000;

(ix) material mortgage, pledge, security agreement, deed of trust or other instrument granting a lien or other Encumbrance upon any of the Company Real Properties;

(x) powers of attorney (other than powers of attorney given to officers or other representatives of the Company or AME in the ordinary course of the Business with respect to routine tax, securities and shareholder matters);

(xi) letter of intent, memorandum of understanding or agreement to acquire or develop any hospital or other medical-related property or business;

(xii) any agreement or Contract relating to the trading, hedging, exchange or sale or purchase of securities, indices, currencies, interest rates, futures or any financial or derivative instruments of any nature whatsoever; or

(xiii) other agreement, contract, lease, license, commitment or instrument to which the Company or AME is a party or by or to which it or

any of its assets or business is bound or subject which has an aggregate future liability to any Person or Persons in excess of U.S.$100,000.

Except as set forth in Section 2.5 of the Disclosure Schedule, each Contract of the Company or AME listed in the Disclosure Schedule is valid, binding and in full force and effect and is enforceable, as applicable, by the Company and AME and, to the knowledge of Seller, each of the other parties to the Contract in accordance with its terms. Except as set forth in Section 2.5 of the Disclosure Schedule, each of the Company and AME has performed all obligations required to be performed by it to date under the Contracts and neither the Company, AME nor, to the knowledge of Seller, any other parties to any of the Contracts (with or without the lapse of time or the giving of notice, or both) is in breach or default thereunder, except where such failure to perform or breach has not and would not reasonably be expected to have resulted in a liability to the Company or AME individually in excess of U.S.$100,000 and U.S.$500,000 in the aggregate together with all other such failures, or has not had and would not otherwise be expected to have a Material Adverse Effect.

2.6 REAL PROPERTY.

(a) Section 2.6 of the Disclosure Schedule sets forth a complete and accurate description of the real immovable property owned in fee simple by the Company and AME (the "Owned Real Property") and a complete list of all real property and interests in real property leased by the Company and AME (the "Leased Real Property").

(b) Each of the Company and AME has (i) good and valid title to all Owned Real Property and (ii) good and valid title to the leasehold estates in all Leased Property (an Owned Real Property or Leased Real Property being sometimes referred to herein, collectively, as "Company Real Properties"), in each case free and clear of all Encumbrances, leases, assignments, subleases, easements, covenants, rights-of-way and other similar restrictions of any nature whatsoever, except (A) such as are set forth in

Section 2.6 of the Disclosure Schedule; (B) leases, subleases and similar agreements set forth in Section 2.5 of the Disclosure Schedule or not required to be disclosed therein; and (C) Permitted Encumbrances. Except as set forth in Section 2.6 of the Disclosure Schedule, the Company Real Properties have been maintained in all material respects in accordance with the past practices of the Business and consistent with industry practice and are in good operating condition and repair, ordinary wear and tear excepted. The current use by the Company and AME of the plants, offices and other facilities located on Company Real Property does not constitute a material violation of any material local zoning or similar land use or government regulations. Each of the Company and AME has all necessary material Approvals and Permits that are required to be obtained by it as of the date of the Disclosure Schedule for any development or building projects currently in process.

2.7 ASSETS OTHER THAN REAL PROPERTY.

Each of the Company and AME has good and valid title to all (a) its assets reflected on the Balance Sheet and (b) its assets thereafter acquired, which in each case are material to the Business, except those sold or otherwise disposed of since the date of the Balance Sheet in the ordinary course of business consistent with past practice and not in violation of this Agreement, in each case free and clear of all Encumbrances except (i) such as are set forth in Section 2.7 of the Disclosure Schedule and (ii) Permitted Encumbrances.

All the tangible personal property of the Company and AME that is material to the Business has been maintained in all material respects in accordance with the past practices of the Business and consistent with industry

practice. The tangible personal property of the Company and AME is in good operating condition and repair, ordinary wear and tear excepted, consistent with industry practice. All leased personal property of the Company and AME is in all material respects in the condition required of such property by the terms of the lease applicable thereto during the term of the lease and upon the expiration thereof.

This Section 2.7 does not relate to Company Real Property or interests therein, such items being the subject of Section 2.6.

2.8 AUTHORIZATION; NO CONFLICTS.

The execution, delivery and performance of this Agreement by Seller and International - NME and consummation of the transactions contemplated by this Agreement have been duly and validly authorized by all necessary corporate action on the part of Seller and International - NME. Subject to Section 6.1,

this Agreement constitutes the legally valid and binding obligation of the Seller, enforceable against Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors rights generally. The execution, delivery and, upon receipt of the Permits and Approvals listed in Sections 2.8 (II) and 6.2 (II) of the Disclosure Schedule, performance of this Agreement by Seller and International - NME will not (i) violate, or constitute a breach or default under the charter documents or by-laws of Seller, International - NME, the Company or AME or (ii) violate, or constitute a material breach or material default or result in the acceleration of or permit the acceleration of any material obligation (whether upon lapse of time and/or the occurrence of any act or event or otherwise) under, any material Contract of any of such entities, or cause or give rise to a right of termination of or adverse change in the terms of any material Contract, or result in the imposition of any material Encumbrance against any asset or properties of the Company or AME, or violate any Law or any material Permit or material Approval or cause any material Permit or material Approval to be revoked, withdrawn or modified. Section 2.8 of the Disclosure Schedule lists all material Permits and Approvals in connection with the operation of the Business as presently conducted, and such Permits and Approvals constitute all the material Permits and Approvals necessary to conduct the Business. Sections 6.2 (II) and 2.8 (II) of the Disclosure Schedule lists all material Permits and Approvals that are required to be obtained by Seller or the Company or AME, or filings or registrations with any third party or Governmental Entity required for Seller or the Company or AME, to consummate the transactions contemplated by this Agreement.

2.9 LEGAL PROCEEDINGS.

Except as set forth in Section 2.9 of the Disclosure Schedule, there is no Order or Action pending, or, to the best knowledge of Seller, threatened, against or affecting the Company or AME or any of their respective properties or assets that has resulted or is reasonably expected to result in a liability in excess of $100,000 individually or $500,000 in the aggregate together with all other such Orders or Actions, or that has had or is reasonably expected to have, individually or in the aggregate together with all other such Orders and Actions, a Material Adverse Effect.

Section 2.9 of the Disclosure Schedule sets forth a list of all Orders and Actions pending or, to the best knowledge of Seller, threatened, against the Company or AME (i) brought by any Government Entity, (ii) in which money damages in excess of $100,000 individually or $500,000 in the aggregate with all other such Orders and Actions are sought against the Company or AME or (iii) seeking injunctive relief against the Company or AME that

could reasonably be expected to result in a Material Adverse Effect.

2.10 DIVIDENDS AND OTHER DISTRIBUTIONS.

Except as described in Section 2.10 of the Disclosure Schedule, there has been no dividend or other distribution of assets, whether consisting of money, securities, property or any other thing of value, declared, issued, paid, made or set aside by the Company or AME subsequent to the date of the Balance Sheet.

2.11 INSURANCE.

Section 2.11 of the Disclosure Schedule lists all insurance policies and bonds that are maintained by or for the benefit of the Company or AME in connection with, and which are material to, the Business. All such policies and bonds are in full force and effect and, to the best knowledge of Seller, there is no threat by any of the insurers to terminate or not renew, or materially increase the premiums payable under, any of such policies or bonds. Except as set forth in Section 2.11 of the Disclosure Schedule, all insurance policies maintained for the benefit of the Business, Company or AME or their respective employees are maintained directly by the Company and/or AME and not by Seller or any of Seller's other Subsidiaries. Except as set forth in Section 2.11 of the Disclosure Schedule, all such insurance policies will remain in full force and effect from and after, and will not be modified or amended as a result of, the Closing.

2.12 COMPLIANCE WITH LAW.

Each of the Company and AME has conducted its respective business in all material respects in accordance with applicable Laws. The procedures and practices of the Company and AME are in compliance in all material respects with all such Laws. To the best knowledge of Seller, no suspension, cancellation or termination of any Permits or Approvals required by any Governmental Entity to permit the Business to be conducted as it is currently conducted is threatened or imminent that could reasonably be expected to be material to the Business.

2.13 ENVIRONMENTAL MATTERS.

(a) Each of the Company and AME has obtained and maintained in effect all material licenses, Permits, Approvals and other authorizations required under all applicable Laws of all applicable Governmental Entities or regulatory authorities relating to pollution, the disposition, storage or handling of medical waste or radioactive material or other materials which are classified under such Laws as harmful to the environment or to human health ("Hazardous Substance"), or to the protection of

the environment ("Environmental Laws") and, except as set forth in Section 2.13 of the Disclosure Schedule, is in compliance in all material respects with all Environmental Laws and with all such licenses, Permits, Approvals and authorizations.

(b) Except as set forth in Section 2.13 of the Disclosure Schedule, the properties presently or formerly owned or operated by the Company or AME (including without limitation, soil, groundwater or surface water on, under or adjacent to the properties, and buildings thereon) (the "Properties") do not contain any Hazardous Substance other than as permitted under any applicable Environmental Law (provided, however, that with respect to Properties formerly owned or operated by the Company or AME, such representation is limited to actions taken by the Company or AME during the period the Company or AME owned or operated such Properties).

(c) Except as set forth in Section 2.13 of the Disclosure Schedule, neither the Company nor AME has incurred, and, to the knowledge of Seller, none of the Properties are presently subject to, any material liabilities (fixed or contingent) or clean-up obligations relating to Hazardous Substances or Environmental Laws.

2.14 INTELLECTUAL PROPERTY.

Except as set forth in Section 2.14 of the Disclosure Schedule, each of the Company and AME has all necessary rights to and in all material patents, trademarks (registered or unregistered), trade names, service marks and copyrights ("Intellectual Property") owned, used, filed by or licensed to the Company or AME in connection with the Business. Section 2.14 of the Disclosure Schedule sets forth a list of all jurisdictions in which registered trademarks are registered or applied for and all registration and application numbers. Except as set forth in Section 2.14 of the Disclosure Schedule, Seller does not know, and has received no notice, of any conflict with the asserted rights of others with respect to any Intellectual Property, except where such conflict would not be material to the Business.

2.15 BENEFIT PLANS.

(a) Section 2.15 of the Disclosure Schedule contains a list of all retirement, pension, superannuation profit sharing, trust fund, bonus, stock option or other equity-based compensation, stock purchase, severance, deferred compensation plans or arrangements and other employee fringe benefit plans (all the foregoing being herein called "Benefit Plans") maintained, or contributed to, by Seller, the Company or AME for the benefit, or on the account, of any officers or employees of the Company or AME. Seller has delivered to Buyer true, complete and correct copies of (i) each Benefit Plan (or, in the case of

any unwritten Benefit Plans, descriptions thereof), (ii) the most

recent summary plan description for each Benefit Plan for which a summary plan description is required and (iii) each trust agreement and group annuity contract relating to any Benefit Plan. Except as set forth in Section 2.15 of the Disclosure Schedule, none of Seller and its Subsidiaries (other than the Company or AME) maintains any Benefit Plan with, or for the benefit of, any officer or employee of the Company or AME, including any employee referred to in Section 5.6. Except as set forth in Section 2.15 of the Disclosure Schedule, none of the Benefit Plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Neither the Company nor AME has or will have any obligation or liability of any kind with respect to any of the Benefit Plans which are or may be subject to ERISA set forth in Section 2.15 of the Disclosure Schedule.

(b) Each Benefit Plan has been administered in all material respects in accordance with its terms. All the Benefit Plans are in compliance in all material respects with the applicable provisions of applicable Law. Furthermore, each of the Company and AME is in compliance in all material respects with the applicable laws, regulations and provisions contained in each of its collective bargaining agreements and any applicable award, and is not required to pay the Superannuation Guarantee Charge under the Superannuation Guarantee Charge Act (6th) 1992 in respect any of its employees. Except as set forth in Section 2.15 of the Disclosure Schedule, all payments and deductions from wages, material reports, returns and similar documents with respect to the Benefit Plans required to be filed with or paid to any Governmental Entity or Benefit Plan or distributed to any Benefit Plan participant have been duly and timely filed, distributed or paid. Except as set forth in Section 2.15 of the Disclosure Schedule, there is no pending or, to the knowledge of Seller, threatened litigation by any employee or former employee of the Business relating to any Benefit Plan, other than routine claims for benefits. Each

defined benefit Benefit Plan is fully funded.

2.16 EMPLOYEE AND LABOR MATTERS.

(a) There is, and during the past two years there has been, no labor strike, dispute, work stoppage or lockout pending, or, to the knowledge of Seller, threatened, against or affecting the Company or AME;

(b) To the knowledge of Seller, no union organizational campaign is in progress with respect to the employees of the Company or AME and no question concerning representation exists respecting such employees;

(c) There is no unfair labor practice charge or complaint against the Company or AME pending, or, to the

knowledge of Seller, threatened, before any Governmental Entity;

(d) There are no pending, or, to the knowledge of Seller, threatened, union grievances against the Company or AME which are reasonably likely to have a Material Adverse Effect; and

(e) None of Seller, the Company or AME has received notice during the past two years of the intent of any Governmental Entity responsible for the enforcement of labor or employment laws to conduct an investigation of the Company or AME and, to the knowledge of Seller, no such investigation is in progress.

2.17 CERTAIN INTERESTS.

(a) Except as set forth in Section 2.17 of the Disclosure Schedule, after the Closing neither Seller nor any Affiliate thereof, nor any officer or director of any thereof will have any interest in any property of the Business; and neither the Company nor AME will be indebted to or otherwise obligated to any such Person, except for amounts due under normal arrangements applicable to all employees generally as to salary or reimbursement of ordinary business expenses not unusual in amount or significance.

(b) Except as set forth in Section 2.17 of the Disclosure Schedule, after the Closing none of the agreements, contracts or other arrangements set forth in Section 2.5 of the Disclosure Schedule between the Company or AME, on the one hand, and Seller or any of its Affiliates, on the other hand, will continue in effect, and there will remain thereafter no outstanding obligation or liability in respect of any such agreement, contract or other arrangement.

2.18 BANK ACCOUNTS, POWERS, ETC.

Section 2.18 of the Disclosure Schedule lists each bank, trust company, savings institution, brokerage firm, mutual fund or other financial institution with which the Company has an account or safe deposit box and the names of all Persons authorized to draw thereon or to have access thereto.

2.19 NO BROKERS OR FINDERS.

Except as set forth in Section 2.19 of the Disclosure Schedule, no agent, broker, finder, or investment or commercial banker, or other Person or firm (collectively, "Investment Bankers") engaged by or acting on behalf of Seller or the Company or any of their respective Affiliates (other than AME) in connection with the negotiation, execution or performance of this Agreement or the transactions contemplated by this Agreement, is

or will be entitled to any brokerage or finder's or similar fee or other commission as a result of this Agreement or such transactions.

2.20 TRUE AND COMPLETE COPIES OF DOCUMENTS.

Copies of all leases, insurance policies, agreements, contracts and other documents and instruments which are listed or referred to on the Disclosure Schedule and which have been delivered to, or made available for inspection by, Buyer are true and complete in all respects. Such documents, together with this Agreement and all certificates, exhibits, schedules and other instruments furnished by or on behalf of Seller pursuant to this Agreement, taken as a whole, do not as of the date hereof, and will not as of the Closing Date, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they are made, not misleading, except where such misstatements or omissions reflect facts, events or circumstances, or series of related facts, events of circumstances that would not have and would not reasonably be expected to have a Material Adverse Effect.

2.21 OVERHEAD EXPENSE.

The expense of overhead, comprising certain administrative, logistical, legal and other services, provided by Seller to the Business since February 28, 1995 that has been paid or accrued by the Company and AME or that has otherwise been allocated to the Business (the "Overhead Expense") does not in the aggregate exceed the amounts set forth in Section 2.21 of the Disclosure Schedule for the Business for the fiscal years ending May 31, 1995 and 1996, as prorated through the date of the Disclosure Schedule.

2.22 STOCK EXCHANGE INFORMATION.

As of the date of the Disclosure Schedule, AME has complied in all material respects with the disclosure requirements applicable to AME under Listing Rule 3A(1) of the Listing Rules of Australian Stock Exchange Limited.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as of the date of the Disclosure Schedule as follows:

3.1 ORGANIZATION AND RELATED MATTERS.

Buyer is a corporation duly organized, validly existing and in good standing under the laws of Singapore. Buyer has all necessary corporate power and authority to carry on its business as now being conducted. Buyer has the necessary corporate power

and authority to execute, deliver and perform this Agreement and any transactions contemplated by this Agreement.

3.2 AUTHORIZATION

The execution, delivery and performance of this Agreement by Buyer, and the consummation by Buyer of the transactions contemplated under this

Agreement, have been duly and validly authorized by the Board of Directors of Buyer and by all other necessary corporate action on the part of Buyer. This Agreement constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors' rights generally.

3.3 NO CONFLICTS; CONSENTS AND APPROVALS.

The execution, delivery and performance of this Agreement by Buyer will not (a) violate or constitute a breach or default under the charter documents or by-laws of Buyer or (b) violate or constitute a breach or default (whether upon lapse of time and/or the occurrence or any act or event or otherwise) under (i) any Law to which Buyer is subject or (ii) any Contract to which Buyer is a party, except (in the case of clause (b)) as is not reasonably be expected to materially and adversely affect the ability of Buyer to consummate the transactions contemplated by, or perform its obligations under, this Agreement. Sections 6.1 (II) and 3.3 of the Disclosure Schedule lists all material Permits and Approvals which are required to be obtained by Buyer, or filings or registrations with any third party or Governmental Entity required for Buyer to consummate the transactions contemplated by this Agreement.

3.4 NO BROKERS OR FINDERS.

Except as set forth in Section 3.4 of the Disclosure Schedule, no Investment Banker engaged by or acting on behalf of Buyer or its Affiliates in connection with the negotiation, execution or performance of this Agreement or the transactions contemplated by this Agreement, is or will be entitled to any broker's or finder's or similar fees or other commissions as a result of this Agreement or such transactions.

3.5 LEGAL PROCEEDINGS.

There is no Order or Action pending or, to the best knowledge of Buyer, threatened, against or affecting Buyer that individually or when aggregated with one or more other Actions has, or is reasonably expected to, materially and adversely effect Buyer's ability to consummate the transactions contemplated by, or perform its obligations under, this Agreement.

3.6 INVESTMENT.

Buyer is acquiring the Stock for Buyer's own account, or for the account of Buyer and one or more of its Affiliates, for investment purposes only and not with a view to or for sale in connection with the public distribution thereof.

3.7 FUNDS AVAILABLE.

Buyer has sufficient cash, lines of credit, commitment letters or other sources of available funds to enable it to make the payments contemplated by Section 1.2.

ARTICLE IV
COVENANTS WITH RESPECT TO CONDUCT PRIOR TO CLOSING

4.1 ACCESS.

Subject to applicable laws and fiduciary obligations, and to the terms of the Letter Agreement, dated March 17, 1995 (the "Letter Agreement"), entered into between Seller and Buyer, Seller (but only with respect to the Business) shall, and shall cause the Company and, consistent with and to the extent authorized by the Deed of Release, dated February 14, 1995, among Seller, Company and AME, as amended by the Deed, dated April 10, 1995, and the agreement, dated May 4, 1995 between Buyer and AME, AME and its Subsidiaries to, authorize and permit Buyer, Buyer's Affiliates (subject to the execution of customary confidentiality agreements) and their representatives (which term shall be deemed to include its independent accountants, counsel, financial advisors and bankers (including, without limitation, potential lenders)) to have reasonable access during normal business hours, upon reasonable notice and in such manner as will not unreasonably interfere with the conduct of their respective businesses, to all of their respective properties, books, records, board and shareholder minutes (including agenda for meetings), accounts, ledgers, budgets, operating instructions and procedures, Tax Returns (provided, however, that to the extent that such Tax Returns are combined or consolidated returns, Buyer's access will be limited to information pertaining to the Company and AME and its Subsidiaries only) and all other information with respect to the Business as Buyer may from time to time request. Without limiting the foregoing, Seller agrees to provide Buyer and its Affiliates and their representatives with such access, subject to the terms of this Section 4.1, to the extent necessary in connection with any proposed financings (including any public securities offering) by any of Buyer and its Affiliates. Buyer agrees that it will with reasonable expedition inform Seller prior to the Closing if Buyer has obtained knowledge that the covenants, representations or warranties of Seller hereunder have been breached. For purposes of the preceding sentence only, the knowledge of Buyer shall mean the actual knowledge of Tony Tan Choon Keat, Managing Director,

or Tan Kai Seng, Finance Director, of Buyer or Dr. Lim Cheok Peng, Managing Director of Gleneagles Hospital.

4.2 MATERIAL ADVERSE CHANGES.

Seller will promptly notify Buyer of any event of which Seller obtains knowledge which has had or might reasonably be expected to have a Material Adverse Effect or which, if known as of the date hereof, would have been required to be disclosed to Buyer, or which constitutes a breach of any representation, warranty, obligation, covenant or undertaking by Seller under this Agreement. For purposes of the preceding sentence only, the knowledge of Seller shall mean the actual knowledge of Jeffrey C. Barbakow, Chief Executive Officer, Maris Andersons, Senior Vice President and Treasurer, or T.P. McMullen, Vice President of Seller.

4.3 CONDUCT OF BUSINESS.

Except as set forth in Section 4.3 of the Disclosure Schedule or otherwise expressly permitted by the terms of this Agreement, from the date hereof to the Closing, Seller shall cause the Company, and the representatives of the Company on the Board of Directors of AME, subject to their fiduciary and other duties to AME, shall use their reasonable best efforts to cause the Business to be conducted in the ordinary course of business consistent with past practice (including with respect to advertising, promotions, capital expenditures and inventory levels) and shall make all reasonable best efforts consistent with past practices to preserve the Business's structure and organization and its relationships with its customers, doctors, employees, suppliers and others with whom the Company, AME and its Subsidiaries deal. Seller shall not, and agrees that the Company will not (with respect to the Company), and the Company and the representatives of the Company on the Board of Directors of AME, subject to their fiduciary and other duties to AME, shall not consent to (with respect to AME) take any action that would, or that could

reasonably be expected to, cause Seller to be in breach of any representations, warranties, covenants or agreements contained in this Agreement or otherwise result in any of the conditions to Closing not being satisfied.

In addition, between the date of this Agreement and the Closing Date, except as set forth in Section 4.3 of the Disclosure Schedule or as specifically contemplated by this Agreement, Seller covenants and agrees that the Company will not (with respect to the Company) take, and the Company and the representatives of the Company on the Board of Directors of AME, subject to their fiduciary and other legal duties to AME, will not consent to (with respect to AME and its Subsidiaries) the taking of, any of the following actions without the prior consent in writing of Buyer:

(a) change or amend its memorandum and articles of association or bylaws;

(b) with respect to the Company only, declare, issue, make, pay or set aside any dividend or other distribution of assets, whether consisting of money or property, to its shareholders, or split, combine or reclassify any shares of its Equity Securities;

(c) sell, transfer, mortgage, encumber or otherwise dispose of any assets, except (i) for property not material in amount, (ii) in the ordinary course of business consistent with past practice or (iii) as contemplated by this Agreement;

(d) redeem or otherwise acquire any shares of its Equity Securities or issue any Equity Securities or any option, warrant or right relating thereto or any securities convertible into or exchangeable for any shares of Equity Securities, except, with respect to AME, pursuant to options, warrants, rights or other securities outstanding on the date of this Agreement;

(e) adopt or amend in any respect any Benefit Plan or collective bargaining agreement, except as required by applicable Law and except as may be required under existing agreements;

(f) grant to any executive officer or employee any increase in compensation or benefits, including grants of any options, except, in the case of non-management employees of AME or any of its Subsidiaries, in the ordinary course of business consistent with past practice, or as may be required under applicable Law or existing agreements and except for any increases for which Seller shall be solely obligated;

(g) incur or assume any liabilities, obligations or indebtedness for borrowed money or guarantee or issue any letters of comfort or letters of moral intent or enter into any keepwell agreement or similar arrangement relating to, any such liabilities, obligations or indebtedness, other than in the ordinary course of business consistent with past practice; provided, however, in no event shall the Company incur, assume or guarantee any long-term indebtedness for borrowed money;

(h) permit, allow or suffer any of its assets to become subjected to any mortgage, lien, security interest, encumbrance, easement, covenant, right-of-way or other similar restriction of any nature whatsoever, except items in the ordinary course of business consistent with past practice;

(i) forgive any indebtedness or waive any claims or rights of value other than in the ordinary course of business consistent with past practice and in amounts that are not material in the aggregate;

(j) pay, loan or advance any amount to, or sell, transfer or lease

any of its assets to, or enter into any agreement or arrangement with, Seller or any of its Affiliates (other than the Company or AME), except cash management activities in the ordinary course of business consistent with past practice;

(k) make any change in any method of accounting or accounting practice or policy other than those required by GAAP;

(l) change any tax accounting method, principle or practice;

(m) acquire by merging or consolidating with, or by purchasing the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire any assets (other than inventory in the ordinary course of business consistent with past practice) which are material, individually or in the aggregate, to the Business; or

(n) terminate or materially change any of the insurance policies (other than insurance policies of Seller) as they existed on the date of this Agreement;

(o) enter into any new service or employment agreement, or any renewals thereof, with any employee except for agreements for which Seller will be solely obligated and which will not result in any obligation or liability of any kind whatsoever to the Company or AME;

(p) allow or cause to lapse any right under any material Contract or Intellectual Property or cause to expire any Approvals or Permits relating to the Business;

(q) enter into any transaction other than on arm's length terms in the ordinary course of business consistent with past practice, between any of the Company or AME, on the one hand, and any director, officer, stockholder or Affiliate thereof, on the other hand;

(r) otherwise enter into a transaction or a series of connected transactions which would have, or is reasonably expected to have, in the case of the Company, a value in excess of $100,000 or, in the case of the Company, AME or any of its Subsidiaries, a Material Adverse Effect;

(s) pay Overhead Expense in the aggregate exceeding the amounts set forth in Section 2.21 of the Disclosure Schedule for the Business for the fiscal years ending May 31, 1995 and 1996, as prorated through the date of the Closing; or

(t) agree, whether in writing or otherwise, to do any of the foregoing.

4.4 PERMITS AND APPROVALS.

Seller and Buyer each agrees to, and to cause its Subsidiaries and Affiliates to, cooperate and use its reasonable best efforts to obtain or transfer, and will promptly prepare all registrations, filings and applications, requests and notices preliminary to, all Approvals and Permits that may be necessary to consummate the transactions contemplated by this Agreement including, without limitation, confirmation issued by or on behalf of the Treasurer of the Commonwealth of Australia that the Government of Australia does not object to the purchase of the Stock by Buyer by virtue of the Foreign Acquisitions and Takeovers Act 1975; provided, however, that with respect to any approval of a meeting of the disinterested shareholders of AME of the purchase of the Stock under section 623 of the Australian Corporations Law, Seller's obligation shall be limited to using its best efforts to procure that the Board of Directors of AME (i) commissions an expert to provide a report to shareholders in accordance with Australian Securities Commission Policy

Statement 74 in relation to the acquisition by Buyer of the Stock and (ii) convenes a general meeting to consider the approval under Section 623 of the Australian Corporations Law of the acquisition by Buyer of the Stock. Without limiting the generality of the foregoing, Seller and Buyer shall consult with each other in advance regarding how to obtain or transfer, and shall cooperate in obtaining or transferring, the Approvals and Permits referred to in Sections 2.8, 3.3 and 6.2 of the Disclosure Schedule. Seller and Buyer shall permit each other to review and comment upon all such registrations, filings, applications, requests and notices prior to submitting any of the foregoing.

