

SECURITIES AND EXCHANGE COMMISSION

FORM S-3

Registration statement for specified transactions by certain issuers

Filing Date: **1995-02-22**
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FILER

NATIONAL MEDICAL ENTERPRISES INC /NV/

CIK: **70318** | IRS No.: **952557091** | State of Incorporation: **NV** | Fiscal Year End: **0531**
Type: **S-3** | Act: **33** | File No.: **033-57801** | Film No.: **95514312**
SIC: **8062** General medical & surgical hospitals, nec

Mailing Address

P O BOX 4070
SANTA MONICA CA 90404

Business Address

P O BOX 4070
SANTA MONICA CA 90404
3103158000

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

NATIONAL MEDICAL ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

<TABLE>

<S> NEVADA (State or other jurisdiction of incorporation or organization)	<C>	95-2557091 (I.R.S. Employer Identification No.)
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</TABLE>

2700 COLORADO AVENUE
SANTA MONICA, CALIFORNIA 90404
(310) 998-8000

(Address, including zip code, and telephone number including area code,
of Registrant's Principal Executive Offices)

SCOTT M. BROWN, ESQ.
SENIOR VICE PRESIDENT
SECRETARY AND GENERAL COUNSEL
NATIONAL MEDICAL ENTERPRISES, INC.
2700 COLORADO AVENUE
SANTA MONICA, CALIFORNIA 90404
(310) 998-8000

(Name, address, including zip code, and telephone
number including area code, of agent for service)

COPIES OF ALL COMMUNICATIONS TO:

<TABLE>

<S> THOMAS C. JANSON, JR. Skadden, Arps, Slate, Meagher & Flom 300 South Grand Avenue, Suite 3400 Los Angeles, California 90071 (213) 687-5000	<C>	CHARLES E. GERBER, ESQ. Neal, Gerber & Eisenberg Two LaSalle Street Chicago, Illinois 60602 (312) 269-8000
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
FROM TIME TO TIME AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

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

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

CALCULATION OF REGISTRATION FEE

<TABLE>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE (2) (3)
<S>	<C>	<C>	<C>	<C>

Common Stock, par value
\$0.075 per share..... 20,296,518 shares \$15.4375 \$313,327,497.63 \$108,144.72

<FN>

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933 on the basis of the average high and low prices of the Common Stock on the New York Stock Exchange on February 14, 1995.
- (2) The registration fee for the securities registered hereby has been calculated pursuant to Section 6(b) of the Securities Act and Rule 457(f) promulgated thereunder as follows: the sum of one twenty-ninth of one percent of the product of \$15.4375 (the average of the high and low sales price of a share of NME Common Stock on the New York Stock Exchange on February 14, 1995).
- (3) Pursuant to Rule 457(b) promulgated under the Securities Act and Section 14(g) (2) of the Exchange Act and Rule 0-11 promulgated thereunder, only one fee per transaction is required to be paid. A fee of \$131,660.54 was previously paid on November 17, 1994 in connection with the filing by the Company of a Registration Statement on Form S-4 (File No. 33-57485) in connection with a merger between the Company and American Medical Holdings, Inc. The offering of the shares registered hereby was originally included on such registration statement in the preliminary Information Statement/Prospectus and the appropriate fee was paid by the Company. At the time the Registration Statement on Form S-4 was declared effective by the Commission, the shares offered hereby were not included. The actual fee in connection with the filing of the Form S-4 was \$59,590.88. As a result, the Company paid an excess fee of \$72,069.66 in connection with the Form S-4. Pursuant to Rule 457(b) promulgated under the Securities Act and Section 14(g) (2) of the Exchange Act and Rule 0-11 promulgated thereunder, the excess fee paid in connection with the previous filing has been credited against the registration fee payable in connection with this filing. Additionally, pursuant to Section 6(b) of the Securities Act, a fee of \$100.00 is required at the time of filing this Registration Statement. Accordingly, a fee of \$36,075.06 is being submitted herewith.

</TABLE>

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED FEBRUARY 22, 1995

PROSPECTUS

NATIONAL MEDICAL ENTERPRISES, INC.

20,296,518 SHARES OF COMMON STOCK
(\$0.075 PAR VALUE)

THE 20,296,518 SHARES OF COMMON STOCK, PAR VALUE \$0.075 PER SHARE (THE "COMMON STOCK"), OF NATIONAL MEDICAL ENTERPRISES, INC. ("NME" OR THE "COMPANY") COVERED HEREUNDER MAY BE OFFERED FOR SALE FROM TIME TO TIME BY AND FOR THE ACCOUNT OF CERTAIN SHAREHOLDERS OF THE COMPANY (THE "SELLING SHAREHOLDERS"). THE COMPANY WILL NOT RECEIVE ANY OF THE PROCEEDS FROM THE SALE OF ANY OF THE COMMON STOCK OFFERED BY THE SELLING SHAREHOLDERS. SEE "SELLING SHAREHOLDERS." THE COMMON STOCK IS LISTED ON THE NEW YORK STOCK EXCHANGE (THE "NYSE") AND THE PACIFIC STOCK EXCHANGE (THE "PSE").

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND

EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE COMPANY, PURSUANT TO AGREEMENTS WITH THE SELLING SHAREHOLDERS, HAS AGREED TO PAY SUBSTANTIALLY ALL OF THE EXPENSES OF ANY OFFERING AND SALE HEREUNDER (NOT INCLUDING FEES, COMMISSIONS AND DISCOUNTS OF UNDERWRITERS, DEALERS OR AGENTS).

THE COMMON STOCK WILL BE SOLD DIRECTLY, THROUGH AGENTS, UNDERWRITERS OR DEALERS AS DESIGNATED FROM TIME TO TIME, OR THROUGH A COMBINATION OF SUCH METHODS ON TERMS TO BE DETERMINED AT THE TIME OF SALE AT MARKET PRICES OBTAINABLE AT THE TIME OF SALE OR OTHERWISE IN PRIVATE NEGOTIATED TRANSACTIONS AT PRICES DETERMINED BY NEGOTIATION.

