

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
SEC Accession No. **0000950134-96-006209**

([HTML Version](#) on [secdatabase.com](#))

FILER

BEVERLY ENTERPRISES INC /DE/

CIK: **812305** | IRS No.: **954100309** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-09550** | Film No.: **96664294**
SIC: **8051** Skilled nursing care facilities

Business Address
1200 S WALDRON RD
STE 155
FORT SMITH AR 72903
5014526712

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
--- EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1996

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

COMMISSION FILE NUMBER 1-9550

BEVERLY ENTERPRISES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

95-4100309
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

5111 ROGERS AVENUE, SUITE 40-A
FORT SMITH, ARKANSAS
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

72919-0155
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (501) 452-6712

INDICATE BY CHECK MARK WHETHER 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 (OR FOR SUCH SHORTER PERIOD THAT REGISTRANT WAS
REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING
REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO
--- ---

SHARES OF REGISTRANT'S COMMON STOCK, \$.10 PAR VALUE, OUTSTANDING,
EXCLUSIVE OF TREASURY SHARES, AT OCTOBER 31, 1996 -- 99,309,569

BEVERLY ENTERPRISES, INC.

FORM 10-Q

SEPTEMBER 30, 1996

TABLE OF CONTENTS

<TABLE>
<CAPTION>

PART I -- FINANCIAL INFORMATION

<S>

	PAGE

Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets	2
Condensed Consolidated Statements of Income	3
Condensed Consolidated Statements of Cash Flows	4

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings 12
Item 6. Exhibits and Reports on Form 8-K 12
</TABLE>

1

3

PART I

BEVERLY ENTERPRISES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 1996 AND DECEMBER 31, 1995

(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	-----	-----
	(UNAUDITED)	(NOTE)
	<C>	<C>
<S>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 48,882	\$ 56,303
Accounts receivable-patient, less allowance for doubtful accounts:		
1996--\$26,045; 1995--\$22,860	507,956	514,820
Accounts receivable-nonpatient, less allowance for doubtful accounts:		
1996--\$563; 1995--\$497	10,418	15,995
Notes receivable	10,665	7,460
Operating supplies	55,946	59,109
Deferred income taxes	18,365	24,892
Prepaid expenses and other	42,065	38,013
	-----	-----
Total current assets	694,297	716,592
Property and equipment, net of accumulated depreciation and amortization:		
1996--\$628,511; 1995--\$581,025	1,241,029	1,189,985
Other assets:		
Notes receivable, less allowance for doubtful notes:		
1996--\$5,514; 1995--\$4,953	37,653	41,915
Designated and restricted funds	60,240	57,082
Goodwill, net	405,504	380,681
Other, net	121,232	120,206
	-----	-----
Total other assets	624,629	599,884
	-----	-----
	\$ 2,559,955	\$ 2,506,461
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 113,987	\$ 155,385
Short-term borrowings	64,000	78,000
Accrued wages and related liabilities	133,700	134,391
Accrued interest	13,858	10,261
Other accrued liabilities	82,958	88,869
Current portion of long-term obligations	39,182	84,639
	-----	-----
Total current liabilities	447,685	551,545
Long-term obligations	1,085,234	988,909
Deferred income taxes payable	70,856	54,687
Other liabilities and deferred items	89,528	90,987
Commitments and contingencies		
Stockholders' equity:		
Common stock, shares issued: 1996--104,146,247; 1995--102,618,241	10,415	10,262

Additional paid-in capital	770,076	766,549
Retained earnings	137,226	83,657
Treasury stock, at cost: 1996--4,879,108; 1995--3,972,208	(51,065)	(40,135)
	-----	-----
Total stockholders' equity	866,652	820,333
	-----	-----
	\$ 2,559,955	\$ 2,506,461
	=====	=====

</TABLE>

NOTE: The balance sheet at December 31, 1995 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes.

2

4

BEVERLY ENTERPRISES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 1996 AND 1995

(UNAUDITED)

(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net operating revenues	\$ 822,562	\$ 834,905	\$2,431,942	\$2,420,899
Interest income	3,377	3,505	10,312	10,267
	-----	-----	-----	-----
Total revenues	825,939	838,410	2,442,254	2,431,166
Costs and expenses:				
Operating and administrative:				
Wages and related	456,884	442,679	1,351,406	1,285,091
Other	280,147	308,177	853,637	914,490
Interest	23,417	21,598	69,545	63,872
Depreciation and amortization	27,361	25,991	78,384	77,982
	-----	-----	-----	-----
Total costs and expenses	787,809	798,445	2,352,972	2,341,435
	-----	-----	-----	-----
Income before provision for income taxes	38,130	39,965	89,282	89,731
Provision for income taxes	15,252	15,187	35,713	34,098
	-----	-----	-----	-----
Net income	\$ 22,878	\$ 24,778	\$ 53,569	\$ 55,633
	=====	=====	=====	=====
Net income per share of common stock:				
Primary:				
Net income applicable to common shares	\$ 22,878	\$ 22,715	\$ 53,569	\$ 49,445
	=====	=====	=====	=====
Net income per share of common stock	\$.23	\$.23	\$.54	\$.54
	=====	=====	=====	=====
Shares used to compute net income per share	99,163	99,879	99,740	91,736
	=====	=====	=====	=====
Fully diluted:				
Net income applicable to common shares	\$ 24,116	\$ 24,778	\$ 57,283	\$ 49,445
	=====	=====	=====	=====
Net income per share of common stock	\$.22	\$.22	\$.52	\$.54
	=====	=====	=====	=====

Shares used to compute net income per share 110,451 111,209 111,008 91,907
 =====

</TABLE>

For the three-month and nine-month periods ended September 30, 1995, net income applicable to common shares was computed by deducting preferred stock dividends from net income, when dilutive. During the fourth quarter of 1995, the Company exchanged its cumulative convertible exchangeable preferred stock into 5 1/2% convertible subordinated debentures. Primary earnings per share for the three-month and nine-month periods ended September 30, 1996 and 1995 and fully diluted earnings per share for the nine-month period ended September 30, 1995 were computed by dividing net income applicable to common shares by the weighted average number of shares of common stock outstanding during the period and the weighted average number of shares issuable upon exercise of stock options, calculated using the treasury stock method. Fully diluted earnings per share for the three-month and nine-month periods ended September 30, 1996 were computed as above and assumed conversion of the Company's 5 1/2% convertible subordinated debentures. Fully diluted earnings per share for the three-month period ended September 30, 1995 was computed as above and assumed conversion of the Company's cumulative convertible exchangeable preferred stock. Conversion of the Company's 7 5/8% convertible subordinated debentures and zero coupon notes would have an anti-dilutive effect and, therefore, were not assumed.

See accompanying notes.

BEVERLY ENTERPRISES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

(UNAUDITED)

(IN THOUSANDS)

<TABLE>
 <CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 53,569	\$ 55,633
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	78,384	77,982
Provision for reserves and discounts on patient, notes and other receivables, net	18,729	10,788
Amortization of deferred financing costs	3,417	3,346
Gains on dispositions of facilities and other assets, net	(4,924)	(1,990)
Deferred taxes	15,502	7,007
Net decrease in insurance related accounts	(8,730)	(5,154)
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable - patient	(15,858)	(29,900)
Operating supplies	2,501	106
Prepaid expenses and other receivables	(78)	616
Accounts payable and other accrued expenses	(36,174)	5,673
Income taxes payable	12,947	9,447
Other, net	(2,606)	(5,784)
Total adjustments	63,110	72,137
Net cash provided by operating activities	116,679	127,770
Cash flows from investing activities:		

Payments for acquisitions, net of cash acquired	(78,900)	(30,719)
Proceeds from dispositions of facilities and other assets	23,001	15,002
Collections on notes receivable and REMIC investment	8,859	15,337
Capital expenditures	(112,981)	(82,187)
Construction and development in progress, net	17,832	(42,436)
Other, net	(8,450)	(10,851)
	-----	-----
Net cash used for investing activities	(150,639)	(135,854)
Cash flows from financing activities:		
Revolver borrowings	932,000	661,000
Repayments of Revolver borrowings	(946,000)	(649,000)
Proceeds from issuance of long-term obligations	196,618	25,000
Repayments of long-term obligations	(142,660)	(35,759)
Purchase of common stock into treasury	(10,930)	--
Proceeds from exercise of stock options	2,503	1,950
Deferred financing costs	(6,107)	(1,621)
Dividends paid on preferred stock	(688)	(6,188)
Proceeds from designated funds, net	1,803	416
	-----	-----
Net cash provided by (used for) financing activities	26,539	(4,202)
	-----	-----
Net decrease in cash and cash equivalents	(7,421)	(12,286)
Cash and cash equivalents at beginning of period	56,303	67,964
	-----	-----
Cash and cash equivalents at end of period	\$ 48,882	\$ 55,678
	=====	=====
Supplemental schedule of cash flow information:		
Cash paid during the period for:		
Interest (net of amount capitalized)	\$ 62,531	\$ 59,695
Income taxes (net of refunds)	7,264	17,644

</TABLE>

See accompanying notes.

