

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

AMERICAN MEDICAL HOLDINGS INC

CIK: **861439** | IRS No.: **133527632** | State of Incorporation: **DE** | Fiscal Year End: **0831**
Type: **10-Q** | Act: **34** | File No.: **001-10511** | Film No.: **95501571**
SIC: **8060** Hospitals

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DALLAS TX 75255

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DALLAS TX 75255
2143606300

AMERICAN MEDICAL INTERNATIONAL INC /DE/

CIK: **312655** | IRS No.: **952111054** | State of Incorporation: **DE** | Fiscal Year End: **0831**
Type: **10-Q** | Act: **34** | File No.: **001-07612** | Film No.: **95501572**
SIC: **8062** General medical & surgical hospitals, nec

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

AMERICAN MEDICAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware 1-10511 13-3527632
(State or other jurisdiction of (Commission file number) (I.R.S. Employer
incorporation or organization) Identification No.)

AMERICAN MEDICAL INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware 1-7612 95-2111054
(State or other jurisdiction of (Commission file number) (I.R.S. Employer
incorporation or organization) Identification No.)

14001 N. Dallas Parkway, Dallas, Texas 75240
(Address of principal executive offices) (Zip code)

(214) 789-2200

(Registrants' telephone number, including area code)

Indicate by check mark whether the Registrants (1) have 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 (or for such shorter period that the Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. American Medical Holdings, Inc. Yes X No . American Medical International, Inc. Yes X No .
- - - -

As of January 10, 1994, there were 77,622,233 shares of American Medical Holdings, Inc. Common Stock, \$.01 par value outstanding.

All shares of Common Stock, \$.01 par value, of American Medical International, Inc. are held by American Medical Holdings, Inc.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN MEDICAL HOLDINGS, INC. AND SUBSIDIARIES
AMERICAN MEDICAL INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	NOVEMBER 30, 1994		AUGUST 31, 1994	
	HOLDINGS	AMI	HOLDINGS	AMI
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 21,377	\$ 21,377	\$ 31,941	\$ 31,941
Accounts receivable, net	167,444	167,444	147,415	147,415
Income taxes, net (including current portion of deferred income taxes)	15,461	15,461	30,876	30,876
Other current assets	83,411	83,411	78,577	78,577
Total current assets	287,693	287,693	288,809	288,809
PROPERTY AND EQUIPMENT	2,022,574	2,022,574	1,971,396	1,971,396
Less - accumulated depreciation	540,338	540,338	507,653	507,653
Net property and equipment	1,482,236	1,482,236	1,463,743	1,463,743
NOTES RECEIVABLE AND INVESTMENTS	39,978	39,978	40,082	40,082
COST IN EXCESS OF NET ASSETS ACQUIRED, NET	1,153,928	1,153,928	1,153,887	1,153,887
OTHER ASSETS	60,983	60,983	30,026	30,026
	\$ 3,024,818	\$ 3,024,818	\$ 2,976,547	\$ 2,976,547
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES	\$ 479,393	\$ 479,393	\$ 476,464	\$ 476,464
LONG-TERM DEBT	1,136,545	1,136,545	1,130,967	1,130,967
CONVERTIBLE SUBORDINATED DEBT	10,383	10,383	10,707	10,707
DEFERRED INCOME TAXES	218,651	218,651	218,651	218,651
OTHER DEFERRED CREDITS AND LIABILITIES	306,290	306,290	291,040	291,040
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' EQUITY:				
Common stock	776	725	775	725
Additional paid-in capital	609,887	594,286	608,096	592,494
Retained earnings	268,593	284,245	245,547	261,199
Adjustment for minimum pension liability	(5,700)	(5,700)	(5,700)	(5,700)
Total shareholders' equity	873,556	873,556	848,718	848,718
	\$ 3,024,818	\$ 3,024,818	\$ 2,976,547	\$ 2,976,547

