

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 18, 1995

REGISTRATION NO. 33-60287

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-3
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

UNIVERSAL HEALTH SERVICES, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

23-2077891
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

UNIVERSAL CORPORATE CENTER

367 SOUTH GULPH ROAD

KING OF PRUSSIA, PENNSYLVANIA 19406

(610) 768-3300

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,

OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

ALAN B. MILLER, PRESIDENT

UNIVERSAL HEALTH SERVICES, INC.

UNIVERSAL CORPORATE CENTER

367 SOUTH GULPH ROAD

KING OF PRUSSIA, PENNSYLVANIA 19406

(610) 768-3300

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,

INCLUDING AREA CODE, OF AGENT FOR SERVICE)

Copies of all communications, including all communications

sent to the agent for service, should be sent to:

ANTHONY PANTALEONI, ESQ.
FULBRIGHT & JAWORSKI L.L.P.
666 FIFTH AVENUE
NEW YORK, NEW YORK 10103
(212) 318-3000

DANIEL J. ZUBKOFF, ESQ.
CAHILL GORDON & REINDEL
80 PINE STREET
NEW YORK, NEW YORK 10005
(212) 701-3000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:

As soon as practicable 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, 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/

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

PROSPECTUS

\$150,000,000

UNIVERSAL HEALTH SERVICES, INC.

DEBT SECURITIES

UNIVERSAL HEALTH SERVICES, INC. ("UHS") INTENDS TO ISSUE FROM TIME TO TIME ITS SENIOR UNSECURED DEBT SECURITIES (THE "DEBT SECURITIES") AT AN AGGREGATE INITIAL OFFERING PRICE NOT TO EXCEED \$150,000,000 (OR, IF THE PRINCIPAL OF THE DEBT SECURITIES IS PAYABLE IN A FOREIGN CURRENCY, THE EQUIVALENT THEREOF AT THE TIME OF OFFERING), WHICH WILL BE OFFERED ON TERMS TO BE DETERMINED AT THE TIME OF SALE. THE ACCOMPANYING PROSPECTUS SUPPLEMENT ("SUPPLEMENT") SETS FORTH THE SPECIFIC TERMS OF THE SERIES OF DEBT SECURITIES (THE "SERIES") IN RESPECT OF WHICH THIS PROSPECTUS IS BEING DELIVERED, INCLUDING THE DESIGNATION OF THE DEBT SECURITIES, THE AGGREGATE PRINCIPAL AMOUNT OFFERED, THE RATE OR RATES OF INTEREST OR THE PROVISIONS FOR DETERMINING SUCH RATE OR RATES AND THE TIME OF PAYMENT THEREOF, MATURITY, CURRENCY OF PAYMENT, OFFERING PRICE, TERMS RELATING TO REDEMPTION (WHETHER MANDATORY, AT THE OPTION OF UHS OR AT THE OPTION OF THE HOLDER) AND INFORMATION AS TO LISTING ON ANY SECURITIES EXCHANGE.

THE DEBT SECURITIES MAY BE SOLD DIRECTLY BY UHS THROUGH AGENTS DESIGNATED BY UHS FROM TIME TO TIME OR THROUGH UNDERWRITERS OR DEALERS DESIGNATED BY UHS FROM TIME TO TIME. IF ANY AGENTS OF UHS OR ANY DEALERS OR UNDERWRITERS ARE INVOLVED IN THE SALE OF THE SERIES OF DEBT SECURITIES IN RESPECT OF WHICH THIS PROSPECTUS IS BEING DELIVERED, THE NAMES OF SUCH AGENTS, DEALERS OR UNDERWRITERS AND ANY APPLICABLE AGENT'S COMMISSION, DEALER'S PURCHASE PRICE OR UNDERWRITER'S DISCOUNT ARE SET FORTH IN OR MAY BE CALCULATED FROM THE SUPPLEMENT. THE NET PROCEEDS TO UHS FROM SUCH SALE WILL BE THE PURCHASE PRICE OF SUCH SERIES OF DEBT SECURITIES LESS SUCH COMMISSION IN THE CASE OF AN AGENT, THE PURCHASE PRICE OF SUCH SERIES OF DEBT SECURITIES IN THE CASE OF A DEALER OR THE PUBLIC OFFERING PRICE OF SUCH SERIES OF DEBT SECURITIES LESS SUCH DISCOUNT IN THE CASE OF AN UNDERWRITER AND LESS, IN EACH CASE, OTHER ATTRIBUTABLE ISSUANCE EXPENSES. SEE "PLAN OF DISTRIBUTION" FOR INDEMNIFICATION ARRANGEMENTS FOR AGENTS, DEALERS AND UNDERWRITERS. THE UNDERWRITERS FOR ANY OFFERING MAY INCLUDE:

DILLON, READ & CO. INC.

J.P. MORGAN SECURITIES INC.

BA SECURITIES, INC.

CHEMICAL SECURITIES INC.

NATIONSBANC CAPITAL MARKETS, INC.

SMITH BARNEY INC.

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.

SEE "RISK FACTORS" WHICH APPEARS ON PAGE 4 OF THIS PROSPECTUS FOR ADDITIONAL INFORMATION REGARDING THE COMPANY.