4

6

BEVERLY ENTERPRISES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1996

(UNAUDITED)

(i) The condensed consolidated financial statements included herein have been prepared by the Company, without audit, and include all adjustments of a normal recurring nature which are, in the opinion of management, necessary for a fair presentation of the results of operations for the three-month and nine-month periods ended September 30, 1996 and 1995 pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures in these condensed consolidated financial statements are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and the notes thereto included in the Company's 1995 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for the three-month and nine-month periods ended September 30, 1996 are not necessarily indicative of the results for a full year. Unless the context indicates otherwise, the Company means Beverly Enterprises, Inc. and its consolidated subsidiaries.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain prior year amounts have been reclassified to conform with the 1996 presentation.

(ii) The provisions for income taxes for the three-month and nine-month periods ended September 30, 1996 and 1995 were based on estimated annual effective tax rates of 40% and 38%, respectively. The Company's estimated annual effective tax rates for 1996 and 1995 are different than the federal statutory rate primarily due to the impact of state income taxes and amortization of nondeductible goodwill. The Company's estimated annual effective tax rate increased to 40% in 1996 primarily as a result of amortization of nondeductible goodwill. The provisions for income taxes consist of the following for the three-month and nine-month periods ended September 30 (in thousands):

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Federal:				
Current	\$ 6,188	\$ 8,195	\$15,687	\$21,180
Deferred	6,067	3,794	12,906	5,739
State:				
Current	1,833	2,383	4,524	5,911
Deferred	1,164	815	2,596	1,268
	-----	-----	-----	-----
	\$15,252	\$15,187	\$35,713	\$34,098
	=====	=====	=====	=====

</TABLE>

(iii) During the nine months ended September 30, 1996, the Company purchased one previously managed nursing facility (180 beds), 14 previously leased nursing facilities (1,680 beds) and certain other assets including, among other things, pharmacy, hospice and outpatient therapy businesses, for approximately \$80,400,000 cash, approximately \$1,900,000 security and other deposits and approximately \$800,000 acquired debt. The Company does not operate three of such nursing facilities which were subleased to other nursing home operators in prior year transactions. Also during such period, the Company sold or terminated the leases on 75 nursing facilities (4,382 beds) (including the three nursing facilities which were not operated by the Company, as mentioned above) and certain other assets for cash proceeds of approximately \$25,200,000 and approximately \$4,250,000 of notes receivable. The Company recognized net pre-tax gains of approximately \$4,900,000 as a result of these dispositions. The operations of these facilities were immaterial to the Company's financial position and results of operations.

The Company has entered into a definitive agreement to sell its MedView Services business unit ("MedView") to Value Health, Inc., for cash of approximately \$87,500,000. MedView provides a full range of managed care services

to the workers' compensation market and is the nation's largest workers' compensation-related Preferred Provider Organization with 120,000 member providers. It also offers case management and injury reporting and tracking services. The transaction, which is scheduled to close during the fourth quarter of 1996, is expected to generate net cash proceeds of approximately \$70,000,000. The Company anticipates using such net cash proceeds to repay indebtedness, to repurchase Common Stock and/or to make selective acquisitions.

The operations of MedView are immaterial to the Company's financial position and results of operations.

(iv) In February 1996, the Company completed the sale of \$180,000,000 of 9% Senior Notes due February 15, 2006 (the "Senior Notes") through a public offering (the "Senior Notes offering") for net cash proceeds of approximately \$174,850,000. The Company used approximately \$87,500,000 of such net proceeds to prepay certain scheduled maturities under its 1994 Term Loan, approximately \$28,000,000 to prepay certain scheduled maturities under its 1992 Term Loan, approximately \$8,750,000 to prepay certain scheduled maturities under its Nippon Term Loan, and the remaining net proceeds to repay Revolver borrowings and for general corporate purposes. The Senior Notes are unsecured obligations, guaranteed by substantially all of the Company's present and future subsidiaries, and impose on the Company certain restrictive covenants. In addition, the Company has amended certain of its other credit agreements during 1996 to change various restrictive covenants.

In May 1996, the Company filed a Registration Statement covering \$200,000,000 of debt securities, shares of preferred stock, shares of Common Stock and warrants to purchase Common Stock which may be offered, separately or together, in separate series in amounts, at prices and on terms to be determined at the time of sale. The net proceeds from the offerings are anticipated to be used for general corporate purposes, which may include, but are not limited to, working capital, capital expenditures, repayments of indebtedness and acquisitions. As of September 30, 1996, no securities have been issued under such registration statement.

In June 1996, the Company announced that its Board of Directors had authorized a stock repurchase program whereby the Company may repurchase, from time to time on the open market, up to a total of 10,000,000 shares of its outstanding Common Stock. During June 1996, the Company repurchased approximately 900,000 shares of its Common Stock at a cost of approximately \$10,900,000. The repurchases were financed primarily through proceeds from dispositions and borrowings under the Company's revolving credit facility.

In July 1996, the Company entered into a term loan facility (the "GE Capital Facility"), whereby the Company may borrow up to \$25,000,000 from time to time in separate series, in amounts and at interest rates based on the three-year U.S. Treasury Note rate plus 230 basis points at the date of funding. The GE Capital Facility requires monthly principal and interest payments and is secured by a security interest in certain lighting equipment of various nursing facilities. As of September 30, 1996, the Company had issued approximately \$6,100,000 under the GE Capital Facility.

In August 1996, the Company entered into a \$10,500,000 promissory note (the "Note") which bears interest at the rate of 9.08% per annum. The Note is due in equal monthly installments of \$107,000, including principal and interest, commencing in October 1996 with the remaining outstanding balance due in September 2003. The Note is secured by a mortgage interest in the real property and a security interest in the personal property of four nursing facilities.

(v) There are various lawsuits and regulatory actions pending against the Company arising in the normal course of business, some of which seek punitive damages. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations.

(vi) Effective July 31, 1987, Beverly Enterprises, a California corporation ("Beverly California"), became a wholly-owned subsidiary of Beverly Enterprises, Inc., a Delaware corporation ("Beverly Delaware"). Effective January 1, 1995, Beverly California changed its name to Beverly Health and Rehabilitation Services, Inc. ("BHRS") and distributed certain of its wholly-owned subsidiaries to Beverly Delaware in an effort to better focus management's attention on specific services delivered by the Company within the long-term healthcare arena. Beverly Delaware (the parent) provides financial, administrative and legal services to its subsidiaries, including BHRS, for which it charges management fees.

SEPTEMBER 30, 1996

(UNAUDITED)

The following summarized unaudited financial information concerning BHRS is being reported because BHRS's 7 5/8% convertible subordinated debentures due March 2003 and its zero coupon notes (collectively, the "Debt Securities") are publicly held. Beverly Delaware is co-obligor of the Debt Securities. Summary unaudited financial information for BHRS is as follows (in thousands):

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Total revenues	\$ 682,869	\$ 709,455	\$2,028,071	\$2,109,660
Total costs and expenses	643,503	673,154	1,937,357	2,031,519
Net income	23,619	22,506	54,428	48,447

</TABLE>

<TABLE>
<CAPTION>

	AS OF SEPTEMBER 30, 1996	AS OF DECEMBER 31, 1995
	<C>	<C>
<S>		
Current assets	\$ 403,695	\$ 421,641
Long-term assets	1,413,685	1,365,413
Current liabilities	296,749	367,074
Long-term liabilities	752,114	709,515

</TABLE>

BEVERLY ENTERPRISES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SEPTEMBER 30, 1996

(UNAUDITED)

GENERAL

Healthcare system reform and concerns over rising Medicare and Medicaid costs continue to be high priorities for both federal and state governments. Although no comprehensive healthcare, Medicare or Medicaid reform legislation has yet been implemented, pressures to contain costs and the active discussion and issues raised by the Clinton Administration, Congress and various other groups have impacted the healthcare delivery system. Many states are experimenting with alternatives to traditional Medicaid delivery systems through federal waiver programs, and efforts to provide these services more efficiently will continue to be a priority in the upcoming year. In August 1996, Congress passed the Health Insurance Portability and Accountability Act of 1996 which, among other things, provides favorable changes in the tax treatment of long-term care insurance and allows inclusion of long-term care insurance in medical savings accounts. Although the Company believes this legislation will have a favorable impact on the long-term care industry, regulations detailing the implementation of such legislation have not yet been released, and as such, the full effect is not readily determinable. There can be no assurances made as to the ultimate impact of this, or future healthcare reform legislation, on the Company's financial position, results of operations or cash flows. However, future healthcare reform legislation and regulatory changes may negatively impact the Company.