4.5 CONFIDENTIALITY.

In the event that the Closing occurs, Seller shall, and shall cause its subsidiaries, Affiliates, directors, officers and representatives to, keep confidential all information, documents and other materials relating to the Business (whether or not any such information remains in their possession), except to the extent that disclosure is required by applicable Law or stock exchange rules. From and after the Closing, the Letter Agreement (solely as it relates to the Business) shall terminate and shall thereafter be null and void, and no party shall have any liability or obligation thereunder. Unless and until the Closing occurs, the terms of the Letter Agreement shall apply to the transaction contemplated by, and all discussions and negotiations in connection with, this Agreement.

4.6 INSURANCE PROCEEDS.

If prior to the Closing Date the Business shall suffer any loss that is covered by insurance carried by any Seller or any of its Affiliates (other than the Company or AME or any of

its Subsidiaries), Seller shall, or shall cause such Affiliate to, make a claim under its insurance policy for recovery in respect of such loss and to pursue such claim actively. If Seller or such Affiliate, as the case may be, receives insurance proceeds in respect of such loss, Seller shall, or cause such Affiliate to, remit promptly such proceeds to the Company or AME or any of its Subsidiaries, as the case may be.

4.7 AMOUNTS DUE TO SELLER.

The Company and AME shall repay to Seller and its Affiliates at the Closing the liability as set forth in Section 4.7 of the Disclosure Schedule.

4.8 PROPRIETARY INFORMATION.

Prior to the Closing, Seller shall request the recovery, or shall request the destruction (and request written notice of such destruction), of all Proprietary Information (as defined in the Letter Agreement) made available to or otherwise in possession of any potential acquirors or bidders relating to the Proposed Acquisition (as defined in the Letter Agreement but only as it relates to the Business).

ARTICLE V
ADDITIONAL CONTINUING COVENANTS AND INDEMNITIES

5.1 COOPERATION IN AUDITS.

Subject to execution of customary confidentiality agreement, Buyer will cause the Company and AME to cooperate in all reasonable respects during normal business hours and in such manner as will not unreasonably interfere with

the conduct of their respective businesses, in an audit, at Seller's cost, by Seller's independent accountants of the financial statements of the Company and AME through periods ending on or prior to the fiscal year of Seller first ending on or after the Closing Date (and, if desired, as of the Closing Date). Without limiting the foregoing, such cooperation shall include providing access to records and personnel, cooperating in verification of accounts receivable and such access to the premises of the Company and AME, in each case as is reasonable and customary in an audit.

5.2 TAX MATTERS.

(a) Seller agrees to indemnify, defend and hold harmless Buyer and the Company and AME against (i) any Tax payable by or on behalf of Seller or any of its Affiliates or the Company or AME for the Pre-Closing Tax Period, except to the extent adequate provision for such Tax has been made in the financial statements referred to in Section 2.3 hereof; (ii) any deficiencies in any Tax payable by or on behalf of Seller or any of its Affiliates or the Company or AME arising from any audit by a Governmental Entity with

respect to the Pre-Closing Tax Period, except to the extent adequate provision for such Tax has been made in the financial statements referred to in Section 2.3 hereof; (iii) Taxes of any member of a consolidated, combined or unitary tax group of which Seller or any of its Affiliates or the Company is or was at any time, part, of which the Company or AME is jointly or severally liable as a result of its inclusion in such group at any time on or prior to the Closing Date, except to the extent adequate provision for such Taxes has been made in the financial statements referred to in Section 2.3 hereof; and (iv) any Tax liability of the Company arising from, relating to or otherwise in respect of any breach of the representations and warranties contained in Section 2.4 of this Agreement which, notwithstanding Section 7.4, will survive the Closing for purposes of this Section 5.2 only.

(b) Buyer agrees to indemnify, defend and hold harmless Seller and its Affiliates against (i) any Tax payable by or on behalf of Buyer or any of its Affiliates or the Company for any taxable period other than the Pre-Closing Tax Period; (ii) any deficiencies in any Tax payable by or on behalf of Buyer or any of its Affiliates or the Company arising from any audit by a Governmental Entity with respect to any taxable period other than the Pre-Closing Tax Period; (iii) Taxes of any member of a consolidated, combined or unitary tax group of which Buyer or any of its Affiliates or the Company is or was at any time, part, of which the Company is jointly or severally liable as a result of its inclusion in such group at any time after the Closing Date; and (iv) if the Closing Date occurs after June 29, 1995, Seller's Transition Tax Exposure Amount. Any refund of Tax received after Closing by Buyer, any of its Affiliates, the Company or any Subsidiary which is attributable to the Pre-Closing Tax Period shall immediately be remitted to Seller. Buyer may retain any refund which is attributable to carryback losses, credits and other tax items arising in a period other than the Pre-Closing Tax Period and carried back to the Pre-Closing Tax Period.

(c) Seller and Buyer will each provide the other, and subsequent to the Closing Buyer will cause the Company and AME to provide Seller (at Seller's sole cost and expense), with such assistance as may reasonably be requested in connection with the preparation of any matter relating to Tax, including any Tax Return, any audit or other examination by a Governmental Entity, or any judicial or administrative proceedings relating to liability for Taxes, and each will retain and provide the requesting party with any records or information that may be reasonably relevant to such return, audit or examination, proceedings or determination for a period not to exceed ten years after the Closing Date. Prior to disposing of any records or information, the party retaining such records or information shall

notify the other party and provide it with the

opportunity to obtain or duplicate (at its own expense) such records or information for its own purposes. The party requesting assistance shall reimburse the other party for reasonable out-of-pocket expenses (other than salaries or wages of any employees of the parties) incurred in providing such assistance. In the event AME is the party from which assistance under this Section 5.2(c) is requested or is the party in possession of records or information subject to this Section 5.2(c), Buyer shall use its reasonable efforts to, and shall cause the Company to use its reasonable efforts to cause, AME to comply with the provisions hereof. Any information obtained pursuant to this Section 5.2(c) or pursuant to any other Section hereof providing for the sharing of information or the review of any Tax Return or other schedule relating to Tax shall be subject to Section 4.5.

(d) Subject to the provisions of the foregoing clause (c), Seller shall (i) have the responsibility for, and the right to control, at Seller's expense, the audit (and disposition thereof) of any Tax Return relating to periods ended on or prior to the Closing Date; and (ii) have the right to participate in and approve the disposition of the audit of any Tax Return relating to the periods ended after the Closing Date if, as a result of such audit or disposition, Buyer makes or intends to make a claim for indemnification under Section 5.2(a). Buyer shall have the right, directly or through its designated representatives, to participate in and review in advance and comment upon all submissions made in the course of audits or appeals thereof to a Governmental Entity relating to periods ending (or treated by this Agreement as ending) on or prior to the Closing Date and to approve the disposition of any audit adjustment or filing of any amended Tax Returns with respect to such periods if such disposition will result in an increase in the Tax liability of Buyer or the Company for any period beginning after (or treated by the Agreement as beginning after) February 28, 1995. Seller and Buyer shall each promptly notify the other party of any audit of any Tax Return which may result in claims for indemnification under this Agreement.

(e) In the event that Buyer makes an election under section 338(a) or section 338(g) of the Code in connection with its purchase of the Company or AME:

(i) Section 5.2(f) hereof and clause (iv) of Section 5.2(b) hereof shall not apply with respect to the Company or AME, as the case may be; and

(ii) Buyer shall indemnify and hold harmless Seller and its Affiliates against the difference between (A) all U.S. Federal, state and local income tax liability incurred by Seller and its Affiliates as a result of such election and (B) all U.S. Federal,

state and local income tax liability determined without regard to such election. For this purpose, U.S. Federal, state and local income tax liability shall be calculated by taking into account any foreign tax credits available to Seller and its Affiliates and by taking into account the effect of an increase in an overall foreign loss or increase in separate limitation loss (each as defined in section 904(f) of the Code) or the ability of Seller and its Affiliates to utilize foreign tax credits for U.S. Federal income tax purposes.

(f) Buyer and each of its Affiliates shall, with respect to the occurrence of any of the following events with respect to the Company or AME on or before May 31, 1996, (i) notify Seller of the occurrence of any such event and (ii) cause the Company and AME to furnish to Seller any records or information reasonably requested by Seller for the purpose of

determining the Seller's Transition Tax Exposure Amount, including any records or information relating to the occurrence of any such event:

(i) any investment in "United States property" (as that term is defined in Section 956 of the Code);

(ii) the acquisition of any "passive asset" (as that term is defined in Section 956A(c)(2) of the Code);

(iii) the issuance of any Equity Security; any alteration in corporate, capital or legal structure; any merger, reorganization or consolidation; any liquidation, winding-up or dissolution; and any amendment or change in charter documents, by-laws or other governing documents;

(iv) the declaration, issuance or payment of any dividend or other distribution of assets; or any split, combination or reclassification of any Equity Securities;

(v) any sale, assignment, pledge or other encumbrance or disposition of any Equity Security of any Subsidiary (and any entity becoming a subsidiary of the Company or AME during the Transition Period);

(vi) the receipt of any income that is foreign personal holding company income (as that term is defined in section 954(c) of the Code); and

(vii) the conduct of any business other than the business conducted by the Company or AME on the Closing Date.

In making a claim for indemnification under clause (iv) of Section 5.2(b) hereof, Seller shall furnish to Buyer in writing a description of the manner in which Seller determined the Seller's Transition Tax Exposure Amount, including a worksheet illustrating the computation of such amount.

(g) Buyer covenants that it will cause the purchasers of any interest in the Company, which acquisition occurs on or before May 31, 1996, to comply with the provisions of this Section 5.2 as if such purchasers were the Buyer.

(h) Buyer shall cooperate, will cause its Affiliates and the Company to cooperate and shall use its reasonable efforts to cause AME to cooperate, with Seller and its Affiliates in connection with the filing of any amended Tax Returns requested by Seller or any of its Affiliates that related to taxable periods ending on or prior to Closing.

(i) Disputes arising under this Section 5.2 that are not resolved by mutual agreement shall, unless otherwise provided for, be resolved by an internationally recognized accounting or law firm (the "Tax Referee") chosen and mutually acceptable to Buyer and Seller within a reasonable amount of time from the date on which the dispute arises. The Tax Referee shall resolve any disputed items within a reasonable amount of time taking into consideration all relevant facts and circumstances. The costs, fees and expenses of the Tax Referee shall be borne equally by Buyer and Seller.

(j) Payments made pursuant to this Section 5.2 shall be made no later than fifteen (15) business days following the later of (i) fifteen (15) business days prior to the date on which the relevant Tax is due; or (ii) fifteen (15) business days after the indemnified party gives written notice to the indemnifying party that such Tax is due. Any payment not made within such time period shall bear interest at the rate in effect from time to time on underpayments of U.S. Federal income tax calculated in accordance with sections 6621 and 6622 of the Code.

5.3 ACCESS.

(a) Subject to the execution of customary confidentiality agreements, Buyer will cause the Company and AME and its Subsidiaries, for a period of five years after the Closing, to afford promptly to Seller and its agents reasonable access to the properties, books, records, employees and auditors of the Company and AME and its Subsidiaries relating to periods prior to the Closing Date to the extent necessary or desirable to permit Seller to determine any matter relating to its rights and obligations hereunder or to any period ending on or before the Closing Date; provided, however, that Seller recognizes that certain

records and other information of Buyer may contain information relating to the Company or AME or its Subsidiaries as well as information relating to other activities of Buyer not connected with any of the Company or AME or its Subsidiaries in which event Buyer shall provide access only to the relevant portions thereof.

(b) Subject to the execution of customary confidentiality agreements, Seller will for a period of five years after the Closing, to afford promptly to Buyer, its Affiliates, and their respective agents, counsel, financial advisors and auditors reasonable access to the properties, books and records, employees and auditors of Seller and its Subsidiaries relating to periods prior to the Closing Date to the extent necessary or desirable with respect to the Business; provided, however, that Buyer recognizes that certain records and other information of Seller may contain information relating to the Company and AME and its Subsidiaries as well as information relating to other activities of Seller not connected with the Company or AME or its Subsidiaries, in which event Seller shall provide access only to the relevant portions thereof.

5.4 USE OF AND RIGHT TO NAMES.

Commencing with the 90th day following the Closing Date, none of Buyer or the Company or any Affiliates of Buyer or the Company (other than AME and its Subsidiaries) shall use the names or trademarks "National Medical Enterprises, Inc.," "NME," "N.M.E.," "Tenet Healthcare Corporation," "Tenet" or any derivative thereof.

5.5 EMPLOYMENT MATTERS.

In no event will Buyer, the Company or AME assume, or have any liability or obligation under, any Benefit Plan or any other employment, compensation, severance or benefit plan, agreement or arrangement of Seller and its subsidiaries, other than those of the Company and AME, with or for the benefit of any officer or employee of the Company or AME.

5.6 RECORDS.

(a) Promptly following the Closing Date, Seller will deliver or cause to be delivered to Buyer all original agreements, documents, accounts, ledgers, books, records and files, including records and files stored on computer disks or tapes or any other storage media (collectively, "Records"), in the possession of Seller relating to the Business, and the business and operations of the Company, in each of the foregoing instances, not then in the possession of the Company or AME or its Subsidiaries, subject to the following exceptions:

(i) Seller may retain all Records prepared in connection with the sale of the Stock, including bids received from other parties and analyses relating to the Company and AME and its Subsidiaries; and

(ii) Seller may retain any Tax returns, reports or forms, and Buyer shall be provided with copies of such returns, reports or forms to the extent that they relate to the separate returns or separate tax liability of the Company or AME or its Subsidiaries.

(b) Except as otherwise provided in this Agreement, for a period of seven (7) years following the Closing Date, Buyer agrees that it will not destroy any Records in the possession of Buyer relating to the business and operations of the Company and AME and its Subsidiaries, relating to the period prior to the Closing Date with respect to the Company or AME or its Subsidiaries without first offering such Records to Seller.

5.7 AGREEMENT NOT TO COMPETE.

(a) Interpretation. This Section shall apply after the Closing and this Section and Section 5.8 of the Disclosure Schedule shall have effect as if they consisted of separate provisions, each being severable from the other and each separate provision consisting of a covenant set forth in Section 5.8(b) hereof combined with a separate period listed in Section 5.8(c) hereof and an area listed in Section 5.8(d) hereof. If any of these separate provisions is invalid or otherwise unenforceable for any reason, the invalidity or unenforceability shall not affect the validity or enforceability of any of the other separate provisions.

(b) Undertaking Not to Compete. In consideration of Buyer agreeing, at its request, to purchase the Stock, Seller in consideration of the premises covenant with Buyer that, within any of the periods and in any of the areas specified in Section 5.8(d) hereof, none of:

(i) Seller, whether:

(A) directly or indirectly;

(B) on its own account;

(C) jointly with or on behalf of any other person or corporation as an officer, employee, independent contractor, partner, joint venturer or agent; or

(D) as principal, employee, partner, agent, director or otherwise on any account or pretense; or

(ii) any agent, independent contractor or employee employed or engaged by Seller or by any firm or corporation in which it has a substantial interest whether that interest is legally enforceable or not; or

(iii) any firm or corporation in which Seller may be interested a shareholder, beneficial owner or controller (whether or not that control can be legally enforced) of shares, or advisor of otherwise,

shall do any of the following:

(iv) canvass or solicit orders for the supply of any goods or services of the general description of any of those supplied by the Company or AME or any of its Subsidiaries within one year before the Closing Date from any person, firm or company who or which has at any

time within that period before the Closing Date transacted business with the Company or AME or any of its Subsidiaries; or

(v) carry on or be engaged or concerned in:

(A) the Business or any business competitive with the Business;

(B) any business in which the Company or AME or any of its Subsidiaries has been engaged in within a year before the Closing Date; or

(C) any business providing goods or services substitutable for those of the Company or AME or any of its Subsidiaries.

(c) Period of Non-Competition. Within any of the following periods:

(i) For a period of one year after the Closing Date.

(ii) For a period of two years after the Closing Date.

(iii) For a period of three years after the Closing Date.

(d) Area of Non-Competition. In any of the following areas:

(i) Within a radius of 50 kilometers from the General Post Office in each of the following:

(A) Sydney.
(B) Melbourne.
(C) Brisbane.

(D) Adelaide.
(E) Perth.
(F) Hobart.
(G) Canberra.
(H) Darwin.

(ii) (A) New South Wales.
(B) Victoria.
(C) Queensland.
(D) South Australia.
(E) Western Australia.
(F) Tasmania.
(G) Australian Capital Territory.
(H) Northern Territory.

(e) Exception. Section 5.8(b) hereof shall not restrict the holding of less than ten percent (10%) of the issued capital of any company whose shares are listed on the Australian Stock Exchange Limited.

5.8 THIRD PARTY OFFERS.

If, between June 20, 1995 and the date the meeting of the shareholders of AME contemplated by Section 6.1 (the "Meeting") is held (the "Relevant Period"), an offer to acquire all or any of the Stock or issued shares of AME is made (other than an offer by Buyer or any of its Affiliates):

(a) under a takeover scheme (as defined in Chapter 6 of the Australian Corporations Law); or

(b) under a takeover announcement (as defined in Chapter 6 of the Australian Corporations Law); or

(c) under an agreement with Seller, the Company or AME, as the case may be, which requires approval by resolution of the shareholders of AME in a general meeting; or

(d) at an official meeting of the Australian Stock Exchange Limited in the ordinary course of trading on the market; or

(e) as described in any of the paragraphs (a) to (d) above subsequent to the Meeting but which is made during the period while any offer previously made during the Relevant Period is open or during the period while any such subsequent offer made during such period is open (for the purposes of this Section 5.8(e), Relevant Period shall be interpreted to include any such subsequent period or periods),

and Seller, the Company or AME accepts such offer for all or any of the Stock or the AME Stock, as the case may be; then Seller

shall thereafter pay to Buyer by wire transfer of immediately available funds within two business days of the date of the receipt of the consideration of such sale (the "Sale Date") an amount in cash (the "Cash Amount") equal to one-half of the "Spread" (as hereinafter defined) times the number of shares of the Stock or the AME Stock, as the case may be, that have been so sold by Seller or the Company. As used herein "Spread" shall mean the excess, if any, of (i) the U.S. Dollar equivalent of the per share consideration paid by such Person or Persons to acquire the Stock or the AME Stock, as the case may be, from Seller or the Company (the "Per Share Price") over (ii) in the case of the sale of all or part of the Stock, U.S. $0.8016, or in the case of the sale of all or part of the AME Stock, U.S.$0.6238 per share. For purposes of this Section 5.8, U.S. Dollar equivalents shall be calculated on the basis of the average of the Australian Dollar/U.S. Dollar exchange rates published in the "Currency Rates in New York" section of The Asian Wall Street Journal for the ten business day period ending on the second business day prior to the Sale Date. If the consideration paid to Seller or the Company, as the case may be, includes any property other than cash, the Per Share Price shall be the sum of (i) the fixed cash amount, if any, included in the Per Share Price and (ii) the Fair Market Value of such other property. If such other property consists of securities with an existing public trading market, the Fair Market Value of such securities shall be deemed to be the average of the closing prices (or the average of the closing bid and asked prices) for such securities in their principal public trading market for the five trading days ending on the Sale Date. If such other property consists of something other than cash or securities with an existing public trading market, the Per Share Price shall be deemed to equal the closing price of the shares of AME on the Australian Stock Exchange on the Sale Date. If the consideration paid to Seller or the Company, as the case may be, includes any property other than cash, the Cash Amount shall be paid in combination of cash and such non-cash consideration in the same proportion as the aggregate amount of cash and such non-cash consideration paid to Seller and the Company; provided that, if any such non-cash consideration to be received by Buyer as a part of the Cash Amount would restrict the ability of Buyer to own such non-cash consideration, Buyer may request Seller to sell at Buyer's expense and risk such non-cash consideration in a reasonable manner as Seller and Buyer may agree on and transmit the proceeds thereof, net of cost to Seller of such sale.

ARTICLE VI
CONDITIONS OF PURCHASE

6.1 CONDITIONS PRECEDENT TO BINDING EFFECT.

(a) Except for the provisions of this Section 6.1, Articles IV and VIII and Section 5.8, the provisions of this Agreement will not be binding unless and until:

(i) the Treasurer of the Commonwealth of Australia shall have issued written notice to the effect that, subject to the conditions, if any, specified therein, the Government of the Commonwealth of Australia does not object to any of the transactions contemplated by this Agreement, or such official ceases under s.25(2) of the Foreign Acquisitions and Takeovers Act 1975 to be empowered to make an order relating to any of the transactions contemplated by this Agreement; and

(ii) a resolution approving the Buyer's purchase of the Stock has been agreed to at a meeting of the members of AME held in compliance with s.623 of the Corporations Law of the Commonwealth of Australia, as modified by the Australian Securities Commission, and the terms of Policy Statement 74 of the Australian Securities Commission within sixty (60) days of the date of this Agreement.

(b) Subject to Section 6.1(d), the parties shall each co-operate with the other and do all things reasonably necessary to procure that this Agreement does become binding under this Section 6.1.

(c) Without limiting the generality of Section 6.1(b):

(i) each party shall, and the Seller shall cause the Company to, take all necessary steps and supply all necessary information for the purpose of enabling this Agreement to become binding under this Section 6.1 (it being acknowledged that Buyer will make the necessary notification to the Treasurer of the Commonwealth of Australia under the Foreign Acquisitions and Takeovers Act 1975 in relation to Buyer's purchase of the Stock);

(ii) the Buyer may not withdraw or procure the withdrawal of any application made or information supplied under paragraph (i) of this Section 6.1(c);

(iii) no party may take any action that would or would be likely to prevent or hinder completion of this Agreement if this Agreement becomes binding; and

(iv) each party shall supply to the other details of steps taken and copies of all applications made and all information supplied for the purpose of enabling this Agreement to become binding under this Section 6.1.

(d) Notwithstanding any other provision of this Agreement, the parties agree that prior to satisfaction of the condition precedent contained in Section 6.1(a)(ii) Seller is free to sell, transfer or otherwise dispose of the Stock and the Company is free to sell, transfer or otherwise

dispose of its shares in AME to any person and the Buyer shall have no voting power over or with respect to such shares.

(e) Except for this Section 6.1, this Agreement shall be null and void and of no further effect if the Seller exercises its right under Section 6.1(d) or if this Agreement does not become binding under this Section 6.1; provided, however, that the obligations of the parties contained in Sections 2.19, 3.4, 5.8, 8.4 and 8.13 shall survive any such termination.

6.2 GENERAL CONDITIONS.

The obligations of the parties to effect the Closing shall be subject to the following conditions:

(a) No Orders; Legal Proceedings. No Law or Order shall have been enacted, entered, issued, promulgated or enforced by any Governmental Entity and remain so the Closing Date, (i) that prohibits the transactions contemplated by this Agreement (ii) that imposes or would impose upon the ownership or operation of, or exercise of control over, the Company, AME and their respective assets, properties and businesses by Buyer and its Affiliates, burdens which are material and unreasonable to the Business, taken as a whole (provided that the condition in this clause (ii) shall be a condition only to Buyer's obligations hereunder), or (iii) that would subject either party to this Agreement to any material penalty or liability if any of the transactions contemplated under this Agreement were consummated. No Governmental Entity shall have notified any party to this Agreement that it intends to commence proceedings that, if successful, would result in the failure to satisfy a condition set forth above in this Section 6.2(a), unless such Governmental Entity shall have withdrawn such notice and abandoned any such proceedings prior to the time which otherwise would have been the Closing Date.

(b) Permits and Approvals. To the extent required by applicable Law and without the imposition of any conditions or provisions that are material and unreasonably burdensome on Buyer, Buyer's Affiliates, or the Business, all Permits and Approvals listed in Section 6.2 (I) of the Disclosure Schedule shall have been received or obtained.

6.3 CONDITIONS TO OBLIGATIONS OF BUYER.

The obligations of Buyer to effect the Closing shall be subject to the following conditions except to the extent waived in writing by Buyer:

(a) Representations and Warranties and Covenants of Seller. The representations and warranties of Seller herein

(as amended by matters consented to by Buyer pursuant to Section 4.3) contained shall be true and correct as of the date of the Disclosure Schedule and, except for the representations and warranties contained in Section 2.3(c), at the Closing Date with the same effect as though made as of such time; Seller in all material respects shall have performed all obligations and complied with all covenants and conditions required by this Agreement or Clause 4.4 of the Wrap-Around Agreement to be performed or complied with by it at or prior to the Closing Date, and Seller shall have delivered to Buyer a certificate of Seller, dated the Closing Date and signed by its chief executive officer, president, chief financial officer or treasurer, to such effect.

(b) No Material Adverse Change. Since the date of the Disclosure Schedule, whether or not in the ordinary course of business, there shall not have been, occurred or arisen:

(i) any change in or event affecting the Business that has had or is reasonably expected to have a Material Adverse Effect, except for changes reflected in the financial statements referred to in Section 2.3 and changes affecting generally the Australian health care

industry as a whole (it being understood that Buyer assumes the risks of changes of such type); or

(ii) casualties, losses, damage or destruction of any property of the Company or AME or its Subsidiaries or that has involved a loss to the Company or AME or its Subsidiaries in excess of applicable insurance coverage, in each case that has had or is reasonably expected to have, in the aggregate, an impact in excess of $500,000 or a Material Adverse Effect.

(c) Consents. Buyer shall have obtained without the imposition of any conditions or provisions that are material and unreasonably burdensome on Buyer, Buyer's Affiliates, or the Business all material Approvals and Permits from third Persons listed in Sections 2.8(II)(A) and 6.2(II) of the Disclosure Schedule.

(d) Resignation of Directors. Each of the directors of the Company, or any director of AME or any of its Subsidiaries designated by Seller or the Company, shall have submitted his resignation in writing to the Company. Such resignations of directors (in such capacity) shall be effective as of the Closing.

(e) Failure to Obtain Loan. Buyer shall not have received the amounts contemplated by the commitment letter, dated May 17, 1995, from Schroders Banking & Capital Markets as a result of the failure of Schroders Banking & Capital Markets to provide such funds solely as a result of, during the thirty (30) days preceding the date of the Closing,

there having occurred or be continuing (i) any suspension of trading on the Singapore Stock Exchange or material governmental restrictions (not in force on the date hereof on trading in securities generally), or (ii) any banking moratorium declared by Singapore governmental authorities, or (iii) any material adverse change in the financial, banking or capital markets, or (iv) any outbreak or material escalation of hostilities affecting Singapore or other calamity, panic or crisis, the affect of which on the financial markets of Singapore in each case described in clauses (i), (ii), (iii) or (iv) above, is that lending institutions have generally ceased providing funding for transactions of the size contemplated by such commitment letter, provided that the occurrence of any such event shall operate to delay the Closing only until the tenth (10th) day following the date upon which lending institutions generally have resumed providing funding for transactions of the size contemplated by such commitment letter.

(f) Closing Regarding Core Business. The closing of the acquisition by Buyer of the Core Business (as defined in the Asia Stock Purchase Agreement) pursuant to the Asia Stock Purchase Agreement shall have occurred.

(g) Facility Agreement. The Lenders named in the Facility Agreement referred to in Section 2.5 (VI) (A) of the Disclosure Schedule shall have consented to the substitution of Buyer or an Affiliate of Buyer in place of Seller and irrevocably waived the requirement for compliance with Clauses 44.8(a)(ii) and 44.8(b) thereof.

(h) Undertaking to Maintain Shareholding. The Lenders named in the Undertaking to Maintain Shareholding referred to in Section 2.5(IV) (E) of the Disclosure Schedule shall have irrevocably waived the requirement for compliance with Clauses 1 and 2 thereof.