THIS PROSPECTUS MAY NOT BE USED TO CONSUMMATE SALES OF THE DEBT SECURITIES UNLESS ACCOMPANIED BY THE SUPPLEMENT.

THE DATE OF THIS PROSPECTUS IS JULY 18, 1995.

AVAILABLE INFORMATION

UHS 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"). Reports, proxy statements and other information filed by UHS may be inspected and copied at the public reference facilities maintained by the Commission, 450 Fifth Street, N.W., Judiciary Plaza, Room 1024, Washington, D.C. 20549; and at regional offices of the Commission at the Northwestern Atrium Center, 500 West Madison, Suite 1400, Chicago, Illinois 60661 and at 7 World Trade Center, New York, New York 10048. Copies of such material may be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such material may also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

As permitted by the rules and regulations of the Commission, this Prospectus omits certain information contained in the Registration Statement on Form S-3 (the "Registration Statement") of which this Prospectus is a part. For such information, reference is made to the Registration Statement and the exhibits thereto. Statements made in this Prospectus as to the contents of any contract, agreement or other document are not necessarily complete; with respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement or incorporated by reference herein, reference is made to such contract, agreement or other document for a more complete description of the matter involved, and each such statement is qualified in its entirety by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

UHS hereby incorporates by reference in this Prospectus the following documents previously filed with the Commission pursuant to the Exchange Act: (i) the Company's Annual Report on Form 10-K for the year ended December 31, 1994; and (ii) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.

Each document filed by UHS pursuant to Section 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 Notes pursuant hereto shall be deemed to be incorporated by reference in this Prospectus and to be a part of this Prospectus from the date of filing of such document. Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for purposes of the Registration Statement and this Prospectus to the extent that a statement contained in this Prospectus or in any subsequently filed document that also is or deemed to be incorporated by reference in this Prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Registration Statement or this Prospectus.

UHS will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request of any such person, a copy of any or all of the documents that are incorporated by reference in this Prospectus, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests should be directed to Investor Relations, Universal Health Services, Inc., Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania 19406, telephone (610) 768-3300.

THE COMPANY

GENERAL

The principal business of Universal Health Services, Inc. (together with its subsidiaries, the "Company") is owning and operating acute care hospitals, behavioral health centers, ambulatory surgery centers and radiation oncology centers. Presently, the Company operates 29 hospitals, consisting of 14 acute care hospitals and 15 behavioral health centers, in Arkansas, California, Florida, Georgia, Illinois, Louisiana, Massachusetts, Michigan, Missouri, Nevada, Pennsylvania, South Carolina, Texas and Washington. The Company, as part of its Ambulatory Treatment Centers Division owns outright, or in partnership with physicians, and operates or manages 24 surgery and radiation oncology centers located in 14 states.

The Company's strategy to enhance its profitability is to continue to provide high quality, cost-effective healthcare at each of its facilities. Services provided by the Company's hospitals include general surgery, internal medicine, obstetrics, emergency room care, radiology, diagnostic care, coronary care, pediatric services and psychiatric services. The Company provides capital resources as well as a variety of management services to its facilities, including central purchasing, data processing, finance and control systems, facilities planning, physician recruitment services, administrative personnel management, marketing and public relations.

RECENT AND PROPOSED ACQUISITIONS AND DEVELOPMENT ACTIVITIES

The Company has an agreement for or has recently consummated a number of acquisitions. In November 1994, the Company acquired Edinburg Hospital, a 112-bed acute care hospital located in Edinburg, Texas, which is in close proximity to McAllen, Texas, for \$11.3 million and the assumption of liabilities totalling \$2.2 million. In addition, the Company has agreed to construct and has acquired the land for a 100-bed hospital in Edinburg. This acquisition and development of the new hospital will enable the Company to enhance its market leadership in McAllen, where it currently operates the 428-bed McAllen Medical Center ("McAllen Medical Center"). McAllen is in the fourth fastest growing metropolitan statistical area ("MSA") in the nation. (Source: Claritas Business Information Systems ("Claritas"), a market research firm, Forecast 1995-2000).

In July 1995, the Company exchanged the operations and fixed assets of Westlake Medical Center, a 126-bed acute care hospital located in Westlake, California, and Dallas Family Hospital, a 104-bed acute care hospital in Dallas, Texas, and approximately \$44 million in cash, for Aiken Regional Medical Centers, a 225-bed medical center complex in Aiken, South Carolina, formerly owned by a subsidiary of Columbia/HCA Healthcare Corporation. Aiken is the leading hospital in its market and, with its acquisition, the Company commenced operations in South Carolina.

The Company has entered into an agreement to purchase substantially all the assets of Manatee Memorial Hospital, a 512-bed acute care hospital, located in Bradenton, Florida, for \$139 million in cash. Pending closing, the Company is managing the hospital for its current owners pursuant to a management agreement. Manatee, like Aiken, is a state-of-the art facility and is in a new market for the Company with highly favorable demographics. The transaction, which is subject to regulatory approval, is currently expected to close in the third quarter of 1995.

In May 1995, the Company acquired Fuller Memorial Psychiatric Hospital, an 82-bed behavioral health center, for approximately \$3 million. Fuller, located in southeastern Massachusetts and in close proximity to two of the Company's other behavioral health centers and its eleven day-treatment clinics, will augment the Company's ability to serve additional patients in southeastern Massachusetts.