The federal government recently increased the minimum wage. The Company

does not anticipate that this new legislation will require a material increase in its wage rates, since a substantial portion of the Company's associates currently earn in excess of the new minimum wage levels; however, the Company believes there may be competitive pressures to increase the wage levels of associates earning above the new minimum wage. Although the full impact of the new minimum wage has not yet been determined, the effect on the Company's future operations is not expected to be material as the Company believes that a significant portion of such increase will be reimbursed through Medicare and Medicaid rate increases.

The Company's future operating performance will continue to be affected by the issues facing the long-term healthcare industry as a whole, including the maintenance of occupancy, its ability to continue to expand higher margin businesses, the availability of nursing, therapy and other personnel, the adequacy of funding of governmental reimbursement programs, the demand for nursing home care and the nature of any healthcare reform measures that may be taken by the federal government, as discussed above, as well as by any state governments. The Company's ability to control costs, including its wages and related expenses which continue to rise and represent the largest component of the Company's operating and administrative expenses, will also significantly impact its future operating results.

As a general matter, increases in the Company's operating costs result in higher patient rates under Medicaid programs in subsequent periods. However, the Company's results of operations will continue to be affected by the time lag in most states between increases in reimbursable costs and the receipt of related reimbursement rate increases. Medicaid rate increases, adjusted for inflation, are generally based upon changes in costs for a full calendar year period. The time lag before such costs are reflected in permitted rates varies from state to state, with a substantial portion of the increases taking effect up to 18 months after the related cost increases.

OPERATING RESULTS

THIRD QUARTER 1996 COMPARED TO THIRD QUARTER 1995

Net income was \$22,878,000 for the third quarter of 1996, as compared to net income of \$24,778,000 for the same period in 1995. Income before provision for income taxes was \$38,130,000 for the third quarter of 1996, as compared to \$39,965,000 for the same period in 1995. The Company's estimated annual effective tax rate increased to 40% in 1996, compared to 38% in 1995, primarily as a result of amortization of nondeductible goodwill.

Net operating revenues and operating and administrative costs decreased approximately \$12,300,000 and \$13,800,000, respectively, for the third quarter of 1996, as compared to the same period in 1995. These decreases consist of the following: decreases in net operating revenues and operating and administrative costs of approximately \$40,400,000 and \$32,500,000, respectively, due to the disposition of, or lease terminations on, 75 facilities in 1996 and 29 facilities in 1995; partially offset by increases in net operating revenues and operating and administrative costs for facilities which the Company operated during each of the quarters ended September 30, 1996 and 1995 ("same facility operations") of approximately \$20,700,000 and \$12,200,000, respectively; and increases in net operating revenues and operating and administrative costs of approximately \$7,400,000 and

\$6,500,000, respectively, related to the acquisitions of pharmacy, hospice and outpatient therapy businesses during 1996 and the expanded operations of American Transitional Hospitals, Inc. ("ATH").

The increase in net operating revenues for same facility operations for the

third quarter of 1996, as compared to the same period in 1995, was due primarily to increases in room and board rates of approximately \$29,200,000 and approximately \$4,100,000 due to increases in pharmacy-related revenues. This increase in net operating revenues was partially offset by the following: approximately \$5,700,000 due to a decrease in same facility occupancy to 87.7% for the third quarter of 1996, as compared to 88.7% for the same period in 1995; approximately \$5,400,000 due to decreases in ancillary revenues primarily due to the Company's continuing efforts to bring therapists on staff as opposed to contracting for their services; and approximately \$1,500,000 due to various other items.

The increase in operating and administrative costs for same facility operations for the third quarter of 1996, as compared to the same period in 1995, was due to the following: approximately \$26,900,000 due to increased wages and related expenses (excluding pharmacy) principally due to higher wages and greater benefits required to attract and retain qualified nursing, therapy and other personnel, the hiring of therapists on staff as opposed to contracting for their services and increased staffing levels in the Company's nursing facilities to cover increased patient acuity; approximately \$2,400,000 due to increases in nursing supplies and other variable costs; and approximately \$5,100,000 due to various other items. These increases in operating and administrative costs were partially offset by approximately \$22,200,000 due to a decrease in contracted therapy expenses as a result of hiring therapists on staff as opposed to contracting for their services.

Interest expense increased approximately \$1,800,000 as compared to the same period in 1995 primarily due to the exchange of Preferred Stock into 5 1/2% Convertible Subordinated Debentures in November 1995, partially offset by a reduction of approximately \$52,800,000 of long-term obligations in conjunction with the disposition of certain facilities. Although depreciation and amortization expense increased only \$1,400,000 as compared to the same period in 1995, it was affected by the following: approximately \$2,800,000 increase primarily due to capital additions and improvements as well as certain pharmacy, hospice and outpatient therapy clinic acquisitions during 1996, partially offset by a decrease of approximately \$1,400,000 related to the disposition of, or lease terminations on, certain facilities.

NINE MONTHS 1996 COMPARED TO NINE MONTHS 1995

Net income was \$53,569,000 for the nine months ended September 30, 1996, as compared to net income of \$55,633,000 for the same period in 1995. Income before provision for income taxes was \$89,282,000 for the nine months ended September 30, 1996, as compared to \$89,731,000 for the same period in 1995.

Net operating revenues and operating and administrative costs increased approximately \$11,000,000 and \$5,500,000, respectively, for the nine months ended September 30, 1996, as compared to the same period in 1995. These increases consist of the following: increases in net operating revenues and operating and administrative costs for facilities which the Company operated during each of the nine-month periods ended September 30, 1996 and 1995 ("same facility operations") of approximately \$24,900,000 and \$27,300,000, respectively; increases in net operating revenues and operating and administrative costs of approximately \$94,400,000 and \$77,400,000, respectively, related to the acquisition of Pharmacy Management Services, Inc. ("PMSI") in mid-1995, pharmacy, hospice and outpatient therapy clinic acquisitions during 1996 and the expanded operations of ATH; and decreases in net operating revenues and operating and administrative costs of approximately \$108,300,000 and \$99,200,000, respectively, due to the disposition of, or lease terminations on, 75 facilities in 1996 and 29 facilities in 1995.

The increase in net operating revenues for same facility operations for the nine months ended September 30, 1996, as compared to the same period in 1995, was due to the following: approximately \$74,300,000 due primarily to increases in room and board rates; and approximately \$5,600,000 due to one additional calendar day for the nine months ended September 30, 1996, as compared to the same period in 1995. These increases in net operating revenues were partially offset by approximately \$23,400,000 due to a decrease in same facility occupancy to 87.7% for the nine months ended September 30, 1996, as compared to 89.0% for the same period in 1995; approximately \$18,200,000 due to decreases in ancillary revenues primarily due to the Company's continuing efforts to bring therapists on staff as opposed to contracting for their services; approximately \$2,700,000

BEVERLY ENTERPRISES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

SEPTEMBER 30, 1996

(UNAUDITED)

due to decreases in pharmacy-related revenues primarily related to changes in pricing and service levels at Pharmacy Corporation of America; and approximately \$10,700,000 due to various other items.

The increase in operating and administrative costs for same facility operations for the nine months ended September 30, 1996, as compared to the same period in 1995, was due to the following: approximately \$80,800,000 due to increased wages and related expenses (excluding pharmacy) principally due to the hiring of therapists on staff as opposed to contracting for their services, higher wages and greater benefits required to attract and retain qualified nursing, therapy and other personnel and increased staffing levels in the Company's nursing facilities to cover increased patient acuity; approximately \$6,700,000 due to increases in nursing supplies and other variable costs; and approximately \$15,200,000 due to increases in pharmacy-related costs and various other items. These increases in operating and administrative costs were partially offset by approximately \$75,400,000 due to a decrease in contracted therapy expenses as a result of hiring therapists on staff as opposed to contracting for their services.