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED NOVEMBER 30,			
	1994		1993	
	HOLDINGS	AMI	HOLDINGS	AMI
<S>	<C>	<C>	<C>	<C>
NET REVENUES	\$ 632,211	\$ 632,211	\$ 558,217	\$ 558,217
OPERATING COSTS AND EXPENSES:				
Salaries and benefits	236,925	236,925	205,414	205,414
Supplies	91,791	91,791	79,482	79,482
Provision for uncollectible accounts	42,122	42,122	39,036	39,036
Depreciation and amortization	41,090	41,090	38,273	38,273
Other operating costs	140,200	140,200	126,654	126,654
Total operating costs and expenses	552,128	552,128	488,859	488,859
OPERATING INCOME	80,083	80,083	69,358	69,358
Interest expense, net	(39,275)	(39,275)	(38,848)	(38,848)
INCOME BEFORE TAXES AND MINORITY EQUITY INTEREST	40,808	40,808	30,510	30,510
Provision for income taxes	(17,100)	(17,100)	(12,900)	(12,900)
NET INCOME BEFORE MINORITY EQUITY INTEREST	23,708	23,708	17,610	17,610
Minority equity interest	(662)	(662)	(1,097)	(1,097)
NET INCOME	\$ 23,046	\$ 23,046	\$ 16,513	\$ 16,513
PER SHARE DATA:				
Net income per common and common equivalent share	\$ 0.30	N/A	\$ 0.21	N/A
Shares used for computation of net income per share	77,567	N/A	76,938	N/A

</TABLE>

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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AMERICAN MEDICAL HOLDINGS, INC. AND SUBSIDIARIES
AMERICAN MEDICAL INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	THREE MONTHS ENDED NOVEMBER 30,			
	1994		1993	
	HOLDINGS	AMI	HOLDINGS	AMI
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 23,046	\$ 23,046	\$ 16,513	\$ 16,513
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation and amortization	41,090	41,090	38,273	38,273
Amortization of debt discount, deferred				

financing costs and non-cash interest	12,348	12,348	12,481	12,481
Change in working capital	(21,843)	(21,843)	(11,925)	(11,925)
Other	1,090	1,090	129	129
	-----	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	55,731	55,731	55,471	55,471
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on debt	(3,748)	(3,748)	(31,507)	(31,507)
Revolving credit facility	(4,000)	(4,000)	(28,000)	(28,000)
Other	1,240	1,240	1,008	1,008
	-----	-----	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(6,508)	(6,508)	(58,499)	(58,499)
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:				
Property and equipment additions	(30,662)	(30,662)	(27,093)	(27,093)
Acquisitions	(18,209)	(18,209)	-	-
Decrease (increase) in other assets	(14,054)	(14,054)	1,251	1,251
Additions in notes receivable and investments	(2,023)	(2,023)	(1,773)	(1,773)
Decrease in notes receivable and investments	4,524	4,524	1,453	1,453
Other	637	637	(1,506)	(1,506)
	-----	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(59,787)	(59,787)	(27,668)	(27,668)
	-----	-----	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS	(10,564)	(10,564)	(30,696)	(30,696)
Cash and cash equivalents, beginning of period	31,941	31,941	44,335	44,335
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 21,377	\$ 21,377	\$ 13,639	\$ 13,639
	-----	-----	-----	-----

</TABLE>

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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AMERICAN MEDICAL HOLDINGS, INC. AND SUBSIDIARIES
AMERICAN MEDICAL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

American Medical Holdings, Inc. ("Holdings") was organized in July 1989 to acquire American Medical International, Inc. ("AMI" and, together with Holdings, the "Company"). As a result of this acquisition, Holdings is the owner of all of the outstanding shares of common stock of AMI.

The accompanying unaudited condensed consolidated financial statements include the accounts of Holdings, AMI and all majority owned subsidiary companies and have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation, have been included in the accompanying interim financial statements. The condensed consolidated balance sheet as of August 31, 1994, was derived from the audited financial statements, but does not include all disclosures required by generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to the prior period's financial statements to be consistent with the current year presentation. For additional disclosure, refer to Holdings' and AMI's Annual Report on Form 10-K for the year ended August 31, 1994.