The Company is developing, with the participation of Howard Hughes Corporation, a medical complex including a 120-bed acute care hospital, an ambulatory surgery center, a medical office building and a diagnostic center in the community of Summerlin, Nevada, in western Las Vegas. Howard Hughes Corporation, the major landowner in Summerlin, has granted to the Company an

exclusive right to operate medical facilities in Summerlin. When completed, this facility will enhance the Company's market presence in Las Vegas, the center of the fastest growing MSA in the nation (Source: Claritas Forecast 1995-2000).

RISK FACTORS

CONCENTRATION OF REVENUES

Valley Hospital Medical Center in Las Vegas, Nevada ("Valley Hospital") contributed 18%, 19%, 16% and 16% of the Company's net revenues and 32%, 35%, 32% and 32% of the Company's earnings before interest, income taxes, depreciation, amortization, lease and rental expense and non-recurring transactions ("EBITDAR"), for the quarter ended March 31, 1995, and for the three years ended December 31, 1994, 1993 and 1992, respectively, excluding the effect of the special Medicaid reimbursements received at one of the Company's Texas acute care hospitals of \$3.3 million, \$12.4 million, \$13.5 million and \$29.8 million for the quarter ended March 31, 1995, and for the years ended December 31, 1994, 1993 and 1992, respectively (the "Special Medicaid Reimbursements"). On a pro forma basis, assuming that the acquisitions of Aiken Regional Medical Centers (acquired in July 1995), Manatee Memorial Hospital and Edinburg Hospital (acquired November 1994), and the dispositions of Dallas Family Hospital and Westlake Medical Center (both disposed of in July 1995) occurred on January 1, 1994 (the "Adjustments") and excluding the Special Medicaid Reimbursements, Valley Hospital would have contributed 15% of the Company's net revenues for the three month period ended March 31, 1995, and the year ended December 31, 1994, and 26% and 28%, respectively, of the Company's EBITDAR for such periods.

McAllen Medical Center contributed 22%, 21%, 18% and 16% of the Company's net revenues and 36%, 35%, 32% and 24% of the Company's EBITDAR, for the quarter ended March 31, 1995, and for the years ended December 31, 1994, 1993 and 1992, respectively, excluding the Special Medicaid Reimbursements. On a pro forma basis, taking into account the Adjustments and excluding the Special Medicaid Reimbursements, McAllen Medical Center would have contributed 18% and 17% of the Company's net revenues for the three month period ended March 31, 1995, and the year ended December 31, 1994, respectively, and 28% of the Company's EBITDAR for each such period.

Assuming the Adjustments and excluding the Special Medicaid Reimbursements, Manatee Memorial Hospital would have contributed 13% of the Company's net revenues for the three month period ended March 31, 1995, and the year ended December 31, 1994, and 15% of the Company's EBITDAR for both such periods. See "The Company -- Recent and Proposed Acquisitions and Development Activities."

COMPETITION

The healthcare industry has been characterized in recent years by increased competition for patients and staff physicians, excess capacity at general hospitals, a shift from inpatient to outpatient settings and increased consolidation. The principal factors contributing to these trends are advances in medical technology, cost-containment efforts by managed care payors, employers and traditional health insurers, changes in regulations and reimbursement policies, increases in the number and type of competing healthcare providers and changes in physician practice patterns. With a few exceptions, physicians are not employees of the Company's hospitals and members of the medical staffs of the Company's hospitals also serve on the medical staffs of hospitals not owned by the Company and may terminate their affiliation with the Company's hospitals at any time. The Company's future success will depend, in part, on the ability of the Company's hospitals to continue to attract and maintain staff physicians, and to organize and structure integrated healthcare delivery systems with other healthcare providers and physician practice groups. There can be no assurance that the Company's hospitals will continue to be able, on terms favorable to the Company, to attract physicians to their staffs, or to organize and structure integrated healthcare delivery systems, for which other healthcare companies

with greater financial resources or a wider range of services may be competing. See "Business -- Competition."

LIMITS ON REIMBURSEMENT

The Company derives a substantial portion of its net revenues from third-party payors, including the Medicare and Medicaid programs. See "Business -- Sources of Revenue." Changes in government reimbursement programs have resulted in limitations on the growth rates of the reimbursement programs and, in some cases, in reduced levels of reimbursement for healthcare services, and additional changes are anticipated. Such changes are likely to result in further limitations on reimbursement levels. See "Risk Factors -- Healthcare Reform Legislation." In addition, private payors, including managed care payors, increasingly are demanding discounted fee structures or the assumption by healthcare providers of all or a portion of the financial risk through prepaid capitation arrangements. Inpatient utilization, average lengths of stay and occupancy rates continue to be negatively affected by payor-required pre-admission authorization and utilization review and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. In addition, efforts to impose reduced allowances, greater discounts and more stringent cost controls by government and other payors are expected to continue. The Company is unable to predict the effect these changes will have on its operations and significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on the financial results of the Company's operations.