Interest expense increased approximately \$5,700,000 as compared to the same period in 1995 primarily due to the exchange of Preferred Stock into 5 1/2% Convertible Subordinated Debentures in November 1995, write-off of unamortized deferred financing costs associated with certain debt that was repaid with the net cash proceeds from the issuance of Senior Notes (as discussed below), as well as the issuance and assumption of approximately \$40,000,000 of long-term obligations in conjunction with certain acquisitions and the issuance of \$25,000,000 of taxable revenue bonds during 1995, partially offset by a reduction of approximately \$52,800,000 of long-term obligations in conjunction with the disposition of certain facilities. Although depreciation and amortization expense increased only \$400,000 as compared to the same period in 1995, it was affected by the following: approximately \$4,600,000 increase primarily due to the acquisition of PMSI in mid-1995, as well as pharmacy, hospice and outpatient therapy clinic acquisitions during 1996, partially offset by a decrease of approximately \$4,200,000 related to the disposition of, or lease terminations on, certain facilities.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1996, the Company had approximately \$48,900,000 in cash and cash equivalents and net working capital of approximately \$246,600,000. The Company anticipates that approximately \$23,900,000 of its existing cash at September 30, 1996, while not legally restricted, will be utilized to fund certain workers' compensation and general liability claims, and the Company does not expect to use such cash for other purposes. The Company had approximately \$54,700,000 of unused commitments under its Revolver/Letter of Credit Facility as of September 30, 1996.

Net cash provided by operating activities for the nine months ended September 30, 1996 was approximately \$116,700,000. Net cash used for investing activities and net cash provided by financing activities were approximately \$150,600,000 and \$26,500,000, respectively, for the nine months ended September 30, 1996. The Company primarily used cash generated from operations to fund capital expenditures, construction and development costs totaling approximately \$95,100,000. The Company received net cash proceeds of approximately \$174,850,000 from the issuance of Senior Notes (as discussed below), approximately \$16,600,000 from the issuance of certain other long-term obligations and approximately \$23,000,000 from the dispositions of facilities and other assets. Such net cash proceeds, along with cash generated from operations and cash on hand, were used to repay approximately \$142,700,000 of long-term obligations, to fund acquisitions of approximately \$78,900,000, to repurchase shares of Common Stock (as discussed below), and to repay Revolver borrowings.

In February 1996, the Company completed the sale of \$180,000,000 of 9%

Senior Notes due February 15, 2006 (the "Senior Notes") through a public offering (the "Senior Notes offering") for net cash proceeds of approximately \$174,850,000. The Company used approximately \$87,500,000 of such net proceeds to prepay certain scheduled maturities under its 1994 Term Loan, approximately \$28,000,000 to prepay certain scheduled maturities under its 1992 Term Loan, approximately \$8,750,000 to prepay certain scheduled maturities under its Nippon Term Loan, and the remaining net proceeds to repay Revolver borrowings and for general corporate purposes. The Senior Notes are unsecured obligations, guaranteed by substantially all of the Company's present and future subsidiaries, and impose on the Company certain restrictive covenants. In addition, the Company has amended certain of its other credit agreements during 1996 to change various restrictive covenants.

10

12

BEVERLY ENTERPRISES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

SEPTEMBER 30, 1996

(UNAUDITED)

In May 1996, the Company filed a Registration Statement covering \$200,000,000 of debt securities, shares of preferred stock, shares of Common Stock and warrants to purchase Common Stock which may be offered, separately or together, in separate series in amounts, at prices and on terms to be determined at the time of sale. The net proceeds from the offerings are anticipated to be used for general corporate purposes, which may include, but are not limited to, working capital, capital expenditures, repayments of indebtedness and acquisitions. As of September 30, 1996, no securities have been issued under such registration statement.

In June 1996, the Company announced that its Board of Directors had authorized a stock repurchase program whereby the Company may repurchase, from time to time on the open market, up to a total of 10,000,000 shares of its outstanding Common Stock. During June 1996, the Company repurchased approximately 900,000 shares of its Common Stock at a cost of approximately \$10,900,000. The repurchases were financed primarily through proceeds from dispositions and borrowings under the Company's revolving credit facility.

In July 1996, the Company entered into a term loan facility (the "GE Capital Facility"), whereby the Company may borrow up to \$25,000,000 from time to time in separate series, in amounts and at interest rates based on the three-year U.S. Treasury Note rate plus 230 basis points at the date of funding. The GE Capital Facility requires monthly principal and interest payments and is secured by a security interest in certain lighting equipment of various nursing facilities. As of September 30, 1996, the Company had issued approximately \$6,100,000 under the GE Capital Facility.

In August 1996, the Company entered into a \$10,500,000 promissory note (the "Note") which bears interest at the rate of 9.08% per annum. The Note is due in equal monthly installments of \$107,000, including principal and interest, commencing in October 1996 with the remaining outstanding balance due in September 2003. The Note is secured by a mortgage interest in the real property and a security interest in the personal property of four nursing facilities.

The Company has entered into a definitive agreement to sell its MedView Services business unit ("MedView") to Value Health, Inc., for cash of approximately \$87,500,000. MedView provides a full range of managed care services to the workers' compensation market and is the nation's largest workers' compensation-related Preferred Provider Organization with 120,000 member providers. It also offers case management and injury reporting and tracking services. The transaction, which is scheduled to close during the fourth quarter of 1996, is expected to generate net cash proceeds of approximately \$70,000,000. The Company anticipates using such net cash proceeds to repay indebtedness, to repurchase Common Stock and/or to make selective acquisitions. The operations of MedView are immaterial to the Company's financial position and results of operations.

The Company believes that its existing cash and cash equivalents, working capital from operations, net cash proceeds from the MedView transaction, borrowings under its banking arrangements, issuance of certain debt securities and refinancings of certain existing indebtedness will be adequate to repay its debts due within one year of approximately \$39,200,000 (including scheduled sinking fund redemption requirements with respect to the Company's 7-5/8% convertible subordinated debentures, which may be funded in whole or in part from time to time through open market purchases of such debentures), to make normal recurring capital additions and improvements for the twelve months ending September 30, 1997 of approximately \$170,000,000, to make selective acquisitions, including the purchase of previously leased facilities, and to meet working capital requirements.

As of September 30, 1996, the Company had total indebtedness of approximately \$1,124,400,000 (excluding \$64,000,000 of Revolver borrowings) and total stockholders' equity of approximately \$866,700,000. The ability of the Company to satisfy its long-term obligations will be dependent upon its future performance, which will be subject to prevailing economic conditions and to financial, business and other factors beyond the Company's control, such as federal and state healthcare reform. In addition, healthcare service providers, such as the Company, operate in an industry that is currently subject to significant changes from business combinations, new strategic alliances, legislative reform, increased regulatory oversight, aggressive marketing practices by competitors and market pressures. In this environment, the Company is frequently contacted by, and otherwise engages in discussions with, other healthcare companies and financial advisors regarding possible strategic alliances, joint ventures, business combinations and other financial alternatives. The terms of substantially all of the Company's debt instruments require the Company to repay or refinance indebtedness under such debt instruments in the event of a change of control. There can be no assurance that the Company will have the financial resources to repay such indebtedness upon a change of control. See "-- General."

PART II

BEVERLY ENTERPRISES, INC.

OTHER INFORMATION

SEPTEMBER 30, 1996

(UNAUDITED)

ITEM 1. LEGAL PROCEEDINGS

There are various lawsuits and regulatory actions pending against the Company arising in the normal course of business, some of which seek punitive damages. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations.

ITEM 6(a). EXHIBITS

<TABLE>
<CAPTION>
EXHIBIT

NUMBER	DESCRIPTION
-----	-----
<S>	<C>
10.1	Eighteenth Amendment dated as of September 30, 1996 to the LTCB Credit Agreement
10.2	Eleventh Amendment dated as of September 30, 1996 to the Nippon Credit Agreement
10.3	Fifth Amendment dated as of September 30, 1996 to the Morgan Credit Agreement
11.1	Computation of Net Income Per Share
27.1	Financial Data Schedule for the nine months ended September 30, 1996

</TABLE>

ITEM 6(b). REPORTS ON FORM 8-K

No reports on Form 8-K were filed by the Company during the quarter ended September 30, 1996.