2. PLAN OF MERGER

On October 10, 1994, Holdings, National Medical Enterprises, Inc. a Nevada corporation ("NME") and a wholly-owned subsidiary of NME ("Merger Sub"), executed an agreement and plan of merger (the "Merger Agreement"). Pursuant to the Merger Agreement, Merger Sub will merge with and into Holdings (the "Merger"). As a result of the Merger, Holdings will become a wholly-owned subsidiary of NME and the combined company will be the second-largest healthcare services company in the nation. Under terms of the Merger Agreement each outstanding share of common stock of Holdings, par value \$0.01 per share, will be converted into the right to receive (i) \$19.00 in cash, if the closing occurs on or before March 31, 1995, and \$19.25 thereafter and (ii) 0.42 of a newly

issued share of NME common stock. Under the Merger Agreement, Holdings will pay a special dividend of \$0.10 per share before the effective date of the Merger. Approximately 50% of the Company's indebtedness contains put provisions whereby the holders of such debt have the right to require repayment following a change of control of the Company. The transaction has been approved by shareholders of approximately 61.4% of Holdings' outstanding shares of common stock and, therefore, further action by Holdings' shareholders is not required. The transaction is currently anticipated to close in the first quarter of calendar 1995.

3. ACQUISITIONS

On September 1, 1994, a limited partnership, of which a wholly-owned subsidiary of AMI is general partner, acquired Hilton Head Hospital in Hilton Head, South Carolina containing 68 licensed beds. In connection with the Company's efforts to re-establish a presence in Europe, in September 1994, the Company entered into a joint venture agreement with a community organization (the "Bürgergemeinde") located in Cham, Canton Zug, Switzerland. The joint venture is owned 90% by the Company and 10% by the Bürgergemeinde. Under the terms of the transaction, the Company has entered into a long term lease for the land where the existing hospital is located and will renovate and remodel the existing acute care facility, construct a new 56 bed acute care wing and convert an existing structure into a medical office building. In addition, the Company plans to contract to provide management, food, physical therapy and rehabilitation services to the hospital, an on-site nursing home and an affiliated retirement community.

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AMERICAN MEDICAL HOLDINGS, INC. AND SUBSIDIARIES
AMERICAN MEDICAL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. ACCOUNTS RECEIVABLE

As of November 30, 1994, and August 31, 1994, Holdings and AMI had reserves for uncollectible receivables of \$100.0 million and \$98.6 million, respectively.

5. COST IN EXCESS OF NET ASSETS ACQUIRED

Cost in excess of net assets acquired is amortized over 40 years. Holdings' and AMI's cumulative amortization of cost in excess of net assets acquired as of November 30, 1994 and August 31, 1994, was \$165.3 million and \$157.2 million, respectively. Amortization of cost in excess of net assets acquired for Holdings and AMI was \$8.1 million and \$8.0 million for the three months ended November 30, 1994 and 1993, respectively.

6. LONG-TERM DEBT

As of November 30, 1994, \$262.0 million was outstanding under the Company's \$600 million revolving credit facility which expires in September 1999 and presently accrues interest at 6.5%. In addition, as of November 30, 1994 \$34.8 million in letters of credit were issued thereunder.

AMI has entered into swap agreements which hedge any foreign currency gains or losses on the Company's L37 million senior notes due February 1995, face amount \$62.7 million at an interest rate of 8.0%, and the SFr.78 million bonds due March 1996, face amount \$52.4 million at an interest rate of 5.15%. Such swap agreements are through the date of maturity of such debt and include the face amount of each such debt and the fixed interest rate thereof stated. At November 30, 1994 no loss would be recognized if the counter parties to these swap agreements failed to perform their obligations.

7. COMMITMENTS AND CONTINGENCIES

Holdings and AMI are subject to claims and suits arising in the ordinary course of business. In the opinion of management, the ultimate resolution of all pending legal proceedings will not have a material adverse effect on the business, results of operations, cash flows or financial condition of Holdings or AMI.