THE DATE OF THIS PROSPECTUS IS FEBRUARY , 1995

NO DEALER, SALESPERSON, OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE COMMON STOCK OFFERED HEREBY OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE COMMON STOCK BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OF SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices at Room 3190 Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661 and 7 World Trade Center, 13th Floor, New York, NY 10048. Copies of such material may be obtained from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Reports, proxy statements and other information filed by the Company may be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005 and at the offices of the PSE at 301 Pine Street, San Francisco, California 94104.

The Company has filed with the Commission a Registration Statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act") with respect to the Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, relates only to the Common Stock, and does not contain all the information set forth in the Registration Statement, certain items of which are contained in schedules and exhibits to the Registration Statement as permitted by the rules and regulations of the Commission. Statements contained in this Prospectus as to the contents of any agreement, instrument or other document referred to are not necessarily complete. With respect to each such agreement, instrument or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

This Prospectus incorporates by reference certain documents relating to the Company which are not delivered herewith. These documents (other than the exhibits to such documents, unless such exhibits are specifically incorporated by reference into such documents) are available without charge, on oral or written request by any person, including any beneficial owner, to whom this Prospectus is delivered, from the Company, 2700 Colorado Avenue, Santa Monica, California 90404, telephone number (310) 998-8000, Attention: Scott M. Brown, Esq., Senior Vice President, Secretary and General Counsel.

The following documents have been filed with the Commission pursuant to the Exchange Act (File No. 0-11290) and are incorporated in this Prospectus by reference and are made a part hereof:

1. Annual Report on Form 10-K for the fiscal year ended May 31, 1994 (the "NME 10-K");

2. Form 10K/A filed with the Commission on January 18, 1995 which amends the aforesaid Annual Report on Form 10-K;

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3. Quarterly Reports on Form 10-Q for the quarterly periods ended August 31, 1994 and November 30, 1994;

4. Current Report on Form 8-K filed with the Commission on January 31, 1995;

5. Current Report on Form 8-K filed with the Commission on February 10, 1995;

6. The portions of NME's Proxy Statement for the Annual Meeting of Shareholders held on September 28, 1994 that have been incorporated by reference into the NME 10-K;

7. The portions of NME's Annual Report to Shareholders for the fiscal year ended May 31, 1994 that have been incorporated by reference into the NME 10-K;

8. The description of the Company's Common Stock which is contained in the Registration Statement on Form 8-A filed with the Commission on April 8, 1971, pursuant to Section 12 of the Exchange Act, including any amendments or reports filed for the purpose of updating such description; and

9. The description of certain preferred stock purchase rights which are attached to the Company's Common Stock which is contained in the Registration Statement on Form 8-A filed with the Commission on December 9, 1988, pursuant to Section 12 of the Exchange Act, including any amendments or reports filed for the purpose of updating such description.

All documents and reports filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Common Stock shall be deemed to be incorporated by reference in this Prospectus and shall be a part hereof from the date of filing of such documents. Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

NATIONAL MEDICAL ENTERPRISES, INC.

The Company is a hospital-based healthcare services company that owns and operates acute care hospitals and related health care facilities. The Company's principal executive offices are located at 2700 Colorado Avenue, Santa Monica, California 90404 and its telephone number is (310) 998-8000.

USE OF PROCEEDS

All of the shares of Common Stock covered hereby are being offered by the Selling Shareholders. The Company will not receive any proceeds from the sales of Common Stock by the Selling Shareholders.

SELLING SHAREHOLDERS

On October 10, 1994, NME, AMH Acquisition Co., a Delaware corporation and a newly formed, wholly owned subsidiary of NME ("Merger Sub"), and American Medical Holdings, Inc., a Delaware corporation ("AMH"), entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which Merger Sub will be merged with and into AMH and AMH will become a wholly owned subsidiary of NME (the "Merger"). At the time the Merger becomes effective (the "Effective Time"), each outstanding share of common stock, par value \$0.01 per share, of AMH (the "AMH Common Stock"), other than shares held by AMH stockholders who have elected appraisal rights and shares held by NME and its

subsidiaries, will be converted into the right to receive (i) 0.42 of a share of common stock, par value \$0.075 per share, of NME (the "NME Common Stock") and (ii) \$19.00 in cash (\$19.25 in cash if the Merger is consummated after March 31, 1995) (collectively, the "Merger Consideration"). The aggregate Merger Consideration will be approximately \$1.5 billion in cash and

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approximately 32.7 million shares of NME Common Stock. Under certain limited circumstances, AMH stockholders will, at the option of AMH, be entitled to receive \$6.88 in cash per share in lieu of the NME Common Stock constituting part of the Merger Consideration. As of January 10, 1995, AMH had an aggregate of 77,622,233 shares of common stock outstanding, not including 186,054 shares issuable upon the expected conversion of AMI's 9 1/2% Convertible Subordinated Debentures due 2001 (the "AMI 9 1/2% Convertible Debentures"). AMH has received written consents executed by the holders of record of approximately 61.4% of the outstanding shares of AMH Common Stock (the "Consenting Holders") approving and adopting the Merger and the Merger Agreement. The shares of NME Common Stock to be issued pursuant to the Merger, other than the shares to be received by the Consenting Holders, were registered pursuant to a Registration Statement on Form S-4 which has previously been filed by NME with the Commission under the Securities Act. NME is registering for resale pursuant to this Registration Statement the shares of NME Common Stock to be issued pursuant to the Merger to the Consenting Holders, as well as certain shares held by "affiliates" of AMH.

The Selling Shareholders and the Company are parties to a Registration Rights Agreement dated as of February 22, 1995 (the "Registration Rights Agreement") pursuant to which the Company granted certain registration rights to the Selling Shareholders and any of their partners, shareholders, beneficiaries or other similar persons to whom they may distribute any of the Securities which were acquired by the Selling Shareholders under the Merger Agreement. Pursuant to the Registration Rights Agreement, the Company agreed to prepare and file with the Commission a Registration Statement under the Securities Act. Under the terms of the Registration Rights Agreement, the Company has agreed to pay the fees and expenses incurred in connection with the registration (including the fees and expenses up to a maximum of \$50,000 for one counsel on behalf of all of the Selling Shareholders); provided, however, that the Company will not pay any underwriting fees, discounts, commissions or fees of similar securities industry professionals attributable to the sale or distribution of the Securities.