(i) Manpower and Technical Services Agreement. The Manpower and Technical Services Agreement, dated as of March 4, 1992, among AME (then known as Markalinga Limited), the Company and Seller, as amended by the Manpower and Technical Services Variation Agreement, dated as of October 20, 1993, among AME, the Company and Seller (the "Manpower and Technical Services Agreement") shall have been terminated as of the Closing Date by written agreement of the parties thereto reasonably acceptable to Buyer. Buyer, the Company and AME shall have entered into a new manpower and technical services agreement at the Closing Date, reasonably acceptable to all parties thereto.

6.4 CONDITIONS TO OBLIGATIONS OF SELLER.

The obligations of Seller to effect the Closing shall be subject to the following conditions, except to the extent waived in writing by Seller:

(a) Representations and Warranties and Covenants of Buyer. The representations and warranties of Buyer herein contained shall be true and correct as of the date of the Disclosure Schedule and at the Closing Date with the same effect as though made as of such time; Buyer in all material respects shall have performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing Date, and Buyer shall have delivered to Seller certificates of Buyer, dated the Closing Date and signed by a director, its chief executive officer, chief financial officer or treasurer, to such effect.

(b) Consents. Seller shall have obtained without the imposition of any conditions or provisions that are material and unreasonably burdensome on Seller or Seller's Affiliates (other than the Company and AME and its Subsidiaries) all material Approvals and Permits from third Persons listed in Section 2.8 (II)(A) of the Disclosure Schedule that are required to be obtained by Seller in connection with the transactions contemplated hereby.

(c) Manpower and Technical Services Agreement. The Manpower and Technical Services Agreement shall have been terminated as of the Closing Date by written agreement of the parties thereto reasonably acceptable to Seller.

ARTICLE VII
TERMINATION OF OBLIGATIONS; INDEMNIFICATION; SURVIVAL

7.1 TERMINATION OF AGREEMENT.

Anything herein to the contrary notwithstanding, this Agreement and the transactions contemplated by this Agreement may be terminated at any time before the Closing as follows and in no other manner:

(a) By mutual consent in writing of Buyer and Seller;

(b) By Buyer by written notice to Seller if any event occurs or condition exists which would render impossible the satisfaction of one or more conditions to the obligations of Buyer to consummate the transactions contemplated by this Agreement as set forth in Section 6.1, 6.2 or 6.3;

(c) By Seller by written notice to Buyer if any event occurs or

condition exists which would render impossible the satisfaction of one or more conditions to the obligation of Seller to consummate the transactions contemplated by this Agreement as set forth in Section 6.1, 6.2 or 6.4; or

(d) by Seller or Buyer, if the Closing does not occur on or prior to September 15, 1995.

provided, however, that the party seeking termination pursuant to clause (b), (c), or (d) is not in wilful breach of any of its covenants or agreements contained in this Agreement.

7.2 EFFECT OF TERMINATION.

If this Agreement shall be terminated pursuant to Section 7.1, all further obligations of the parties under this Agreement shall terminate without further liability of any party to another; provided that in any event the obligations of the parties contained in Sections 2.19, 3.4, 5.8, 7.1, 7.2, 8.4 and 8.13 shall survive any such termination.

Nothing in this Section 7.2 shall be deemed to release either party from any liability for any breach by such party of the terms and provisions of this Agreement or to impair the right of either party to compel specific performance by the other party of its obligations under this Agreement; provided, however, that if a party exercises its right to terminate this Agreement, such party will be deemed to have waived any claims of breach of representations or warranties by the other party.

7.3 INDEMNIFICATION.

(a) Indemnification by Seller. Seller shall indemnify Buyer, its Affiliates (including the Company and AME and its Subsidiaries) and each of their respective officers, directors, employees, stockholders, agents and representatives against, and hold them harmless from, losses, liabilities, claims, damages or expenses (including reasonable legal fees and expenses) suffered or incurred by any such indemnified party (other than any relating to Taxes, for which indemnification provisions are set forth in Section 5.2(a)) arising from, relating to or otherwise in respect of (i) any breach of any representation or warranty of Seller which survives the Closing contained in this Agreement or in any certificate delivered pursuant thereto and (ii) any breach of any covenant or agreement of Seller contained in this Agreement or in Clause 4.4 of the Wrap-Around Agreement;

provided, however, that Seller shall not have any liability under clause (i) above unless the aggregate of all losses, liabilities, costs and expenses relating thereto for which Seller would, but for this proviso, be liable exceeds on a cumulative basis an amount equal to U.S.$100,000, and then only to the extent of any such excess; and provided further, however, that Seller's liability shall in no event exceed U.S.$30,000,000. Notwithstanding the foregoing, Buyer shall not seek indemnification if such individual claim or a series of claims under clause (i) above which arises out of any single breach or a series of breaches or a representation and warranty of Seller, in each case based on a single event or condition or series of related events or conditions having a relevant common basis in fact if such individual claim is, or such series of claims add up to, less than U.S.$25,000.

Buyer acknowledges and agrees that, should the Closing occur, its sole and exclusive remedy with respect to any and all claims for breaches of representations and warranties of Seller pursuant to this Agreement shall be pursuant to the indemnification provisions set forth in this Section 7.3.

Nothing in this Agreement shall be construed to prohibit or restrict Buyer from pursuing all remedies available to it at law or in equity in connection with Seller's breach of any provision of this Agreement or Clause 4.4 of the Wrap-Around Agreement, other than for breaches of representations and warranties of Seller pursuant to this Agreement, or from seeking equitable relief in respect of any breach of any covenant or agreement of Seller contained in this Agreement.

(b) Indemnification by Buyer. Buyer shall indemnify Seller, its Affiliates and each of their respective officers, directors, employees, stockholders, agents and representatives against, and hold them harmless from, all losses, liabilities, claims, damages and expenses (including reasonable legal fees and expenses) suffered or incurred by any such indemnified party (other than any relating to Taxes, for which indemnification provisions are set forth in Section 5.2(b)) arising from, relating to or otherwise in respect of (i) any breach of any representation or warranty of Buyer which survives the Closing contained in this Agreement or in any certificate delivered pursuant hereto or thereto, and (ii) any breach of any covenant or agreement of Buyer contained in this Agreement,

provided, however, Buyer shall not have any liability under clauses (i) above unless the aggregate of all losses, liabilities, costs and expenses relating thereto for which the Buyer would, but for this proviso, be liable exceeds on a cumulative basis an amount equal to U.S.$100,000, and then only to the extent of such excess; and provided further that the Buyer's liability shall in no event exceed U.S.$5,000,000. Notwithstanding the foregoing, Seller shall not seek indemnification for any individual claim or a series of claims under clause (i) above which arises out of any single breach or a series of breaches or a representation and warranty of Buyer, in each case based on a single event or condition or series of related events or conditions having a relevant common basis in fact if such individual claim is, or such series of claims add up to, less than U.S.$25,000.

Seller acknowledges and agrees that, should the Closing occur, its sole and exclusive remedy with respect to any and all claims for breaches of representations and warranties of Buyer pursuant to this Agreement shall be pursuant to the indemnification provisions set forth in this Section 7.3.

Nothing in this Agreement shall be construed to prohibit or restrict Seller from pursuing all remedies available to it at law or in equity in connection with

Buyer's breach of any provision of this Agreement, other than for breaches of representations and warranties of Seller pursuant to this Agreement, or from seeking equitable relief in respect of any breach of any covenant or agreement of Buyer contained in this Agreement.

(c) Losses Net of Insurance, etc. The amount of any loss, liability, claim, damage, expense or Tax for which indemnification is provided under this Section 7.3 shall be net of any amounts recovered or recoverable by the indemnified party under insurance policies with respect to such loss, liability, claim, damage, expense or Tax (collectively, a "Loss") and shall be (i) increased to take account of any net Tax cost incurred by the

indemnified party arising from the receipt of indemnity payments hereunder (grossed up for such increase) and (ii) reduced to take account of any net Tax benefit realized by the indemnified party arising from the incurrence or payment of any such Loss. In computing the amount of any such Tax cost or Tax benefit, the indemnified party shall be deemed to recognize all other items of income, gain, loss, deduction or credit before recognizing any item arising from the receipt of any indemnity payment hereunder or the incurrence or payment of any indemnified Loss. Any indemnification payment hereunder shall initially be made without regard to this paragraph and shall be increased or reduced to reflect any such net Tax cost (including gross-up) or net Tax benefit only after the indemnified party has actually realized such cost or benefit. For purposes of this Agreement, an indemnified party shall be deemed to have "actually realized" a net Tax cost or a net Tax benefit to the extent that, and at such time as, the amount of Taxes payable by such indemnified party is increased above or reduced below, as the case may be, the amount of Taxes that such indemnified party would be required to pay but for the receipt of the indemnity payment or the incurrence or payment of such Loss, as the case may be. The amount of any increase or reduction hereunder shall be adjusted to reflect any final determination (which shall include the execution of Form 870-AD or successor form) with respect to the indemnified party's liability for Taxes and payments between Seller and Buyer to reflect such adjustment shall be made if necessary. Any indemnity payment under this Agreement shall be treated as an adjustment to the Purchase Price for Tax purposes, unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its Affiliates causes any such payment not to be treated as an adjustment to the Adjusted Purchase Price for United States federal income tax purposes.

(d) Termination of Indemnification. The obligations to indemnify and hold harmless a party hereto (i) pursuant to Section 5.2, shall terminate at the time the applicable statutes of limitations with respect to the Tax liabilities

in question expire (giving effect to any extension thereof), (ii) pursuant to Sections 7.3(a)(i) and 7.3(b)(i), shall terminate when the applicable representation or warranty terminates pursuant to Section 7.4 and (iii) pursuant to Section 7.3(a)(ii) and the other clauses of Section 7.3(b), shall not terminate; provided, however, that as to clauses (i) and (ii) above such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which the person to be indemnified or the related party thereto shall have, before the expiration of the applicable period, previously made a claim by delivering a notice of such claim (stating in reasonable detail the basis of such claim) to the indemnifying party; provided further, however, that in the case of a claim being made by reason of a Third Party Claim (as defined in Section 7.3(e) hereof), if the third party claimant has not asserted its claim in writing, the requirements of this clause shall nonetheless be deemed to be satisfied with respect thereto so long as the third party claimant has overtly threatened or otherwise indicated an intention to bring or pursue a claim, albeit orally, and the indemnified party, before the expiration of the applicable period, so notifies the indemnifying party by delivering a notice of such asserted claim (stating in reasonable detail the basis for such claim to the extent known to the indemnified party) to the indemnifying party and such third party claimant subsequently assets its claim in writing and a copy of the written notice from the third party claimant is furnished to the indemnifying party in no more than ten (10) business days after its receipt by the indemnified party.

(e) Procedures Relating to Indemnification. In order for a party

(the "indemnified party") to be entitled to any indemnification provided for under this Section 7.3 in respect of, arising out of or involving a claim or demand made by any person against the indemnified party (a "Third Party Claim"), such indemnified party must notify the indemnifying party in writing, and in reasonable detail, of the Third Party Claim promptly, but in no event more than ten (10) business days after receipt by such indemnified party of written notice of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the indemnifying party shall have been actually prejudiced as a result of such failure (except that the indemnifying party shall not be liable for any expenses of the indemnified party incurred during the period in which the indemnified party failed to give such notice). Upon delivering the initial notification and thereafter, promptly upon the indemnifying party's receipt thereof, the indemnified party shall deliver to the indemnifying party copies of all notices and documents (including court papers) received by the indemnified party relating to the Third Party Claim.

If a Third Party Claim is made against an indemnified party, the indemnifying party shall be entitled to participate in the defense thereof and, if it so chooses, to assume the defense thereof with counsel selected by the indemnifying party (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below);

provided that such counsel is not reasonably objected to by the indemnified party. If the indemnifying party assumes such defense, the indemnified party shall have the right to participate in the defense thereof and to employ counsel (not reasonably objected to by the indemnifying party), at its own expense, separate from the counsel employed by the indemnifying party, it being understood that the indemnifying party shall control such defense. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel) (not reasonably objected to by the indemnifying party), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel (not reasonably objected to by the indemnifying party) if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iii) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. The indemnifying party shall be liable for the reasonable fees and expenses of counsel employed by the indemnified party following the failure of the indemnifying party to assume the defense thereof (other than during the period prior to the time the indemnified party shall have given notice of the Third Party Claim as provided above).

If the indemnifying party so elects to assume the defense of any Third Party Claim, all of the indemnified parties shall cooperate with the indemnifying party in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the indemnifying party's request) the provision to the indemnifying party of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the indemnifying party shall have assumed the defense of a Third Party Claim, the indemnified party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the indemnifying party's prior written consent (which consent shall not be

unreasonably withheld). If the indemnifying party shall

have assumed the defense of a Third Party Claim, the indemnified party shall agree to any settlement, compromise or discharge of a Third Party Claim which the indemnifying party may recommend and which by its terms obligates the indemnifying party to pay the full amount of the liability in connection with such Third Party Claim, which releases the indemnifying party completely in connection with such Third Party Claim and which would not otherwise materially adversely affect the indemnified party.

The indemnification required by Sections 7.3(a) and 7.3(b) shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or loss, liability, claim, damage or expense is incurred. All claims under Sections 7.3(a) or 7.3(b) other than Third Party Claims shall be governed by Section 7.3(f).

(f) Other Claims. In the event any indemnified party should have a claim against any indemnifying party under Section 7.3(a) or 7.3(b) that does not involve a Third Party Claim being asserted against or sought to be collected from such indemnified party, the indemnified party shall deliver notice of such claim with reasonable promptness to the indemnifying party. The failure by any indemnified party so to notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to such indemnified party under Sections 7.3(a) or 7.3(b), except to the extent that the indemnifying party has been actually prejudiced by such failure. If the indemnifying party does not notify the indemnified party within thirty (30) business days following its receipt of such notice that the indemnifying party disputes its liability to the indemnified party under Sections 7.3(a) or 7.3(b), such claim specified by the indemnified party in such notice shall be conclusively deemed a liability of the indemnifying party under Sections 7.3(a) or 7.3(b) and the indemnifying party shall pay the amount of such liability to the indemnified party on demand or, in the case of any notice in which the amount of the claim (or any portion thereof) is estimated, on such later date when the amount of such claim (or such portion thereof) becomes finally determined. If the indemnifying party has timely disputed its liability with respect to such claim, as provided above, the indemnifying party and the indemnified party shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved by litigation in an appropriate court of competent jurisdiction or by the method of dispute resolution described in Section 8.4 hereof.

(g) No Contribution from the Company or AME. Neither Seller nor any of its Affiliates shall have any right to seek, and they hereby waive, any and all claims they may have to, contribution from the Company or AME with respect

to all or any portion of their indemnification obligations under this Agreement.

7.4 SURVIVAL OF REPRESENTATIONS.

The representations and warranties in Sections 2.1, 2.2, 2.3, 3.1, 3.2, 3.6 and 3.7 of this Agreement shall survive the Closing solely for purposes of Sections 7.3(a) and (b) and shall terminate at the close of business on the later of June 30, 1996 and the close of business one year after the Closing Date. No other representations or warranties of Seller or Buyer shall survive the Closing.

ARTICLE VIII
GENERAL

8.1 AMENDMENTS; WAIVERS.

This Agreement and any schedule or exhibit attached hereto may be amended only by agreement in writing of all parties. No waiver of any provision nor consent to any exception to the terms of this Agreement shall be effective unless in writing and signed by the party to be bound and then only to the specific purpose, extent and instance so provided.

8.2 SCHEDULES; EXHIBITS; INTEGRATION.

Each schedule and exhibit delivered pursuant to the terms of this Agreement shall be in writing and shall constitute a part of this Agreement, although schedules need not be attached to each copy of this Agreement. This Agreement, together with such schedules and exhibits, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersede all prior agreements and understandings of the parties in connection therewith, except the Letter Agreement which, subject to Section 4.5 hereof, shall continue in full force and effect, and the Wrap-Around Agreement. Without limiting the effect of the foregoing provisions of this Section 8.2, except as expressly set forth in this Agreement, neither Buyer nor Seller is making or shall be deemed to have made any representation or warranty of any kind, either express or implied.

8.3 REASONABLE BEST EFFORTS; FURTHER ASSURANCES.

Each party will use its reasonable best efforts to cause all conditions to its obligations hereunder to be timely satisfied and to perform and fulfill all obligations on its part to be performed and fulfilled under this Agreement, to the end that the transactions contemplated by this Agreement shall be effected substantially in accordance with its terms as soon as feasible. The parties shall cooperate with each other in such actions and in securing requisite Approvals. Each party shall deliver such further documents and take such other actions as may be necessary or appropriate to consummate or implement the

transactions contemplated hereby or to evidence such events or matters.

8.4 GOVERNING LAW.

(a) This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and performed in such State and without regard to conflicts of law doctrines except to the extent that certain matters are preempted by federal law or are governed by the law of the jurisdiction of incorporation of the respective parties.

(b) Any dispute arising out of or in connection with this Agreement or any amendment or modification hereto, other than with respect to matters covered in Section 5.2 hereof, (i) shall be referred to a single conciliator to be selected by the parties, or failing their agreement, by the International Chamber of Commerce, with the mission of attempting to resolve such dispute during a period of one hundred and twenty (120) days following the first notification of such dispute given to any party hereunder and (ii) if such dispute shall otherwise not be so resolved, shall be finally settled by arbitration conducted in the English language in London, England under the United Nations Commission on International

Trade Law (UNCITRAL) Arbitration Rules by three arbitrators, one of whom shall be appointed by each of the parties, and the third by agreement of the two arbitrators, or failing such agreement by the International Chamber of Commerce as appointing authority. Either Buyer or Seller may initiate the procedures in this Section 8.4(b) by giving demand for arbitration to the other, setting forth the nature of any such dispute. Any written determination of the arbitrators shall be final and conclusive upon the parties. Each party hereto shall promptly pay to the prevailing party any amount determined to be due to it by such arbitration. It is the intention of each party that, to the maximum extent, actions of the arbitrators shall not be subject to review in the courts of England.

8.5 NO ASSIGNMENT.

Neither this Agreement nor any rights or obligations under it are assignable without the prior written consent of the other party; provided, however, that Buyer may assign its rights and obligations (including its rights to purchase the Stock) in whole or in part to one or more of its Affiliates without the prior written consent of Seller; provided further, however, that no assignment shall limit or affect the assignor's obligations hereunder. Any attempted assignment in violation of this Section 8.5 shall be void.

8.6 HEADINGS.

The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

8.7 COUNTERPARTS.

This Agreement and any amendment hereto or any other agreement (or document) delivered pursuant hereto may be executed in one or more counterparts and by different parties in separate counterparts. All of such counterparts shall constitute one and the same agreement (or other document) and shall become effective (unless otherwise provided therein) when one or more counterparts have been signed by each party and delivered to the other party.

8.8 PUBLICITY AND REPORTS.

Seller and Buyer shall coordinate all publicity relating to the transactions contemplated by this Agreement and no party shall issue any press release, publicity statement or other public notice relating to this Agreement, or the transactions contemplated by this Agreement, without obtaining the prior consent of the other party, which shall not be unreasonably withheld, except (following consultation with the other party to the extent reasonably possible) to the extent that a particular action is required by applicable Law or stock exchange rules.

8.9 REMEDIES CUMULATIVE.

Except for the limitation on remedies by Buyer and Seller contained in Section 7.3 of this Agreement, all rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

8.10 PARTIES IN INTEREST.

This Agreement shall be binding upon and inure to the benefit of each party to this Agreement, and nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement. Nothing in this Agreement is intended to relieve or discharge the obligation of any third person to (or to confer any right of subrogation or action over against) any party to this Agreement.

8.11 NOTICES.

Any notice or other communication hereunder must be given in writing and (a) delivered in person, (b) transmitted by telefax or (c) mailed, postage prepaid, receipt requested as follows:

If to Buyer, addressed to:

Parkway Holdings Limited
80 Marine Parade Road
#22-01/99 Parkway Parade
Singapore 1544
Telephone: (65) 345-8822
Telefax: (65) 344-0356
Attention: Company Secretary

With a copy each to:

Allen, Allen & Hemsley
The Chifley Tower
2 Chifley Square
Sydney, Australia
Telephone: (612) 230-4000
Telefax: (612) 233-7022
Attention: John Allen, Esq.

and

Sullivan & Cromwell
28/F, Nine Queen's Road Central
Hong Kong
Telephone: (852) 2826-8688
Telefax: (852) 2522-2280
Attention: John Evangelakos, Esq.

If to Seller, addressed to:

Tenet Healthcare Corporation
2700 Colorado Avenue
Santa Monica, California 90404
Telephone: (310) 998-8000
Telefax: (310) 998-4088
Attention: General Counsel

With a copy to:

O'Melveny & Myers
400 South Hope Street, 15th Floor
Los Angeles, California 90071-2899
Telephone: (213) 669-6000
Telefax: (213) 669-6407
Attention: Richard A. Boehmer, Esq.

or to such other address or to such other person as either party shall have last designated by such notice to the other party. Each such notice or other

communication shall be effective (i) if given by telecommunication, when transmitted to the applicable number so specified in (or pursuant to) this Section 8.11 and an appropriate answerback is received, (ii) if given by mail, three days after such communication is deposited in the mails with

first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually received at such address.

8.12 STAMP DUTIES.

Buyer shall pay all stamp duties, goods and services taxes, and any similar charges (except receipts duties, financial institutions duties or bank account debits taxes, which shall be paid by the party upon which they fall) assessed on or in relation to this Agreement or any of the matters or transactions or sales under this Agreement, the share transfer form or under any related document.

8.13 EXPENSES AND ATTORNEYS FEES.

Seller and Buyer shall each pay their own expenses incident to the negotiation, preparation and performance of this Agreement and the transactions contemplated hereby, including but not limited to the fees, expenses and disbursements of their respective Investment Bankers, accountants and counsel. In the event of any Action for the breach of this Agreement, indemnification or misrepresentation by any party, the prevailing party shall be entitled to reasonable attorney's fees, costs and expenses incurred in connection with investigating and prosecuting such Action.

8.14 SEVERABILITY.

If any provision of this Agreement is held invalid or unenforceable by any Governmental Entity, the remaining provisions of this Agreement shall remain in full force and effect provided that the essential terms and conditions of this Agreement for both parties remain valid, binding and enforceable.

8.15 DOLLARS.

Unless otherwise specified herein, all references to "$" and "dollars" shall mean United States Dollars.

ARTICLE IX
DEFINITIONS

9.1 DEFINITIONS.

For all purposes of this Agreement, except as otherwise expressly provided:

(a) the terms defined in this Article IX include the plural as well as the singular;

(b) all accounting terms not otherwise defined herein have the meanings assigned under GAAP;

(c) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and

other subdivisions of the body of this Agreement except as otherwise provided in this Agreement;

(d) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms;

(e) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; and

(f) all references to any Contract shall mean and include such Contract as it may have been amended, restated, modified, supplemented, renewed or replaced from time to time.

As used in this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement, the following definitions shall apply:

"Action" means any action, claim, complaint, petition, investigation, suit or other proceeding, whether civil or criminal, at law or in equity, or before any arbitrator or Governmental Entity.

"Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person.

"Agreement" means this Agreement by and between Buyer and Seller as amended or supplemented, together with all Exhibits and Schedules attached or incorporated by reference therein.

"AME Stock" has the meaning assigned to it in Section 2.2(a).

"Approval" means any approval, authorization, consent, waiver, qualification or registration, or any waiver of any of the foregoing, required to be obtained from, or any notice, statement or other communication required to be filed with or delivered to, any Governmental Entity or any other Person (including, without limitation, any of the foregoing required to be obtained from any lender or security holder).

"Asia Stock Purchase Agreement" means the Asia Stock Purchase Agreement, dated May 24, 1995, between Seller and Buyer relating to the purchase by Buyer of Seller's healthcare businesses in Asia.

"Auditors" means KPMG Peat Marwick L.L.P., independent public accountants to Seller.

"Balance Sheet" has the meaning assigned to it in Section 2.3(b).

"Benefit Plans" has the meaning assigned to it in Section 2.15.

"Business" has the meaning assigned to it in the Recitals to this Agreement.

"Closing" means the consummation of the purchase and sale of the Stock under this Agreement.

"Closing Date" means the date of the Closing.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and successor statutes.

"Company Real Properties" has the meaning assigned to it in Section 2.6(b).

"Contract" means any document, agreement, arrangement, bond, commitment, franchise, indemnity, indenture, instrument, lease, license or understanding, whether or not in writing.

"Disclosure Schedule" means the Disclosure Schedule dated

June 20, 1995 and delivered by Seller to Buyer, or Buyer to Seller, as the case may be, pursuant to this Agreement. Any information set forth in any section of the Disclosure Schedule shall be deemed to be set forth in such other section of the Disclosure Schedule as contains a cross-reference to the former section.

"Encumbrance" means any claim, charge, easement, encumbrance, security interest, lien, option, pledge, negative pledge, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law, equity or otherwise, except for any restrictions on transfer generally arising under any applicable U.S. or foreign securities law.

"Equity Securities" means any capital stock or other equity interest or any securities convertible into or exchangeable for such capital stock or other equity interest or any other rights, warrants or options to acquire any of the foregoing securities, including the rights to any dividend declared but unpaid in respect thereof.

"GAAP" means generally accepted accounting principles in the United States as in effect from time to time, with such specifically disclosed changes, if any, as may be required by generally accepted accounting principles.

"Governmental Entity" means any government or any agency, district, bureau, board, statutory board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

"Intellectual Property" has the meaning assigned to it in Section 2.14.

"Interim Period" has the meaning assigned to it in Section 2.4(b).

"International - NME" has the meaning assigned to it in Section 1.1.

"Investment Bankers" has the meaning assigned to it in Section 2.19.

"Law" means any constitutional provision, statute or other law, rule, regulation, or interpretation of any Governmental Entity and any Order.

"Leased Real Property" has the meaning assigned to it in Section 2.6(a).

"Letter Agreement" has the meaning assigned to it in Section 4.1.

"Manpower and Technical Services Agreement" has the meaning assigned to it in Section 6.3(i).

"Material Adverse Effect" means a material adverse effect on the business, assets, condition (financial or otherwise) or results of operations of the Business, taken as a whole, or on the ability of Seller to consummate the transactions contemplated in this Agreement.

"Order" means any decree, injunction, judgment, order, ruling, assessment or writ.

"Overhead Expenses" has the meaning assigned to it in Section 2.21.

"Permit" means any license, permit, franchise, certificate of authority, or order, or any waiver of the foregoing, required to be issued by any Governmental Entity.

"Permitted Encumbrances" means, collectively, (i) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business, liens arising under original purchase price conditional

sales contracts and equipment leases with third parties entered into in the ordinary course of business and liens for Taxes which are not due and payable or which may thereafter be paid without penalty, (ii) mortgages, liens, security interests and encumbrances which secure debt that is reflected as a liability on the financial statements referred to in Section 2.3 and the existence of which is indicated in the notes thereto and (iii) other imperfections of title or encumbrances, if any, which do not, individually or in the aggregate, materially impair the value of or the continued

use and operation of the assets to which they relate in the Business.

"Person" means an association, a corporation, an individual, a partnership, a joint venture, a trust or any other entity or organization, including a Governmental Entity.

"Pre-Closing Tax Period" means all taxable periods ending on or before February 28, 1995 and the portion ending on February 28, 1995 of any taxable period that includes (but does not end on) such day.

"Purchase Price" has the meaning set forth in Section 1.2.