HEALTHCARE REFORM LEGISLATION

In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that would effect major changes in the healthcare system, either nationally or at the state level. Among the proposals that have been introduced are price controls on hospitals, insurance market reforms to increase the availability of group health insurance to small businesses, requirements that all businesses offer health insurance coverage to their employees and the creation of a government health insurance plan or plans that would cover all citizens and increase payments by beneficiaries. In 1993, President Clinton introduced a healthcare reform bill that included a number of measures that were broadly viewed as increasing the scope of government regulation of the healthcare industry. Key elements in the President's proposal and other healthcare reform proposals included various insurance market reforms, the requirement that businesses provide health insurance coverage for their employees, reductions or lesser increases in the future growth rate of Medicare and Medicaid reimbursement to providers and more stringent government cost controls. None of these proposals has been adopted. There continue to be efforts at the Federal level to introduce various insurance market reforms, expanded fraud and abuse and anti-referral legislation and further reductions in the growth rate of Medicare and Medicaid reimbursement. The House of Representatives and the Senate each recently passed bills which would limit the future rate of growth of the Medicare program from 10% annually to 7% annually and in the Medicaid program from 10% annually to 4% annually (as specified in the House of Representatives' plan). The Company cannot predict whether any of the above proposals or any other proposals will be adopted, and if adopted, no assurance can be given that the implementation of such reforms will not have a material adverse effect on the Company's business. In Texas, a law has been passed which mandates that the State apply for a waiver from current Medicaid regulations to allow it to require that certain Medicaid participants be serviced through managed care providers. The Company is unable to predict whether Texas will be granted such a waiver or the effect on the Company's business of such law. See "Business -- Regulation and Other Factors."

LIABILITY INSURANCE

For most of its hospitals, the Company is self-insured for its general liability risks for claims limited to \$5 million per occurrence and for its professional liability risks for claims limited to \$25 million per

occurrence. Coverage in excess of these limits up to \$100 million is maintained with major insurance carriers.

During 1994 and 1993, the Company purchased general and professional liability occurrence policies with commercial insurers for two of its acute care facilities and six of its behavioral health centers. These policies include coverage up to \$25 million per occurrence for the acute care hospitals, and from \$1 million to \$2 million per occurrence for the behavioral health centers, subject to certain aggregate limits, in each case without the payment of any deductible, for general and professional liability risks. Although the Company feels that it currently has adequate insurance coverage, the commercial policies are limited to one-year terms and require annual renegotiation or replacement. The Company has no assurance that it will be able to maintain such insurance in the future on terms acceptable to the Company.

CONTROL BY PRINCIPAL STOCKHOLDER

Alan B. Miller, UHS' Chairman of the Board, President and Chief Executive Officer, controls approximately 88% of the general voting power of UHS. As such, Mr. Miller can elect the majority Board of Directors of UHS and accomplish a merger, sale, transfer of assets or other significant transaction without the approval of UHS' other stockholders.

USE OF PROCEEDS

Unless otherwise provided in the Supplement, the net proceeds from the sale of the Debt Securities offered by this Prospectus and the Supplement will be added to the Company's general funds and used for general corporate purposes. Until so utilized, it is expected that such net proceeds will be invested in interest bearing time deposits or short-term marketable securities.

PRO FORMA FINANCIAL INFORMATION

In July 1995, the Company acquired the operations and fixed assets of Aiken Regional Medical Centers ("Aiken"), including Aiken Regional Medical Center, The Carolina Cancer Center and the Aurora Pavilion from a subsidiary of Columbia/HCA Healthcare Corporation ("Columbia"). The acquired assets included the real property and moveable equipment together with intangible assets and certain working capital accounts, excluding accounts receivable.

In exchange for Aiken, the Company transferred to Columbia the assets and operations of Westlake Medical Center and Dallas Family Hospital and approximately \$44 million in cash. Coincident with the Aiken transaction, the Company acquired the property of Westlake Medical Center which it leased from Universal Health Realty Income Trust ("UHT"), in exchange for other property consisting of additional real estate assets owned by the Company but related to three acute care facilities owned by UHT and operated by the Company, which were transferred to and leased back from UHT. These additional real estate assets represent major additions and expansions made to the facilities since the purchase of the properties from the Company in 1986. The Westlake property was then transferred to Columbia. In addition to the Westlake property, the real and personal property of Dallas Family Hospital, and certain working capital accounts of both facilities, excluding accounts receivable, were acquired by Columbia.

The Company has entered into an agreement to purchase substantially all of the assets and operations of Manatee Memorial Hospital, a 512-bed acute care hospital located in Bradenton, Florida, for \$139 million in cash. The assets to be acquired include the real and personal property, working capital, and intangible assets.

In November 1994, the Company acquired the assets and operations of Edinburg Hospital, a 112-bed acute care hospital located in Edinburg, Texas, for approximately \$11.3 million and the assumption of liabilities totalling \$2.2 million.

The Pro Forma Consolidated Statements of Income were prepared as if the transactions occurred as of the beginning of the period presented. The Pro Forma Condensed Consolidated Balance Sheet was prepared as if the transactions occurred on March 31, 1995. These pro forma financial statements should be read in connection with the historical financial statements and notes thereto included elsewhere or incorporated by reference in this Prospectus.