The table below sets forth certain information with respect to the Selling Shareholders and their beneficial ownership of Common Stock as of February 15, 1995 and includes information with respect to positions, offices or other material relationships of the Selling Shareholders with the Company, or any of its predecessors or affiliates, during the past three years.

<TABLE>
<CAPTION>

NAME	SHARES OF COMMON STOCK OWNED PRIOR TO THE OFFERING	NUMBER OF SHARES OF COMMON STOCK OFFERED	APPROXIMATE PERCENTAGE OF SHARES OWNED
<S>	<C>	<C>	<C>
GKH Investments L.P. (1) (2).....	10,382,050	10,382,050	5.1%
GKH Private Limited (2) (3).....	392,530	392,530	*
MB L.P. I (4).....	4,450,018	4,450,018	2.2%
1987 Merchant Investment Partnership (4).....	298,270	298,270	*
Mellon Bank, N.A., as trustee for First Plaza Group Trust (5).....	4,478,727	4,478,727	2.2%
John T. Casey (6).....	97,776	97,776	*
Sheldon S. King.....	420	420	*
William E. Mayer.....	10,500	10,500	*
Robert W. O'Leary (6).....	185,364	185,364	*
Harold M. Williams.....	863	863	*
Total.....	20,296,518	20,296,518	

<FN>
-
*Less than one percent beneficially owned.
</TABLE>

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<TABLE>

<S> <C>

- (1) Does not include 392,530 shares of Common Stock owned by GKH Private Limited, a corporation the assets of which are managed by GKH Partners, L.P., the general partner of GKH Investments, L.P. ("GKH").
- (2) A corporation wholly owned by Melvyn N. Klein, a director of American Medical Holdings, Inc. ("AMH"), serves as a general partner of GKH. A corporation wholly owned by Dan W. Lufkin, a director of AMH, serves as a general partner of GKH. Harold S. Handelsman, a director of AMH, is an officer of, and Thomas J. Pritzker a nominee to the board of directors of NME is an officer and director of a corporation which is the general partner of a limited partnership which is a general partner of GKH. By virtue of their relationships to GKH Investments, L.P. and GKH's relationship to GKH Private Limited, Messrs. Klein, Lufkin, Handelsman, and Pritzker may be deemed to share beneficial ownership of the shares of Common Stock beneficially owned by GKH Investments, L.P. and GKH Private Limited. Messrs. Klein, Lufkin, Handelsman and Pritzker disclaim beneficial ownership of such shares.
- (3) Does not include 10,382,050 shares of Common Stock owned by GKH Investments, L.P.
- (4) Robert B. Calhoun, Jr., a director of AMH, is a major stockholder in and President of Clipper Asset Management Corporation, the sole general partner of The Clipper Group, L.P., a Delaware limited partnership ("Clipper"). Pursuant to an Asset Management Agreement with C.S. First Boston Corporation and certain of its affiliates, Clipper manages certain investments for such persons, including the 4,450,018 shares of Common Stock indicated in the above table which are held in the name of MB L.P.I and an additional 298,270 shares of Common Stock held in the name of 1987 Merchant Investment Partnership, which are listed separately in the above table. Under the Asset Management Agreement, Clipper has sole power to vote the shares of the Common Stock, but does not have the power (sole or shared) to dispose of any such shares, Clipper is not an affiliate of C.S. First Boston Corporation. Mr. Calhoun disclaims beneficial ownership of such shares.
- (5) Mellon Bank, N.A., acts as the trustee (the "Trustee") for First Plaza Group Trust ("First Plaza"), a trust under and for the benefit of certain employee benefit plans of General Motors Corporation ("GM") and its subsidiaries. These shares may be deemed to be owned beneficially by General Motors Investment Management Corporation ("GMIMCo"), a wholly owned subsidiary of GM. GMIMCo's principal business is providing investment advice and investment management services with respect to the assets of certain employee benefit plans of GM and its subsidiaries and with respect to the assets of certain direct and indirect subsidiaries of GM and associated entities. GMIMCo is serving as First Plaza's investment manager with respect to these shares and in that capacity it has the sole power to direct the Trustee as to the voting and disposition of these shares. Because of the Trustee's limited role, beneficial ownership of the shares by the Trustee is disclaimed.
- (6) Pursuant to the Merger Agreement, Messrs. O'Leary and Casey have been nominated by AMH to serve on the Board of Directors of NME. Each of these nominees has agreed to serve as a director of NME following the Merger.

</TABLE>

Because the Selling Shareholders may sell all or part of their shares of Common Stock offered hereby, no estimate can be given as to the number of shares of Common Stock that will be held by any Selling Shareholder upon termination of any offering made hereby.

PLAN OF DISTRIBUTION

Any distribution hereunder of the Common Stock by the Selling Shareholders may be effected from time to time in one or more of the following transactions: (a) through brokers, acting as principal or agent, in transactions (which may involve block transactions), in special offerings, on the NYSE, on the PSE, in the over-the-counter market, or otherwise, at market prices obtainable at the time of sale, at prices related to such prevailing market prices, at negotiated prices or at fixed prices, (b) to underwriters who will acquire shares of Common Stock for their own account and resell such shares in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale (any public offering price and any discount or concessions allowed or reallocated or paid to dealers may be changed from time to time), (c) directly or through brokers or agents in private sales at negotiated prices, (d) to lenders pledged as collateral to secure loans, credit or other financing arrangements and any subsequent foreclosure, if any,

thereunder, or (e) by any other legally available means or (f) to their Distributees as defined in the Registration Rights Agreement. Also, offers to purchase the Common Stock may be solicited by agents designated by the Selling Shareholders from time to time. Underwriters or other agents participating in an offering made pursuant to this Prospectus (as amended or supplemented from time to time) may receive underwriting discounts and commissions under the Securities Act, and discounts or concessions may be allowed or reallocated or paid to dealers, and brokers or agents participating in such transactions may receive brokerage or agent's commissions or fees.