12

14

SIGNATURES

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

BEVERLY ENTERPRISES, INC.
Registrant

Dated: November 14, 1996

By: /s/ SCOTT M. TABAKIN

Scott M. Tabakin
Executive Vice President and
Chief Financial Officer

13

15

EXHIBIT INDEX

<TABLE>	
<CAPTION>	
EXHIBIT	
NUMBER	DESCRIPTION
-----	-----
<S>	<C>
10.1	Eighteenth Amendment dated as of September 30, 1996 to the LTCB Credit Agreement
10.2	Eleventh Amendment dated as of September 30, 1996 to the Nippon Credit Agreement
10.3	Fifth Amendment dated as of September 30, 1996 to the Morgan Credit Agreement
11.1	Computation of Net Income Per Share
27.1	Financial Data Schedule for the nine months ended September 30, 1996

</TABLE>

EIGHTEENTH AMENDMENT TO CREDIT AGREEMENT
AMONG
BEVERLY ENTERPRISES, INC.,
BEVERLY HEALTH AND REHABILITATION SERVICES, INC.,
THE SUBSIDIARY GUARANTORS LISTED HEREIN,
THE LENDERS LISTED HEREIN,
BANK OF MONTREAL, AS CO-AGENT,
AND
THE LONG-TERM CREDIT BANK OF JAPAN, LTD.
LOS ANGELES AGENCY, AS AGENT

DATED AS OF SEPTEMBER 30, 1996

THIS EIGHTEENTH AMENDMENT, dated as of September 30, 1996 (this "AMENDMENT"), is entered into by and among BEVERLY ENTERPRISES, INC., a Delaware corporation ("BEI"), BEVERLY HEALTH AND REHABILITATION SERVICES, INC. (formerly known as Beverly California corporation), a California corporation ("BORROWER"), the SUBSIDIARY GUARANTORS listed on the signature pages hereof (together with BEI, the "GUARANTORS"), the LENDERS listed on the signature pages hereof (collectively, the "LENDERS"), BANK OF MONTREAL as co-agent for the Lenders (in such capacity, the "CO-AGENT"), and THE LONG-TERM CREDIT BANK OF JAPAN, LTD., Los Angeles Agency ("LTCB"), as agent for the Lenders (in such capacity, the "AGENT"). This Amendment amends the Credit Agreement dated March 24, 1992 by and among BEI, Borrower, Co-Agent, Agent and Lenders, as amended by a First Amendment to Credit Agreement dated April 7, 1992, a Second Amendment to Credit Agreement dated as of May 11, 1992, a Third Amendment to Credit Agreement dated as of March 1, 1993, a Fourth Amendment to Credit Agreement dated as of November 1, 1993, a Fifth Amendment to Credit Agreement dated as of March 21, 1994, a Sixth Amendment to Credit Agreement dated as of April 22, 1994, a Seventh Amendment to Credit Agreement dated as of May 2, 1994, an Eighth Amendment to Credit Agreement dated as of November 1, 1994, a Ninth Amendment to Credit Agreement dated as of November 9, 1994, a Tenth Amendment to Credit Agreement dated as of December 6, 1994, an Eleventh Amendment to Credit Agreement dated as of March 27, 1995, a Twelfth Amendment to Credit Agreement dated as of October 23, 1995, a Thirteenth Amendment to Credit Agreement dated as of September 29, 1995, a Fourteenth Amendment to Credit Agreement dated as of December 7, 1995, a Fifteenth Amendment to Credit Agreement dated as of February 12, 1996, a Sixteenth Amendment to Credit Agreement dated as of June 5, 1996 and a Seventeenth Amendment to Credit Agreement dated as of June 28, 1996 (said Credit Agreement, as so amended, the "CREDIT AGREEMENT"), as set forth herein. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement.

RECITALS

WHEREAS, Borrower desires to amend the Credit Agreement in certain respects;

WHEREAS, Lenders, Co-Agent and Agent have agreed to approve such amendments; and

WHEREAS, Guarantors desire to reaffirm the effectiveness respectively of the Subsidiary Guaranty Agreement and the BEI Guaranty Agreement.

NOW, THEREFORE, in consideration of the terms and conditions herein contained, the parties agree as follows:

AGREEMENT

SECTION 1. AMENDMENT TO SUBSECTION 1.1 OF THE CREDIT AGREEMENT

Subsection 1.1 of the Credit Agreement is hereby amended by adding the following proviso at the end of the definition of "Consolidated Capital Expenditures":

" , provided, that for purposes of this clause (B) up to \$20,000,000 to be borrowed from Bank United for the purpose of financing the construction of nursing homes shall, if such Debt is incurred in October 1996, be deemed to have been incurred in September 1996."

SECTION 2. REPRESENTATIONS AND WARRANTIES

In order to induce Agent, Co-Agent and Lenders to enter into this Amendment, each of BEI and Borrower represents and warrants to Agent, Co-Agent and Lenders that:

(a) The representations and warranties of each Loan Party contained in the Credit Agreement are true, correct and complete in all material respects on and as of the date hereof to the same extent as though made on and as of the date hereof except to the extent that such representations and warranties specifically relate to an earlier date, in which case they are true, correct and complete in all material respects as of such earlier date;

(b) No event has occurred and is continuing or would result from the execution of this Amendment that constitutes an Event of Default or Potential Event of Default;

(c) Each Loan Party has performed in all material respects all agreements and satisfied all conditions that the Credit Agreement and this Amendment provide shall be performed by it on or before the date hereof;

(d) The execution, delivery and performance of this Amendment and the Credit Agreement as amended by this Amendment, by each Loan Party are within the corporate power and authority of each such Loan Party and, as of the Eighteenth Amendment Effective Date (as hereinafter defined), will be duly authorized by all necessary corporate action on the part of each Loan Party, and this Amendment, as of the Eighteenth Amendment Effective Date, is duly executed and delivered by each of such Loan Parties and will constitute a valid and binding agreement of each of such Loan Parties, enforceable against such Loan Parties in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or by equitable principles relating to enforceability. The Credit Agreement constitutes and, as of the Eighteenth Amendment Effective Date, the Credit Agreement, as amended by this Amendment, will constitute, a valid and binding agreement of BEI and Borrower, enforceable against BEI and Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles, relating to or limiting creditors' rights generally or by equitable principles relating to enforceability;

(e) The execution and delivery by each Loan Party of this Amendment and the performance by each Loan Party of the Credit Agreement as amended by this Amendment, do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to any Loan Party, the Certificate or Articles of Incorporation or Bylaws of any Loan Party or any order, judgment or decree of any court or other agency of government binding on any Loan Party, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any instrument that is material, individually or in the aggregate, and that is binding on such Loan Party, (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of any Loan Party (other than any Liens created under any of the Loan Documents in favor of Agent on behalf of Lenders), or (iv) require any approval or consent of any Person under any instrument that is material, individually or in the aggregate, and that is binding on such Loan Party; and

(f) The execution and delivery by each Loan Party of this Amendment and the performance by each Loan Party of the Credit Agreement as amended by this Amendment, do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

SECTION 3. CONDITIONS TO EFFECTIVENESS

Section 1 of this Amendment shall become effective only upon delivery to Agent for Lenders by BEI, Borrower and each Subsidiary Guarantor (with sufficient originally executed copies for each Lender) of executed counterparts of this Amendment and delivery by Requisite Lenders to Agent of a counterpart of this Amendment originally executed by a duly authorized officer of such Lender or by telex or telephonic confirmation, the date of the last such

delivery being referred to herein as the "EIGHTEENTH AMENDMENT EFFECTIVE DATE").

SECTION 4. THE GUARANTIES

Each Guarantor acknowledges that it has reviewed the terms and provisions of the Credit Agreement and this Amendment and consents to the amendment of the Credit Agreement effected pursuant to this Amendment. Each Guarantor hereby confirms that the Guaranty Agreement and the Collateral Documents to which it is a party or otherwise bound and all Collateral encumbered thereby will continue to guaranty or secure, as the case may be, to the fullest extent possible the payment and performance of all Obligations, Guaranteed Obligations (as defined in the applicable Guaranty Agreements) and Secured Obligations (as defined in the Collateral Documents), as the case may be, including, without limitation, the payment and performance of all Obligations of Borrower now or hereafter existing under or in respect of the Credit Agreement as amended by this Amendment and the Notes defined therein.

Each Guarantor acknowledges and agrees that any of the Guaranty Agreements and the Collateral Documents to which it is a party or otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment. Each Guarantor represents and warrants that all representations and warranties contained in the Credit Agreement as amended by this Amendment and the Guaranty Agreements and the Collateral Documents to which it is a party or otherwise bound are true, correct and complete in all material respects on and as of the Eighteenth Amendment Effective Date to the same extent as though made on and as of that date except to the extent that such representations and warranties specifically relate to an earlier date, in which case they are true, correct and complete in all material respects as of such earlier date.

Each Guarantor acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Guarantor is not required by the terms of the Credit Agreement or any other Loan Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment or any other Loan Document and (ii) that neither the terms of the Credit Agreement, any other Loan Document nor this

5

Amendment shall be deemed to require the consent of any Guarantor to any future amendments to the Credit Agreement.