8. CAPITAL STOCK

As of November 30, 1994, Holdings had 200 million shares of \$0.01 par value common stock authorized. Of such shares, 77,622,233 and 77,491,000 were outstanding as of November 30, 1994, and August 31, 1994, respectively. As of November 30, 1994, Holdings had five million shares of \$0.01 par value of Preferred Stock authorized, of which none were outstanding.

Holdings is the owner of all outstanding shares of common stock of AMI. As

of November 30, 1994, and August 31, 1994, AMI had 200 million shares of \$0.01 par value common stock authorized of which 72,481,000 shares were outstanding.

AMERICAN MEDICAL HOLDINGS, INC. AND SUBSIDIARIES
AMERICAN MEDICAL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

9. NET REVENUES

The Company's sources of revenues are primarily provided from patient services and are presented net of reserves to recognize the difference between the hospitals' established billing rates for covered services and the amount paid by third party or private payers. Patient revenues received under government and privately sponsored insurance programs are based on cost as defined under the programs or at predetermined rates based upon the diagnosis, plus capital costs, return on equity, and other adjustments rather than customary charges. Adjustments are recorded in the period services are rendered based on estimated amounts to be reimbursed and contract interpretations, however, such adjustments are generally subject to final audit and settlement. Net revenues include adjustments for the three months ended November 30, 1994 and 1993 of \$576.3 million, and \$490.6 million, respectively. In management's opinion, the reserves established are adequate to cover the ultimate liabilities that may result from final settlements.

Net revenues from Medicare/Medicaid programs represented 44% and 40% of total net revenues for the three months ended November 30, 1994 and 1993, respectively. The Company's net revenues from contracted business represented 25% and 26% of total net revenues for the three months ended November 30, 1994 and 1993, respectively.

10. MINORITY EQUITY INTEREST

Minority equity interest expense of \$1.1 million and \$1.8 million for the three months ended November 30, 1994 and 1993, respectively, is presented net of income taxes in the accompanying condensed consolidated statements of income.

11. SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid income taxes (net of refunds) of \$1.3 million and \$0.6 million for the three months ended November 30, 1994 and 1993, respectively. The Company paid interest (net of capitalized costs) for the three months ended November 30, 1994 and 1993 of \$19.9 million and \$19.3 million, respectively. Capitalized interest costs were \$0.4 million and \$0.6 million for the three months ended November 30, 1994 and 1993, respectively. Interest income was \$0.6 million and \$0.8 million for the three months ended November 30, 1994 and 1993.

In conjunction with the acquisition of Hilton Head Hospital in September 1994 by a limited partnership, of which a wholly-owned subsidiary of AMI is general partner, the Company recorded net assets of \$14.6 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at November 30, 1994 were \$21.4 million compared to \$31.9 million at August 31, 1994. The decrease of \$10.5 million was primarily due to the acquisition of facilities during the period. The working capital deficit at November 30, 1994 of \$191.7 million was comparable to the deficit of \$187.6 million at August 31, 1994. Accounts receivable of \$167.4 million at November 30, 1994 increased \$20.0 million from \$147.4 million at August 31, 1994 while the income tax receivable decreased \$15.4 million to \$15.5 million at November 30, 1994 from \$30.9 million at August 31, 1994. The addition of a hospital, growth in net revenues, and a decrease in the amount of receivables collected during the period were the primary components of the increase in accounts receivable at November 30, 1994. The decrease in the income tax receivable is primarily due to the current income tax provision. Current liabilities at November 30, 1994 of \$479.4 million remained relatively the same as the same period a year ago. Cash provided by operating activities of \$55.7 million for the three months ended November 30, 1994 was comparable to \$55.5 million for the same period a year ago. The funding of the Company's pension plan assets and acquisition related

transactions resulted in other long term assets of \$61.0 million at November 30, 1994 compared to \$30.0 million at August 31, 1994.

The Company invested \$30.7 million in capital expenditures (excluding acquisitions) for the three months ended November 30, 1994, compared to \$27.1 million for the three months ended November 30, 1993. Capital expenditures made by the Company and construction commitments outstanding of approximately \$42.0 million are for the expansion and renovations of facilities to accommodate new inpatient and outpatient programs and to further develop certain lines of business, including home health, surgery centers and physician practices. The Company intends to continue to invest in new and existing operations within the healthcare industry.