At the time a particular offering of any Common Stock is made hereunder, to the extent required by law, a Prospectus Supplement will be distributed which will set forth the amount of Common Stock being offered and the terms of the offering, including the purchase price or public offering price, the name or names of any underwriters, dealers or agents, the purchase price paid by any underwriter for any Common Stock purchased from the Selling Shareholders, any discounts, commissions and other items constituting compensation from the Selling Shareholders and any discounts, commissions or concessions allowed or filed or paid to dealers.

In order to comply with the securities laws of certain states, if applicable, the Common Stock will be sold hereunder in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the Common Stock may not be sold hereunder unless the Common Stock has been registered or qualified for sale in such state or an exemption from registration or qualification is available and complied with.

The Company has been advised that, as of the date hereof, the Selling Shareholders have made no arrangement with any broker for the sale of their shares of Common Stock. The Selling Shareholders and any underwriters, brokers or dealers involved in the sale of the Common Stock may be considered "underwriters" as that term is defined by the Securities Act, although the Selling Shareholders and such brokers and dealers disclaim such status.

LEGAL MATTERS

The validity of the Common Stock in respect of which this Prospectus is being delivered will be passed on for the Company by Scott M. Brown, Esq., Senior Vice President, Secretary and General Counsel for the Company.

EXPERTS

The consolidated financial statements and schedules of the Company as of May 31, 1994 and 1993, and for each of the years in the three-year period ended May 31, 1994, have been incorporated by reference herein and in the Registration Statement in reliance upon the reports of KPMG Peat Marwick LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The report of KPMG Peat Marwick LLP covering the May 31, 1994 consolidated financial statements refers to a change in the method of accounting for income taxes.

The consolidated financial statements of American Medical Holdings, Inc. incorporated in this Registration Statement by reference to the Current Report on Form 8-K filed with the Commission on February 10, 1995 have been so incorporated in reliance on the report of Price Waterhouse LLP, independent accountants, given on authority of said firm as experts in auditing and accounting.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

<TABLE> <S>	<C>
Commission Filing Fee.....	\$ 36,075.06
Blue sky fees and expenses.....	15,000.00
Stock Exchange listing fees.....	116,000.00
Legal fees and expenses.....	50,000.00
Accounting fees and expenses.....	5,000.00
Miscellaneous.....	15,000.00

Total.....	\$237,075.06

<FN>

*All of the above amounts, except for the Commission filing fee, have been estimated.

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ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 78.751 of the Nevada General Corporation Law ("Nevada Law") provides generally and in pertinent part that a Nevada corporation may indemnify its directors and officers against expenses, judgments, fines, and settlements actually and reasonably incurred by them in connection with any civil suit or action, except actions by or in the right of the corporation, or any administrative or investigative proceeding if, in connection with the matters in issue, they acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the corporation, and in connection with any criminal suit or proceeding, if in connection with the matters in issue, they had no reasonable cause to believe their conduct was unlawful. Section 78.751 further provides that, in connection with the defense or settlement of any action by or in the right of the corporation, a Nevada corporation may indemnify its directors and officers against expenses actually and reasonably incurred by them if, in connection with the matters in issue, they acted in good faith, in a manner they reasonably believed to be in, or not opposed to, the best interest of the corporation. Section 78.751 further permits a Nevada corporation to grant its directors and officers additional rights of indemnification through by-law provisions and otherwise.

Article X of the Restated Articles of Incorporation of the Registrant and Article IX of the Restated By-Laws of the Registrant provide that the Registrant shall indemnify its directors and officers to the fullest extent permitted by Nevada Law. The Registrant has entered into indemnification agreements with each of its directors and executive officers. Such indemnification agreements are intended to provide a contractual right to indemnification, to the maximum extent permitted by law, for expenses (including attorneys' fees), judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by the person to be indemnified in connection with any proceeding (including, to the extent permitted by applicable law, any derivative action) to which they are, or are threatened to be made, a party by reason of their status in such positions. Such indemnification agreements do not change the basic legal standards for indemnification set forth under Nevada Law or the Restated Articles of Incorporation of the Registrant. Such agreements are intended to be in furtherance, and not in limitation of, the general right to indemnification provided in the Registrant's Restated Articles of Incorporation.

Section 78.037 of the Nevada Law provides that the articles of incorporation may contain a provision eliminating or limiting the personal liability of a director or officer to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director provided that such provision shall not eliminate or limit the liability of a director or officer (i) for acts or omissions which involve intentional misconduct or a knowing violation of law, or (ii) under Section 78.300 of the Nevada Law (relating to liability for unauthorized acquisitions or redemptions of, or dividends on, capital stock).

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Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 16. EXHIBITS

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- 2.1 Agreement and Plan of Merger, dated as of October 10, 1994, by and among NME, AMH Acquisition Co. and American Medical Holdings, Inc. (Incorporated by reference to Exhibit 2(A) to NME's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1994)
- 4.1 Registration Rights Agreement dated as of February 22, 1995 by and between the Registrant and the Selling Shareholders*
- 5.1 Opinion of Scott M. Brown, Esq.*
- 23.1 Consent of Scott M. Brown, Esq. (included as part of Exhibit 5)*
- 23.2 Consent of KPMG Peat Marwick LLP*
- 23.3 Consent of Price Waterhouse LLP*
- 24 Powers of Attorney (set forth on signature page of the Registration Statement)*

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

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

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

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

PROVIDED, HOWEVER, that paragraphs (a)(i) and (a)(ii) shall not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

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

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

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an

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employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

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

policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirement of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Monica, State of California on February 22, 1995.

NATIONAL MEDICAL ENTERPRISES, INC.