The pro forma financial information is unaudited and is not necessarily indicative of the consolidated results which actually would have occurred if the transactions had been consummated at the beginning of the periods presented, nor does it purport to present the future financial position and results of operations for future periods.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 1995
(UNAUDITED)
(IN THOUSANDS)

	THE COMPANY HISTORICAL -----	ACQUISITIONS AND DIVESTITURES (A) -----	PRO FORMA ADJUSTMENTS -----	THE COMPANY PRO FORMA -----
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents.....	\$ 1,832	\$ --	\$ --	\$ 1,832
Accounts receivable, net.....	90,511	22,139	--	112,650
Other current assets.....	21,234	4,267	--	25,501
Deferred income taxes.....	18,491	--	--	18,491
	-----	-----	-----	-----
TOTAL CURRENT ASSETS.....	132,068	26,406	--	158,474
	-----	-----	-----	-----
Property and equipment, net.....	335,420	55,915	1,599 (B)	392,934
Other Assets:				
Excess of cost over fair value of assets acquired.....	37,572	--	112,933 (C)	150,505
Deferred income taxes.....	2,742	--	--	2,742
Deferred charges and other.....	31,430	891	--	32,321
	-----	-----	-----	-----
TOTAL ASSETS.....	\$ 539,232	\$ 83,212	\$ 114,532	\$ 736,976
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current maturities of debt.....	\$ 7,175	\$ (187)	\$ --	\$ 6,988
Accounts payable and accrued expenses.....	92,072	15,207	--	107,279
Federal and state taxes.....	17,228	--	3,000 (D)	20,228
	-----	-----	-----	-----
TOTAL CURRENT LIABILITIES.....	116,475	15,020	3,000	134,495
Other non-current liabilities.....	74,831	532	(3,000) (D)	72,363
Long-term debt, net of current maturities.....	75,038	(1,957)	186,731 (E)	259,812
Common stockholders' equity.....	272,888	69,617	(72,199) (F)	270,306
	-----	-----	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$ 539,232	\$ 83,212	\$ 114,532	\$ 736,976
	=====	=====	=====	=====

The accompanying notes and management's assumptions are an integral part of this statement.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 1994
 (UNAUDITED)
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	THE COMPANY HISTORICAL -----	ACQUISITIONS AND DIVESTITURES (A) -----	PRO FORMA ADJUSTMENTS -----	THE COMPANY PRO FORMA -----
Net Revenues.....	\$ 782,199	\$ 174,527	\$ (687) (b)	\$ 956,039
Operating charges:				
Operating expenses.....	298,108	73,808	2,000 (d) (2,187) (e)	371,729
Salaries and wages.....	286,297	49,507	--	335,804
Provision for doubtful accounts.....	58,347	15,721	--	74,068
Depreciation and amortization.....	42,383	7,374	6,043 (f)	55,800
Lease and rental expense.....	34,097	(1,307)	2,386 (g)	35,176
Interest expense, net.....	6,275	8,905	3,790 (h)	18,970
Non-recurring charges.....	9,763	--	--	9,763
Total expenses.....	735,270	154,008	12,032	901,310
Income before income taxes.....	46,929	20,519	(12,719)	54,729
Provision for income taxes.....	18,209	4,986	(2,027) (i)	21,168
Net income.....	\$ 28,720 =====	\$ 15,533 =====	\$ (10,692) =====	\$ 33,561 =====
Earnings per common and common equivalent share.....	\$ 2.02 =====			\$ 2.36 =====
Weighted average number of common shares and equivalents.....	14,389,000 =====			14,389,000 =====

The accompanying notes and management's assumptions are an integral part of this statement.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE THREE MONTHS ENDED MARCH 31, 1995
 (UNAUDITED)
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	THE COMPANY HISTORICAL	ACQUISITIONS AND DIVESTITURES (A)	PRO FORMA ADJUSTMENTS	THE COMPANY PRO FORMA
	-----	-----	-----	-----
Net Revenues.....	\$ 220,715	\$ 43,342	\$ (210) (b) (500) (c)	\$ 263,347
Operating charges:				
Operating expenses.....	84,469	19,384	500 (d) (1,053) (e) (500) (c)	102,800
Salaries and wages.....	78,021	10,947	--	88,968
Provision for doubtful accounts.....	17,185	3,946	--	21,131
Depreciation and amortization.....	11,310	1,433	1,650 (f)	14,393
Lease and rental expense.....	8,772	(482)	596 (g)	8,886
Interest expense, net.....	1,614	2,393	967 (h)	4,974
Non-recurring charges.....	--	--	--	--
Total expenses.....	201,371	37,621	2,160	241,152
Income before income taxes.....	19,344	5,721	(2,870)	22,195
Provision for income taxes.....	7,503	1,188	(98) (i)	8,593
Net income.....	\$ 11,841	\$ 4,533	\$ (2,772)	\$ 13,602
	=====	=====	=====	=====
Earnings per common and common equivalent share.....	\$ 0.85			\$ 0.98
	=====			=====
Weighted average number of common shares and equivalents.....	13,942,000			13,942,000
	=====			=====

The accompanying notes and management's assumptions are an integral part of this statement.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES AND MANAGEMENT'S ASSUMPTIONS TO UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION:

The accompanying pro forma financial statements have been prepared to reflect the completion of the Aiken, Manatee and Edinburg transactions as described in the introductory note to these pro forma financial statements. The anticipated transactions will be accounted for as purchases by the Company when completed. The pro forma financial statements assume that the acquisition price of the Aiken and Manatee acquisitions would be approximately \$186 million. The actual price of such acquisitions is expected to be approximately \$183 million subject to upward or downward working capital adjustment.