Cash of \$18.2 million was used during the three months ended November 30, 1994 for the acquisition of healthcare related facilities and an investment in a limited partnership, of which a wholly-owned subsidiary of AMI is general partner, which acquired a hospital in Hilton Head, South Carolina. Through its subsidiaries AMI owns 70% of the limited partnership. In connection with the Company's efforts to re-establish a presence in Europe, in September 1994 the Company entered into a joint venture agreement with a community organization (the "Bürgergemeinde") located in Cham, Canton Zug, Switzerland. The joint venture is owned 90% by the Company and 10% by the Bürgergemeinde. Under the terms of the transaction, the Company will enter into a long term lease for the land where the existing hospital is located and will then construct a new 56 bed acute care wing, convert an existing structure into a medical office building and renovate and remodel the existing acute care facility. In addition, the Company plans to contract to provide management, food, physical therapy and rehabilitation services to the hospital, an on-site nursing home and an affiliated retirement community.

The Company repaid (excluding repayments on the revolving credit facility) \$3.7 million of long-term debt during the three months ended November 30, 1994 from cash provided by operating activities and short-term cash investments. The amount outstanding under the Company's \$600 million revolving credit facility at November 30, 1994 was \$262.0 million, a decrease of \$4.0 million from \$266.0 million at August 31, 1994.

Management believes that sufficient funds will be generated from operations, augmented by borrowings under the revolving credit facility, to finance operations, capital expenditures and service debt. Scheduled principal payments, excluding amounts that may become due on the revolving credit facility, will be \$155.8 million in the remainder of fiscal 1995, \$57.1 million in fiscal 1996, \$182.2 million in fiscal 1997, \$2.3 million in fiscal 1998, \$2.6 million in fiscal 1999, and \$26.9 million in fiscal 2000.

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The terms of certain indebtedness of the Company impose operating and financial restrictions requiring the Company to maintain certain financial ratios and restrict the Company's ability to incur additional indebtedness and enter into leases and guarantees of debt; to make capital expenditures; to make loans and investments; to pay dividends or repurchase shares of stock; to repurchase, retire or refinance indebtedness prior to maturity; and to purchase or sell assets. The Company has pledged the capital stock of certain direct (first tier) subsidiaries as security for its obligations under the revolving credit facility and certain other senior indebtedness. In addition, the Company has granted a security interest in its accounts receivable as security for its obligations under the revolving credit facility. Management believes that the Company is currently in compliance with all material covenants and restrictions contained in all financing agreements.

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RESULTS OF OPERATIONS

AMI's results of operations are the same as that of the Company's; therefore, separate results of operations and a discussion and analysis for AMI are not presented. The following table summarizes certain consolidated results of the Company (dollars in millions):

<TABLE>
<CAPTION>

Three Months Ended November 30,	
1994	1993
-----	-----

		% of Net Revenues		% of Net Revenues
<S>	<C>	<C>	<C>	<C>
NET REVENUES	\$ 632	100.0%	\$ 558	100.0%
OPERATING COSTS AND EXPENSES				
Salaries and benefits	237	37.5	205	36.8
Supplies	92	14.5	80	14.2
Provision for uncollectible accounts	42	6.6	39	7.0
Depreciation and amortization	41	6.5	38	6.9
Other operating costs	140	22.2	126	22.7
Total operating costs and expenses	552	87.3	488	87.6
OPERATING INCOME				
Interest expense, net	(39)	(6.2)	(39)	(6.9)
INCOME BEFORE TAXES AND MINORITY EQUITY INTEREST				
Provision for income taxes	(17)	(2.7)	(13)	(2.3)
INCOME BEFORE MINORITY EQUITY INTEREST				
Minority equity interest	(1)	(0.2)	(1)	(0.2)
NET INCOME	\$ 23	3.6%	\$ 17	3.0%

</TABLE>

The following table sets forth certain operating statistics of the Company's hospitals for the three months ended November 30, 1994 and 1993:

<TABLE>
<CAPTION>

OPERATING STATISTICS (1):	1994	1993
<S>	<C>	<C>
Admissions	62,567	57,355
Equivalent Admissions (2)	88,028	78,852
Outpatient Visits	651,725	510,789
Outpatient Surgeries	34,635	29,916
Patient days	376,198	331,827
Equivalent patient days (2)	518,036	449,966
Licensed beds occupancy rate	45.9%	44.8%
Licensed beds at end of period	9,002	8,131

<FN>

- (1) Represents statistics for hospitals only and has not been adjusted to include statistics for related healthcare entities.
- (2) Represents actual admissions/patient days as adjusted to include outpatient and emergency room services by adding to actual admissions/patient days an amount derived by dividing outpatient and emergency room revenue by inpatient revenue per admission/patient days.

</TABLE>

The results of operations for the three months ended November 30, 1994 include the results of operations of Saint Francis Hospital and Hilton Head Hospital which were acquired May 1, 1994 and September 1, 1994, respectively, and therefore, are not included in the results of operations for the three months ended November 30, 1993. For the three months ended November 30, 1994, Saint Francis Hospital and Hilton Head Hospital contributed approximately 60% of the increase in net revenues and operating expenses over the same period of the prior year. Operating expenses as a percentage of net revenues decreased to 87.3% for the three months ended November 30, 1994 compared to 87.6% for the three months ended November 30, 1993. The Company's adherence to cost management combined with the increase in net revenues resulted in an operating margin of 12.7% for the three months ended November 30, 1994 as compared to 12.4% for the three months ended November 30, 1993.

While the additional revenues recognized from the acquisition of two

hospitals contributed primarily to the growth in the reported net revenues and volume, the Company's historical hospitals experienced an increase in net revenues from growth in volume, primarily in outpatient care from existing services and the expansion of such services, and general price increases passed on for patient care services. The growth in outpatient volume of 26.9% recognized from November 30, 1994 compared to November 30, 1993 resulted in net revenues from outpatient services accounting for 31.0% of the Company's net patient revenues for the three months ended November 30, 1994 while such net revenues were 29.9% for the three months ended November 30, 1993. Net revenues derived from Medicare/Medicaid programs are a significant portion of the Company's net revenues, comprising 44.1% of the Company's net revenues for the three months ended November 30, 1994. This portion of the Company's net revenues has increased when compared to the three months ended November 30, 1993 (40.3% of net revenues) as an increasing portion of the population continues to qualify for coverage under such programs and as a result of the impact of the payer mix of the two additional hospitals. Net revenues derived from non-contracted sources for the three months ended November 30, 1994 and 1993 were 27.2% and 30.9% of net revenues, respectively. Net revenues derived from contracted sources for the three months ended November 30, 1994 and 1993 were 24.9% and 25.6% of net revenues, respectively. This decline in net revenues from contracted sources is mainly due to the impact of the two hospitals acquired, which have a greater portion of their respective volume and therefore net revenues being derived from Medicare/Medicaid programs. Net revenues from other sources for the three months ended November 30, 1994 and 1993 contributed 3.8% and 3.2%, respectively to the Company's net revenues.

The tax provision for the three months ended November 30, 1994 and 1993 is greater than that which would occur using the Company's marginal tax rate against its income before taxes and minority equity interest, due in large part to the amortization of cost in excess of net assets acquired not being deductible for tax provision purposes.

A significant portion of the Company's operating costs and expenses are subject to inflationary increases. Since the healthcare industry is labor intensive, salaries and benefits are continually affected by inflation. The Company's ability to pass on a certain portion of the increased costs associated with providing healthcare to Medicare/Medicaid patients may be limited by existing government reimbursement programs for healthcare services unless the federal and state governments correspondingly increase the rates of payments under these programs. Although the Company cannot predict its ability to continue to cover future cost increases, management believes that through the continued adherence to its cost containment programs, labor management and reasonable price increases, inflation is not expected to have a material adverse effect on operating margins.