By: /s/ JEFFREY C. BARBAKOW

Jeffrey C. Barbakow
CHAIRMAN OF THE BOARD OF DIRECTORS
AND CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeffrey C. Barbakow, Raymond L. Mathiasen and Scott M. Brown and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
----- <C> /s/ JEFFREY C. BARBAKOW ----- Jeffrey C. Barbakow ATTORNEY-IN-FACT	<S> Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	<C> February 22, 1995
----- /s/ MICHAEL H. FOCHT, SR. ----- Michael H. Focht, Sr.	President, Chief Operating Officer and Director	February 22, 1995
----- /s/ RAYMOND L. MATHIASEN ----- Raymond L. Mathiasen ATTORNEY-IN-FACT	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 22, 1995

</TABLE>

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<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
----- <C> /s/ BERNICE B. BRATTER ----- Bernice B. Bratter	<S> Director	<C> February 22, 1995
/s/ MAURICE J. DEWALD	Director	February 22, 1995

Maurice J. Dewald		
/s/ PETER DE WETTER	Director	February 22, 1995
Peter de Wetter		
/s/ EDWARD EGBERT, M.D.	Director	February 22, 1995
Edward Egbert, M.D.		
/s/ RAYMOND A. HAY	Director	February 22, 1995
Raymond A. Hay		
/s/ LESTER B. KORN	Director	February 22, 1995
Lester B. Korn		
/s/ JAMES P. LIVINGSTON	Director	February 22, 1995
James P. Livingston		
/s/ RICHARD S. SCHWEIKER	Director	February 22, 1995
Richard S. Schweiker		

</TABLE>

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EXHIBIT INDEX

<TABLE>

<CAPTION>

EXHIBIT NO.	DESCRIPTION	PAGE NO.
<C>	<S>	<C>
2.1	Agreement and Plan of Merger, dated as of October 10, 1994, by and among NME, AMH Acquisition Co. and American Medical Holdings, Inc. (Incorporated by reference to Exhibit 2(A) to NME's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1994)	
4.1	Registration Rights Agreement dated as of February 22, 1995 by and between the Registrant and the Selling Shareholders*	
5.1	Opinion of Scott M. Brown, Esq.*	
23.1	Consent of Scott M. Brown, Esq. (included as part of Exhibit 5)*	
23.2	Consent of KPMG Peat Marwick LLP*	
23.3	Consent of Price Waterhouse LLP*	
24	Powers of Attorney (set forth on signature page of the Registration Statement)*	

<FN>

*Filed herewith

</TABLE>

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REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made and entered into as of February 22, 1995, by and among National Medical Enterprises, Inc., a Nevada corporation (together with its permitted successors and assigns, the "Company"), and the persons whose signatures appear on the execution pages of this Agreement (the "Stockholders").

This Agreement is made pursuant to the Agreement and Plan of Merger by and among the Company, AMH Acquisition Co. and American Medical Holdings, Inc. dated as of October 10, 1994 (the "Merger Agreement"), pursuant to which the Stockholders will receive shares of Common Stock (as defined below) of the Company.

The parties hereto, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, intending to be bound hereby, agree as follows:

SECTION 1. DEFINITIONS.

As used in this Agreement, the following terms shall have the following meanings:

ADVICE: See Section 4 hereof.

AFFILIATE means, with respect to any specified person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

BUSINESS DAY means any day that is not a Saturday, a Sunday or a legal holiday on which banking institutions in the State of New York are not required to be open.

COMMON STOCK means the Common Stock, par value \$.075 per share, of the Company, or any other shares of capital stock of the Company into which such stock shall be reclassified or changed (by operation of law or otherwise). If the Common Stock has been so reclassified or changed, or if the Company pays a dividend or makes a distribution on its Common Stock in shares of capital stock, or subdivides (or combines) its outstanding shares of Common Stock into a greater (or smaller) number of shares of Common Stock, a share of Common Stock shall be deemed to be such number of shares of capital stock and amount of other securities to which a holder of a share of Common Stock outstanding immediately

prior to such reclassification, exchange, dividend, distribution, subdivision or combination would be entitled.

DELAY PERIOD: See Section 2(b) hereof.

DISTRIBUTE: See Section 6.4 hereof.

EFFECTIVENESS PERIOD: See Section 2(b) hereof.

EXCHANGE ACT means the Securities Exchange Act of 1934, as amended.

PERSON means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

PROSPECTUS means the prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable

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Shares covered by such Registration Statement and all other amendments and supplements to the prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

REGISTRABLE SHARES means the shares of Common Stock issued to the Stockholders pursuant to the Merger Agreement or thereafter distributed by the Stockholder to a Distributee, until in the case of any such share (i) it has been effectively registered under Section 5 of the Securities Act and disposed of pursuant to an effective registration statement under the Securities Act, (ii) it has been transferred other than pursuant to Rule "4(1- 1/2)" (or any similar private transfer exemption) under the Securities Act or (iii) it may be transferred by a holder without registration pursuant to Rule 144 under the Securities Act or any successor rule without regard to the volume limitation contained in such rule.

REGISTRATION STATEMENT means any registration statement of the Company that covers any of the Registrable Shares pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

SEC means the Securities and Exchange Commission.

SECURITIES ACT means the Securities Act of 1933, as amended.

SHELF REGISTRATION: See Section 2(a) hereof.

STOCKHOLDERS: See the introductory clauses hereof.

UNDERWRITTEN REGISTRATION OR UNDERWRITTEN OFFERING means a registration in which securities of the Company are sold to or through one or more underwriters for reoffering or sale to the public.

SECTION 2. SHELF REGISTRATION.

(a) The Company shall file with, and shall cause to be declared effective by, the SEC prior to the Effective Time (as defined in the Merger Agreement), a Registration Statement under the Securities Act relating to the Registrable Shares, which Registration Statement shall provide for the sale by the holders thereof of the Registrable Shares from time to time on a delayed or continuous basis pursuant to Rule 415 under the Securities Act (a "Shelf Registration").