ADJUSTMENTS TO PRO FORMA CONSOLIDATED BALANCE SHEET

(A) To reflect the historical cost basis of the assets acquired and liabilities assumed in the Aiken and Manatee transactions, net of the assets and liabilities divested as part of the Aiken transaction.

	THE MANATEE TRANSACTION		THE AIKEN TRANSACTION			NET ACQUISITIONS/ DIVESTITURES
	MANATEE HISTORICAL	ASSETS AND LIABILITIES NOT ACQUIRED	AIKEN HISTORICAL	ASSETS AND LIABILITIES NOT ACQUIRED	UHS ASSETS/ LIABILITIES DIVESTED	
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents....	\$ 16,247	\$ (16,247)	\$ 1,537	\$ (1,537)	\$ --	\$ --
Accounts receivable, net.....	22,237	--	15,431	(15,431)	(98)	22,139
Other current assets.....	4,651	(1,577)	2,321	--	(1,128)	4,267
TOTAL CURRENT ASSETS.....	43,135	(17,824)	19,289	(16,968)	(1,226)	26,406
Property and equipment, net....	55,619	--	42,401	--	(42,105)	55,915
Excess of cost over fair value of assets acquired.....	--	--	7,946	(7,946)	--	--
Deferred charges and other.....	37,341	(36,456)	1,897	(1,855)	(36)	891
TOTAL ASSETS.....	\$ 136,095	\$ (54,280)	\$ 71,533	\$ (26,769)	\$ (43,367)	\$ 83,212
LIABILITIES AND EQUITY						
CURRENT LIABILITIES:						
Current maturities of debt...	\$ 1,737	\$ (1,737)	\$ --	\$ --	\$ (187)	\$ (187)
Accounts payable and accrued expenses.....	18,425	(1,163)	5,990	(900)	(7,145)	15,207
TOTAL CURRENT LIABILITIES.....	20,162	(2,900)	5,990	(900)	(7,332)	15,020
Other non-current liabilities.....	532	--	--	--	--	532
Long-term debt, net.....	80,869	(80,869)	35,255	(35,255)	(1,957)	(1,957)
Equity.....	34,532	29,489	30,288	9,386	(34,078)	69,617
TOTAL LIABILITIES AND EQUITY.....	\$ 136,095	\$ (54,280)	\$ 71,533	\$ (26,769)	\$ (43,367)	\$ 83,212

(B) To adjust the carrying value of property and equipment acquired to fair value.

(C) To record the excess of cost over the fair value of net tangible assets acquired.

(D) To reclassify income taxes currently payable as a result of these transactions.

(E) To record the net borrowings necessary to finance the Aiken and Manatee transactions.

(F) As a result of the Aiken transaction, the Company will record an additional loss of approximately \$2.6 million resulting from the divestiture of certain assets at amounts less than their carrying values.

ADJUSTMENTS TO PRO FORMA CONSOLIDATED STATEMENTS OF INCOME:

(a) To reflect the historical revenues and operating expenses of the hospitals acquired and divested as part of the Manatee, Aiken and Edinburg transactions. The revenues and expenses of Edinburg reflected in the table below are for the period from January 1, 1994 through the date of acquisition (November 7, 1994). Operating results of Edinburg subsequent to the date of acquisition are included in UHS's historical financial statements for the year ended December 31, 1994 and for the three month period ended March 31, 1995.

YEAR ENDED DECEMBER 31, 1994

	THE AIKEN TRANSACTION					NET ACQUISITIONS/ DIVESTITURES
	MANATEE	AIKEN	WESTLAKE	DALLAS FAMILY	EDINBURG	
Net Revenues.....	\$ 119,552	\$ 84,012	\$ (32,230)	\$ (21,176)	\$ 24,369	\$ 174,527
Operating charges:						
Operating expenses.....	49,640	36,227	(12,977)	(9,812)	10,730	73,808
Salaries and wages.....	38,708	25,637	(14,138)	(9,122)	8,422	49,507
Provision for doubtful accounts.....	8,228	9,687	(3,083)	(1,816)	2,705	15,721
Depreciation and amortization.....	5,832	3,824	(2,071)	(1,360)	1,149	7,374
Lease and rental expense.....	1,607	1,445	(3,924)	(712)	277	(1,307)
Interest expense, net.....	7,520	337	--	--	1,048	8,905
Total operating expenses.....	111,535	77,157	(36,193)	(22,822)	24,331	154,008
Income (loss) before income taxes.....	8,017	6,855	(3,963)	(1,646)	38	20,519
Provision (benefit) for income taxes.....	--	2,816	(1,533)	(637)	--	4,986
Net income (loss).....	\$ 8,017	\$ 4,039	\$ (2,430)	\$ (1,009)	\$ 38	\$ 15,533