Healthcare reform proposals have been introduced in Congress and in state legislatures that could effect changes in the healthcare delivery system, either at the national or state level. Among the proposals considered by such legislatures are healthcare coverage for an increasing percentage of the U.S. population, cost controls on healthcare providers, insurance market reforms to increase the availability of group health insurance to small businesses, requirements that all businesses offer health insurance coverage to their employees, and the creation of a single government health insurance plan (to reduce administrative costs) that would cover all citizens.

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Although none of these proposals have been adopted, a broad range of both similar and more comprehensive healthcare reform is likely to be considered at the state level. Management believes that some form of federal healthcare reform may occur; however, until such reform is finalized, management cannot predict which proposals will be adopted, if any, and until adopted the impact of any such proposals on the Company's business, results of operations, cash flows or financial condition.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No material developments in the Company's legal proceedings have occurred since the reporting of legal proceedings in the Company's Annual Report on Form 10-K for the year ended August 31, 1994.

ITEM 2. CHANGES IN SECURITIES

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

11 Computations of earnings per share.

27.1 Financial data schedule for American Medical Holdings, Inc.

27.2 Financial data schedule for American Medical International, Inc.

(b) REPORTS ON FORM 8-K

None.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by undersigned thereunto duly authorized.

Date: January 13, 1995
AMERICAN MEDICAL HOLDINGS, INC.
By: ALAN J. CHAMISON

Alan J. Chamison
Executive Vice President and Chief Financial Officer

Date: January 13, 1995
By: BARY G. BAILEY

Bary G. Bailey
Vice President and Controller

Date: January 13, 1995
AMERICAN MEDICAL INTERNATIONAL, INC.
By: ALAN J. CHAMISON

Alan J. Chamison
Executive Vice President and Chief Financial Officer

Date: January 13, 1995
By: BARY G. BAILEY

Bary G. Bailey
Vice President and Controller

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AMERICAN MEDICAL HOLDINGS, INC.
 COMPUTATIONS OF EARNINGS PER SHARE
 (IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

<TABLE>
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	THREE MONTHS ENDED NOVEMBER 30,	
	1994	1993
<S> SIMPLE	<C>	<C>
Net income	\$23,046	\$16,513
Average outstanding shares	77,567	76,938
	-----	-----
Simple net income per share	\$ 0.297	\$ 0.215
	-----	-----
	-----	-----
PRIMARY		
Net income	\$23,046	\$16,513
Adjustment for interest on debentures, net of tax	74	72
	-----	-----
Net income for primary	\$23,120	\$16,585
	-----	-----
	-----	-----
Average outstanding shares	77,567	76,938
Common stock equivalents assuming exercise of stock options	1,824	1,522
Common stock equivalents assuming conversion of debentures	186	210
	-----	-----
Shares for primary	79,577	78,670
	-----	-----
	-----	-----
Primary net income per share	\$ 0.291 (1)	\$ 0.211 (1)
	-----	-----
	-----	-----
FULLY-DILUTED		
Net income for primary	\$23,120	\$16,585
Adjustment for interest on debentures, net of tax	152	132
	-----	-----
Net income for fully-diluted	\$23,272	\$16,717
	-----	-----
	-----	-----
Shares for primary	79,577	78,670
Common stock equivalents assuming additional conversion of debentures and exercise of stock options	427	514
	-----	-----
Shares for fully-diluted	80,004	79,184
	-----	-----

Fully-diluted net income per share

\$ 0.291 (1)

\$ 0.211 (1)

<FN>
(1) The calculations for primary net income per share and fully-diluted net income per share are submitted in accordance with Regulation S-K Item 601(b)(11) although it is contrary to paragraph 40 of APB Opinion No. 15 because it produces either no dilutive effect or the effect on dilution is less than 3%.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FOR AMERICAN MEDICAL HOLDINGS, INC. EXTRACTED FROM ITEM 1 FINANCIAL STATEMENTS AND ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K OF THE REGISTRANT'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 1994.

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<CIK> 0000861439

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FOR AMERICAN MEDICAL INTERNATIONAL, INC. EXTRACTED FROM ITEM 4. FINANCIAL STATEMENTS AND ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K OF THE REGISTRANT'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 1994

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