(b) The Company agrees to use its best efforts to keep the Registration Statement filed pursuant to this Section 2 continuously effective and usable for the resale of Registrable Shares for a period ending on the earlier of (i) two years from the Effective Time (as defined in the Merger Agreement) and (ii) the first date on which all the Registrable Shares covered by such Shelf Registration have been sold pursuant to such Registration Statement. The foregoing notwithstanding, the Company shall have the right in its sole discretion, based on any valid business purpose (including without limitation to avoid the disclosure of any corporate development that the Company is not otherwise obligated to disclose or to coordinate such distribution with other shareholders that have registration rights with respect to any securities of the Company or with other distributions of the Company (whether for the account of the Company or otherwise)), to suspend the use of the Registration Statement for a reasonable length of time (a "Delay Period") and from time to time; PROVIDED, that (i) the aggregate number of days in all Delay Periods occurring in any period of twelve consecutive months shall not exceed 90 and (ii) the Company shall not have the right to commence any Delay Period prior to the 90th day after the Effective Time. The Company shall provide written notice to each holder of Registrable Shares covered by each Shelf Registration of the beginning and end of each Delay Period and such holders shall cease all disposition efforts with respect to Registrable Shares held by them immediately upon receipt of notice of the beginning of any Delay Period. The two year time period for which the Company is required to maintain the effectiveness of the Registration Statement shall be extended by the aggregate number of days of all Delay Periods and such two year period or the extension thereof required by the preceding sentence is hereafter referred to as the "Effectiveness Period."

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(c) The Company may, in its sole discretion, include other securities in such Shelf Registration (whether for the account of the Company or otherwise, including without limitation any securities of the Company held by security holders, if any, who have piggyback registration rights with respect thereto) or otherwise combine the offering of the Registrable Shares with any offering of

other securities of the Company (whether for the account of the Company or otherwise).

SECTION 3. HOLD-BACK AGREEMENT.

Each holder of Registrable Shares agrees, if such holder is requested by an underwriter in an underwritten offering for the Company (whether for the account of the Company or otherwise), not to effect any public sale or distribution of any of the Company's equity securities, including a sale pursuant to Rule 144 (except as part of such underwritten registration), during the 10-day period prior to, and during the 80-day period beginning on, the closing date of such underwritten offering; PROVIDED, that neither the Company nor any underwriter may request a holder not to effect any such sales or distributions prior to the 90th day after the Effective Time.

SECTION 4. REGISTRATION PROCEDURES.

In connection with the registration obligations of the Company pursuant to and in accordance with Section 2 hereof (and subject to the Company's rights under Section 2), the Company will use its best efforts to effect such registration to permit the sale of such Registrable Shares in accordance with the intended method or methods of disposition thereof (other than pursuant to any underwritten registration or underwritten offering), and pursuant thereto the Company shall as expeditiously as possible:

(a) prepare and file with the SEC such amendments (including post-effective amendments) to the Registration Statement, and such supplements to the Prospectus, as may be required by the rules, regulations or instructions applicable to the Securities Act or the rules and regulations thereunder during the applicable period in accordance with the intended methods of disposition by the sellers thereof (other than pursuant to any underwritten registration or underwritten offering) and cause the Prospectus as so supplemented to be filed pursuant to Rule 424 under the Securities Act;

(b) notify the selling holders of Registrable Shares promptly and (if requested by any such person) confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the SEC for amendments or supplements to a Registration Statement or related Prospectus or for additional information regarding such holder, (iii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, and (v) of the happening of any event that requires the making of any changes in such Registration Statement, Prospectus or documents so that they will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(c) use commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement, or the lifting of any suspension of the qualification or exemption from qualification of any of the Registrable Shares for sale in any jurisdiction in the United States;

(d) if requested by the selling holders, furnish to counsel for the selling holders of Registrable Shares, without charge, one conformed copy of each Registration Statement as declared effective by the SEC and of each post-effective amendment thereto, in each case including financial statements and schedules and all exhibits and reports incorporated or deemed to be incorporated therein by reference; and such number of copies of the preliminary prospectus, each amended preliminary

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prospectus, each final Prospectus and each post-effective amendment or supplement thereto, as the selling holders may reasonably request in order to facilitate the disposition of the Registrable Shares covered by each Registration Statement in conformity with the requirements of the Securities Act;

(e) prior to any public offering of Registrable Shares register or qualify such Registrable Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions in the United States as any selling holder shall reasonably request in writing; and do any and all other reasonable acts or things necessary or advisable to enable such holders to consummate the disposition in such jurisdictions of such Registrable Shares covered by the Registration Statement; PROVIDED, HOWEVER, that the Company shall in no event be required to qualify generally to do business as a foreign corporation or as a dealer in any jurisdiction where it is not at the time so qualified or to execute or file a general consent to service of process in any such jurisdiction where it has not theretofore done so or to take any action that would subject it to general service of process or taxation in any such jurisdiction where it is not then subject;

(f) except during any Delay Period, upon the occurrence of any event contemplated by paragraph 4(b)(ii) or 4(b)(v) above, prepare a supplement or post-effective amendment to each Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Shares being sold thereunder, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(g) cause all Registrable Shares covered by the Registration Statement to be listed on each securities exchange, if any, on which similar securities issued by the Company are then listed.

The Company may require each seller of Registrable Shares as to which any

registration is being effected to furnish such information regarding the distribution of such Registrable Shares and as to such seller as it may from time to time reasonably request. If any such information with respect to any seller is not furnished prior to the filing of the Registration Statement, the Company may exclude such seller's Registrable Shares from such Registration Statement.

Each holder of Registrable Shares (including, without limitation, any Distributee) agrees by acquisition of such Registrable Shares that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4(b)(ii), 4(b)(iii), 4(b)(iv) or 4(b)(v) hereof or upon notice of the commencement of any Delay Period, such holder shall forthwith discontinue disposition of such Registrable Shares covered by such Registration Statement or Prospectus until such holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 4(f) hereof, or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and has received copies of any amended or supplemented Prospectus or any additional or supplemental filings which are incorporated, or deemed to be incorporated, by reference in such Prospectus and, if requested by the Company, such holder shall deliver to the Company (at the expense of the Company) all copies, other than permanent file copies then in such holder's possession, of the Prospectus covering such Registrable Shares at the time of receipt of such request.