THREE MONTHS ENDED MARCH 31, 1995

	THE AIKEN TRANSACTION				NET ACQUISITIONS/ DIVESTITURES
	MANATEE	AIKEN	WESTLAKE	DALLAS FAMILY	
Net Revenues.....	\$ 34,240	\$ 22,289	\$ (7,830)	\$ (5,357)	\$ 43,342
Operating charges:					
Operating expenses.....	14,714	10,441	(3,534)	(2,237)	19,384
Salaries and wages.....	10,141	6,445	(3,468)	(2,171)	10,947
Provision for doubtful accounts.....	2,500	2,322	(456)	(420)	3,946
Depreciation and amortization.....	1,430	950	(554)	(393)	1,433
Lease and rental expense.....	349	317	(980)	(168)	(482)
Interest expense, net.....	2,333	60	--	--	2,393
Total operating expenses.....	31,467	20,535	(8,992)	(5,389)	37,621
Income (loss) before income taxes.....	2,773	1,754	(1,162)	(32)	5,721
Provision (benefit) for income taxes....	--	726	(450)	(12)	1,188
Net income.....	\$ 2,773	\$ 1,028	\$ (712)	\$ (20)	\$ 4,533

	YEAR ENDED DECEMBER 31, 1994	THREE MONTHS ENDED MARCH 31, 1995
(b) To eliminate intercompany interest received by Manatee from an affiliate.....	\$ (687)	\$ (210)
(c) To eliminate management fees charged by UHS to Manatee.....	--	(500)
		500
(d) To adjust operating expenses at Manatee for state and local taxes other than income taxes and other operating costs.	2,000	500
(e) To eliminate management fees paid to affiliates of Aiken and Manatee.	(2,187)	(1,053)
(f) To adjust the historical depreciation and amortization expense of Manatee, Aiken and Edinburg based on average depreciable lives of 20 years for buildings and improvements, 5 years for equipment and 15 years for amortization of goodwill.....	6,893	1,862
To adjust historical depreciation expense on the real property transferred to UHT as part of the Aiken transaction.....	(850)	(212)
Net increase in depreciation and amortization.....	6,043	1,650
(g) To record lease and rental expense relating to the assets transferred from UHS to UHT.....	2,386	596
(h) To eliminate the historical interest expense at Aiken, Manatee and Edinburg.....	(8,905)	(2,393)
To record interest on borrowings to finance the Aiken, Manatee and Edinburg Transactions using borrowings under the Company's commercial paper and revolving credit facilities at an average rate of 6.4% in 1994 and 7.1% in 1995.....	12,695	3,360
Net increase in interest expense.....	3,790	967
(i) To adjust tax expense.....	(2,027)	(98)

SELECTED FINANCIAL AND OTHER DATA

The selected consolidated financial and other data presented below for, and as of the end of, each of the five years in the period ended December 31, 1994, have been derived from the consolidated financial statements of the Company, which have been audited by Arthur Andersen LLP. The selected consolidated financial data presented below for, and as of the end of the three-month periods ended March 31, 1994 and 1995 have been prepared on the same basis as the audited financial statements of the Company and include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the information set forth therein. This data should be read in conjunction with the consolidated financial statements, related notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included elsewhere or incorporated by reference in this Prospectus.

	YEARS ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31, (UNAUDITED)	
	1990	1991	1992	1993	1994	1994	1995
	(DOLLARS IN THOUSANDS)						
STATEMENT OF OPERATIONS:							
Net revenues.....	\$ 674,982	\$ 691,619	\$ 731,227	\$ 761,544	\$ 782,199	\$ 194,432	\$ 220,715
Costs and expenses:							
Operating expenses.....	261,091	283,511	285,922	299,645	298,108	74,327	84,469
Salaries and wages.....	244,881	255,067	265,017	280,041	286,297	69,870	78,021
Provision for doubtful accounts.....	47,304	44,832	45,008	55,409	58,347	13,208	17,185
Depreciation and amortization.....	48,468	35,022	49,059	39,599	42,383	9,920	11,310
Lease and rental expense.....	31,982	34,479	33,854	34,281	34,097	8,491	8,772
Interest expense, net.....	22,589	8,150	11,414	8,645	6,275	1,822	1,614
Nonrecurring charges.....	--	--	--	8,828	9,763	--	--
Total operating charges.....	656,315	661,061	690,274	726,448	735,270	177,638	201,371
Income before income taxes.....	18,667	30,558	40,953	35,096	46,929	16,794	19,344
Provision for income taxes.....	7,060	10,239	20,933	11,085	18,209	6,507	7,503
Net income.....	\$ 11,607	\$ 20,319	\$ 20,020	\$ 24,011	\$ 28,720	\$ 10,287	\$ 11,841
Ratio of earnings to fixed charges (1).....	1.5x	2.4x	2.7x	2.7x	3.6x	4.6x	5.4x
OTHER FINANCIAL DATA:							
EBITDA (2).....	\$ 89,724	\$ 73,730	\$ 71,626	\$ 78,668	\$ 92,950	\$ 25,536	\$ 28,968
EBITDA + 1/3 Rent (3).....	\$ 100,385	\$ 85,223	\$ 82,911	\$ 90,095	\$ 104,316	\$ 28,366	\$ 31,892
(EBITDA + 1/3 Rent)/(Interest + 1/3 Rent).....	3.0x	4.3x	3.7x	4.5x	5.9x	6.1x	7.0x
EBITDA/Interest.....	4.0x	9.0x	6.3x	9.1x	14.8x	14.0x	17.9x
Debt/EBITDA.....	2.4x	2.4x	1.7x	1.0x	1.0x	--	--
Capital expenditures:							
Acquisitions (4).....	\$ 4,800	\$ --	\$ 7,188	\$ 11,526	\$ 25,853	\$ --	\$ --
Other (5).....	\$ 29,125	\$ 43,196	\$ 40,554	\$ 55,908	\$ 54,423	\$ 11,871	\$ 13,536