"Seller's Transition Tax Exposure Amount" means the difference, if any, between (i) the U.S. Federal, state and local income tax liability of Seller and its Affiliates for Seller's taxable year ending on May 31, 1996 computed to take into account (A) any liability incurred by Seller and its Affiliates under Section 951(a) of the Code as a result of any income earned by the Company or AME during the Transition Period or the acquisition of any asset or the undertaking of any transaction or activity by the Company or AME during the Transition Period and (B) any reduction in the combined earnings and profits of the Company and AME (as determined under the Code) to an amount less than the combined earnings and profits of the Company and AME on the Closing Date that is attributable to any dividend or other distribution declared, issued, made or paid during the Transition Period by the Company or AME (or any entity becoming a subsidiary of the Company of AME during the Transition Period) and (ii) the U.S. Federal, state and local income tax liability of Seller and its Affiliates for Seller's taxable year ending on May 31, 1996 computed without regard to the items described in subclauses (A) and (B) of clause (i) of this sentence. For this purpose, the Tax liability of Seller and its Affiliates shall be calculated by taking into account foreign tax credits available to Seller and its Affiliates and by taking into account the effect of an increase in an overall foreign loss or increase in a separate limitation loss (each as defined in section 904(f) of the Code) on the ability of Seller to utilize foreign tax credits for U.S. Federal income tax purposes.

"Stock" means the capital stock of the Company as described in Section 2.1 of the Disclosure Schedule.

"Subsidiary" means any Person in which the Company has a direct or indirect equity or ownership interest in excess of fifty percent (50%).

"Tax" or "Taxes" means any foreign, federal, state, county or local income, sales, turnover, use, excise, franchise, ad valorem, goods and services, real and personal property, transfer, gross receipt, stamp, premium, profits, customs and excise, duties, windfall profits, capital stock, capital gains or duty, production, business and occupation, disability,

employment, payroll, severance or withholding taxes, fees, assessments or charges of any kind whatever imposed by any Governmental Entity, all amounts equal to the Tax cost of any deprivation of any relief, allowance, set-off or deduction in computing profits or right to repayment of Tax granted by or pursuant to Law relating to Tax, any interest, charges and penalties (civil or criminal), additions to tax, payments in lieu of taxes or additional amounts

related thereto or to the nonpayment thereof, and any Loss in connection with the determination, settlement or litigation of any Tax liability.

"Tax Return" means a declaration, statement, report, return, computation of tax, invoice, records (accounting or otherwise) or other document or information required to be filed or supplied with respect to Taxes including, where permitted or required, combined or consolidated returns for any group of entities that includes the Company or AME.

"Wrap-Around Agreement" means the Wrap-Around Agreement, dated June 20, 1995, between Buyer and Seller.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

BUYER

PARKWAY HOLDINGS LIMITED,
a Singapore corporation

By: /s/ TAN KAI SENG

Tan Kai Seng
Its: Director

SELLER

NATIONAL MEDICAL ENTERPRISES, INC.,
a Nevada corporation

By: /s/ MARIS ANDERSONS

Maris Andersons

Its: Senior Vice President-Treasurer

EXHIBIT 10(q)

AMENDING AGREEMENT
TO THE
AUSTRALIA STOCK PURCHASE AGREEMENT
DATED AS OF JULY 5, 1995

AUGUST 14, 1995

TENET HEALTHCARE CORPORATION
(FORMERLY KNOWN AS NATIONAL MEDICAL ENTERPRISES, INC.)

AND

PARKWAY HOLDINGS LIMITED

This AMENDING AGREEMENT is entered into as of August 14, 1995 between PARKWAY HOLDINGS LIMITED, a Singapore corporation ("Buyer") and TENET HEALTHCARE CORPORATION (formerly known as National Medical Enterprises, Inc.), a Nevada Corporation ("Seller").

RECITALS

A. As of July 5, 1995 the parties entered into the Australia Stock Purchase Agreement ("Principal Agreement") relating to the sale by Seller and acquisition by Buyer of all of the issued shares of Tenet Healthcare Australia Pty. Limited, an Australian corporation; and

B. The parties desire to enter into this Amending Agreement in order to make certain changes to the Principal Agreement.

THE PARTIES AGREE:

1. INTERPRETATION

In this Amending Agreement, unless the contrary intention appears:

(a) words having a defined meaning in the Principal Agreement and not otherwise defined in this Amending Agreement will have the same meaning in this Amending Agreement;

(b) the provisions of Article VIII and Article IX of the Principal Agreement will apply to this Amending Agreement mutatis mutandis.

2. AMENDMENTS OF THE PRINCIPAL AGREEMENT

The Principal Agreement is hereby amended in the following manner:

(a) by adding a new Section 1.5 which reads as follows:

"1.5 Payment by Seller

Subject to the terms and conditions of this Agreement, Seller agrees to pay to Buyer or its order at the Closing the amount of U.S. $3,000,000, payable in funds immediately available in Hong Kong.";

(b) by deleting in Section 6.1(a)(ii) the words "within sixty (60) days of the date of this Agreement" and inserting in lieu thereof, "on or

prior to September 11, 1995.";

(c) by deleting from Section 6.3(i) the last sentence which states:

"Buyer, the Company and AME shall have entered into a new manpower and technical services agreement at the Closing Date, reasonably acceptable to all parties thereto."; and

(d) by deleting in Section 7.1(d) the date "September 15, 1995" and inserting in lieu thereof "September 25, 1995."

3. AFFIRMATION OF THE PRINCIPAL AGREEMENT

The Principal Agreement shall be read and construed subject to this Amending Agreement and in all other respects the provisions of the Principal Agreement are hereby ratified and confirmed and, subject to the amendments contained herein, the Principal Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amending Agreement to be executed by its duly authorized officers as of the day and year first above written.

BUYER

PARKWAY HOLDINGS LIMITED,
a Singapore corporation

By: /s/ TAN KAI SENG

Tan Kai Seng
Its: Finance Director

SELLER

TENET HEALTHCARE CORPORATION,
a Nevada corporation

By: /s/ TERRENCE P. MCMULLEN

Terrence P. McMullen
Its: Vice President

EXHIBIT 13

1995 Annual Report

[ARTWORK APPEARS HERE]

[LOGO] TENET
HEALTHCARE CORPORATION

te*net n. Any principle, dogma, belief or doctrine held as true, especially by an organization. Synonym: See doctrine.

-- Webster's New
Collegiate Dictionary

Tenet Healthcare Corporation's new name and logo convey the importance we place upon shared values and beliefs. Our logo shows an architectural column stylized as the letter "t" and framed by the silhouettes of two people facing each other, indicating the sharing of tenets between partners.

ABOUT TENET HEALTHCARE CORPORATION

Tenet Healthcare Corporation, a nationwide leader in providing healthcare services, owns and operates 70 general hospitals in the United States and many related businesses. Tenet employs approximately 60,000 people.

Tenet stock trades on the New York and Pacific stock exchanges under the new stock symbol THC.

Tenet was formed March 1, 1995, through the merger of National Medical Enterprises, Inc. (NME) and American Medical Holdings, Inc., the parent company for American Medical International (AMI).

Tenet Facility Locations

[MAP OF THE UNITED STATES LOCATIONS OF TENET APPEARS HERE]

LETTER TO OUR SHAREHOLDERS

Fiscal 1995 marked the end of one era and the beginning of a new one for your company, Tenet Healthcare Corporation.

When National Medical Enterprises, Inc. (NME) completed its acquisition of American Medical Holdings, Inc. (AMI) on March 1, 1995, two familiar names in healthcare were retired; and a new name was introduced.

But Tenet Healthcare Corporation did more than simply replace the NME and AMI names. We selected the Tenet name to symbolize the philosophical foundation

upon which we intend to pursue the growth of your company. A tenet is a principle or belief shared among people. The name Tenet makes it clear that we believe that those who succeed in tomorrow's healthcare industry will be those who seek the knowledge, expertise and cooperation of others - through partnerships, such as joint ventures, alliances and contracting relationships.

Since March 1, we have been busy demonstrating that philosophy in both word and deed. From California to Florida, in both metropolitan and rural markets, we have been pursuing partners wherever doing so would strengthen Tenet. We have been gratified by the positive responses we have received. Farsighted physicians, forward-looking hospitals, quality-driven insurers, concerned communities and caring employers share enthusiasm for our message of partnership in building modern, integrated healthcare delivery systems.

We believe that integrated delivery systems are the future of healthcare in America. These systems include networks of hospitals, doctors, payors and other healthcare entities working together to provide quality, efficient patient care while meeting the needs of local communities. The AMI acquisition nearly doubles our size, allowing us to more vigorously pursue this vision. We are fortifying existing integrated systems and forming new ones in communities large and small, and we plan to strengthen them further in the years ahead.

Competition within the healthcare industry takes place on a local community level. It is our goal to become a leading provider in each of the communities we serve. We believe that through a strong community presence we increase the value of the healthcare delivered and the value of your company.

What we see as the fundamental building blocks of integrated healthcare - physician partnerships, strategic acquisitions and affiliations, quality and value measurement, and spectrum of care - are illustrated in this annual report. The following pages also include examples of our accomplishments from new acquisitions and affiliations to cost savings and technical improvements. From the moment we announced the merger, each of us at Tenet has worked very hard to capitalize quickly on the many opportunities arising from the union of NME and AMI, and we believe our efforts are succeeding. During the coming year, we will continue to take on the challenges of combining two large corporations in an industry undergoing fundamental change.

Fiscal 1995 Results

In fiscal 1995 the company returned to profitability after a loss due to the sizable loss from our discontinued psychiatric hospital operations in fiscal 1994. Net income for fiscal 1995 was $165 million, compared with a $425 million net loss in fiscal 1994. Fully diluted earnings per share from continuing operations, excluding the impact of restructuring charges and gains or losses on sales of assets, were $1.09 in fiscal 1995 and $1.19 in fiscal 1994.

The financial results for the fourth quarter of fiscal 1995 are the first for Tenet since the acquisition of AMI. Because the acquisition was a purchase transaction, results for prior quarters of fiscal 1995 and for all of fiscal 1994 are for NME only and thus are not representative of the earnings or cash-flow potential of the new company for a full fiscal year. In addition, earnings are being reduced in the fourth quarter and in future periods by the amortization of goodwill recorded from the AMI

transaction, which is a noncash charge but provides no income tax benefits. The annual earnings-per-share impact of this amortization is approximately 28 cents.

Tenet's core general hospital business continues to generate strong cash flow. As fiscal 1996 progresses, we expect to significantly reduce Tenet's debt. Our goal is to obtain an investment-grade rating in the near term. Debt reductions, however, will depend, in part, upon the availability of attractive acquisition opportunities.

Focus on Domestic Hospitals

To help achieve our debt-reduction goals and maintain a clear focus on our growing domestic integrated delivery systems, we have taken steps to divest our noncore assets. We sold our two Singapore hospitals in the first quarter of fiscal 1996, and we expect to close the sale of our interests in Malaysia, Thailand and Australia before the end of the second quarter. Proceeds from these sales of most of our international properties will generate approximately $337 million of cash proceeds net of debt. Effective December 31, 1994, we sold our management services division, which provided contract managed services in psychiatric, physical rehabilitation and chemical dependency treatment.

These steps and the sales in the last two years of most of our rehabilitation and psychiatric hospitals allow Tenet's management to devote its energies to our domestic general hospitals, and they give us increased financial flexibility. Additionally, when The Hillhaven Corporation's pending merger with Vencor, Inc. is completed, we expect to receive approximately $90 million in cash for our Hillhaven preferred stock and more than 8 million shares of Vencor common stock in exchange for our Hillhaven common stock. We will continue to evaluate our interests in Vencor and our other noncore assets. We are also evaluating our ownership of several selected domestic general hospitals.

Growth

The healthcare industry is in the midst of an unprecedented period of consolidation. As the industry becomes more competitive, not-for-profit providers and others are looking closely at the many benefits partnership with Tenet can offer, among them, access to capital, information systems and management expertise. As we build our integrated delivery systems, we want to maintain our reputation as a stable partner that respects and meets local communities' needs.

We have been attentively evaluating growth opportunities, especially in areas where we already have a significant presence, but also in communities where Tenet is not yet as strong. In May we were very pleased to announce our company's first two major acquisitions since the merger. Tenet's acquisition of Mercy+Baptist Medical Center in New Orleans, a two-hospital system, will make us the largest healthcare provider in greater New Orleans, with eight general hospitals, many related businesses and strong relationships with area physicians. That transaction is expected to close in the first quarter of fiscal 1996. Our acquisition of Providence Memorial Hospital in El Paso, Texas, where Tenet already operates a local health system that includes a large general hospital, a rehabilitation hospital and other related businesses, is expected to close in the second or third quarter, depending on regulatory approval.

Other areas of expansion for Tenet include affiliations with healthcare providers, whether through joint ownership, contracting agreements or other means, and further development of ancillary and niche services. For example, we have agreed to team with Cleveland Clinic Florida, an extension of the world-renowned Cleveland Clinic Foundation in Ohio, to build a hospital in Weston, Fla. Tenet will manage the hospital's operations, and the Cleveland Clinic Florida group practice will oversee all aspects of clinical care. The facility will permit Cleveland Clinic Florida to further its mission of providing

superior patient care. This project demonstrates Tenet's philosophy of expanding its healthcare systems in conjunction with quality partners. Furthermore, our partnership will enhance our South Florida network and put us in a stronger competitive position when negotiating contracts with managed care payors who are looking for convenient, one-stop healthcare shopping.

Building relationships with physicians, another of our primary, long-range goals and an indispensable component of integrated healthcare delivery, also will be essential to our continued success. This encompasses purchasing physician practices, managing practices or forming physician-hospital organizations that share the risk of managed care contracting. Tenet currently owns or manages more than 400 physician practices affiliated with our local hospitals.

Cost-Control Success

As promised, we have significantly cut our expenses. In the beginning of fiscal 1995, NME completed a comprehensive management review of corporate overhead, trimming $32 million from annual expenses. Following the merger, we expect to save another $20 million or more annually through eliminating duplicate overhead.

As part of this reorganization, we made the decision to consolidate our hospital support operations in Dallas. Clearly, it makes sense for the people who handle the purchasing, outcomes measurement, financial operations, legal operations, human resources operations, acquisition and development, and other important support services for our 70 general hospitals and many related businesses nationwide to be centrally located. Additionally, in keeping with our goal to customize our services through integrated healthcare delivery systems in local communities, we have established eight regional offices. Tenet's consolidated corporate headquarters will remain in Southern California.

Our merger also should result in purchasing savings estimated at another $20 million in the first full year of combined operations, plus first-year information systems savings and reductions in bad-debt expenses. All in all, we are on track to meet our aggregate goal of $60 million in savings in fiscal 1996.

The above actions, as well as savings through staffing our hospitals more efficiently, are what we think of as traditional healthcare cost control, and Tenet has done an exemplary job in this area. We expect to continue to find ways to increase efficiency while maintaining quality care.

We also expect to find even greater cost savings through better management of resource consumption. We are working closely with our medical staffs to bring down physician-controlled hospital expenses. This means using outcome studies and other methods to identify the most appropriate, high-value treatments for patients - which will be a major focus all across Tenet in fiscal 1996. More efficient resource consumption works to the benefit of physicians as well as hospitals and patients; today's intense market pressures make it essential for physicians to demonstrate that they, too, offer not only quality but value.

Healthcare Legislation

It now appears that 1995 may be the year the federal government takes action to rein in its healthcare spending. Legislators are broadening their focus from capping or cutting increases in Medicare and Medicaid to making fundamental changes in the administration of these programs to meet cost-control goals. Possibilities include utilizing managed care systems for both programs; issuing vouchers, which would allow Medicare beneficiaries to buy private-sector coverage; and making block grants to states, which would cap the growth of federal Medicaid spending.

For healthcare providers like us, these changes will mean further reimbursement pressures. We anticipate that the strategies Tenet's predecessor companies have been following for years in response to intense competition and the growing role of HMOs and other managed care concepts will mitigate the potential impact of these changes on our business. Those strategies, of course, include becoming ever-more efficient while always keeping quality as our lodestar.

At Tenet, we support restructuring of the nation's healthcare system to make it more market-driven. What we cannot support are any modifications that further limit access to healthcare or that place a disproportionate share of the responsibility for lowering healthcare costs on hospitals.

The Road Ahead

As we go forward, a strong companywide commitment to ethics will guide Tenet's growth. We believe that all our actions should meet our written Standards of Conduct and that helping our employees adhere to these standards is imperative. By the end of June, just four months after our merger, we had provided comprehensive ethics training to employees at all 37 former AMI hospitals. Former NME employees who had received this training during the prior year now are receiving follow-up training. In total, we have trained more than 60,000 employees in participative, face-to-face sessions.

Also guiding the company are three new board members, Thomas J. Pritzker, Robert W. O'Leary and John T. Casey, who joined Tenet as a result of the

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MAJOR ACCOMPLISHMENTS UNDER NEW MANAGEMENT

April 1993	Board of directors makes top management changes at National Medical Enterprises, Inc. (NME). Jeffrey C. Barbakow named CEO and, later, chairman. Michael H. Focht Sr. named COO and, later, president.
June 1993	Hillhaven relationship restructured.
Sept. 1993	Two of three lawsuits with insurance companies settled. Board of directors reconfigured to reduce the number of employee directors to two.
Dec. 1993	Remaining insurance lawsuit settled. NME agrees to sell 28 rehabilitation hospitals.
March 1994	NME agrees to sell 47 psychiatric facilities.
April 1994	NME reaches agreement in principle with the U.S. departments of Justice and Health and Human Services to settle psychiatric investigations.
June 1994	Government investigations settled.
July 1994	Corporate downsizing implemented.
Aug. 1994	NME sells controlling interest in its dialysis unit.
Oct. 1994	NME agrees to acquire American Medical Holdings, Inc. (AMI).
March 1995	Tenet Healthcare Corporation created as NME completes AMI acquisition. Corporate organization restructured.
May 1995	Tenet South Florida HealthSystem created to link hospitals and other facilities in integrated delivery system. Tenet announces its first two major acquisition agreements: Mercy+Baptist Medical Center in New Orleans and Providence Memorial Hospital in El Paso, Texas. Tenet agrees to sell Asian and Australian hospitals.
July 1995	Tenet announces joint venture with Cleveland Clinic Florida.

AMI acquisition. They add considerable healthcare and business expertise to our board of directors.

All of the positive news in this report shines even brighter when put in the perspective of the many changes and difficulties confronted by NME and AMI in recent years. At NME, we progressed through an intense period of turnaround and transformation, while AMI came through its own restructuring and streamlining. With the merger of our two companies and the creation of Tenet Healthcare Corporation, we have entered a new era of accomplishment. Today, our goal is to continue to build on our partnership and to form new partnerships so that we can successfully establish integrated systems that deliver quality healthcare.

We would like to thank Tenet employees for the hard work that enables us to make our plans a reality. We also thank our shareholders, old and new, for your support.

Sincerely,

/s/ Jeffrey C. Barbakow [PHOTO APPEARS HERE]

Jeffrey C. Barbakow
Chairman and Chief Executive Officer Jeffrey C. Barbakow

/s/ Michael H. Focht Sr. [PHOTO APPEARS HERE]

Michael H. Focht Sr.
President and Chief Operating Officer Michael H. Focht Sr.

August 1, 1995

OPERATIONS REVIEW

Tenet Healthcare Corporation holds a strong competitive position in the U.S. healthcare industry. The company owns 70 general hospitals in the United States with more than 15,400 beds. It also owns seven long-term-care facilities, five physical rehabilitation hospitals, five psychiatric facilities and many ancillary facilities connected with its general hospitals. These facilities have been well-maintained over the years.

Tenet's business development strategies are customized to each state and community, depending on local needs, the size of the market, degree of physician organization, local regulations, managed care environment and other factors. Some Tenet hospitals are the sole provider in their area; some function as parts of Tenet networks of two or more hospitals; some maintain affiliations with non-Tenet facilities in their region.

There are, however, four core strategies Tenet follows in every market to build community-based integrated healthcare delivery systems. First, Tenet strives to provide a full spectrum of care to patients. Second, the company works to strengthen alliances with physicians affiliated with its hospitals. Third, Tenet pursues selective acquisitions and affiliations that can strengthen and expand its systems. The company's fourth, overriding strategy is to hold quality and value paramount in everything it does and to implement ways to measure the quality of its services while it delivers care most cost-

effectively.

Fiscal 1995

Inpatient admissions to Tenet's hospitals increased by 2.3 percent in the fourth quarter of fiscal 1995 on a same-facility basis compared with NME and AMI hospitals in the prior-year quarter. This represents an improvement after small declines in the first three quarters of the year for NME only. Outpatient visits continue to increase.

Tenet's single biggest operating challenge of fiscal 1995 - addressing the continuing conversion of patients covered by indemnity insurance to managed care plans - will continue to confront the company and the entire healthcare industry in fiscal 1996. Reimbursement pressure may escalate as the government seeks to slow the growth of Medicare and Medicaid budgets. Tenet has gained broad knowledge of and experience in managed care while proving that it can operate profitably in the face of these pressures. California, in particular, where Tenet operates 23 hospitals, more than in any other state, has been a managed care bellwether for several years.

In fact, Tenet sees new opportunity to build on its footholds in areas such as Alabama, Arkansas, Georgia, Louisiana, North Carolina and South Carolina where HMOs and other managed care providers are now becoming more of a force. The company's size and its managed care experience, as well as the strength of its hospitals' medical staffs, should help Tenet make the alliances that will enable the company to compete successfully in these areas.

The rudimentary keys to success in all markets are continued cost control and quality maintenance and improvement.

Cost Control

Pivotal to Tenet's cost-control efforts is its large purchasing group, Buy Power, which negotiates contracts for $1.3 billion annually in supplies, equipment and services for 1,430 facilities, including hospitals, clinics and nursing homes owned by other companies. Tenet is the only for-profit hospital system with such a buying group.

The company's savings increase significantly with the addition of the 37 former AMI hospitals and renegotiation of all of Tenet's national contracts. Three months after the merger, Tenet

had already renegotiated approximately $15 million in annual savings. In the medical/surgical area alone, the company has rebid 70 agreements representing more than $80 million in purchases and has reached total reductions of $7 million or an average of 9 percent. Tenet has already converted the former AMI hospitals to Tenet pharmaceutical, food and nutrition agreements, reducing annual costs by approximately $5 million.

Additionally, Tenet continues to control costs by making judicious changes in staffing mix at its hospitals, by combining hospital management teams and by consolidating services. The company's growth has facilitated consolidation. In Central California, for example, a single administrative team will run Twin Cities Community Hospital, a former NME facility, and Sierra Vista Regional Medical Center, a former AMI facility 22 miles away. The two hospitals will coordinate their healthcare services to reduce costs and better serve their communities. In New Orleans, neighboring former NME and former AMI hospitals share dietary, human resources, purchasing and other support services. In South Florida, Tenet is integrating some of its hospitals' neonatal intensive care and

home healthcare programs, among others.

Expanding Networks

Tenet pursues various means of building integrated healthcare delivery systems in each market. In larger markets, the strategy is to build comprehensive networks combining Tenet-owned hospitals, ancillary services and affiliated physicians. Some of Tenet's strongest owned networks are in South Florida, Greater New Orleans and Southern California.

For example, the South Florida network, known as Tenet South Florida HealthSystem, covers the three counties of Dade, Broward and Palm Beach. It unites 43 healthcare facilities with more than 2,100 beds, 3,200 affiliated physicians and 7,200 employees. Included are six general hospitals; physical rehabilitation, psychiatric and skilled nursing facilities; and outpatient surgery, home healthcare, diagnostic, workers' compensation and occupational therapy centers. In May, Tenet South Florida HealthSystem launched a major marketing program promoting Tenet's unified regional services. The effort is intended to raise awareness of Tenet's breadth and quality and to attract managed care contracts.

In small and medium-size communities, Tenet can succeed as a result of its size, the quality of its hospitals and affiliated physicians, the breadth of its services and by establishing alliances outside the company. For example, Tenet's two Georgia hospitals are founding members of Georgia First, an affiliation of 30 general hospitals that gives the Tenet facilities statewide contracting power.

Building Partnerships With Physicians

In every market, to develop and augment the growth of integrated healthcare delivery systems, Tenet emphasizes developing a strong base of primary care physicians and complements of supportive specialists.

Committed to educating physicians about group practice formation and managed care contracting, Tenet strives to involve physicians where appropriate in cooperative ventures. These might include management services organizations (MSOs), which provide administrative and contract management services to physicians; independent practice associations (IPAs), groups of physicians who have joined together to gain managed care contracting leverage; or physician hospital organizations (PHOs), which unite physicians and hospitals for contracting purposes. Providing these vehicles to

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PARTNERSHIPS WITH PHYSICIANS

Strong relationships with physicians form the core of Tenet's integrated healthcare delivery systems in every community. Hospitals and doctors are working more closely together than ever before to provide the best possible patient care. At Tenet, this means we shoulder administrative work so that physicians can spend more time with patients, we share managed care risk with physicians, and we obtain contracts together. Tenet will also continue meeting physicians' needs by giving them access to excellent hospital facilities, staff and education as well as a voice in hospital operations.

OPERATIONS REVIEW Continued

physicians frees them to spend more time with patients and increases their prospects for success in the managed care environment.

Tenet helps its affiliated physicians better serve patients in other ways as well, including pursuing emerging technologies and equipment and providing training. Tenet's medical affairs department identifies promising new clinical developments that may improve patient outcomes, shorten lengths of stay and improve quality of care. The company strives to obtain agreements to give Tenet hospitals and physicians early access to this technology. The company also provides training for physicians in selected new procedures.

A few of the leading projects in which Tenet hospitals participate include: Barnett Continent Intestinal Reservoir (BCIR) surgery for patients whose colon or rectum has been removed as a result of bowel disease; the use of a robotic arm for laparoscopic surgery; laparoscopic Nissen fundoplication, a minimally invasive procedure that offers new surgical therapy for patients with chronic heartburn as a result of a hiatal hernia; and a new mechanism to use lasers to perform endoscopic sinus surgery.

Tenet assists physicians in tracking the results of these innovative projects. For example, with the company's support and coordination, a group of Tenet-affiliated physicians recently published a follow-up study of 510 Tenet BCIR patients, one of the largest bowel disease patient groups ever reported, in a peer-reviewed medical journal.

Acquisitions and Affiliations

Tenet is actively evaluating opportunities to expand its integrated healthcare delivery systems through the most direct route - the acquisition of other hospitals and ancillary providers. The company looks for partners that can help expand its geographic coverage, enhance growth potential, offer complementary services and maintain complementary information systems, and that share Tenet's commitment to quality improvement. However, wholly owning every piece of the integrated healthcare system is not essential to the company.

Tenet also grows through various types of affiliations. These affiliations might include managed care agreements, as in North Carolina, where Tenet's Central Carolina Hospital recently entered a contracting partnership with Duke University Medical Center. This partnership gives Central Carolina, a small hospital in a rural area, the ability to offer managed care payors access to Duke's tertiary services and increased access to major managed care products.

Some more complex affiliations involve joint ventures. In Arkansas, where the company currently owns three hospitals, Tenet has joined with St. Vincent Infirmary Medical Center of Little Rock to form Healthstar Ultima. Healthstar partners operate five hospitals with more than 1,400 beds and more than 1,100 physicians on staff. The five hospitals operate 37 related businesses in the state, including physician practices and rural health clinics. In June, Tenet and St. Vincent signed a letter of intent through Healthstar to acquire Methodist Hospital of Jonesboro, Ark.

Ancillary Services

Providing the full spectrum of care, both inside and outside the general hospital, is another vital component of the integrated healthcare delivery system. Both NME and AMI significantly improved their outpatient services over the past several years to meet increasing demand, and Tenet plans further expansion of its ancillary services. For example, the company is increasing the number of senior centers that provide convenient walk-in healthcare services for

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SPECTRUM OF CARE

General hospitals remain the hub of Tenet's integrated healthcare delivery systems, but today many patients receive care outside the hospital or even at home. To meet this growing demand and to make healthcare more accessible and affordable, Tenet is expanding its ancillary services, from outpatient surgery centers to diagnostic clinics, to home healthcare. Services range from delivering babies to hospice care, to brain scans, rehabilitation and heart surgery. Offering patients and payors a convenient, full spectrum of care is another vital component of Tenet's integrated healthcare delivery systems.