Each holder of Registrable Shares further agrees not to utilize any material other than the applicable current Prospectus in connection with the offering of Registrable Shares pursuant to the Shelf Registration.

SECTION 5. REGISTRATION EXPENSES.

Whether or not any Registration Statement becomes effective, the Company shall pay all costs, fees and expenses incident to the Company's performance of or compliance with this Agreement including, without limitation, (i) all registration and filing fees, (ii) fees and expenses of compliance with securities or Blue Sky laws, (iii) printing expenses (including, without limitation, expenses of

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printing of prospectuses if the printing of prospectuses is requested by the holders of a majority of the Registrable Shares included in any Registration Statement), (iv) fees and disbursements of counsel for the Company, (v) fees and disbursements of all independent certified public accountants of the Company and all other Persons retained by the Company in connection with the Registration Statement and (vi) the fees and expenses (not to exceed \$50,000) for one counsel on behalf of all of the holders of Registrable Shares. Notwithstanding the foregoing, the fees and expenses of counsel to, or any other Persons retained by, any holder of Registrable Shares, and any discounts, commissions, underwriting or advisory fees, brokers' fees or fees of similar securities industry professional (including any "qualified independent underwriter" retained for the purpose of Section 3 of Schedule E of the By-laws of the

National Association of Securities Dealers, Inc.) relating to the distribution of the Registrable Shares, will be payable by such holder and the Company will have no obligation to pay any such amounts.

SECTION 6. MISCELLANEOUS.

6.1 TERMINATION. This Agreement and the obligations of the Company hereunder shall terminate on the earliest of (i) the first date on which no Registrable Shares remain outstanding, and (ii) the close of business on the last day of the Effectiveness Period.

6.2 AMENDMENTS AND WAIVERS. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of holders representing a majority of the Registrable Shares. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter which relates exclusively to the rights of holders of Registrable Shares whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of a holder whose securities are not being sold pursuant to such Registration Statement may be given by holders of a majority of the Registrable Shares being sold by such holders; PROVIDED, HOWEVER, that the provision of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the immediately preceding sentence.

6.3 NOTICES. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed given: when delivered personally; one Business Day after being deposited with a next-day air courier; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back if telexed and when receipt is acknowledged, if telecopied, in each case to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; PROVIDED that notices of a change of address shall be effective only upon receipt thereof):

(i) if to a holder, at the most current address given by such holder to the Company in accordance with the provisions of this Section 6.3, which address initially is with respect to each holder, the address set forth on the signature pages hereto; and

(ii) if to the Company, initially at 2700 Colorado Boulevard, Santa Monica, California 90404, Attention: Scott Brown, Esq., with a copy to Skadden, Arps, Slate, Meagher & Flom, 300 South Grand Avenue, Los Angeles, California 90071, Attention: Thomas C. Janson, Jr.

6.4 SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties; PROVIDED that the holders may not assign their rights hereunder except to an Affiliate of such holder or a Distributee (as defined below) and no person (other than any such Affiliate or Distributee) who acquires Registrable Shares from a holder

shall have any rights hereunder. For purposes of this Agreement, the term "Distributee" shall mean any person that is a stockholder or partner of a Stockholder, or any person that is a stockholder or partner of a Distributee, to which Registrable Shares are transferred or distributed by such Stockholder or Distributee. This Agreement shall survive any transfer of Registrable Shares to a Distributee and shall inure to the benefit of such Distributee.

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6.5 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

6.6 HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

6.7 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE WITHOUT GIVING EFFECT TO THE PROVISIONS THEREOF GOVERNING CONFLICT OF LAWS PRINCIPLES.

6.8 SEVERABILITY. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

6.9 ENTIRE AGREEMENT. This Agreement is intended by the parties as a final expression of their agreement and a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to the registration rights granted by the Company with respect to the Registrable Shares issued pursuant to the Merger Agreement. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

6.10 CALCULATION OF TIME PERIODS. Except as otherwise indicated, all periods of time referred to herein shall include all Saturdays, Sundays and holidays; PROVIDED, that if the date to perform the act or give any notice with respect to this Agreement shall fall on a day other than a Business Day, such act or notice may be timely performed or given if performed or given on the next succeeding Business Day.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date

first written above.

NATIONAL MEDICAL ENTERPRISES, INC.

By: /s/ TERENCE P. MCMULLEN

Name: Terence P. McMullen
Title: Senior Vice President

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STOCKHOLDERS:

GKH Investments, L.P.

By: GKH Partners, L.P.

its general partner

By: HGM Associates, L.P.,

a general partner

By: HGM Corporation,

its general partner

By: /s/ HAROLD S. HANDELSMAN

Name: Harold S. Handelsman
Title: Vice President
Number of NME Shares:
10,382,050

Address for Notices:

Attn: Harold S. Handelsman
200 West Madison, 27th Floor
Chicago, Illinois 60606

GKH Private Limited

By: GKH Partners, L. P.

By: HGM Associates, L.P.,

a general partner

By: HGM Corporation,

its general partner

By: /s/ HAROLD S. HANDELSMAN

Name: Harold S. Handelsman
Title: Vice President
Number of NME Shares: 392,530
Address for Notices:
Attn: Harold S. Handelsman
200 West Madison, 27th Floor
Chicago, Illinois 60606

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MB L.P.I

By: C.S. First Boston MBI, Inc.