SECTION 5. COUNTERPARTS; EFFECTIVENESS

This Amendment may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

SECTION 6. FEES AND EXPENSES

Borrower acknowledges that all costs, fees and expenses as described in subsection 10.4 of the Credit Agreement incurred by Agent and its counsel with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower.

SECTION 7. EFFECT OF AMENDMENT

It is hereby agreed that, except as specifically provided herein, this Amendment does not in any way affect or impair the terms and conditions of the Credit Agreement, and all terms and conditions of the Credit Agreement are to remain in full force and effect unless otherwise specifically amended or changed pursuant to the terms and conditions of this Amendment.

SECTION 8. APPLICABLE LAW

This Amendment and the rights and obligations of the parties hereto and all other aspects hereof shall be deemed to be made under, shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York without regard to principles of conflicts of laws.

[Remainder of page intentionally left blank]

6

WITNESS the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

BEI:

BEVERLY ENTERPRISES, INC.

By: _____
Title: _____

BORROWER:

BEVERLY HEALTH AND REHABILITATION
SERVICES, INC. (formerly known as Beverly
California Corporation)

By: _____
Title: _____

AGENT, CO-AGENT AND LENDERS:

THE LONG-TERM CREDIT BANK OF JAPAN, LOS ANGELES
AGENCY, as Agent and as a Lender

By:

Title:

BANK OF MONTREAL,
as Co-Agent and as a Lender

By:

Title:

S-1

7

LENDERS:

INTERNATIONALE NEDERLANDEN (U.S.)
CAPITAL CORPORATION

By:

Title:

U.S. NATIONAL BANK OF OREGON

By:

Title:

THE SUBSIDIARY GUARANTORS:

A.B.C. Health Equipment Corp.

Alliance Health Services, Inc.

Alliance Home Health Care, Inc.

Amco Medical Service, Inc.

American Transitional Hospitals -- Texas
Medical Center, Inc.

ATH Clear Lake, Inc.

ATH Columbus, Inc.

ATH Oklahoma City, Inc.

Beverly Acquisition Corporation

Beverly Assisted Living, Inc.

Beverly Enterprises - Alabama, Inc.

Beverly Enterprises - Arkansas, Inc.

Beverly Enterprises -- Delaware, Inc.

S-2

8

Beverly Enterprises -- District of Columbia,
Inc.

Beverly Enterprises -- Florida, Inc.

Beverly Enterprises -- Georgia, Inc.

Beverly Enterprises -- Iowa, Inc.

Beverly Enterprises -- Maine, Inc.

Beverly Enterprises -- Maryland, Inc.
Beverly Enterprises -- Massachusetts, Inc.
Beverly Enterprises -- Minnesota, Inc.
Beverly Enterprises -- Mississippi, Inc.
Beverly Enterprises -- Missouri, Inc.
Beverly Enterprises -- Montana, Inc.
Beverly Enterprises -- Nebraska, Inc.
Beverly Enterprises -- Nevada, Inc.
Beverly Enterprises -- New Hampshire, Inc.
Beverly Enterprises -- New Mexico, Inc.
Beverly Enterprises -- North Carolina, Inc.
Beverly Enterprises -- North Dakota, Inc.
Beverly Enterprises -- Oklahoma, Inc.
Beverly Enterprises -- Oregon
Beverly Enterprises -- Rhode Island, Inc.
Beverly Enterprises -- Vermont, Inc.
Beverly Enterprises -- Wisconsin, Inc.
Beverly Enterprises -- Wyoming, Inc.
Beverly Enterprises Medical Equipment
Corporation

S-3

9

Beverly Enterprises Rehabilitation Corporation
Beverly Holdings I, Inc.
Beverly Real Estate Holdings, Inc.

Beverly Remic Depositor, Inc.
Brownstone Pharmacy, Inc.
Commercial Management, Inc.
DD Wholesale, inc.
Dunnington Drug, Inc.
Dunnington RX Services of Rhode Island, Inc.
Dunnington RX Services of Massachusetts, Inc.
Hallmark Convalescent Homes, Inc.
Healthcare Prescription Services, Inc.
Hospital Facilities Corporation
Insta-Care Holdings, Inc.
Insta-Care Pharmacy Services Corporation
Insurance Software Packages, Inc.
Medical Health Industries, Inc.
Medview services, Incorporated
Moderncare of Lumberton, Inc.
Nebraska City S-C-H, Inc.
Omni Med B, Inc.
Pharmacy Corporation of America --
Massachusetts, Inc.
Pharmacy Dynamics Group, Inc.
Phymedsco, Inc.

Resource Opportunities, Inc.
Spectra Rehab Alliance, Inc.
South Dakota - Beverly Enterprises, Inc.
TMD Disposition Company
Vantage Healthcare Corporation
AGI-Camelot, Inc.
AGI-McDonald County Health Care, Inc.
Beverly Enterprises - Arizona, Inc.
Beverly Enterprises - California, Inc.
Beverly Enterprises - Colorado, Inc.
Beverly Enterprises - Connecticut, Inc.
Beverly Enterprises - Garden Terrace, Inc.
Beverly Enterprises - Hawaii, Inc.
Beverly Enterprises - Idaho, Inc.
Beverly Enterprises - Illinois, Inc.
Beverly Enterprises - Indiana, Inc.
Beverly Enterprises - Kansas, Inc.
Beverly Enterprises - Kentucky, Inc.
Beverly Enterprises - Louisiana, Inc.
Beverly Enterprises - Michigan, Inc.
Beverly Enterprises - New Jersey, Inc.
Beverly Enterprises - Ohio, Inc.
Beverly Enterprises - Pennsylvania, Inc.
Beverly Enterprises - South Carolina, Inc.
Beverly Enterprises - Tennessee, Inc.

Beverly Enterprises - Texas, Inc.

Beverly Enterprises - Utah, Inc.

S-5

11

Beverly Enterprises - Virginia, Inc.

Beverly Enterprises - Washington, Inc.

Beverly Enterprises - West Virginia, Inc.

Beverly Indemnity, Ltd.

Beverly Manor Inc. of Hawaii

Beverly Savana Cay Manor, Inc.

Columbia-Valley Nursing Home, Inc.

Computran Systems, Inc.

Continental Care Centers of Council Bluffs,
Inc.

Forest City Building Ltd.

Home Medical Systems, Inc.

Kenwood View Nursing Home, Inc.

Liberty Nursing Homes, Incorporated

Medical Arts Health Facility of Lawrenceville,
Inc.

Nursing Home Operators, Inc.

Petersen Health Care, Inc.

Pharmacy Corporation of America

Salem No. 1, Inc.

South Alabama Nursing Home, Inc.

American Transitional Care Centers of Texas,
Inc.

American Transitional Care Dallas-Ft. Worth,
Inc.

American Transitional Health Care, Inc.

American Transitional Hospitals, Inc.

American Transitional Hospitals of Indiana,
Inc.

American Transitional Hospitals of Oklahoma,
Inc.

S-6

12

American Transitional Hospitals of Tennessee,
Inc.

ATH Del Oro, Inc.

ATH Heights, Inc.

ATH Tucson, Inc.

Beverly Enterprises Japan Limited

AdviNet, Inc.

Beverly Crest Corporation

Beverly Enterprises-Distribution Services, Inc.

Hospice Preferred Choice, Inc.

Beverly Rehabilitation Services, Inc.

Synergos, Inc.

Synergos-Scottsdale, Inc.

Synergos-Pleasant Hill, Inc.

Synergos-North Hollywood, Inc.