Medicare recipients. Other areas of expansion will include home healthcare services, occupational health clinics and diagnostic services.

In parts of California, Tenet's integrated healthcare system includes its own health maintenance organization (HMO), preferred provider organization (PPO) and managed care insurance company. In fiscal 1994 and 1995, this subsidiary, National Health Plans, made a major expansion from its base in the Modesto area in California's Central Valley to Redding in Northern California; won two major contracts to serve public employees; and launched a new HMO for Medicare recipients. By the end of fiscal 1995, these expansions had resulted in an HMO membership gain of more than 16,000, bringing enrollment to 57,000. The number of National Health Plans insurance products and services policyholders also increased, from 23,000 to 31,000. Its PPO component has 18,000 members.

Quality Measurement and Outcomes

Tenet strongly believes that the quality of its services must be maintained as the company grows. Accordingly, the company has been focusing closely on not only providing outstanding services, but also on measuring quality to prove the value of its services to payors and patients. This will be a continuing high priority for Tenet in fiscal 1996. Many programs are already in place either at individual hospitals or companywide; others are in progress.

One of the most effective methods the company has found to eliminate the fragmented and wasteful aspects of hospital care is through case management, a way to deliver care in a more planned and integrated fashion. Tenet's Brookwood Medical Center in Birmingham, Ala., is an industry leader in case management. The Brookwood system, begun in 1989 and in place for all patients by 1992, undertakes the cohesive daily clinical management of patients from before they enter the hospital to after they leave. Physicians and staff follow "critical pathways" that detail what should happen to each patient day by day. The pathways are adjusted, of course, for each individual case. This system has reduced costs at Brookwood by more than $1 million a year. Most importantly, the hospital also has improved patient care as a result of case management. The hospital's outcomes for open-heart surgery, respiratory disease, birth trauma, and other illnesses and procedures are significantly better than national averages.

Many other Tenet facilities have successful case management programs of their own. At Alvarado Hospital Medical Center in San Diego, case management for cardiovascular patients has led to another success story. Through vigilant resource management and education, and by ensuring that patients receive the appropriate level of care at all times, the hospital reduced costs for open-heart surgery cases by 17 percent from calendar 1993 to 1994 with no deviation in outcomes.

Tenet has under way several complementary companywide programs that

facilitate its hospitals' ongoing efforts to work with physicians to simultaneously control costs and measure quality. The intraoperative case management program, a process used to identify cost-per-procedure variables among physicians, has resulted in more than $7.6 million in annualized savings at 30 former AMI hospitals. Tenet's goal is to achieve an additional $12 million in annualized savings in fiscal 1996 from this program's implementation at all of its hospitals.

A new, related effort, Tenet's comprehensive, computerized outcomes management system, is designed to improve quality as it helps control costs. Currently being launched, it will enable hospitals to compare medical costs and outcomes among physicians, hospitals, regions and across

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ACQUISITIONS & AFFILIATIONS

Tenet strengthens and builds its integrated healthcare delivery systems by pursuing new partnerships. The company looks for partners that share its goals, while potential partners look to us for our healthcare experience and resources. Tenet has announced several major acquisitions and has formed successful partnerships with not-for-profit healthcare providers, including religious and educational institutions. The company's affiliations range from crosstown connections with complementary facilities to alliances with major universities to statewide contracting networks.

OPERATIONS REVIEW Continued

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the entire corporation. Physicians, who, like hospitals, are under intense pressure to lower their costs, are willing to work with the system because it helps them stay competitive. In fact, in many instances, the key to controlling resource consumption is simply providing doctors and hospital staff with information so that they can modify their practice patterns when appropriate.

Tenet also has improved NME's quality/risk management computer system, which tracks unusual occurrences at hospitals so improvements can be made.

Yet another way Tenet monitors quality is through a comprehensive patient satisfaction monitoring system, begun at AMI in 1982. Today, the company surveys inpatients, outpatients and rehabilitation and psychiatric patients to measure their satisfaction with care at all of its hospitals. To underscore the importance of these studies, results are directly linked to managers' compensation.

Tenet also believes that employee satisfaction with the work environment has an impact on quality of care. Since 1992, selected hospitals have been monitoring employees' satisfaction with such factors as benefits, communication, orientation and training. Physician surveys that chart satisfaction with nursing units, diagnostic departments and other areas have been available to hospitals since 1994.

The Future

Through combining the best of NME and AMI and drawing on the long traditions of both companies, Tenet today has become even stronger than the sum of its parts. In addition, the merger has brought an intangible, but invaluable bonus -

renewed excitement throughout the ranks of the business. Tenet Healthcare's more than 60,000 employees intend to capitalize on this excitement to enhance value for patients and shareholders in the years to come.

[PHOTO APPEARS HERE]

Barry P. Schochet
Executive Vice President,
Operations

[PHOTO APPEARS HERE]

Thomas B. Mackey
Executive Vice President,
Western Operations

[PHOTO APPEARS HERE]

W. Randolph Smith
Executive Vice President,
Eastern Operations

QUALITY & VALUE MEASUREMENT

Tenet prides itself on excellence, and today the company is making a more concerted effort than ever before to work with physicians to prove - and improve - the quality and value of all of its services. What is the best protocol for this patient? Can that procedure be performed more efficiently? How can the company further improve patient, employee and physician satisfaction? Ongoing quality improvement programs, outcomes management studies and continuing medical education all play a role in quality and value measurement, an essential element of Tenet's integrated healthcare delivery systems.

FINANCIAL SUMMARY

Selected Financial Data and Ratios
Continuing Operations
(dollar amounts, except per-share amounts, are expressed in millions)

	Years Ended May 31,				
	1995	1994	1993	1992	1991
Operating Results/1/					
Net operating revenues	$ 3,318	$ 2,943	$ 3,178	$ 2,934	$ 2,604
Operating expenses:					
Salaries and benefits	(1,367)	(1,293)	(1,465)	(1,328)	(1,158)
Supplies	(432)	(339)	(349)	(319)	(253)
Provision for doubtful accounts	(137)	(107)	(115)	(123)	(134)
Other operating expenses	(759)	(667)	(689)	(616)	(595)
Depreciation and amortization	(195)	(161)	(160)	(141)	(125)
Restructuring charges	(37)	(77)	(52)	(18)	0
Operating income	391	299	348	389	339
Interest expense, net of capitalized portion	(138)	(70)	(75)	(89)	(124)
Investment earnings	27	28	21	29	29
Equity in earnings of unconsolidated affiliates	28	23	13	6	5
Minority interests in income of consolidated					

subsidiaries	(9)	(8)	(10)	(7)	(4)
Net gains on sales of assets	30	88	122	31	0
Income from continuing operations before income taxes	329	360	419	359	245
Taxes on income	(135)	(144)	(155)	(141)	(100)
Income from continuing operations	$ 194	$ 216	$ 264	$ 218	$ 145
Earnings per share from continuing operations:					
Primary	$ 1.10	$ 1.29	$ 1.59	$ 1.27	$ 0.91
Fully diluted	$ 1.06	$ 1.23	$ 1.49	$ 1.19	$ 0.87
Cash dividends per common share	$ --	$ 0.12	$ 0.48	$ 0.46	$ 0.40
Balance Sheet Data					
Total assets	$ 7,918	$ 3,697	$ 4,173	$ 4,236	$ 4,060
Long-term debt	3,273	223	892	1,066	1,140
Total debt	3,560	835	1,177	1,305	1,243
Shareholders' equity	1,986	1,320	1,752	1,674	1,762
Book value per common share	$ 9.93	$ 7.95	$ 10.56	$ 10.03	$ 10.08
Ratios					
Pretax margin	9.9%	12.2%	13.2%	12.2%	9.4%
Current ratio	1.20/1	0.88/1	1.17/1	1.26/1	1.58/1
Total debt/equity ratio	1.79/1	0.63/1	0.67/1	0.78/1	0.71/1
Return on assets, after tax	4.4%	5.5%	6.2%	5.3%	3.7%
Return on equity, after tax	12.6%	13.8%	15.2%	12.2%	10.4%
Interest expense coverage	3.4	6.1	6.6	5.0	3.0

/1/ On March 1, 1995, the Company acquired all the outstanding common stock of American Medical Holdings, Inc. for $1.5 billion in cash and 33.2 million shares of the Company's common stock valued at $488 million. See Note 2 in the accompanying Notes to Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The AMH Merger

On March 1, 1995, in a transaction accounted for as a purchase, the Company acquired American Medical Holdings, Inc. and its subsidiaries ("AMH") for $1.5 billion in cash and 33.2 million shares of the Company's common stock valued at $488 million. In connection with the merger, the Company also repaid $1.8 billion of AMH and NME debt. The merger and debt retirements were financed by a new $2.3 billion bank credit facility and the public issuance of $1.2 billion in new senior debt securities.

Prior to the merger, the Company operated 33 domestic general hospitals with 6,620 licensed beds in six states, seven skilled nursing facilities, six rehabilitation hospitals and four psychiatric hospitals located on or near general hospital campuses. Through its international hospital division, the Company operated 13 general hospitals in Australia, Singapore, Spain and Malaysia with a total of 1,693 licensed beds. With the merger, the Company acquired 37 domestic general hospitals with 8,831 beds, bringing its domestic general hospital complement to 70 hospitals with 15,451 licensed beds in thirteen states. The acquisition also included a psychiatric hospital, ancillary facilities at or nearby many of AMH's hospitals, including outpatient surgery centers, rehabilitation units, long-term-care facilities, home healthcare programs, and ambulatory, occupational and rural healthcare clinics.

Management believes that the transaction has strengthened the Company in its existing markets and enhanced its ability to deliver quality, cost-effective healthcare services in new markets. The consolidation of the two companies is expected to result in certain cost savings, currently estimated to amount to approximately $60 million beginning in the fiscal year ending May 31, 1996. The $60 million estimate is before any severance or other costs of implementing certain efficiencies. These savings are expected to be realized through the elimination of duplicate corporate overhead expenses, reduced supplies expense through the incorporation of the acquired facilities into the Company's existing

group purchasing program, and improved collection of the acquired AMH facilities' accounts receivable.

Liquidity and Capital Resources

The Company's liquidity is derived principally from the cash proceeds of operating activities, anticipated disposals of assets and investments, and realization of tax benefits associated with losses on sales of facilities and expenditures related to the discontinued psychiatric hospital businesses. This liquidity, along with the availability of credit under the new credit facility, is believed to be adequate to meet debt service requirements and to finance planned capital expenditures, acquisitions and other known operating needs, including resolution of the unusual legal proceedings referred to herein.

The Company's strategy includes the pursuit of growth through joint ventures, including the development of integrated healthcare systems in certain strategic markets, hospital acquisitions and physician practice acquisitions. All or portions of this growth may be financed through available credit under the new credit facility or, depending on capital market conditions, the sale of additional subordinated debt or equity securities or other bank borrowings. The Company's unused borrowing capacity under the new credit facility was $326.0 million as of May 31, 1995.

During 1995 net cash provided by operating activities was $420 million before expenditures of $427 million related to restructuring charges and the discontinued psychiatric hospital business. Corresponding figures for 1994 were $466 million and $319 million, respectively. In 1993 they were $494 million and $96 million, respectively.

Management believes that patient volumes, cash flows and operating results at the Company's principal healthcare businesses, particularly those owned and operated by the Company prior to the AMH merger, have been adversely affected by the legal proceedings and investigations related primarily to the Company's former psychiatric business. (See Note 8B.) The most significant of these matters were resolved last year. The Company has recorded reserves for the remaining legal proceedings not yet settled as of May 31, 1995, and an estimate of the legal fees related to these matters to be incurred subsequently, totaling approximately $75.7 million, of which $59.6 million is expected to be paid within one year. These reserves represent management's estimates of the net costs of the disposition of these matters. There can be no assurance, however, that the ultimate liability will not exceed such estimates.

Proceeds from the sales of facilities, investments and other assets were $172 million during 1995, compared with $569 mil-

lion during 1994 and $70 million in 1993. In June 1995 the Company sold two hospitals and related businesses in Singapore for $243.3 million, net of $78.3 million in debt assumed by the buyer. (See Note 18.) The net proceeds were used to pay off secured bank loans under the Company's term loan and revolving credit agreement. During fiscal 1996 the Company expects to receive approximately $90 million from the sale of its Hillhaven preferred stock and approximately $94 million from the sale of its holdings in Malaysia, Thailand and Australia. In addition, the Company is continuing to evaluate other opportunities to monetize other investments and certain other assets.

The Company's cash and cash equivalents at May 31, 1995 were $155 million, a decrease of $158 million over May 31, 1994. The decrease includes the effects of expenditures amounting to $379.8 million during fiscal 1995 relating to the resolution of unusual legal proceedings and government investigations related to

the discontinued psychiatric business. Working capital at May 31, 1995 was $267.1 million, compared with a working capital deficit of $196.3 million at May 31, 1994 and working capital of $155.9 million at May 31, 1993. The principal reason for the decline in working capital in 1994 was the fiscal 1994 increase in the current portion of long-term debt to $544.5 million due to notes maturing in April 1995 and a $393 million increase in current reserves for discontinued operations and restructuring charges.

Cash payments for property and equipment were $264 million in 1995, compared with $185 million in 1994 and $319 million in 1993. Capital expenditures for the Company, before any significant acquisitions of facilities, are expected to be approximately $400 million per year for each of the next three years. The estimated cost to complete major approved construction projects is approximately $157 million, all of which is related to expansion, improvement and equipping domestic hospital facilities, and a significant portion of which is expected to be spent over the next three years. In May 1995 the Company announced agreements to acquire three general hospitals during fiscal 1996 for approximately $350 million. (See Note 13.) The Company intends to continue to invest in existing and new facilities.

The new credit facility and debt securities have affirmative, negative and financial covenants with which the Company must comply. These covenants include, among other requirements, limitations on borrowings, liens, investments, operating leases, capital expenditures, dividends and assets sales, and covenants regarding maintenance of specified levels of net worth, debt ratios and fixed-charge ratios.

Results of Operations

Income from continuing operations before income taxes was $329 million in 1995, compared with $360 million and $419 million in 1994 and 1993, respectively. The most significant transactions affecting the results of continuing operations were (i) the acquisition of AMH on March 1, 1995; (ii) the financing of the merger, which will add more than $250 million annually in interest expense; and (iii) a series of divestitures during fiscal 1993, 1994 and 1995, including the sale of all but six of the Company's rehabilitation hospitals and related outpatient clinics in January and March of 1994, the sales of majority interests in two nonhospital subsidiaries, and the sale to Hillhaven of all but seven of the Company's long-term-care facilities, all of which had been leased to Hillhaven. Other unusual pretax items relating to restructuring charges and gains or losses on asset sales are shown below:

Table I Unusual Items - Continuing Operations:

(in millions)	1995	1994	1993
Gain (loss) on sales of facilities and long-term investments	$ (2)	$ 88	$ 93
Gains on sales of subsidiaries' common stock	32	0	29
Restructuring charges	(37)	(77)	(52)
Net unusual pretax items (after tax -- $0.03 fully diluted per share in 1995, $0.04 in 1994 and $0.30 in 1993)	$ (7)	$ 11	$ 70

Excluding the unusual items as shown in Table I, income from continuing operations before income taxes would have been $336 million in 1995 and $349 million in both 1994 and 1993.

The following is a summary of continuing operations for the past three fiscal years:

Table II

	1995	1994	1993	1995	1994	1993
	(dollars in millions)			(percentage of net operating revenues)		

Statement of operations data:						
Net operating revenues:						
Domestic general hospitals	$ 2,777	$ 2,133	$ 2,113	83.7%	72.5%	66.5%
Other domestic operations/1/	310	275	272	9.3%	9.4%	8.5%
International operations	214	175	162	6.5%	5.9%	5.1%
Divested operations/2/	17	360	631	0.5%	12.2%	19.9%
Net operating revenues	3,318	2,943	3,178	100.0%	100.0%	100.0%
Operating expenses:						
Salaries and benefits	(1,367)	(1,293)	(1,465)	41.2%	43.9%	46.1%
Supplies	(432)	(339)	(349)	13.0%	11.5%	11.0%
Provision for doubtful accounts	(137)	(107)	(115)	4.1%	3.6%	3.6%
Other operating expenses	(759)	(667)	(689)	22.9%	22.7%	21.7%
Depreciation	(164)	(143)	(141)	5.0%	4.9%	4.4%
Amortization	(31)	(18)	(19)	0.9%	0.6%	0.6%
Restructuring charges	(37)	(77)	(52)	1.1%	2.6%	1.6%
Operating income	$ 391	$ 299	$ 348	11.8%	10.2%	11.0%
EBITDA/3/	$ 623	$ 537	$ 560	--	--	--
EBITDA margin/3/	18.8%	18.2%	17.6%	--	--	--
Capital expenditures	$ 264	$ 185	$ 319	--	--	--

1 Net operating revenues of other domestic operations consist primarily of revenues from (i) the Company's rehabilitation hospitals, long-term-care facilities and psychiatric hospitals that are located on or near the same campuses as the Company's general hospitals; (ii) healthcare joint ventures operated by the Company; (iii) subsidiaries of the Company offering health maintenance organizations, preferred provider organizations and indemnity products; and (iv) revenues earned by the Company in consideration of the guarantees of certain indebtedness and leases of Hillhaven and other third parties.

2 Net operating revenues of divested operations consist of revenues from (i) Total Renal Care, Inc. prior to the August 1994 sale of the Company's approximately 75% equity interest; (ii) 29 rehabilitation hospitals and 45 related satellite outpatient clinics prior to their sales in January and March of 1994; (iii) 85 long-term-care facilities prior to their sales to Hillhaven in fiscal 1993 and 1994; and (iv) Westminster prior to the April 1993 public offering of common stock that reduced the Company's equity interest in Westminster from approximately 90% to approximately 42%.

3 EBITDA represents operating income before depreciation, amortization and restructuring charges. While EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flows from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information with respect to the ability of the Company to meet its future debt service, capital expenditure and working capital requirements. EBITDA is not necessarily a measure of the Company's ability to fund its cash needs.

Net operating revenues were $3.3 billion in 1995, compared with $2.9 billion in 1994 and $3.2 billion in 1993. The current year includes revenues attributable to facilities acquired in the AMH merger for the three months ended May 31, 1995. The prior two years include revenues of $360 million and $631 million, respectively, from the sold rehabilitation hospitals and the other divestitures mentioned above through the date of divestiture.

Operating income increased 30.8% to $391 million in 1995 from $299 million in 1994 and $348 million in 1993. The operating income margin increased to 11.8% from 10.2% in 1994 and 11.0% in 1993. The increase in the operating margin is primarily due to effective cost-control programs in the hospitals and the sale of the rehabilitation hospitals that, as a whole, had lower margins than the general hospitals.

Net operating revenues from the Company's domestic general hospital operations increased 33% to $2.8 billion in 1995, compared with $2.1 billion in both 1994 and 1993. Excluding net operating revenues from the facilities acquired in the AMH merger, net operating revenues for the Company's domestic general hospitals would have remained relatively flat as less intensive services continue to shift from an inpatient to an outpatient basis or to alternative healthcare delivery services because of technological improvements and continued pressures by payors to reduce admissions and lengths of stay.

The Company continues to experience an increase in Medicare revenues as a percentage of total patient revenues. The Medicare program accounted for approximately 39% of the net patient revenues of the domestic general hospitals in 1995 and 36% and 34% in 1994 and 1993, respectively. Historically, rates paid under Medicare's prospective payment system for inpatient services have increased, but such increases have been less than cost increases. Payments for Medicare outpatient services are presently cost reimbursed, but there are pending certain proposed regulations that would convert reimbursement to a prospective payment system. Medicaid programs in certain states in which the Company operates also are undergoing changes that will result in reduced payments to hospitals. Pressures to control healthcare costs have resulted in an increase in the percentage of managed care payors. The Company anticipates that its managed care business will increase in the future.

The patient volumes and net operating revenues of the Company's domestic general hospitals are subject to seasonal variations caused by a number of factors, including but not necessarily limited to, seasonal cycles of illness, climate and weather conditions, vacation patterns of both hospital patients and admitting physicians, and other factors relating to the timing of elective hospital procedures.

The table below sets forth certain selected operating statistics for the Company's domestic general hospitals:

Table III

	1995	1994	1993	Increase (Decrease) 1994 to 1995
Domestic general hospital operating data:				
Number of hospitals (at end of period)	70	35	35	35
Licensed beds (at end of period)	15,622	6,873	6,818	127.3%
Net inpatient revenues (in millions)	$ 1,937.9	$ 1,568.4	$ 1,529.5	23.6%
Net outpatient revenues (in millions)	$ 786.3	$ 557.2	$ 534.7	41.1%
Admissions	267,868	207,868	210,669	28.9%
Equivalent admissions	358,664	271,004	274,216	32.3%
Average length of stay	5.6	5.6	5.6	--
Patient days	1,507,865	1,154,030	1,187,181	30.7%
Equivalent patient days	1,997,508	1,493,314	1,537,913	33.8%
Net inpatient revenues per patient day	$ 1,285	$ 1,359	$ 1,288	(5.4%)
Utilization of licensed beds	46.4%	46.8%	47.8%	(0.4%)*
Outpatient visits	2,293,586	1,472,258	1,473,294	55.8%

* The % change is the difference between the 1995 and 1994 percentages shown.

The general hospital industry in the United States and the Company's general hospitals continue to have significant unused capacity, and thus there is substantial competition for patients. Inpatient utilization continues to be negatively affected by payor-required pre-admission authorization and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. Increased competition, admission constraints and payor pressures are expected to continue. Another factor impacting operating results is the slow recovery of the California economy from a recent recession. At May 31, 1995, 26% of the Company's domestic general hospital beds were in California.

Allowances and discounts are expected to continue to rise because of increasing cost controls by government and group health payors and because the percentage of business from managed care programs (and related discounts) continues to grow. The Company has been implementing various cost-control programs focused on reducing operating costs. The Company's general hospitals have been improving operating margins in a very competitive environment, due in large part to enhanced cost controls and efficiencies being achieved throughout the Company.

Net operating revenues from the Company's other domestic operations increased 12.7% to $310 million in 1995, compared with $275 million in 1994 and $272 million in 1993. This increase primarily reflects continued growth of National Health Plans, the Company's HMO and insurance subsidiary, to approximately 57,000 HMO members at May 31, 1995, compared with approximately 40,000 members at May 31, 1994.

Net operating revenues from the Company's international operations increased 22.3% to $214 million in 1995, compared with $175 million in 1994 and $162 million in 1993. This increase is principally attributable to a 17.4% increase in net operating revenues of Australian Medical Enterprises, Ltd. and a 13.8% increase in the net operating revenues of the Company's two hospitals in Singapore. In addition, Centro Medico Teknon in Barcelona, Spain was opened in February 1994 and became a wholly owned subsidiary in June 1994 when the Company acquired its partner's 50% interest.

On June 28, 1995, the Company sold the two hospitals it owned and operated in Singapore and has announced agreements to sell its holdings in Malaysia, Thailand and Australia. (See Note 18.) Net operating revenues and operating profits from the facilities sold and to be sold were $202.4 million and $39.4 million, respectively, in the year ended May 31, 1995.

Operating expenses, which include salaries and benefits, supplies, provision for doubtful accounts, depreciation and amortization, restructuring charges and other operating expenses, were $2.9 billion in 1995, $2.6 billion in 1994 and $2.8 billion in 1993. Operating expenses for the current year include three months of operating expenses from the facilities acquired in the AMH merger. Prior-year periods include the operating expenses of the divested operations, as discussed above, and to that extent, the current year and prior-year periods are not comparable.

Salaries and benefits expense as a percentage of net operating revenues was 41.2% in 1995, 43.9% in 1994 and 46.1% in 1993. The improvement in 1995 is primarily attributable to the AMH merger, and in 1994 to the divested operations and a reduction in corporate and divisional staffing levels.

Supplies expense as a percentage of net operating revenues was 13.0% in 1995, 11.5% in 1994 and 11.0% in 1993. Most of this change in 1995 is due to the facilities acquired in the AMH merger. The prior-year change was largely due to the sales of the rehabilitation hospitals, which were less supplies-intensive than are general hospitals.

The provision for doubtful accounts as a percentage of net operating revenues was 4.1% in 1995 and 3.6% in both 1994 and 1993. The increase is primarily attributable to the facilities acquired in the AMH merger. Excluding the net operating revenues and operating expenses of the AMH facilities, the provision for doubtful accounts as a percentage of net operating revenues would have been 3.7% in 1995. The Company has been able to control the provision for doubtful accounts through continued improvement of follow-up collection systems, through investment in an electronic claims processing network and through the continued consolidation of hospital business office functions.

Other operating expenses as a percentage of net operating revenues were 22.9% in 1995, 22.7% in 1994 and 21.7% in 1993.

Depreciation and amortization expense as a percentage of net operating revenues were 5.9% in 1995, 5.5% in 1994 and 5.0% in 1993. The increase in 1995 is primarily due to the AMH merger. Goodwill amortization is expected to be at least $62.5 million annually, based on the amount of goodwill related to the AMH

merger recorded as of May 31, 1995.

Interest expense, net of capitalized interest, was $138 million in 1995, compared with $70 million in 1994 and $75 million

in 1993. All of the increase between 1994 and 1995 was due to the acquisition of AMH and the $3.5 billion of new senior notes and bank loans used to finance the acquisition and retire debt in connection with the merger.

Investment earnings were $27 million in 1995, $28 million in 1994 and $21 million in 1993, and were derived primarily from notes receivable and investments in short-term debt securities.

Equity in earnings of unconsolidated affiliates was $28 million in 1995, $23 million in 1994 and $13 million in 1993. The increases are due to an increase in the Company's ownership of Hillhaven from approximately 14% to approximately 33% during fiscal 1994. By the end of fiscal 1995, the Company's ownership had been reduced to approximately 26% as a result of the issuance by Hillhaven of additional stock in connection with acquisitions. (See Note 14.)

Minority interest in income of consolidated subsidiaries represents outside shareholders' interests in consolidated, but not wholly owned, subsidiaries of the Company, and, at May 31, 1995, consists primarily of the approximately 48% minority shareholders' interest in Australian Medical Enterprises, Ltd. Minority interest expense was $9 million in 1995, $8 million in 1994 and $10 million in 1993.

Taxes on income as a percentage of pretax income from continuing operations were 41% in 1995, 40% in 1994 and 37% in 1993. The Company expects the effective tax rate to increase further in 1996, primarily due to the additional amortization of goodwill resulting from the AMH merger. Such amortization expense is a noncash charge but provides no income tax benefits.

The Company believes that inflation does not have a significant impact on its earnings, except when Medicare and Medicaid rate increases are inadequate in relation to rising costs and when other payors also implement programs to control their healthcare costs.

Business Outlook

Because of intense national, state and private industry efforts to reform the healthcare delivery and payment systems in this country, the healthcare industry as a whole faces increased uncertainty. While the Company is unable to predict which, if any, proposals for healthcare reform will be adopted, it continues to monitor their progress and analyze their potential impacts in order to formulate its future business strategies.

The challenge facing the Company and the healthcare industry is to continue to provide quality patient care in an environment of rising costs, strong competition for patients, and a general reduction of reimbursement by both private and government payors.