By: /s/ DAVID A. DENUNZIO

Name: David A. DeNunzio
Title: Vice President
Number of NME Shares: 4,450,018

Address for Notices:
Attention: David A. DeNunzio
55 East 52nd Street
New York, New York 10055

1987 Merchant Investment Partnership
By: Merchant G.P., Inc.

By: /s/ DAVID A. DENUNZIO

Name: David A. DeNunzio
Title: Vice President
Number of NME Shares: 298,270

Address for Notices:
Attention: David A. DeNunzio
55 East 52nd Street
New York, New York 10055

Mellon Bank N.A. as trustee for
First Plaza Group Trust

By: /s/ WILLIAM R. NEE

Name: William R. Nee
Title: Associate Counsel
Number of NME Shares: 4,478,727

Address for Notices:
Mellon Bank N.A.
Attn: Bernadette Rist
One Mellon Bank Center
Pittsburg, Pennsylvania 15258

with a copy to:

Walter Cain
Ellen Oster
General Motors Investment
Management Corporation

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John T. Casey

/s/ JOHN T. CASEY

Name: John T. Casey
Number of NME Shares: 97,776

Address for Notices:
Attn: John T. Casey
4808 Bobbitt Drive
Dallas, Texas 75229

Sheldon S. King

/s/ SHELDON S. KING

Name: Sheldon S. King
Number of NME Shares: 420

Address for Notices:
Attn: Sheldon S. King
c/o Salick Health Care,
Inc.
8201 Beverly Blvd.
Los Angeles, CA 90048

William E. Mayer

/s/ WILLIAM E. MAYER

Name: William E. Mayer
Number of NME Shares: 10,500

Address for Notices:
Attn: William E. Mayer
c/o University of Maryland
2416 Van Munching Hall
College Park, Maryland
20742

Robert W. O'Leary

/s/ ROBERT W. O'LEARY

Name: Robert W. O'Leary
Number of NME Shares: 185,364

Address for Notices:
Attn: Robert W. O'Leary
14001 Dallas Parkway, #200
Dallas, Texas 75240

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Harold M. Williams
/s/ HAROLD M. WILLIAMS

Name: Harold M. Williams
Number of NME Shares: 863

Address for Notices:
Attn: Harold M. Williams
401 Wilshire Blvd.
Santa Monica, CA 90401

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February 22, 1995

National Medical Enterprises, Inc.
2700 Colorado Avenue
Santa Monica, CA 90404
Ladies and Gentlemen:

I am the General Counsel of National Medical Enterprises, Inc., a Nevada corporation (the "Company"), and in such capacity I am charged with general supervisory responsibilities for the legal affairs of the Company and its subsidiaries. This opinion is furnished in connection with the preparation of a Registration Statement on Form S-3 (the "Registration Statement") to be filed by the Company on behalf of certain selling shareholders as specified therein (the "Selling Shareholders") with the Securities and Exchange Commission (the "Commission") on February 22, 1995 pursuant to the Securities Act of 1933, as amended (the "Act"), relating to 20,296,518 shares (the "Shares") of the common stock par value \$0.075 per share of the Company (the "NME Common Stock"), to be sold by the Selling Shareholders. This opinion is delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Act.

In connection with this opinion, I have examined and am familiar with originals or copies, certified or otherwise identified to my satisfaction, of such records of the Company and all such agreements, certificates of public officials, certificates of officers or other representatives of the Company and others and such other documents, certificates and records as I have deemed necessary or appropriate as a basis for the opinions set forth herein, including without limitation, (i) the Restated Articles of Incorporation and the Restated Bylaws of the Company, each as amended to date; (ii) copies of certain resolutions adopted by the Board of Directors of the Company relating to the filing of the Registration Statement and any amendments or supplements thereto and related matters; (iii) the Registration Statement (together with the form of preliminary prospectus forming a part thereof); and (iv) the form of Registration Rights Agreement. In my examination, I have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified, conformed or photostatic copies and the authenticity of the originals of such copies. As to any facts material to the opinions expressed herein which I have not independently established or verified, I have relied upon statements and representations of officers and other representatives of the Company and others.

I am a member of the California Bar and for purposes of this opinion do not express any opinion as to the laws of any jurisdiction other than California and the General Corporation Law of the State of Nevada.

Based on and subject to the foregoing, I am of the opinion that when, as and if the Registration Statement shall have been declared effective pursuant to the

provisions of the Securities Act, and any legally required consents, approvals, authorizations and other orders of the Commission or other regulatory authorities shall have been obtained, all in the manner contemplated by the Registration Statement, the shares to be issued will be legally issued, fully paid and nonassessable.

This opinion is furnished to you solely for your benefit in connection with the filing of the Registration Statement and is not to be used, circulated, quoted or otherwise referred to for any other purpose without my prior written consent. I hereby consent to the filing of this opinion with the Commission as Exhibit 5 to the Registration Statement. I also consent to the reference to me under the heading "Legal Matters" in the Registration Statement. In giving this consent, I do not thereby admit that I am included in the category of persons whose consent is required under Section 7 of the

Act, or the rules and regulations of the Commission promulgated thereunder. This opinion is expressed as of the date hereof unless otherwise expressly stated and I disclaim any undertaking to advise you of any subsequent changes of the facts stated or assumed herein or any subsequent changes in applicable law.

Very truly yours,
SCOTT M. BROWN

ACCOUNTANTS' CONSENT

The Board of Directors
National Medical Enterprises, Inc.

We consent to the use of our reports dated July 27, 1994 incorporated by reference in the registration statement (No. 33-) on Form S-3 of National Medical Enterprises, Inc., relating to the consolidated balance sheets of National Medical Enterprises, Inc. and subsidiaries as of May 31, 1994 and 1993, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended May 31, 1994, and all related schedules, and to the reference to our firm under the heading "Experts" in the prospectus. Our report on the 1994 consolidated financial statements refers to a change in the method of accounting for income taxes.

KPMG PEAT MARWICK LLP

Los Angeles, California
February 21, 1995

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of this Registration Statement on Form S-3 of National Medical Enterprises, Inc. of our report dated October 20, 1994 relating to the consolidated financial statements of American Medical Holdings, Inc. and American Medical International, Inc., which appears on page 10 of the Current Report on Form 8-K of National Medical Enterprises, Inc. dated February 10, 1995.

PRICE WATERHOUSE LLP

Dallas, Texas
February 22, 1995