By:

Title:

S-7

ELEVENTH AMENDMENT
TO CREDIT AGREEMENT
AMONG
BEVERLY ENTERPRISES, INC.,
BEVERLY HEALTH AND REHABILITATION SERVICES, INC.
(FORMERLY KNOWN AS BEVERLY CALIFORNIA CORPORATION),
THE SUBSIDIARY GUARANTORS LISTED HEREIN,
THE LENDERS LISTED HEREIN,
AND
THE NIPPON CREDIT BANK, LTD.
LOS ANGELES AGENCY, AS AGENT

Dated as of September 30, 1996

THIS ELEVENTH AMENDMENT dated as of September 30, 1996 (this "AMENDMENT"), is entered into by and among BEVERLY ENTERPRISES, INC., a Delaware corporation ("BEI"), BEVERLY HEALTH AND REHABILITATION SERVICES, INC. (formerly known as Beverly California Corporation), a California corporation ("BORROWER"), the SUBSIDIARY GUARANTORS listed on the signature pages hereof (together with BEI, the "GUARANTORS"), the LENDERS listed on the signature pages hereof (such lenders, together with each Person that may or has become a party to the Credit Agreement (as hereinafter defined) pursuant to subsection 10.8 thereof, are referred to herein individually as a "LENDER" and collectively as the "LENDERS"), and THE NIPPON CREDIT BANK, LTD., Los Angeles Agency ("NIPPON"), as agent for the Lenders (in such capacity, the "AGENT"). This Amendment amends the Credit Agreement dated as of March 2, 1993 by and among BEI, Borrower, Agent and Lenders, as amended by that certain First Amendment to Credit Agreement dated as of May 6, 1994, as further amended by that certain Second Amendment to Credit Agreement dated as of May 19, 1994, as further amended by that certain Third Amendment to Credit Agreement dated as of November 1, 1994, as further amended by that certain Fourth Amendment to Credit Agreement dated as of November 9, 1994, as further amended by that certain Fifth Amendment to Credit Agreement dated as of December 30, 1994, as further amended by that certain Sixth Amendment to Credit Agreement dated as of July 25, 1995, as further amended by that certain Seventh Amendment to Credit Agreement dated as of September 29, 1995, as further amended by that certain Eighth Amendment to Credit Agreement dated as of February 14, 1996, as further amended by that certain Ninth Amendment to Credit Agreement dated as of April 22, 1996, and as further amended by that certain Tenth Amendment to Credit Agreement dated as of June 28, 1996 (as so amended, the "CREDIT AGREEMENT"), as set forth herein.

RECITALS

WHEREAS, Borrower desires to amend the Credit Agreement in certain respects;

WHEREAS, Lenders and Agent have agreed to approve such amendments;

WHEREAS, Guarantors desire to reaffirm the effectiveness respectively of the Subsidiary Guaranty Agreement and the BEI Guaranty Agreement;

AGREEMENT

NOW, THEREFORE, in consideration of the terms and conditions herein contained, BEI, Borrower, Guarantors, Agent and Lenders agree as follows:

1. DEFINITIONS, INTERPRETATION. All capitalized terms defined above and elsewhere in this Amendment shall be used herein as so defined. Unless otherwise defined herein, all other capitalized terms used herein shall have the respective meanings given to those terms in the Credit Agreement, as amended by this Amendment. The rules of construction set forth in Section I of the Credit Agreement shall, to the extent not inconsistent with the terms of this Amendment, apply to this Amendment and are hereby incorporated by reference.

2. AMENDMENT TO CREDIT AGREEMENT. Subject to conditions set forth in paragraph 4 hereof, the Credit Agreement is hereby amended by adding the following proviso at the end of the definition of "Consolidated Capital Expenditures" set forth in Subsection 1.1:

"provided, that for purposes of this clause (B) up to \$20,000,000 to be borrowed from Bank United for the purpose of financing the construction of nursing homes shall, if such Debt is incurred in October 1996, be deemed to have been incurred in September 1996."

3. REPRESENTATIONS AND WARRANTIES. In order to induce the Agent and the Lenders to enter into this Amendment, each of BEI and Borrower represents and warrants to the Agent and the Lenders that:

(a) The representations and warranties of each Loan Party contained in the Credit Agreement are true, correct and complete in all material respects on and as of the date hereof to the same extent as though made on and as of the date hereof except to the extent that such representations and warranties specifically relate to an earlier date, in which case they are true, correct and complete in all material respects as of such earlier date;

(b) No event has occurred and is continuing or would result from the execution of this Amendment that constitutes an Event of Default or Potential Event of Default;

(c) Each Loan Party has performed in all material respects all agreements and satisfied all conditions that the Credit Agreement and this Amendment provide shall be performed by it on or before the date hereof;

(d) The execution, delivery and performance of this Amendment, and the Credit Agreement as amended by this Amendment, by each Loan Party which is a party thereto are within the corporate power and authority of each such Loan Party and, as of the Eleventh Amendment Effective Date (as hereinafter defined), will be duly authorized by all necessary corporate action on the part of each Loan Party, and this Amendment as of the Eleventh Amendment Effective Date, are duly executed and delivered by each of such Loan Parties which is a party thereto and will constitute a valid and binding agreement of each of such Loan Parties, enforceable against such Loan Parties in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or by equitable principles relating to enforceability. The Credit Agreement constitutes and, as of the Eleventh Amendment Effective Date, the Credit Agreement, as amended by this Amendment, will constitute, a valid and binding agreement of each applicable Loan Party, enforceable against each applicable Loan Party in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles, relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(e) The execution and delivery by each applicable Loan Party of this Amendment, and the performance by each such Loan Party of the Credit Agreement as amended by this Amendment, do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to any Loan Party, the Certificate or Articles of Incorporation or Bylaws of any Loan Party or any order, judgment or decree of any court or other agency of government binding on any Loan Party, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any instrument that is material, individually or in the aggregate, and that is binding on such Loan Party, (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of any Loan Party, or (iv) require any approval or consent of any Person under any instrument that is material, individually or in the aggregate, and that is binding on such Loan Party.

4

(f) The execution and delivery by each applicable Loan Party of this Amendment, and the performance by each such Loan Party of the Credit Agreement as amended by this Amendment, do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

4. CONDITIONS TO EFFECTIVENESS. Section 2 of this Amendment shall become effective only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of such conditions being referred to herein as the "ELEVENTH AMENDMENT EFFECTIVE DATE"):

(a) On or before the Eleventh Amendment Effective Date, Borrower shall deliver to the Lenders (or to the Agent for the Lenders with sufficient originally executed copies, as appropriate, for each Lender and its counsel) the following, each, unless otherwise noted, dated the Eleventh Amendment Effective Date, duly executed and delivered by the parties thereto:

(i) Signature and incumbency certificates of each of BEI, Borrower and each Subsidiary Guarantor of its respective officers executing this Amendment certified by such party's respective secretary or assistant secretary; and

(ii) Executed counterparts of this Amendment.

(b) On or before the Eleventh Amendment Effective Date, all corporate and other proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incidental thereto not previously found acceptable by the Agent, acting on behalf of the Lenders, and its counsel shall be satisfactory in form and substance to the Agent and such counsel, and the Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as the Agent may reasonably request.

(c) On or before the Eleventh Amendment Effective Date, the Borrower shall have caused payment to the Agent of all amounts regarding the costs and expenses reasonably incurred by Agent in connection with this Amendment.

5. ACKNOWLEDGMENT AND AGREEMENT OF GUARANTORS. Each Guarantor acknowledges that it has reviewed the terms and provisions of the Credit Agreement and this Amendment and consents to the amendment of the Credit Agreement effected pursuant to this Amendment. Each Guarantor hereby confirms that the Guaranty Agreement and the Collateral Documents to which it is a party

or otherwise bound and all Collateral encumbered thereby will continue to guaranty or secure, as the case may be,

4

5

to the fullest extent possible the payment and performance of all Obligations, Guaranteed Obligations (as defined in the applicable Guaranty Agreements) and Secured Obligations (as defined in the Collateral Documents), as the case may be, including, without limitation, the payment and performance of all obligations of Borrower now or hereafter existing under or in respect of the Credit Agreement as amended by this Amendment and the Notes defined therein.

Each Guarantor acknowledges and agrees that any of the Guaranty Agreements and the Collateral Documents to which it is a party or otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment. Each Guarantor represents and warrants that all representations and warranties contained in the Credit Agreement as amended by this Amendment and the Guaranty Agreements and the Collateral Documents to which it is a party or otherwise bound are true, correct and complete in all material respects on and as of the Eleventh Amendment Effective Date to the same extent as though made on and as of that date except to the extent that such representations and warranties specifically relate to an earlier date, in which case they are true, correct and complete in all material respects as of such earlier date.

Each Guarantor acknowledges and agrees that in addition to all the other waivers agreed to and made by Guarantor as set forth in the Guaranty Agreement and the Collateral Documents to which it is a party or otherwise bound, and pursuant to the provisions of California Civil Code Section 2856, "Guarantor waives all rights and defenses arising out of an election of remedies by the creditor, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the Guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the Code of Civil Procedure or otherwise."

Each Guarantor acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Guarantor is not required by the terms of the Credit Agreement or any other Loan Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment or any other Loan Document and (ii) that neither the terms of the Credit Agreement, any other Loan Document nor this Amendment shall be deemed to require the consent of any Guarantor to any future amendments to the Credit Agreement.

6. EFFECTIVENESS; COUNTERPARTS. This Amendment may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same

5

6
instrument. This Amendment (other than the provisions of Section 2) shall become effective upon the execution of a counterpart hereof by all Lenders and each of the Loan Parties and receipt of written or telephonic notification of such execution and authorization of delivery thereof.

7. FEES AND EXPENSES. The Borrower acknowledges that all costs, fees and expenses as described in subsection 10.4 of the Credit Agreement incurred by the Agent and its counsel with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of the Borrower.