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollar amounts, except per-share amounts, are expressed in millions)	Years Ended May 31, 1995	1994	1993
Net operating revenues	$ 3,318	$ 2,943	$ 3,178
Operating expenses:			
Salaries and benefits	(1,367)	(1,293)	(1,465)
Supplies	(432)	(339)	(349)
Provision for doubtful accounts	(137)	(107)	(115)
Other operating expenses	(759)	(667)	(689)
Depreciation	(164)	(143)	(141)
Amortization	(31)	(18)	(19)
Restructuring charges	(37)	(77)	(52)
Operating income	391	299	348
Interest expense, net of capitalized portion	(138)	(70)	(75)
Investment earnings	27	28	21
Equity in earnings of unconsolidated affiliates	28	23	13
Minority interests in income of consolidated subsidiaries	(9)	(8)	(10)
Net gain (loss) on disposals of facilities and long-term investments	(2)	88	93
Gains on sales of subsidiaries' common stock	32	0	29
Income from continuing operations before income taxes	329	360	419
Taxes on income	(135)	(144)	(155)
Income from continuing operations	194	216	264
Discontinued operations	(9)	(701)	(104)
Extraordinary charge from early extinguishment of debt	(20)	0	0
Cumulative effect of a change in accounting principle	0	60	0
Net income (loss)	$ 165	$ (425)	$ 160
Per-Share Data			
Earnings (loss) per share:			
Primary:			
Continuing operations	$ 1.10	$ 1.29	$ 1.59
Discontinued operations	(0.06)	(4.19)	(0.63)
Extraordinary charge	(0.11)	0.00	0.00
Cumulative effect of a change in accounting principle	0.00	0.36	0.00
	$ 0.93	$ (2.54)	$ 0.96
Fully diluted:			
Continuing operations	$ 1.06	$ 1.23	$ 1.49
Discontinued operations	(0.05)	(4.10)	(0.58)
Extraordinary charge	(0.10)	0.00	0.00
Cumulative effect of a change in accounting principle	0.00	0.33	0.00
	$ 0.91	$ (2.54)	$ 0.91
Weighted average shares and share equivalents outstanding - primary (in thousands)	176,817	167,024	166,111

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(dollar amounts are expressed in millions)	May 31, 1995	1994
Assets		
Current assets:		
Cash and cash equivalents	$ 155	$ 313
Short-term investments in debt securities	139	60
Accounts and notes receivable, less allowance for doubtful accounts ($184 in 1995 and $77 in 1994)	565	385
Inventories of supplies, at cost	116	55
Deferred income taxes	410	372
Assets held for sale	184	204
Prepaid expenses and other current assets	55	55
Total current assets	1,624	1,444
Investments and other assets	362	382
Property, plant and equipment, net	3,319	1,764
Costs in excess of net assets acquired, less accumulated amortization ($21 in 1995 and $11 in 1994)	2,511	61
Other intangible assets, at cost, less accumulated amortization ($37 in 1995 and $43 in 1994)	102	46
	$7,918	$3,697
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 252	$ 545

Short-term borrowings and notes	35	67
Accounts payable	359	176
Employee compensation and benefits	162	93
Reserves related to discontinued operations	77	465
Income taxes payable	2	58
Other current liabilities	469	236
Total current liabilities	1,356	1,640
Long-term debt, net of current portion	3,273	223
Other long-term liabilities and minority interests	1,002	389
Deferred income taxes	301	125
Commitments and contingencies		
Shareholders' equity:		
Common stock, $0.075 par value; authorized 450,000,000 shares; 218,713,406 shares issued at May 31, 1995, and 185,587,666 shares at May 31, 1994	16	14
Additional paid-in capital	1,502	1,013
Retained earnings	740	575
Less common stock in treasury, at cost, 18,775,274 shares at May 31, 1995, and 19,507,161 at May 31, 1994	(272)	(282)
Total shareholders' equity	1,986	1,320
	$7,918	$3,697

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(dollar amounts are expressed in millions, share amounts in thousands)	Common Stock Outstanding Shares	Common Stock Issued Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balances, May 31, 1992	166,963	$ 14	$ 994	$ 939	$ (273)
Net income				160	
Cash dividends ($0.48 per share)				(80)	
Purchases of treasury stock	(1,034)				(15)
Stock options exercised, net of tax benefits	36				1
Restricted share cancellations	(67)		11		1
Balances, May 31, 1993	165,898	14	1,005	1,019	(286)
Net loss				(425)	
Cash dividends ($0.12 per share)				(19)	
Stock options exercised, net of tax benefits	293		(1)		4
Restricted share cancellations	(110)		9		
Balances, May 31, 1994	166,081	14	1,013	575	(282)
Net income				165	
Shares issued in connection with merger	33,156	2	486		
Stock options exercised, net of tax benefits	705		(1)		10
Restricted share cancellations	(4)		4		
Balances, May 31, 1995	199,938	$ 16	$ 1,502	$ 740	$ (272)

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollar amounts are expressed in millions)	Years Ended May 31, 1995	1994	1993
Cash Flows From Operating Activities:			
Net income (loss)	$ 165	$ (425)	$ 160
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	195	198	199
Deferred income taxes	95	(253)	(32)
Gains on sales of facilities and long-term investments	(30)	(88)	(122)
Extraordinary charge from loss on early extinguishment of debt	20	0	0
Additions to reserves for discontinued operations			

and restructuring charges	51	1,175	189
Other items	(6)	(22)	33
Increases (decreases) in cash from changes in operating assets and liabilities, net of effects from purchases of new businesses:			
Accounts and notes receivable, net	(47)	(65)	65
Inventories, prepaid expenses and other current assets	1	(21)	(43)
Accounts payable, accrued expenses and income taxes payable	(28)	(31)	21
Noncurrent accrued expenses and other liabilities	4	(2)	24
Net cash provided by operating activities, before expenditures for discontinued operations and restructuring charges	420	466	494
Net expenditures for discontinued operations and restructuring charges	(427)	(319)	(96)
Net cash provided by (used in) operating activities	(7)	147	398
Cash Flows From Investing Activities:			
Purchases of property, plant and equipment	(264)	(185)	(319)
Purchases of new businesses, net of cash acquired	(1,429)	(5)	(3)
Proceeds from sales of facilities, investments and other assets	172	569	70
Other items	8	7	(47)
Net cash provided by (used in) investing activities	(1,513)	386	(299)

(dollar amounts are expressed in millions)	Years Ended May 31, 1995	1994	1993
Cash Flows From Financing Activities:			
Payments of borrowings	(1,388)	(217)	(93)
Proceeds from borrowings	2,997	31	131
Lines of credit	(255)	(151)	(10)
Cash dividends paid to shareholders	0	(40)	(78)
Purchases of treasury stock	0	0	(19)
Other items	8	16	(3)
Net cash provided by (used in) financing activities	1,362	(361)	(72)
Net increase (decrease) in cash and cash equivalents	(158)	172	27
Cash and cash equivalents at beginning of year	313	141	114
Cash and cash equivalents at end of year	$ 155	$ 313	$ 141

Supplemental Disclosures:

The Company paid interest (net of amounts capitalized) of $113 million, $62 million and $87 million for the years ended May 31, 1995, 1994 and 1993, respectively. Income taxes paid during the same years amounted to $45 million, $30 million and $125 million, respectively. Notes received in connection with the sales of facilities were $92 million in the year ended May 31, 1993.

The fair value of the assets acquired in connection with the AMH merger was approximately $4.6 billion, including goodwill of approximately $2.5 billion. Liabilities assumed were approximately $2.6 billion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

A. Principles of Consolidation

The consolidated financial statements include the accounts of Tenet Healthcare Corporation, previously known as National Medical Enterprises, Inc. ("NME") and its wholly owned and majority-owned subsidiaries ("the Company"). Significant

investments in other affiliated companies are accounted for by the equity method. Significant intercompany accounts and transactions are eliminated in consolidation. The results of operations of American Medical Holdings, Inc. and its subsidiaries ("AMH") are included in the accompanying consolidated financial statements of the Company since the acquisition of AMH on March 1, 1995. (See Note 2.)

The consolidated statements of operations for the years ended May 31, 1994 and 1993 have been reclassified to make them comparable with the financial presentation for the current period in which the Company's equity in earnings of unconsolidated affiliates and the minority interests in income of consolidated subsidiaries are shown as separate line items. These items had been included previously in net operating revenues and in other operating expenses, respectively.

B. Net Operating Revenues

The Company owns and operates general hospitals and related healthcare facilities in the United States and overseas. (See Note 18.) Its net operating revenues consist primarily of net patient service revenues, which are based on the hospitals' established billing rates less allowances and discounts principally for patients covered by Medicare, Medicaid and other contractual programs. These allowances and discounts were $3.4 billion, $2.7 billion and $2.6 billion for the years ended May 31, 1995, 1994 and 1993, respectively. Payments under these programs are based on either predetermined rates or the costs of services. Settlements for retrospectively determined rates are estimated in the period the related services are rendered and are adjusted in future periods as final settlements are determined. Management believes that adequate provision has been made for adjustments that may result from final determination of amounts earned under these programs. These contractual allowances and discounts are deducted from accounts receivable in the accompanying consolidated balance sheets. Approximately 40% of fiscal 1995 and 1994 consolidated net operating revenues is from participation of the Company's hospitals in Medicare and Medicaid programs. In 1993 it was approximately 37%.

The Company provides care to patients who meet certain financial or economic criteria without charge or at amounts substantially less than its established rates. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported as gross revenue and are not included in deductions from revenue or in operating and administrative expenses.

C. Cash Equivalents

The Company treats highly liquid investments with an original maturity of three months or less as cash equivalents.

D. Investments in Debt Securities

On June 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under this new standard, investments are classified as available-for-sale, held-to-maturity or as part of a trading portfolio. Debt securities expected to be held to maturity as a result of management's intent and ability to do so are carried at amortized cost. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale. Securities available for sale are carried at fair value and their unrealized gains and losses, net of tax, are reported as an adjustment to shareholders' equity. Realized gains or losses are included in net income on the specific identification method. Gains and losses, both realized and unrealized, were immaterial for all years presented.

E. Property, Plant and Equipment

The Company uses the straight-line method of depreciation for buildings,

improvements and equipment over their estimated useful lives as follows: buildings and improvements -- generally 25 to 50 years; equipment -- 3 to 15 years.

F. Intangible Assets

Preopening costs are amortized over one year. Deferred financing costs are amortized over the lives of the related loans. The straight-line method is used to amortize most intangible assets. Costs in excess of the fair value of the net assets of purchased businesses (goodwill) generally are amortized over 40 years. These latter costs are reviewed for impairment whenever events or changes in circumstances indicate that they may not be recoverable. If such an event occurred, the Company would prepare projections of future undiscounted cash flows from related operations for the remaining amortization period. If such projections indicated that the costs would not be recoverable, the carrying value of such costs would be reduced by the estimated excess of such value over projected discounted net cash flows.

G. Leases

Capital leases are recorded at the beginning of the lease term as assets and liabilities at the lower of the present value of the minimum lease payments or the fair value of the assets, and such assets are amortized over the shorter of the lease term or their useful life.

H. Interest Rate Swap Agreements

The differentials to be paid or received under interest rate swap agreements are accrued as the interest rates change and are recognized over the lives of the agreements as adjustments to interest expense. (See Note 17.)

I. Sales of Common Stock of Subsidiaries

At the time a subsidiary sells existing or newly issued common stock to unrelated parties at a price in excess of its book value, the Company's policy is to record a gain reflecting its share of the change in the subsidiary's shareholders' equity resulting from the sale. (See Note 15.)

J. Translation of Foreign Currencies

The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52. All balance sheet accounts have been translated at fiscal year-end exchange rates. Income statement amounts have been translated at the average exchange rate for the year. Translation gains or losses are recorded as an adjustment to shareholders' equity, as cumulative translation adjustments, until such time as the Company disposes of some or all of its foreign-currency-denominated net assets, at which time any translation gain or loss would be realized and credited or charged to earnings. Exchange gains and losses on forward exchange contracts designated as hedges of foreign net investments are also reported as an adjustment to shareholders' equity. Currency translation adjustments, the effect of transaction gains and losses and exchange gains and losses on forward exchange contracts are insignificant for all years presented herewith. (See Notes 17 and 18.)

Note 2. AMH Merger

On March 1, 1995, in a transaction accounted for as a purchase, the Company acquired all the outstanding common stock of AMH for $1.5 billion in cash and

33,156,614 shares of the Company's common stock valued at $488.0 million. AMH, through its wholly owned subsidiary, American Medical International, Inc. and its subsidiaries ("AMI"), operates general hospitals and related healthcare facilities in 13 states.

In connection with the merger, the Company repaid $1.2 billion of AMI debt and $554.9 million of its own debt, including $222.0 million of loans under its April 13, 1994 revolving credit agreement, $96.6 million of unsecured medium-term notes, $93.0 million of 12 1/8% unsecured notes and $143.3 million of secured loans. The loss on the early extinguishment of this debt was $19.8 million, which has been recorded as an extraordinary charge for the year ended May 31, 1995, net of income tax benefits of $12.1 million. The Company financed the merger and debt-refinancing transactions through a new $2.3 billion credit facility and the public issuance of $1.2 billion in debt securities.

The total purchase price has been allocated to the assets and liabilities of AMH based on their estimated fair values. At May 31, 1995, the total purchase price exceeded the fair value of the net assets acquired by approximately $2.5 billion. Deferred financing costs on the new debt were $52.0 million and are being amortized to interest expense using the interest method over the respective lives of the new credit facility and public debt securities, which range from 6 1/2 to 10 years.

The following supplemental pro-forma information is unaudited and assumes that the merger combination occurred as of the beginning of each period presented. The amounts reflect pro-forma adjustments for interest on new and refinanced debt, depreciation on revalued property, plant and equipment, and the amortization of goodwill.

	Twelve Months ended May 31,	
(in millions, except per-share amounts)	1995	1994
Net operating revenues	$5,256.8	$5,324.9
Income from continuing operations before extraordinary charge	$220.1	$271.8
Income from continuing operations after extraordinary charge	$200.3	$252.0
Fully diluted earnings per share from continuing operations before extraordinary charge	$1.06	$1.30

The supplemental pro-forma information shown above does not purport to present the results of operations of the Company had the transactions and events assumed therein occurred on the dates specified, nor are they necessarily indicative of the results of operations that may be achieved in the future. In addition, such information does not reflect certain cost savings that management believes may be realized following the merger.

Note 3. Discontinued Operations -- Psychiatric Hospital Business

At November 30, 1993, the Company decided to discontinue its psychiatric hospital business and adopted a plan to dispose of its psychiatric hospitals and substance abuse recovery facilities. The consolidated statements of operations reflect the operating results of the discontinued business separately from continuing operations. Except for an additional $16 million of estimated litigation costs recorded in the fourth quarter of fiscal 1995 (less income tax benefits of $7 million), operating results and gains or losses on disposals of facilities for the discontinued business for periods subsequent to November 30, 1993, have been charged to a reserve for estimated losses during the phase-out period.

Net operating revenues for the discontinued operations for fiscal 1994 and 1993 were $476 million and $571 million, respectively. Losses from operations during the two years were $266 million and $160 million, respectively, before income tax benefits of $111 million and $56 million. The Company recognized a charge for estimated losses upon disposal amounting to $414 million, including

$379 million of costs to settle federal and state investigations and other unusual legal costs related to the psychiatric hospital business in fiscal 1994, along with $433 million of estimated operating losses during the phase-out period, less tax benefits of $301 million. At May 31, 1995, substantially all of the assets of the discontinued operations have been sold.

The reserves related to discontinued operations in the accompanying consolidated balance sheet include $75.7 million for unusual litigation costs and legal fees relating to matters that have not been resolved as of May 31, 1995. (See Note 8B.)

Note 4. Disclosures About Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, accounts payable and interest payable approximate fair value because of the short maturity of these instruments. The carrying values of investments, both short-term and long-term (excluding investments accounted for by the equity method), long-term receivables and long-term debt are not materially different from the estimated fair values of these instruments. The estimated fair values of interest rate swap agreements and foreign currency contracts also are not material to the Company's financial position.

Note 5. Property, Plant and Equipment

Property, plant and equipment is stated at cost and consists of the following:

(in millions)	1995	1994
Land	$ 238	$ 173
Buildings and improvements	2,593	1,388
Construction in progress	97	59
Equipment	1,215	916
	4,143	2,536
Less accumulated depreciation and amortization	824	772
Net property, plant and equipment	$ 3,319	$ 1,764

Note 6. Long-Term Debt and Lease Obligations

A. Long-Term Debt

Long-term debt consists of the following:

(in millions)	1995	1994
Secured loans payable to banks	$ 1,731	$ 13
9 5/8% Senior Notes due 2002, $300 million face value, net of $6.6 million unamortized discount	293	--
10 1/8% Senior Subordinated Notes due 2005, $900 million face value, net of $23.3 million unamortized discount	877	--
Convertible floating-rate debentures	219	219
Unsecured medium-term notes due through 1997	73	169
13 1/2% Senior Subordinated and 15% Junior Subordinated Notes due 2001 and 2005, $38.3 million face value, plus $3.7 million unamortized premium	42	--
6 1/2% Swiss franc/dollar dual currency debentures due 1997 and 5% Swiss franc bonds due 1996, $34.8 million face value, net of $0.4 million of unamortized discount	34	--
Zero-coupon guaranteed bonds due 1997 and 2002, $130.7 million		

face value, net of $35.0 million unamortized discount	96	--
Notes secured by property, plant and equipment, weighted average interest rate of approximately 9.6% in 1995 and 9.5% in 1994, payable in installments to 2009	104	28
12 1/8% unsecured notes due April 1995	--	93
Other secured loans payable	--	143
Other notes, primarily unsecured, and capital lease obligations	56	103
	3,525	768
Less current portion	252	545
	$ 3,273	$ 223

Secured Loans Payable -- In connection with the merger and refinancing described in Note 2 above, a syndicate of banks entered into a new credit facility with the Company consisting of (i) a 6 1/2-year amortizing term loan in the aggregate principal amount of $1.8 billion and (ii) a 6 1/2-year $500.0 million revolving credit facility, including a letter-of-credit option not to exceed $100.0 million. The Company's unused borrowing capacity under the new credit facility was $326.0 million as of May 31, 1995.

Borrowings under the new credit facility are secured by a first-priority lien on the capital stock of substantially all of the Company's first-tier subsidiaries, all intercompany indebtedness owed to the Company and its investment in Westminster Health Care Holdings PLC ("Westminster"). The lenders have priority as to such collateral over the Company's other indebtedness,

including the new senior notes and senior subordinated notes described below. The Company's obligations under the new credit facility rank pari passu with the senior notes and constitute senior debt with respect to the new senior subordinated notes and any other subordinated debt of the Company.

Loans under the new credit facility bear interest at a base rate equal to the prime rate announced by Morgan Guaranty Trust Company of New York or, if higher, the federal funds rate plus 0.50%, plus an interest margin ranging from zero to 50 basis points, or, at the option of the Company, a London interbank offered rate ("LIBOR") for one-, two-, three- or six-month periods plus an interest margin of from 50 to 150 basis points. The Company has agreed to pay to the lenders a commitment fee on the unused loan commitment at rates ranging from 18.75 basis points to 50 basis points annually. The interest margins and loan commitment rates are based on the ratio of the Company's consolidated net earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest expense and the ratio of the Company's consolidated debt to EBITDA. The weighted average interest rate on loans under the new credit facility from March 1, 1995 through May 31, 1995 was 7.6%.

The Company must make mandatory quarterly payments on the term loan in each fiscal year in the following annual amounts (in millions), with the first installment due on August 31, 1995: 1996 - $180; 1997 - $180; 1998 -$225; 1999 - $315; 2000 - $360; 2001 - $405; and on August 31, 2002 - $135. Prepayments are required from the proceeds of certain events, including the sale of certain assets and a portion of the net after-tax proceeds of a sale, if any, of the Company's investments in Hillhaven, Westminster or the Company's international subsidiaries, and additional offerings of certain debt or equity securities. The installment schedule above does not reflect the application to the August 31, 2002 installment of $115.0 million from the proceeds of the June 28, 1995 sale of certain international subsidiary assets. (See Note 18.)

In April 1994 the Company entered into a $464.7 million revolving credit and letter-of-credit agreement with several banks, pledging all of the capital stock of a wholly owned subsidiary of the Company as security for any indebtedness under the agreement. The agreement provided for revolving loans of up to $222.0 million, all of which were outstanding at May 31, 1994, and for letters of credit of $242.7 million to support certain of the Company's obligations relating to commercial paper and remarketable bond programs. All outstanding revolving loans under this agreement matured on April 12, 1995 and were repaid with the proceeds of the new credit facility described above. The weighted average interest rate on these loans was 6.0% during fiscal 1995 and 5.1% during fiscal 1994.

Also at May 31, 1994, the Company had $143.3 million of secured loans outstanding that were used for project financings and were secured by liens on real property or leasehold interests. These loans also matured and were repaid on April 12, 1995 with the proceeds of the new credit facility. The weighted average interest rate on these loans was 5.8% during fiscal 1995, 5.1% during fiscal 1994 and 4.6% during fiscal 1993.

Senior Notes and Senior Subordinated Notes -- Also in connection with the merger and refinancing, the Company sold, on March 1, 1995, $300.0 million of 9 5/8% Senior Notes due September 1, 2002 and $900.0 million of 10 1/8% Senior Subordinated Notes due March 1, 2005. The proceeds to the Company were $1.17 billion, after underwriting discounts and commissions. The senior notes are not redeemable by the Company prior to maturity. The senior subordinated notes are redeemable at the option of the Company, in whole or from time to time in part, at any time after March 1, 2000, at redemption prices ranging from 105.063% in 2000 to 100% in 2003 and thereafter.

The senior notes are general unsecured obligations of the Company ranking senior to all subordinated indebtedness of the Company, including the senior subordinated notes, and pari passu in right of payment with all other indebtedness of the Company, including borrowings under the new credit facility described above. The senior subordinated notes also are general unsecured obligations of the Company subordinated in right of payment to all existing and future senior debt, including the senior notes and borrowings under the new credit facility.

Convertible Floating-Rate Debentures -- The floating-rate debentures consist of two components: $208 million of secured loans payable to banks and $11 million (5% of the $219 million debenture face amount) of generally nontransferable performance investment options purchased by key employees of the Company. Because the proceeds from the exercise of the investment options are used by the Company to redeem debt underlying the debentures, these loans, together with the outstanding balance of the investment options, are classified as convertible floating-rate debentures. The weighted average interest rate for the debentures was 6.4% during 1995, 4.8% during 1994 and 3.6% in 1993. The debentures are subject to mandatory redemption in April 1996 and after the occurrence of certain events.

The performance investment options permit the holder to purchase debentures at 95% of their $105,264 face value. The debentures are convertible into preferred stock, which, in turn, is convertible into common stock. At May 31, 1995 the investment options were convertible into 13,824,627 shares of common stock at an exercise price equivalent to $15.83 per share. The Company may repurchase the investment options without a premium with the consent of the holder or by paying a redemption premium sufficient to provide the holder a 6% annual return. Under certain conditions, the investment options are subject to mandatory redemption at a redemption price including a 6% annual return.

When investment options are exercised, the Company reduces taxable income by any excess of the fair market value of the stock obtained at the date of exercise over the principal amount of the debentures redeemed. The resulting tax benefit increases additional paid-in capital.

Unsecured Medium-Term Notes -- These notes had both fixed and floating rates of interest. The floating-rate notes were repaid during fiscal 1994; $96.6 million of the fixed-rate notes were repaid during fiscal 1995 in connection with the AMH merger and refinancing. (See Note 2.) The weighted average interest rates on the notes were 8.3% during 1995, 8.1% during 1994 and 7.3% in 1993.

Loan Covenants -- The new credit facility and the indentures governing the senior notes and the senior subordinated notes have, among other requirements, limitations on borrowings, liens, investments, capital expenditures, operating leases, dividends and asset sales, and covenants regarding maintenance of specified levels of net worth, debt ratios and fixed-charge ratios. The Company is in compliance with its loan covenants. There are no compensating balance requirements for any credit line or borrowing.

B. Long-Term Debt Maturities and Lease Obligations -- Future long-term debt cash maturities and minimum operating lease payments are as follows:

(in millions)	1996	1997	1998	1999	2000	Later Years
Long-term debt	$ 254	$ 238	$ 326	$ 325	$ 395	$ 2,049
Long-term leases	165	146	140	129	83	333

Rental expense under operating leases, including short-term leases, was approximately $111 million in 1995, $98 million in 1994 and $114 million in 1993.

Note 7. Income Taxes

Taxes on income from continuing operations consist of the following amounts:

(in millions)	1995	1994	1993
Currently payable:			
Federal	$ 101	$ 159	$ 148
State	18	31	30
Foreign	9	6	7
	128	196	185
Deferred:			
Federal	--	(46)	(29)
State	2	(6)	(3)
	2	(52)	(32)
Other	5	--	2
	$ 135	$ 144	$ 155

The difference between the Company's effective income tax rate and the statutory federal income tax rate is shown below:

(in millions of dollars and as a percent of pretax income)	1995 Amount	1995 Percent	1994 Amount	1994 Percent	1993 Amount	1993 Percent
Tax provision at statutory federal rate	$ 115	35.0%	$ 126	35.0%	$ 142	34.0%
State income taxes, net of federal income tax benefit	14	4.2%	17	4.6%	18	4.3%
Goodwill amortization	5	1.5%	--	--	--	--

Gain on sale of foreign subsidiary's common stock	--	--	--	--	(10)	(2.4%)
Other	1	0.3%	1	.4%	5	1.1%
Taxes on income from continuing operations and effective tax rates	$ 135	41.0%	$ 144	40.0%	$ 155	37.0%

Effective June 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Among other provisions, this standard requires deferred tax balances to be determined using enacted income tax rates for the years in which the taxes actually are paid or refunds actually are received instead of when the deferrals were initiated. The Company has recognized $60 million as income in the fiscal year ended May 31, 1994 for the cumulative effect on prior years of adopting this standard based on tax rates in effect at June 1, 1993.

Deferred tax assets and liabilities as of May 31, 1995 and 1994 relate to the following:

	1995		1994	
(in millions)	Assets	Liabilities	Assets	Liabilities
Depreciation and fixed-asset basis differences	$ --	$ 566	$ --	$ 182
Reserves related to discontinued operations and restructuring charges	81	--	306	--
Receivables - doubtful accounts and adjustments	112	--	69	--
Cash-basis accounting change	--	16	--	23
Accruals for insurance risks	81	--	35	--
Intangible assets	--	2	--	7
Other long-term liabilities	121	--	20	--
Benefit plans	99	--	18	--
Other accrued liabilities	53	--	10	--
Investments and other assets	17	--	9	--
Valuation allowance	--	--	(7)	--
Federal and state net operating loss carryforwards	137	--	--	--
Other items	--	8	--	1
	$ 701	$ 592	$ 460	$ 213

Management believes that realization of the deferred tax assets at May 31, 1995 will occur as temporary differences, including tax-loss carryforwards, reverse against future taxable income.

Note 8. Claims and Lawsuits

A. Professional and General Liability Insurance

The Company insures substantially all of its professional and comprehensive general liability risks in excess of self-insured retentions, which vary by hospital from $500,000 to $3 million per occurrence, through an insurance company owned by several healthcare companies and in which the Company has a 77% equity interest. A significant portion of these risks is, in turn, reinsured with major independent insurance companies. Through May 31, 1994, the Company insured its professional and comprehensive general liability risks related to its psychiatric and physical rehabilitation hospitals through its wholly owned insurance subsidiary that reinsured risks in excess of $500,000 with major independent insurance companies. The Company has reached the policy limits provided by this insurance subsidiary related to the psychiatric hospitals in certain years. In addition, damages, if any, arising from fraud and conspiracy claims in psychiatric malpractice cases may not be insured. (See Note 8B.)

In addition to the reserves recorded by the above insurance company, the

Company maintains an unfunded reserve for the self-insured portion of its professional liability risks, which is based on actuarial estimates. Reserves for losses and related expenses are estimated using expected loss-reporting patterns and have been discounted to their present value using a weighted average discount rate of 9%. Adjustments to the reserves are included in results of operations.