8. EFFECT OF AMENDMENT. It is hereby agreed that, except as specifically provided herein, this Amendment does not in any way affect or impair the terms and conditions of the Credit Agreement, and all terms and conditions of the Credit Agreement are to remain in full force and effect unless otherwise specifically amended or changed pursuant to the terms and conditions of this Amendment.

9. APPLICABLE LAW. This Amendment and the rights and obligations of the parties hereto and all other aspects hereof shall be deemed to be made under, shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York without regard to principles of conflicts of laws.

6

7
WITNESS the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

BEI:

BEVERLY ENTERPRISES, INC.

By:

Title:

BORROWER:

BEVERLY HEALTH AND REHABILITATION
SERVICES, INC.

By:

Title:

AGENT:

THE NIPPON CREDIT BANK, LTD.,
LOS ANGELES AGENCY,
as Agent

By:

Title:

S-1

8

LENDERS:

THE NIPPON CREDIT BANK, LTD.,
LOS ANGELES AGENCY,
as a Lender

By:

Title:

TORONTO-DOMINION (TEXAS), INC.,
as a Lender

By:

Title:

[Signatures Continued)

S-2

9

Taylor County Health Facility,
Incorporated

Alliance Health Services, Inc.

Healthcare Prescription Services, Inc.

Dunnington Drugs, Inc.

Insta-Care Holdings, Inc.

AdviNet, Inc.

Beverly Crest Corporation

Beverly Enterprises - Distribution
Services, Inc.

Hospice Preferred Choice, Inc.

Beverly Rehabilitation Services, Inc.

Synergos, Inc.

Synergos-Scottsdale, Inc.

Synergos-Pleasant Hill, Inc.

Synergos-North Hollywood, Inc.

By: _____

Title: _____

AMENDMENT NO. 5 TO CREDIT AGREEMENT

AMENDMENT dated as of September 30, 1996 among BEVERLY HEALTH & REHABILITATION SERVICES, INC., a California corporation (the "Borrower"), BEVERLY ENTERPRISES, INC., a Delaware corporation (the "Guarantor"), the BANKS listed on the signature pages hereof (the "Banks") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent and Issuing Bank.

W I T N E S S E T H:

WHEREAS, the parties hereto have heretofore entered into a Credit Agreement dated as of November 1, 1994 (as amended, the "Credit Agreement"); and

WHEREAS, the parties hereto desire to amend the Credit Agreement as hereinafter provided;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Definitions; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement shall have the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall from and after the date hereof refer to the Credit Agreement as amended hereby.

SECTION 2. Amendment to Definition of Consolidated Net Capital Expenditures. Section 1.01 of the Credit Agreement is hereby amended by adding the following proviso at the end of the definition of "Consolidated Net Capital Expenditures":

' provided, that for purposes of this clause (D) up to \$20,000,000 to be borrowed from Bank United in October 1996 for the purpose of financing the construction of nursing homes shall be deemed to have been incurred in September 1996.

SECTION 3. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 4. Counterparts; Effectiveness. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same

instrument. This Amendment shall become effective as of the date hereof when the Agent shall have received duly executed counterparts hereof signed by the Borrower, the Guarantor and the Required Banks (or, in the case of any party as to which an executed counterpart shall not have been received, the Agent shall have received telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party).

2

3

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

THE BORROWER

BEVERLY HEALTH & REHABILITATION SERVICES, INC.

By

THE GUARANTOR

BEVERLY ENTERPRISES, INC.

By

BANKS

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By

Title:

THE CHASE MANHATTAN BANK, AS SUCCESSOR TO
CHEMICAL BANK

By

Title:

3

4

THE BANK OF NEW YORK

By

Title:

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.,
LOS ANGELES AGENCY

By

Title:

NATIONSBANK OF TEXAS, N.A.

By

Title:

PNC BANK, NATIONAL ASSOCIATION

By

Title:

BANK OF AMERICA

By

Title:

BANK OF MONTREAL

By

Title

THE BANK OF NOVA SCOTIA

By

Title:

BHF-BANK AKTIENGESELLSCHAFT

By

Title:

By

Title:

THE NIPPON CREDIT BANK, LTD.

By

Title:

BANK OF HAWAII

By

Title:

AGENT AND ISSUING BANK

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,
as Agent and Issuing Bank

By

Title:

BEVERLY ENTERPRISES, INC.

EXHIBIT 11.1

COMPUTATION OF NET INCOME PER SHARE

THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 1996 AND 1995

(UNAUDITED)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
PRIMARY:				
Net income	\$ 22,878	\$ 24,778	\$ 53,569	\$ 55,633
Preferred stock dividends	--	(2,063)	--	(6,188)
Net income applicable to common shares	\$ 22,878	\$ 22,715	\$ 53,569	\$ 49,445
Applicable common shares:				
Weighted average outstanding shares during the period ...	98,239	98,257	98,652	90,121
Weighted average shares issuable upon exercise of common stock equivalents outstanding (principally stock options) using the "treasury stock" method	924	1,622	1,088	1,615
Total	99,163	99,879	99,740	91,736
Net income per share of common stock	\$ 0.23	\$ 0.23	\$ 0.54	\$ 0.54
FULLY DILUTED:				
Net income	\$ 22,878	\$ 24,778	\$ 53,569	\$ 55,633
Reduction of interest expense resulting from assumed conversion of 7 5/8% convertible subordinated debentures	-- (a)	-- (a)	-- (a)	-- (a)
Reduction of interest expense resulting from assumed conversion of 5 1/2% convertible subordinated debentures	2,063	--	6,189	--
Reduction of interest expense resulting from assumed conversion of zero coupon notes	-- (a)	-- (a)	-- (a)	-- (a)
Less applicable income taxes	(825)	--	(2,475)	--
Adjusted net income	24,116	24,778	57,283	55,633
Preferred stock dividends	--	--	--	(6,188)
Adjusted net income applicable to common shares	\$ 24,116	\$ 24,778	\$ 57,283	\$ 49,445
Applicable common shares:				
Weighted average outstanding shares during the period ...	98,239	98,257	98,652	90,121
Assumed conversion of cumulative convertible exchangeable preferred stock	-- (b)	11,253	-- (b)	-- (a)
Weighted average shares issuable upon exercise of common stock equivalents outstanding (principally stock options) using the "treasury stock" method	959	1,699	1,103	1,786
Assumed conversion of 7 5/8% convertible subordinated debentures	-- (a)	-- (a)	-- (a)	-- (a)
Assumed conversion of 5 1/2% convertible subordinated debentures	11,253	--	11,253	--
Assumed conversion of zero coupon notes	-- (a)	-- (a)	-- (a)	-- (a)
Total	110,451	111,209	111,008	91,907
Net income per share of common stock	\$ 0.22	\$ 0.22	\$ 0.52	\$ 0.54

</TABLE>

- (a) Conversion would be anti-dilutive and is therefore not assumed in the computation of earnings per share of common stock.
- (b) The cumulative convertible exchangeable preferred stock was exchanged into 5 1/2% convertible subordinated debentures during the fourth quarter of 1995.

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS INCLUDED IN ITS QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-END>	SEP-30-1996
<CASH>	48,882
<SECURITIES>	0
<RECEIVABLES>	555,647<F1>
<ALLOWANCES>	26,608<F2>
<INVENTORY>	55,946
<CURRENT-ASSETS>	694,297
<PP&E>	1,869,540
<DEPRECIATION>	628,511
<TOTAL-ASSETS>	2,559,955
<CURRENT-LIABILITIES>	447,685
<BONDS>	1,085,234
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	10,415
<OTHER-SE>	856,237
<TOTAL-LIABILITY-AND-EQUITY>	2,559,955
<SALES>	2,431,942
<TOTAL-REVENUES>	2,442,254
<CGS>	0
<TOTAL-COSTS>	2,205,043
<OTHER-EXPENSES>	78,384
<LOSS-PROVISION>	0<F3>
<INTEREST-EXPENSE>	69,545
<INCOME-PRETAX>	89,282
<INCOME-TAX>	35,713
<INCOME-CONTINUING>	53,569
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	53,569
<EPS-PRIMARY>	.54
<EPS-DILUTED>	.52
<FN>	

<F1>EXCLUDES \$43,167 OF LONG-TERM NOTES RECEIVABLE.

<F2>EXCLUDES \$5,514 OF ALLOWANCE FOR LONG-TERM NOTES RECEIVABLE.
<F3>INCLUDED IN TOTAL COSTS AND EXPENSES LINE.
</FN>

</TABLE>