B. Significant Legal Proceedings -- Psychiatric Business

The Company has been involved in significant legal proceedings and investigations of an unusual nature related principally to its psychiatric business. During the years ended May 31, 1995, and 1994, the Company recorded provisions to estimate the cost of the ultimate disposition of all these proceedings and investigations and to estimate the legal fees that it expects to incur. The Company has settled the most significant of these matters. The remaining reserves for unusual litigation costs that relate to the matters that have not been settled as of May 31, 1995 and an estimate of the legal fees to be incurred subsequent to May 31, 1995 total approximately $75.7 million and represent management's estimate of the net costs of the ultimate disposition of these matters. There can be no assurance, however, that the ultimate liability will not exceed such estimates.

All of the costs associated with these legal proceedings and investigations are classified in discontinued operations. (See Note 3.)

Shareholder Lawsuits - In October and November 1991 shareholder derivative actions and federal class-action suits were filed against the Company and certain of its officers and directors. Those derivative and federal class-action suits were subsequently consolidated into one derivative and one federal class action, respectively. The consolidated derivative action, purportedly brought on behalf of the Company, alleged breach of fiduciary duty and other causes of action against the directors and certain officers of the Company. The derivative action was dismissed by the court in May 1993. Plaintiffs appealed the judgment.

As a result of mediation, the parties in the derivative and class-action suits described above agreed to a global settlement of all plaintiffs' claims. The settlement, which will require court approval, involves a total payment of $63.75 million plus interest by or on behalf of the defendants. Of this amount, Tenet's directors' and officers' liability insurance ("D&O") carriers have agreed to pay a total of $32.5 million plus interest on behalf of the individual defendants. In addition, one of the D&O carriers has reimbursed the Company for $5.5 million in attorneys' fees expended on the litigation. The parties in the federal class-action litigation have executed a stipulation of settlement, and on July 3, 1995 the court issued an order preliminarily approving the settlement. A hearing regarding approval of the settlement is scheduled to take place on September 18, 1995. The parties in the

derivative litigation have executed a memorandum of understanding regarding the terms of the settlement. A stipulation of settlement is expected shortly and also will require court approval.

Two additional federal class actions filed in August 1993 have been consolidated into one action. The consolidated action alleges violations of federal securities laws against the Company and certain of its executive officers. After unsuccessful mediation, the parties agreed in May 1995 to proceed with the litigation.

Psychiatric Malpractice Cases - The Company continues to experience a greater than normal level of litigation relating to its former psychiatric

operations. The majority of lawsuits filed to date contain allegations of fraud and conspiracy against the Company and certain of its subsidiaries and former employees. The Company believes that much of this litigation stems, in whole or in part, from advertisements by certain lawyers seeking former psychiatric patients in order to ascertain whether potential claims exist against the Company. The advertisements focus, in many instances, on the Company's settlement of past disputes involving the operations of its psychiatric subsidiaries, including the Company's 1994 resolution of governmental investigations and a corresponding criminal plea agreement. Among the suits filed during 1995 are two lawsuits in Texas aggregating approximately 760 individual plaintiffs who are purported to have been patients in certain Texas psychiatric facilities and a number of lawsuits filed in the District of Columbia. The Company expects that additional lawsuits with similar allegations will be filed from time to time. The Company believes it has meritorious defenses to these actions and will defend this litigation vigorously. The reserves for unusual litigation costs at May 31, 1995 related to these cases primarily represent the estimated costs of such defense.

C. Litigation Relating to the AMH Merger

A total of nine purported class actions (the "Class Actions") have been filed challenging the merger in Delaware and California. The seven Class Actions filed in Delaware have been consolidated into one class action, and discovery is continuing in the case. The two California Class Actions have been stayed pending the resolution of the Delaware case. Named defendants are AMH and its former directors and, in some of the cases, the Company. The complaints filed in each of the lawsuits are substantially similar, are brought by purported stockholders of AMH, and, in general, allege that the directors of AMH breached their fiduciary duties to the plaintiffs and other members of the purported class. Plaintiffs allege that the Company has aided and abetted the AMH directors' alleged breach of their fiduciary duties. Plaintiffs further allege that the directors of AMH wrongfully failed to hold an open auction and encourage bona fide bids for AMH and failed to take action to maximize value for AMH stockholders. Since the merger has been completed, the plaintiffs seek rescission or rescissory damages, an accounting of all profits realized and to be realized by the defendants in connection with the merger, and the imposition of a constructive trust for the benefit of the plaintiffs and other members of the purported classes pending such an accounting. Plaintiffs also seek monetary damages of an unspecified amount together with prejudgment interest and attorneys' and experts' fees. The Company believes that the complaints are without merit and will defend this litigation vigorously.

Note 9. Preferred Stock Purchase Rights and Preferred Stock

A. Preferred Stock Purchase Rights

In 1988 the Company distributed Preferred Stock Purchase Rights to holders of the Company's common stock and authorized the issuance of additional rights for common stock issued after that date. The rights expire in December 1998 unless previously exercised or redeemed and do not entitle the holders thereof to vote as shareholders or receive dividends.

The Company may redeem the rights at $.025 per right at any time up to the 10th business day after a public announcement that a person has acquired 20% or more of the Company's common stock in a transaction or transactions not approved by the Board of Directors. The rights are not exercisable until after the date on which the Company's right to redeem the rights has expired. When exercisable, each right entitles the holder thereof to purchase from the Company one two-thousandth of a share of Series A Junior Participating Preferred Stock ("Series A Preferred Stock") at a price of $40.61, subject to adjustment.

Subject to the foregoing, in the event the Company is acquired in a merger or other business combination transaction in which shares of the Company's common stock are exchanged for shares of another company or more than 50% of the Company's assets are sold, each holder of a right generally will be entitled

upon exercise to purchase, for the then-current exercise price of the right, common stock of the surviving company having a market value equal to two times the exercise price of the rights. The plan also provides that, in the event of certain other mergers or business combinations, certain self-dealing transactions or the acquisition by a person of stock having 30% or more of the Company's general voting power, each holder of a right generally will be entitled upon exercise to purchase, for the then-current exercise price of the right, the number of shares of Series A Preferred Stock having a market value equal to two times the exercise price of the rights.

B. Preferred Stock

The Series A Junior Participating Preferred Stock for which the Preferred Stock Purchase Rights may be exchanged is non-redeemable and has a par value of $0.15 per share. None of the 225,000 authorized shares are outstanding.

The Company has also authorized a Series B Convertible Preferred Stock, issuable solely upon conversion of the Company's convertible floating-rate debentures. (See Note 6A.) The par value of the stock is $0.15 per share; its liquidation and redemption value is $105,264 per share; 2,030 shares are reserved for future issuance; and no shares are outstanding. Because it is likely that this preferred stock would be converted immediately to common stock, all references in Note 6A are to common stock rather than preferred stock.

Note 10. Stock Benefit Plans

Under the Company's 1983 and 1991 stock incentive plans, stock options and incentive stock awards (restricted shares and restricted units) have been made to certain officers and other key employees. Stock options generally are granted at an exercise price equal to the fair market value of the shares on the date of grant and are exercisable at the rate of one-third per year beginning one year from the date of grant. In addition, 526,000 options granted to certain senior officers during fiscal 1994 become exercisable on May 31, 1996. Stock options generally expire 10 years from the date of grant. Certain 1983-plan stock options may be canceled in connection with the vesting of restricted units under circumstances described below.

Restricted units were granted in fiscal 1992, 1993 and 1994. A restricted unit is a grant that entitles the recipient to a payment of cash at the end of each vesting period equivalent to the fair market value of a share of the Company's common stock on the date of vesting subject to a maximum value per unit, which is equivalent to the fair market value of a share of the Company's common stock on the date of grant. These restricted units were granted along with stock options. Restricted units normally vest one-third each year over three years and earn dividend equivalents during the vesting period.

All awards granted under the 1983 and 1991 plans will vest under circumstances defined in the plans or under certain employment arrangements, including, with the consent of the Compensation and Stock Option Committee of the Board of Directors, upon a change in control of the Company.

Charges to continuing operations associated with restricted shares, discounted stock options and restricted units were $4 million in fiscal 1995, $12 million in fiscal 1994, and $11 million in fiscal 1993. The remaining amount to be charged to future operations is $2 million.

Stock awards may be made only under the 1991 plan. At May 31, 1995, there were 2,705,236 shares of common stock available under the 1991 plan for future awards. The table below summarizes the transactions in all stock option plans in

which employees participate, including discounted stock options but excluding restricted shares and units:

(shares of common stock)	1995	1994
Outstanding at beginning of year (1983 and 1991 plans)	15,426,593	11,682,204
Granted	6,241,700	5,719,175
Exercised ($4.405 to $16.813 per share in 1995 and 1994)	(705,022)	(282,482)
Canceled and other adjustments	(1,346,146)	(1,692,304)
Outstanding at end of year ($4.41 to $22.44 per share at May 31, 1995)	19,617,125	15,426,593
Exercisable at end of year	8,967,874	6,472,708

In September 1994 a new Directors Stock Option Plan replaced the 1991 Director Restricted Share Plan. The plan makes available options to purchase 500,000 shares of common stock for issuance to nonemployee directors. Under the plan each nonemployee director will receive a stock option for 5,000 common shares upon initially being elected to the Board of Directors and on each January, beginning (for those then serving as nonemployee directors) retroactively in January 1994 when the plan was approved by the Board of Directors. Awards will vest one year after the date of grant and will expire 10 years after the date of grant. At May 31, 1995, there were options outstanding for 298,740 shares of common stock under the directors plan, at exercise prices of $8.67 to $17.78 per share.

Note 11. Earnings Per Share

Primary earnings per share of common stock are based on after-tax income applicable to common stock and the weighted average number of shares of common stock and common stock equivalents outstanding during each period as appropriate. Fully diluted earnings-per-share calculations are based on the assumption that all dilutive convertible debentures were converted into shares of common stock as of the beginning of the year, or as of the issue date if later, and (i) that those shares are added to the weighted average number of common shares and share equivalents outstanding used in the calculation of primary earnings per share, and (ii) that after-tax income is adjusted accordingly.

Note 12. Employee Retirement Plans

Substantially all domestic employees who were employed by NME prior to the merger, upon qualification, are eligible to participate in a defined contribution 401(k) plan, the Tenet Healthcare Retirement Savings Plan. Employees who elect to participate make mandatory contributions equal to 3% of their eligible compensation, and such contributions are matched by the Company. Company contributions from continuing operations to the NME plan for the fiscal years 1995, 1994 and 1993 were approximately $14 million, $17 million and $18 million, respectively. The Company also has a tax-deferred 401(k) savings plan for employees of AMI prior to the merger. Expenses relating to this plan were $2.5 million for the three months ended May 31, 1995.

Substantially all employees who were employed by AMI prior to the merger are eligible to participate in one of AMI's defined benefit pension plans (the "AMI Plans"). The benefits are based on years of service and the employee's base compensation as defined in the AMI Plans. The policy is to fund pension costs accrued within the limits allowed under federal income tax regulations. Contributions are intended to provide not only for benefits attributed to credited service to date, but also for those expected to be earned in the future.

The following table sets forth the funded status of the AMI Plans and amounts recognized in the consolidated financial statements as of May 31, 1995:

(in millions)	1995
Actuarial present value of accumulated benefit obligation:	
Vested	$ 271
Accumulated	282
Projected benefit obligation	285
Plan assets at fair value, primarily listed stocks and corporate bonds	(223)
Projected benefit obligation in excess of plan assets	62
Unrecognized net loss	13
Pension liability	$ 75

Net pension cost for the AMI Plans for the three months ended May 31, 1995 was $2 million.

The discount rate used in determining the actuarial present value of the projected benefit obligation for the AMI Plans approximated 7.0% as of May 31, 1995. The rate of increase in future compensation levels for the AMI Plans was assumed to be 5.0%.

The Company does not have a plan that provides any postretirement benefits other than pensions to retired employees.

Note 13. Other Disposals and Acquisitions of Facilities

In January 1994 the Company sold 28 inpatient rehabilitation hospitals and 45 related satellite outpatient clinics for approximately $350 million. This sale resulted in a gain of $66.2 million. The Company retained six rehabilitation hospitals on or near general hospital campuses and in March 1994 sold its other remaining rehabilitation hospital for approximately $14 million. For the fiscal year ended May 31, 1994, net operating revenues of the sold rehabilitation hospitals were $266 million, while pretax income, before general corporate overhead costs, was $22 million. The Company is contingently liable for approximately $88 million in obligations, substantially all of which are lease obligations, relating to the facilities sold in January 1994.

During fiscal 1994 Hillhaven purchased the remaining 23 nursing centers it previously leased from the Company for $112 million. (See Note 14.) The sales resulted in a gain of $17 million. In May 1994 the Company entered into a long-term operating lease of a general hospital in New Orleans. In July 1993 the Company sold one general hospital, and in June 1994 the Company sold two general hospitals. Also in June 1994 the Company acquired its partner's 50% interest in its general hospital in Barcelona, Spain, which opened in February 1994.

In May 1995 the Company announced it had reached an agreement in principle to purchase Mercy+Baptist Medical Center, a general two-hospital (759 beds) not-for-profit provider in New Orleans. Also in May 1995 the Company announced it had reached an agreement in principle to purchase Providence Memorial Hospital, a 436-bed not-for-profit general hospital in El Paso, Texas. The cash consideration for these acquisitions will be approximately $350 million.

Note 14. The Hillhaven Corporation

The Company owns approximately 8.9 million common shares, or an approximately 26% voting interest, of Hillhaven. The Company also holds 35,000 shares of Hillhaven's cumulative nonvoting 8 1/4% Series C Preferred Stock, with an aggregate liquidation preference of $35.0 million, and 65,430 shares of Hillhaven's cumulative nonvoting 6 1/2% payable-in-kind Series D Preferred Stock, with an aggregate liquidation preference of $65.4 million.

The Company is contingently liable under various guarantees for $182 million of Hillhaven's obligations to third parties, including $172 million of lease obligations and $10 million of long-term debt obligations. During fiscal 1995 and 1994, Hillhaven reduced by approximately $104 million and $420 million, respectively, its obligations guaranteed by the Company.

On April 24, 1995, Vencor, Inc. and Hillhaven announced that they had entered into an agreement pursuant to which Vencor would acquire Hillhaven. Under terms of the agreement, Hillhaven's shareholders would receive $32.25 in value in Vencor common stock for each share of Hillhaven common stock (subject to adjustment under certain circumstances depending on the market price of Vencor stock). The Company expects to receive approximately $90 million in cash for its Series C Preferred Stock and its Series D Preferred Stock in connection with this transaction.

Note 15. Sales of Subsidiaries' Common Stock

On August 11, 1994, the Company completed the sale of a controlling interest in Total Renal Care, Inc. ("TRC"), an operator of outpatient renal dialysis centers. As part of the transaction, the Company received a $75.5 million cash distribution from TRC prior to the sale and retained an approximate 25% minority interest, which since has been reduced to approximately 23% due to the issuance of additional shares by TRC in connection with acquisitions. This transaction resulted in a $32.0 million gain to the Company in fiscal 1995. Net operating revenues of the subsidiary were $80.5 million in the fiscal year ended May 31, 1994, and operating income was $5.7 million. Net operating revenues and operating income included in the current year's statement of operations, for the period from June 1, 1994 through August 11, 1994, were $16.6 million and $2.7 million, respectively.

Note 16. Restructuring Charges

In connection with the March 1, 1995 merger of the Company and AMH, the Company has relocated substantially all of its hospital support activities located in Southern California and Florida to the former corporate headquarters of AMH located in Dallas, Texas. Severance payments and outplacement services for involuntarily terminated former NME employees and other related costs in connection with this move are estimated to be $36.9 million ($0.12 per share on an after-tax, fully diluted basis) and have been classified as restructuring charges in the accompanying consolidated statements of operations for the year ended May 31, 1995.

During the fourth quarter of fiscal 1994, the Company initiated a plan to significantly decrease overhead costs through a reduction in corporate and division staffing levels and to review the resulting office space needs of all corporate operations. The Company decided to sell its corporate headquarters building and to lease substantially less office space in that building or at an alternative site. Costs of the write-down of the building, employee severance benefits and other expenses directly related to the overhead reduction plan were estimated to be approximately $77.0 million.

In 1993 the Company recorded a charge of $52.0 million for costs associated with the combination of the Company's rehabilitation hospital division into its general hospital division, a corporate overhead reduction program that began in April 1993, and severance costs incurred in connection with a change in senior executive management.

During the year ended May 31, 1995, actual costs incurred and charged against the restructuring reserves were approximately $22.7 million. The balances of the reserves are included in other current liabilities or other long-term liabilities in the Company's consolidated balance sheets at May 31, 1995 and 1994.

Note 17. Derivative Financial Instruments

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. These derivatives are nonleveraged and involve little complexity. They are used to manage well-defined interest rate and foreign currency risks. The notional amounts of derivatives in the tables below do not represent amounts exchanged by the parties and, thus, are not a measure of the exposure of the Company through its use of derivatives. There are no cash or collateral requirements in connection with these agreements.

Interest Rate Swaps -- These derivative financial instruments allow the Company to make long-term borrowings at floating rates and then swap them into fixed rates that are lower than those available to the Company if fixed-rate borrowings were made directly. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. Cross-currency interest rate swaps allow borrowings to be made in foreign currencies, gaining access to additional sources of financing while limiting foreign exchange risk. The Company's exposure to credit loss under these agreements is limited to the interest rate spread in the event of nonperformance by the other parties. Because the other parties are creditworthy financial institutions, generally commercial banks, the Company does not expect nonperformance.

The following table shows the Company's interest rate swaps and their weighted average interest rates as of the end of the most recent two fiscal years. Variable interest rates may change significantly, affecting future cash flows.

(dollars in millions)	1995	1994
Notional amount for agreements under which the Company receives fixed rates	$ 29.0	$ 29.0
Average receive rate	7.0%	7.0%
Average pay rate	5.7%	3.4%
Contract duration	2 years	3 years
Notional amount for agreements under which the Company pays fixed rates	$ 120.0	$ 121.0
Average pay rate	8.5%	8.5%
Average receive rate	5.6%	3.4%
Contract duration	1-5 years	1-6 years

Forward Exchange Contracts -- Due to its foreign operations in Australia, Great Britain, Malaysia, Singapore, Spain, Switzerland and Thailand, the Company is exposed to the effects of foreign exchange rate fluctuations on the U.S. dollar. Forward exchange contracts, generally having maturities of less than six months, are entered into for the sole purpose of hedging the Company's long-term net investments in its foreign subsidiaries or unconsolidated foreign affiliates. The Company's forward exchange contracts, as of May 31, 1995 and 1994, are shown in the table below:

	1995		1994	
(currency in millions)	Foreign Currency Amount	Maturity Date	Foreign Currency Amount	Maturity Date
Australian dollars	23.0	09/20/95	18.0	08/31/94
Australian dollars	18.0	07/31/95	23.0	07/18/94
Spanish pesetas	450.0	06/09/95	150.0	10/05/94
Spanish pesetas	1,700.0	06/22/95	450.0	06/24/94

Spanish pesetas	--	--	100.0	06/30/94
Spanish pesetas	--	--	350.0	06/30/94
Swiss francs	5.0	11/15/95	--	--
Swiss francs	23.0	03/15/96	--	--
Thai baht	200.0	07/13/95	--	--
U.K. pounds	10.0	06/30/95	10.0	06/27/94

Currency Swap Agreements -- The Company uses foreign currency swaps to effectively convert foreign-currency-denominated debt to U.S.-dollar-denominated debt in order to reduce the impact of interest rate and foreign currency rate changes on future income. The differential to be paid or received under these agreements is recognized as an adjustment to interest expense related to the debt. The related amount payable to or receivable from counterparties is included in other long-term liabilities or long-term receivables. At May 31, 1995 and 1994, the Company had the following foreign currency swap agreements:

	1995			1994		
(currency in millions)	Notional Amount	Interest Rate	Maturity Date	Notional Amount	Interest Rate	Maturity Date
Australian dollars	20.5	10.54%	02/24/99	20.5	10.54%	02/24/99
Australian dollars	14.3	8.26%	03/04/98	14.3	4.86%	03/04/98
Spanish pesetas	300.0	12.00%	10/09/98	300.0	12.00%	10/09/98
Spanish pesetas	300.0	11.33%	10/09/98	300.0	11.33%	10/09/98

Note 18. Subsequent Events -- Sales of Assets

On June 28, 1995, the Company sold its 505-bed Mount Elizabeth Hospital, its 145-bed East Shore Hospital and related healthcare businesses in Singapore to the Singapore-based holding company Parkway Holdings Limited for $243.3 million, which is net of $78.3 million in debt assumed by the buyer. The Company used the net proceeds from the sale to repay secured bank loans under its domestic term loan and revolving credit agreement. The transaction resulted in a gain estimated to be approximately $150 million, which will be included in the results of operations during the Company's first quarter of fiscal 1996.

The Company also has agreements to sell its holdings in Malaysia, Thailand and Australia for approximately $94 million, which proceeds will be used to retire long-term debt. These transactions are expected to close no later than November 30, 1995. The pending sales are subject to foreign government clearances and a vote of minority shareholders in Australia. Fiscal 1995 net operating revenues and operating profits from the facilities sold and to be sold were $202.4 million and $39.4 million, respectively. The net assets of the sold and to-be-sold facilities amounted to $158.9 million at May 31, 1995 and have been included in assets held for sale in the accompanying consolidated balance sheets.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Tenet Healthcare Corporation:

We have audited the accompanying consolidated balance sheets of Tenet Healthcare Corporation and subsidiaries as of May 31, 1995 and 1994, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended May 31, 1995. These

consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tenet Healthcare Corporation and subsidiaries as of May 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended May 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 7 to the consolidated financial statements, the Company changed its method of accounting for income taxes effective June 1, 1993.

/s/ KPMG Peat Marwick LLP

Los Angeles, California
July 25, 1995

SUPPLEMENTARY FINANCIAL INFORMATION

Selected Quarterly Financial Data (unaudited)

	Fiscal 1995 Quarters				Fiscal 1994 Quarters			
(in millions, except per-share data)	First	Second	Third	Fourth	First	Second	Third	Fourth
Net operating revenues	$ 663	$ 639	$ 660	$ 1,356	$ 772	$ 758	$ 716	$ 697
Income from continuing operations	$ 64	$ 46	$ 49	$ 35	$ 53	$ 61	$ 91	$ 11
Net income (loss)	$ 64	$ 46	$ 49	$ 6	$ (41)	$(226)	$(164)	$ 6
Income per share from continuing operations:								
Primary	$0.38	$0.27	$0.29	$ 0.17	$0.32	$0.37	$0.55	$0.07
Fully diluted	$0.36	$0.27	$0.28	$ 0.17	$0.30	$0.35	$0.51	$0.07

Quarterly operating results are not necessarily representative of operations for a full year for various reasons, including levels of occupancy, interest rates, acquisitions, disposals, revenue allowance and discount fluctuations, the timing of price changes, unusual litigation costs, restructuring charges and fluctuations in quarterly tax rates.

Common Stock Information (unaudited)

	Fiscal 1995 Quarters				Fiscal 1994 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Price range:								
High	19	19 1/2	16	17 7/8	12 1/4	12	16 1/4	18 1/8
Low	14 3/4	13 1/8	12 1/2	14 1/2	7	7 3/8	11 1/2	14 3/8

At May 31, 1995, there were approximately 16,200 holders of record of the Company's common stock. The Company's common stock is listed and traded on the New York and Pacific stock exchanges. The stock prices above are the high and low sales prices as reported in the NYSE Composite Tape for the last two fiscal years. On October 27, 1993, the Board of Directors suspended payments of dividends on the Company's common stock in order to give the Company maximum flexibility to respond to rapidly developing opportunities, to refocus on its general hospital core business and to resolve its legal issues.

The Company's cash dividends per share were $0.12 in 1994. The Company did not pay quarterly cash dividends following the first quarter of fiscal 1994.

DIRECTORS AND MANAGEMENT

Board of Directors
Jeffrey C. Barbakow /1,4/
Chairman and Chief Executive Officer,
Tenet Healthcare Corp.

John T. Casey
Co-Vice Chairman, Tenet Healthcare Corp.
Former President and Chief Operating Officer,
American Medical Holdings, Inc.

Robert W. O'Leary
Co-Vice Chairman, Tenet Healthcare Corp.
Chairman and Chief Executive Officer,
American Healthcare Systems
Former Chairman and Chief Executive Officer,
American Medical Holdings, Inc.

Michael H. Focht Sr. /1,5/
President and Chief Operating Officer,
Tenet Healthcare Corp.

Bernice B. Bratter /1,3,4/
Former Executive Director,
Senior Health and Peer Counseling

Maurice J. DeWald /1,2,3,6,7/
Chairman, Verity Financial Group, Inc.

Peter de Wetter /1/
Retired Executive Vice President,
Tenet Healthcare Corp.

Edward Egbert, M.D. /2,4,6,7/
Retired Physician

Raymond A. Hay /2,4,5/
Chairman, Aberdeen Associates

Lester B. Korn /1,3/
Chairman, Korn Tuttle Capital Group

James P. Livingston /2,4,5/
Retired Executive Vice President,
Tenet Healthcare Corp.

Thomas J. Pritzker
President, Hyatt Corporation

Richard S. Schweiker /2,5,6/
Retired President,
American Council of Life Insurance

Board Committees
1. Executive Committee
2. Audit Committee
3. Compensation and Stock Option Committee
4. Nominating Committee
5. Ethics and Quality Assurance Committee
6. Hillhaven Relationship Committee
7. Performance Investment Plan Funding Committee

Principal Management
Jeffrey C. Barbakow
Chairman and Chief Executive Officer

Michael H. Focht Sr.
President and Chief Operating Officer

Barry P. Schochet
Executive Vice President, Operations

Thomas B. Mackey
Executive Vice President, Western Operations

W. Randolph Smith
Executive Vice President, Eastern Operations

Maris Andersons
Senior Vice President and Treasurer

Scott M. Brown
Senior Vice President, General Counsel and
Corporate Secretary

Stephen F. Brown
Senior Vice President and
Chief Information Officer

Alan R. Ewalt
Senior Vice President, Human Resources

Raymond L. Mathiasen
Senior Vice President and
Chief Financial Officer

Christi R. Sulzbach
Senior Vice President, Public Affairs, and
Associate General Counsel

Senior Vice Presidents
T. Dennis Jorgensen
Administration

Neil M. Sorrentino
Operations, Northern California Region

Frank Tidikis
Physician Management Services

International Division
Michael H. Ford
President and Chief Operating Officer

National Health Plans
Michael Sheley
Chief Executive Officer

Syndicated Office Systems
Arnold M. Robin
President

CORPORATE INFORMATION

COMMON STOCK LISTING

The company's common stock is listed under the new symbol THC on the New York and Pacific stock exchanges.

9 5/8% Senior Notes due 2002
10 1/8% Senior Subordinated Notes due 2005
Listing New York Stock Exchange
Trustee/Registrar

The Bank of New York
101 Barclay St.
New York, NY 10286
(800) 524-4458

ANNUAL MEETING

The annual meeting of the shareholders of Tenet Healthcare Corporation will be held at 10 a.m., Wednesday, Sept. 27, 1995, at Loews Santa Monica Beach Hotel, 1700 Ocean Ave., Santa Monica, Calif.

FORM 10-K

The company reports annually to the Securities and Exchange Commission on Form 10-K. You may obtain a copy at no charge by writing to Tenet investor relations or by telephoning (310) 998-8200.

COMMON STOCK TRANSFER AGENT AND REGISTRAR

For information on stock certificates or for change of address, please contact:

The Bank of New York
101 Barclay St.
New York, NY 10286
(800) 524-4458

Shareholders of the company formerly known as National Medical Enterprises, Inc. (NME) are not affected by the merger. NME stock certificates remain valid and do not need to be exchanged for Tenet certificates.

Former shareholders of American Medical Holdings, Inc. (AMI) who have not yet redeemed their AMI stock for cash and Tenet stock should contact The Bank of New York at (800) 507-9357.

For all other shareholder inquiries, contact Paul J. Russell, vice president,

investor relations, at (310) 998-8088.

CORPORATE HEADQUARTERS

Tenet Healthcare Corporation
2700 Colorado Ave.
P.O. Box 4070
Santa Monica, CA 90411-4070
(310) 998-8000

[RECYCLED PAPER LOGO] This annual report is printed on recycled paper.

[ARTWORK APPEARS HERE]

Tenet Healthcare Corporation * 2700 Colorado Ave. * Santa Monica, CA 90404

TENET HEALTHCARE CORPORATION

FISCAL 1995 ANNUAL REPORT

DESCRIPTIONS OF GRAPHIC ELEMENTS

Cover:

A collage of images symbolizing Tenet Healthcare Corporation. The images include: a definition of "tenet;" the Tenet headquarters building in Dallas; an architectural column; an ambulance; a Tenet stock certificate; hospital workers pushing a patient on a gurney; an ambulance; an adult's hand holding a child's hand; a U.S. map; the words "innovation," "teamwork" and "integrity."

The Tenet logo appears on the lower right of the cover.

Page 1:

A map of the United States showing the locations of Tenet's 70 domestic acute care hospitals, 17 specialty facilities and eight regional offices.

Page 6:

Head-and-shoulders color photographs of Jeffrey C. Barbakow, Tenet chairman and chief executive officer, and Michael H. Focht, Sr., Tenet president and chief operating officer.

Page 9:

A collage of images symbolizing Tenet's partnerships with physicians. The images include: a physician talking to two business people; a physician's hand writing a prescription; a physician's bill for services; a physician at a patient's hospital bedside; a hospital worker examining brain scans; a microscope; a stethoscope; a reflex hammer; a tongue depressor; an ear scope; pills; the abbreviations "IPA," "PHO" and "MSO."

Page 11:

A collage of images symbolizing the spectrum of healthcare services Tenet's facilities offer. The images include: physicians at work in an operating room; an engineer building a prosthetic limb; an AIDS ribbon; an elderly woman patient in a wheelchair; an ultrasound scan; a home healthcare nurse with a child; a trauma helicopter; a billboard advertising Tenet.

Page 13:

A collage of images symbolizing Tenet's acquisitions and affiliations with other healthcare providers. The images include: a handshake; newspaper headlines

announcing Tenet acquisitions; an architectural column; a minister at a patient's bedside; employees outside a Tenet hospital; an anatomy instructor with s skeleton; a CT scanner.

Page 14:

Head-and-shoulders color photographs of Barry P. Schochet, Tenet executive vice president, operations; Thomas B. Mackey, Tenet executive vice president, Western Operations; and W. Randolph Smith, Tenet executive vice president, Eastern operations.

Page 15:

A collage of images symbolizing the quality and value of Tenet's services and the company's efforts to measure quality and value. The images include: a hospital cafeteria worker holding a tray of food; a nurse with a young patient; a wheelchair race; brain scans; graphs; the words "caring," "efficiency" and "clinical pathways."

Back cover:

Small photograph of a stethoscope.

TENET HEALTHCARE CORPORATION ("TENET") EXHIBIT 21
Subsidiary Corporations
Revised August 24, 1995

Note: All subsidiaries are 100% owned by "Tenet" unless otherwise indicated.

American Medical Holdings, Inc. (see attached Exhibit A for subsidiaries of American Medical Holdings, Inc.)
Assured Investors Life Company
(a) Stanislaus Life Insurance Company
H.F.I.C. Management Company, Inc.
(a) Health Facilities Insurance Corp., Ltd. - Bermuda
International-NME, Inc.
(a) LEIR Canada, Inc.
(a) N.M.E. International (Cayman) Limited - Cayman Islands, B.W.I.
(b) B.V. Hospital Management - Netherlands
(b) Pacific Medical Enterprises Sdn. Bhd. - Malaysia
(b) Westminster Health Care Holdings PLC (UK) - ownership - N.M.E. International (Cayman) Limited (42%) and publicly owned (58%)

(c) Hyacinth Sdn. Bhd. - ownership - Pacific Medical Enterprises Sdn. Bhd.
(a) Subang Jaya Medical Center Sdn. Bhd.- ownership - International NME, Inc. (30%) and non related (70%)
(a) Bumrungrad Medical Center Limited - ownership - NME Asia Pte Limited (40%) Bumrungrad Public Hospital (55%) and IFC (5%)
(a) Medicalia International, B.V. - Netherlands
(a) NME Spain, S.A.
(a) NME UK Properties, Limited
NME (Australia) Pty., Limited
(a) Australian Medical Enterprises Ltd. - ownership - NME (Australia) Pty Limited (51.94%) and publicly owned (48.06%)
(b) AME Trust (Formerly: Markalinga Trust)
(b) AME Hospitals Pty Limited (Formerly: Markalinga Nom Pty Ltd.)
(b) Victoria House Holdings Pty Ltd.
NME Headquarters, Inc.
NME Hospitals, Inc.
(a) Brookhaven Hospital, Inc.
(b) Brookhaven Pavilion, Inc.
(a) Germantown Community Hospital-Methodist East, Inc.
(a) Manteca Medical Management, Inc.
(a) Tenetsub Texas, Inc.
(a) Tenet Hospitals Limited - ownership - NME Hospitals, Inc. (1%) Tenetsub Texas, Inc. (99%)
(a) National Managed Med, Inc.
(a) National Med, Inc.
(a) National Medical Hospital of Tullahoma, Inc.
(a) National Medical Hospital of Wilson County, Inc.
(a) National Medical Services, Inc.
(a) National Medical Ventures, Inc.
(b) Litho I - LP
(b) McHenry Surgery Center Partners, Ltd - LP
(b) Redding Surgi Center - LP
(a) NM Ventures - California, Inc.
(a) NM Ventures of North County, Inc.
(a) NME Hospitals Dallas, Inc.
(a) NME Medical de Mexico, S.A. de C.V.
(a) NMV Hollywood, Inc.
(b) Hollywood Medical Center - LP
(a) NMV Tennessee

(a) NMV-II, Inc.
(b) West Boca OB Unit - LP
(a) NMV Texas, Inc.
(a) Preferred Medical Systems of California, Inc.
(a) Rehabilitative Driving Resources, Inc.
(a) South Dade Healthcare Ventures, LC
(a) West Coast PT Clinic, Inc.
(a) Tenetsub (Mercy & Baptist Medical Center), Inc.
(a) Tenet Healthcare-Florida, Inc.
NME PIP Funding I, Inc.
NME Properties Corp.
(a) AK, Inc.
(a) Cascade Insurance Company, Ltd.
(a) Guardian Medical Services, Inc.
(a) Hammond Holiday Home, Inc.
(a) Total Renal Care. Inc. ownership - NME Properties Corp. (23%) - DLJ Merchant Banking Partners, L.P. (59%) - Management (5%) - publicly owned (13%)
(a) NME Properties, Inc.
(b) Lake Health Care Facilities, Inc.
(b) NME Properties of Western Michigan, Inc.
(b) NME Properties West, Inc.
(c) Morgan Manors, Inc.
(b) Northwest Continuum Care Center, Inc.
(a) NME Property Corp of Texas
(a) NME Property Holding Co., Inc.
(a) Sedgwick Convalescent Center, Inc.
NME Rehabilitation Properties, Inc.
(a) R.H.S.C. Prosthetics, Inc.
(a) Rehabilitation Hospital Division Consolidation, Inc.
NME Specialty Hospitals, Inc.
(a) National Medical Specialty Hospital of Redding
(a) NME Management Services, Inc.
(a) NME New Beginnings, Inc.
(b) Addiction Treatment Centers of Maryland, Inc.
(b) Alcoholism Treatment Centers of New Jersey, Inc.
(b) Health Institutes, Inc.
(c) Fenwick Hall, Inc.
(c) Health Institutes Investments, Inc.
(b) NME New Beginnings-Western, Inc.
(c) Norquest/RCA-W Bitter Lake Partnership
(a) NME Partial Hospital Services Corporation
(a) NME Psychiatric Hospitals, Inc.
(b) The Huron Corporation
(a) NME Rehabilitation Hospitals, Inc.
(a) Psychiatric Management Services Company
NME Psychiatric Properties, Inc.
(a) Alvarado Parkway Institute, Inc.
(a) Baywood Hospital, Inc.
(a) Brawner Hospital, Inc.
(a) Contemporary Psychiatric Hospitals, Inc.
(a) Elmcrest Manor Psychiatric Institute, Inc.
(a) Gwinnett Psychiatric Institute, Inc.
(a) Jefferson Hospital, Inc.
(a) Lake Hospital and Clinic, Inc. - ownership - NME Psychiatric Properties, Inc. (97.875%) and Ralph Mollycheck, M.D. (2.125%)
(a) Lakewood Psychiatric Hospitals, Inc.
(a) Laurel Oaks Residential Treatment Center, Inc.
(a) Leesburg Institute, Inc.

(a) Manatee Palms Residential Treatment Center, Inc.
(a) Manatee Palms Therapeutic Group Home, Inc.
(a) Medfield Residential Treatment Center, Inc.
(a) Modesto Psychiatric Hospitals, Inc.
(a) Modesto Psychiatric Realty, Inc.

(a) Nashua Brookside Hospital, Inc.
(a) North Houston Healthcare Campus, Inc.
(a) Northeast Behavioral Health, Inc.
(a) Northeast Psychiatric Associates - 2, Inc.
(a) Outpatient Recovery Centers, Inc.
(a) P.D. at New Baltimore, Inc.
(a) P.I.A. Alexandria, Inc.
(a) P.I.A. Canoga Park, Inc.
(a) P.I.A. Cape Girardeau, Inc.
(a) P.I.A. Capital City, Inc.
(a) P.I.A. Central Jersey, Inc.
(a) P.I.A. Colorado, Inc.
(a) P.I.A. Connecticut Development Company, Inc.
(a) P.I.A. Cook County, Inc.
(a) P.I.A. Denton, Inc.
(a) P.I.A. Detroit, Inc.
(b) Harbor Oaks Hospital Limited Partnership
(a) P.I.A. Educational Institute, Inc.
(a) P.I.A. of Fort Worth, Inc.
(a) P.I.A. Green Bay, Inc.
(a) P.I.A. Highland, Inc.
(b) Highland Psychiatric Associates - ownership-P.I.A. Highland, Inc.(50%) and Psychiatric Facility at Asheville,Inc.(50%)
(a) P.I.A. Highland Realty, Inc.
(b) Highland Realty Associates - ownership-(Limited Partnership) - P.I.A. Highland Realty, Inc.(49%) Psychiatric Facility at Ashville, Inc. (49%)
(General Partnership) - P.I.A. Highland Realty, Inc.(1%) Psychiatric Facility at Ashville, Inc.(1%)
(a) P.I.A. Indianapolis, Inc.
(a) P.I.A. Kansas City, Inc.
(a) P.I.A. Lincoln, Inc.
(a) P.I.A. Long Beach, Inc.
(a) P.I.A. Maryland, Inc.
(a) P.I.A. Michigan City, Inc.
(a) P.I.A. Milwaukee, Inc.
(a) P.I.A. Modesto, Inc.
(a) P.I.A. Naperville, Inc.
(a) P.I.A. New Jersey, Inc.
(a) P.I.A. North Jersey, Inc.
(a) P.I.A. Northern New Mexico, Inc.
(a) P.I.A. Panama City, Inc.
(a) P.I.A. Randolph, Inc.
(a) P.I.A. Rockford, Inc.
(a) P.I.A. of Rocky Mount, Inc.
(a) P.I.A. Salt Lake City, Inc.
(a) P.I.A. San Antonio, Inc.
(a) P.I.A. San Ramon, Inc.
(a) P.I.A. Sarasota Palms, Inc.
(a) P.I.A. Seattle, Inc.
(a) P.I.A. Slidell, Inc.
(a) P.I.A. Solano, Inc.
(a) P.I.A. Specialty Press, Inc.

(a) P.I.A. Stafford, Inc.
(a) P.I.A. Stockton, Inc.
(a) P.I.A. Tacoma, Inc.
(a) P.I.A. Tidewater Realty, Inc.
(b) I.P.T. Associates
(a) P.I.A. Topeka, Inc.
(a) P.I.A. Visalia, Inc.

(a) P.I.A. Waxahachie, Inc.
(a) P.I.A. Westbank, Inc.
(a) P.I.A.C. Realty Company, Inc.
(a) PIAFCO, Inc.
(a) Pinewood Hospital, Inc.
(a) Potomac Ridge Treatment Center, Inc.
(a) Psychiatric Division Consolidation, Inc.
(a) Psychiatric Facility at Amarillo, Inc.
(a) Psychiatric Facility at Asheville, Inc.
(a) Psychiatric Facility at Azusa, Inc.
(a) Psychiatric Facility at Evansville, Inc.
(a) Psychiatric Facility at Lafayette, Inc.
(a) Psychiatric Facility at Lawton, Inc.
(a) Psychiatric Facility at Medfield, Inc.
(a) Psychiatric Facility at Memphis, Inc.
(a) Psychiatric Facility at Palm Springs, Inc.
(a) Psychiatric Facility at Yorba Linda, Inc.
(a) Psychiatric Institute of Alabama, Inc.
(a) Psychiatric Institute of Atlanta, Inc.
(a) Psychiatric Institute of Bedford, Inc.
(a) Psychiatric Institute of Bucks County, Inc.
(a) Psychiatric Institute of Chester County, Inc.
(a) Psychiatric Institute of Columbus, Inc.
(a) Psychiatric Institute of Delray, Inc.
(a) Psychiatric Institute of Northern Kentucky, Inc.
(a) Psychiatric Institute of Northern New Jersey, Inc.
(a) Psychiatric Institute of Orlando, Inc.
(a) Psychiatric Institute of Richmond, Inc.
(a) Psychiatric Institute of San Jose, Inc.
(a) Psychiatric Institute of Sherman, Inc.
(a) Psychiatric Institute of Washington, D.C., Inc.
(a) Residential Treatment Center of Memphis, Inc.
(a) Residential Treatment Center of Montgomery County, Inc.
(a) The Residential Treatment Center of the Palm Beaches, Inc.
(a) RiverWood Center, Inc.
(a) Sandpiper Company, Inc.
(a) Southern Crescent Psychiatric Institute, Inc.
(a) Southwood Psychiatric Centers, Inc.
(a) Springwood Residential Treatment Centers, Inc.
(a) Tidewater Psychiatric Institute, Inc.
(a) The Treatment Center at Bedford, Inc.
(a) Tucson Psychiatric Institute, Inc.
(a) Tulsa County Health Services, Inc.

Northshore Hospital Management Corporation (LA)
Syndicated Office Systems
Wilshire Rental Corp.
Women's Medical Center of America, Inc.

EXHIBIT A

AMERICAN MEDICAL HOLDINGS, INC

ORGANIZATIONAL CHART OF CORPORATE SUBSIDIARIES
[100% ownership unless otherwise indicated]

AMERICAN MEDICAL HOLDINGS, INC. (DELAWARE)

AMERICAN MEDICAL INTERNATIONAL, INC. (DELAWARE)

ALABAMA HEALTH CONNECTION, INC. (Alabama)

ALABAMA MEDICAL GROUP, INC. [FORMERLY KNOWN AS BROOKWOOD PRIMARY CARE CENTERS, INC.] (Alabama)

AMERICAN MEDICAL (CENTRAL), INC. (California)
Amisub (Heights), Inc. (Delaware)
Amisub (Park Place MRI), Inc. (Texas)
Amisub of Texas, Inc. (Delaware) (11.05%)/1/
Amisub (Twelve Oaks), Inc. (Delaware)
Lifemark Hospitals, Inc. (Delaware)
Amisub (Brownsville MRI), Inc. (Texas)
Amisub of Texas, Inc. (Delaware) (63.68%)
Lifemark Hospitals of Florida, Inc. (Florida)
Palmetto Medical Plan, Inc. (Florida) (50%)
Pain Management Center of Tampa, Inc. (Florida)
T&C and USF Ob/Gyn Center, Inc. (Florida)
Lifemark Hospitals of Louisiana, Inc. (Louisiana)
Kenner Regional Clinical Services, Inc. (Louisiana)
Lifemark Hospitals of Missouri, Inc. (Missouri)
Regional Alternative Health Services, Inc. (Missouri)
Houston Specialty Hospital, Inc. (Texas)
Memphis Specialty Hospital, Inc. (Tennessee)
Tenet Investments-Kenner, Inc. (Louisiana)
Wilson County Management Services, Inc. (Tennessee)

Texas Southwest Healthservices, Inc. (Texas)

AMERICAN MEDICAL FINANCE COMPANY (Delaware)

AMERICAN MEDICAL HOME CARE, INC. (Delaware)

AMERICAN PURCHASING SERVICES, INC. (California)

/1/1. Lifemark Hospitals, Inc.-63.68%
American Medical International, Inc.-19.75%
Brookwood Health Services, Inc.-5.10%
AMI Information Systems Group, Inc.-.42%

AMI AMBULATORY CENTRES, INC. (Florida)
Surgical Services, Inc. (Florida) (80%)/2/
Ambulatory Care - Broward Development Corp. (Florida)
Surgical Services of South Lauderdale, Inc. (Florida)
Surgical Services of West Dade, Inc. (Florida)

AMI ARKANSAS, INC. (Arkansas)

AMI BROKERAGE SERVICES, INC. (Texas)

AMI DIAGNOSTIC SERVICES, INC. (Nevada)

AMI INFORMATION SYSTEMS GROUP, INC. (California)
American Medical International B.V. (Netherlands)
American Medical International N.V. (Netherlands Antilles)
Amisub of Texas, Inc. (Delaware) (.42%)

AMI SYSTEM SERVICES, INC. (Delaware)

AMISUB (AMERICAN HOSPITAL), INC. (Florida)

AMISUB (CULVER UNION HOSPITAL), INC. (Indiana)

AMISUB DEVELOPMENT OF SOUTH CAROLINA, INC. (South Carolina)
Hilton Head Clinics, Inc. (South Carolina)

AMISUB (FLORIDA VENTURES), INC. (Florida)
PBG Outpatient Services, Inc. (Florida)

Brookwood Diagnostic Center of Tampa, Inc. (Florida)
Lauderdale Clinical Services, Inc. (Florida)
Ft. Lauderdale Surgery Center, Inc. (Florida)
Tampa MOB 107, Inc. (Florida)
Tampa MOB 104, Inc. (Florida)
Tampa 8313 West Hillsborough, Inc. (Florida)
Tampa 4802 Gunn Highway, Inc. (Florida)
Center for Quality Care, Inc. (Florida)
Tampa 418 W. Platt St., Inc. (Florida)

AMISUB (GTS), INC. (Nevada)

AMISUB (HILTON HEAD), INC. (South Carolina)

AMISUB (IRVINE MEDICAL CENTER), INC. (California)
Alexa Integrated Medical Management, Inc. (California) (50%)/3/

/2/2. Randy Phillips-20%

/3/3. David L. Tsoong, M.D.-50%

AMISUB (MCINTOSH TRAIL REGIONAL MEDICAL CENTER), INC. (Georgia)
HEALTH INTERNATIONAL, INC. (GEORGIA)

AMISUB (NORTH RIDGE HOSPITAL), INC. (Florida)
FL Health Complex, Inc. (Florida)
North Ridge Carenet, Inc. (Florida)
North Ridge Partners, Inc. (Florida)
North Ridge Physician-Hospital Organization, Inc. (Florida) (50%)/4/

AMISUB OF CALIFORNIA, INC. (California)
New H Holdings Corp. (Delaware) (.5%)/5/
Valley Doctors' Hospital (California)
Vista Specialty Hospital, Inc. (California)
Quality Medical Management, Inc. (California) (50%)/6/
Physician Practice Management Corporation (California)
Park Plaza Retail Pharmacy, Inc. (Texas)

AMISUB OF NORTH CAROLINA, INC. (North Carolina)
CENTRAL CALIFORNIA MANAGEMENT SERVICES ORGANIZATION, INC. (NORTH CAROLINA)

AMISUB (SMHS), INC. (Florida)

AMISUB OF SOUTH CAROLINA, INC. (South Carolina)
Piedmont Medical Services Company (South Carolina)
Piedmont One, Inc. (South Carolina)
Piedmont Two, Inc. (South Carolina)
Piedmont Three, Inc. (South Carolina)
Piedmont Four, Inc. (South Carolina)
Piedmont Five, Inc. (South Carolina)
Piedmont Six, Inc. (South Carolina)
Piedmont Seven, Inc. (South Carolina)
Piedmont Eight, Inc. (South Carolina)
Piedmont Nine, Inc. (South Carolina)

AMISUB (PSL), INC. (Colorado)

AMISUB (SAINT JOSEPH HOSPITAL), INC. (Nebraska)
Saint Joseph Mental Health Plans, Inc. (Nebraska)
Home-Base Family and Addiction Therapy, Inc. (75%) (Nebraska)

AMISUB (SFH), INC. (Tennessee)

/4/4. Physicians-50%

/5/5. American Medical International,Inc.-99%
Brookwood Health Services, Inc.-.5%

/6/6. Physicians-50%

AMISUB (SIERRA VISTA), INC. (California)

AMISUB OF TEXAS, INC. (Delaware) (19.75%)

AMISUB TGDA, INC. (Delaware)

ARKANSAS HEALTHCARE SERVICES, INC. (Arkansas)

BROOKWOOD CENTER DEVELOPMENT CORPORATION (Alabama)
Hoover Doctors Group, Inc. (Alabama)
Medplex Outpatient Medical Centers, Inc. (Alabama)

BROOKWOOD DEVELOPMENT, INC. (Alabama)
Alabama Health Services, Inc. (Alabama) (33 1/3%)/7/
Alabama Health Services (St. Clair), L.L.C. (33 1/3%)/8/

BROOKWOOD HEALTH SERVICES, INC. (Alabama)
Amisub of Texas, Inc. (Delaware) (5.10%)
Brookwood Medical Center of Tampa, Inc. (Florida)
Brookwood - Riverchase Primary Care Center, Inc. (Alabama)
Estes Health Care Centers, Inc. (Delaware)
New H Holdings Corp. (Delaware) (.5%)

CENTRAL ARKANSAS HOSPITAL, INC. (Arkansas)

COLUMBIA LAND DEVELOPMENT, INC. (Missouri)

CUMMING MEDICAL VENTURES, INC. (Georgia)

EAST COOPER COMMUNITY HOSPITAL, INC. (South Carolina)
Charleston Health Services Organization, Inc. (South Carolina)

EASTERN PROFESSIONAL PROPERTIES, INC. (Delaware)

FLORIDA HEALTH NETWORK, INC. (Florida)

FRYE REGIONAL MEDICAL CENTER, INC. (North Carolina)
Frye Home Infusion, Inc. (North Carolina)
Piedmont Health Alliance, Inc. (North Carolina) (50%)/9/

GEORGIA HEALTH SERVICES, INC. (Georgia)

/7/7. Eastern Health System, Inc.-33 1/3%
St. Vincent's Hospital-33 1/3%

/8/8. HEALTH SERVICES, INC. - 33 1/3%
UNIVERSAL HEALTH SERVICES - 33 1/3%

/9/9. Physicians-50%

HEARTLAND CORPORATION (Nebraska)
Prairie Medical Clinic, Inc. (Nebraska)
Heartland Physicians, Inc. (Nebraska)

INHALATION THERAPY SERVICES, INC. (Delaware)

KENNER REGIONAL MEDICAL CENTER, INC. (Louisiana)

LUCY LEE HOSPITAL, INC. (Missouri)

MEDICAL CENTER OF GARDEN GROVE (California)
Mid-Orange Medical Management (California) (50%)/10/

MEDICAL COLLECTIONS, INC. (Alabama)

MID-CONTINENT MEDICAL PRACTICES, INC. (Missouri)

MISSOURI HEALTH SERVICES, INC. (Missouri)

NATIONAL PARK MEDICAL CENTER, INC. (Arkansas)

NEW H HOLDINGS CORP. (Delaware) (99%)
New H Acute, Inc. (Delaware)
New H South Bay, Inc. (California)
AMI West Alabama, Inc. (Alabama)
Amiwoodbroke, Inc. (Massachusetts)

NORTH CAROLINA HEALTH SERVICES, INC. (North Carolina)

NORTH FULTON IMAGING VENTURES, INC. (Georgia)

NORTH FULTON MEDICAL CENTER, INC. (Georgia)
North Fulton Health Care Associates, Inc. (Georgia)
North Fulton Regional Cancer Center, Inc. (Georgia)
North Fulton 001, Inc. (Georgia)
North Fulton 002, Inc. (Georgia)
North Fulton 003, Inc. (Georgia)
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North Fulton 011, Inc. (Georgia)
North Fulton 012, Inc. (Georgia)

/10/10. David L. Tsoong, M.D.-50%

NORTH FULTON MOB VENTURES, INC. (Georgia)

OCCUPATIONAL HEALTH MEDICAL SERVICES OF FLORIDA, INC. (Florida)

PALM BEACH GARDENS COMMUNITY HOSPITAL, INC. (Florida)

PARTNERS IN SERVICE, INC. (Delaware)

PHYSICIANS DEVELOPMENT, INC. (Florida)

PIEDMONT HOME HEALTH, INC. (South Carolina)

PIEDMONT REHAB CENTER, INC. (North Carolina)

PINNACLE HEALTHCARE SERVICES, INC. (Tennessee)

PROFESSIONAL HEALTHCARE SYSTEMS LICENSING CORPORATION (Delaware)

PROMED PHARMICENTER, INC. (Florida)

ROSWELL MEDICAL VENTURES, INC. (Georgia)

SAINT JOSEPH MENTAL HEALTH PHYSICIANS, INC. (Nebraska non-profit)

SAN DIMAS COMMUNITY HOSPITAL (California)

SEMO MEDICAL MANAGEMENT COMPANY, INC. (Missouri)

SIERRA VISTA HOSPITAL, INC. (California)

SIERRA VISTA SUB ONE, INC. (California)

SIERRA VISTA SUB TWO, INC. (California)

SOUTH CAROLINA HEALTH SERVICES, INC. (South Carolina)

SOUTHEAST MISSOURI LAB, INC. (Missouri)

ST. MARY'S REGIONAL MEDICAL CENTER, INC. (Arkansas)
Amisub (St. Mary's), Inc. (Arkansas)

TENNESSEE HEALTH SERVICES, INC. (Tennessee)

TEXAS HEALTHCARE SERVICES, INC. (Texas)

TEXAS PROFESSIONAL PROPERTIES, INC. (Texas)

Exhibit 23(a)

ACCOUNTANTS' CONSENT AND
REPORT ON CONSOLIDATED SCHEDULE

The Board of Directors and Stockholders
Tenet Healthcare Corporation:

Under date of July 25, 1995, we reported on the consolidated balance sheets of Tenet Healthcare Corporation and subsidiaries as of May 31, 1995 and 1994, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended May 31, 1995, as contained in the 1995 annual report to stockholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for fiscal year 1995. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule listed in the accompanying index. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits. In our opinion, based on our audits, such schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also consent to the incorporation by reference of our report dated July 25, 1995, in the Company's Registration Statements on Form S-3 (Nos. 33-39130, 33-39563, 33-40212, 33-45689, 33-57801, 33-57057 and 33-55285), Registration Statement on Form S-4 (No. 33-57485) and Registration Statements on Form S-8 (Nos. 33-11478, 2-95774, 2-87611, 2-69472, 2-79401, 33-35688, 33-50180, 33-50182 and 33-57375).

/s/ KPMG PEAT MARWICK LLP

Los Angeles, California
August 22, 1995

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