	DECEMBER 31,					MARCH 31, (UNAUDITED)	
	1990	1991	1992	1993	1994	1994	1995
	(DOLLARS IN THOUSANDS)						
BALANCE SHEET DATA:							
Working capital.....	\$ 50,836	\$ 14,345	\$ 33,716	\$ 15,500	\$ 14,607	\$ 26,485	\$ 15,593
Total assets.....	535,041	500,706	472,427	460,422	521,492	476,502	539,232
Long-term borrowings.....	205,646	127,235	114,959	75,081	85,125	78,844	75,038
Total debt.....	214,002	179,872	118,696	79,394	92,361	83,664	82,213
Total stockholders' equity.....	167,419	184,353	202,903	224,488	260,629	235,301	272,888

(1) The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings from continuing operations before income taxes and extraordinary items plus fixed charges. Fixed

charges include interest expense, interest element of lease rental expense, and amortization of debt issuance costs.

(2) Represents earnings before interest expense, income taxes, depreciation, amortization and nonrecurring charges, excluding the additional revenues from the special Medicaid reimbursements received by one of the Company's acute care facilities which participates in the Texas Medical Assistance Program ("EBITDA"). The amounts excluded from each year are as follows: 1990-\$0; 1991-\$0; 1992-\$29.8 million; 1993-\$13.5 million; 1994-\$12.4 million. The amounts excluded from the quarters ended March 31, 1994 and 1995 are \$3.0 million and \$3.3 million, respectively.

(3) Consists of EBITDA and one-third of lease and rental expense.

(4) Includes expenditures for acquisition of businesses and property held for lease and does not include assumed indebtedness and other liabilities.

(5) Includes property and equipment additions, non-cash capital lease obligations and acquisition of properties previously leased.

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

RESULTS OF OPERATIONS

THREE MONTHS OF 1995 COMPARED TO THREE MONTHS OF 1994 (CONSOLIDATED)

Net revenues increased 14% or \$26 million to \$220.7 million for the three months ended March 31, 1995 as compared to the comparable prior year period due primarily to revenue growth at facilities owned during both periods and the acquisition of a 112-bed acute care hospital in November of 1994. Net revenues at hospital facilities owned during both periods increased 8% or \$15 million for the three months ended March 31, 1995 as compared to the comparable prior year period, excluding the additional revenues received from the special Medicaid reimbursements received by one of the Company's acute care facilities which participates in the Texas Medical Assistance Program. Upon meeting certain conditions of participation and serving a disproportionately high share of the State's low income patients, the hospital became eligible and received additional reimbursement from the state's disproportionate share hospital fund totaling \$3.3 million and \$3.0 million for the three months ended March 31, 1995 and 1994, respectively. These programs are scheduled to terminate in August 1995 and the Company cannot predict whether these programs will continue beyond the scheduled termination date.

Excluding the net revenue effects of the special Medicaid reimbursement programs mentioned above, EBITDAR increased 11% or \$3.8 million to \$37.8 million for the three months ended March 31, 1995 as compared to \$34.0 million in the comparable prior year period. Overall operating margins, excluding the special Medicaid reimbursements, were 17.3% for the three months ended March 31, 1995 as compared to 17.8% in the comparable prior year period.

Acute Care Services

Net revenues from the Company's acute care hospitals and ambulatory treatment centers accounted for 85% of the consolidated net revenues for each of the three-month periods ended March 31, 1995 and 1994. Net revenues at the Company's acute care hospitals owned during both periods increased 9% during the three months ended March 31, 1995 over the comparable prior year period, after excluding the revenues received from the special Medicaid reimbursements described above. Despite the continued shift in the delivery of healthcare services to outpatient care, the Company's acute care hospitals experienced a 4% increase in patient days and a 10% increase in admissions for the three months ended March 31, 1995 as compared to the comparable prior year period. Outpatient activity at the Company's acute care hospitals continues to increase as gross outpatient revenues at these hospitals increased 17% for the three months ended March 31, 1995 over the prior year period and continues to comprise 23% of the Company's acute care gross patient revenues. The increase is primarily the result of advances in medical technologies, which allow more services to be provided on an outpatient basis, increased pressure from Medicare, Medicaid, health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and insurers to reduce hospital stays and provide services, where possible, on a less expensive outpatient basis and the acquisition of several physician practices. To accommodate the increased utilization of outpatient services, the Company has expanded or redesigned several of its outpatient facilities and services.

In addition, to take advantage of the trend toward increased outpatient services, the Company has continued to invest in the acquisition and development of ambulatory surgery and radiation oncology centers which have contributed to the increase in the Company's outpatient revenues. As of March 31, 1995, the Company operated or managed 22 outpatient treatment centers, which have contributed to the increase in the Company's outpatient revenues.

Behavioral Health Services

Net revenues from the Company's behavioral health services accounted for 14% and 15% of the consolidated net revenues for the three-month period ended March 31, 1995 and 1994, respectively. Net revenues at the Company's behavioral health centers owned during both periods increased 2% during the three months ended March 31, 1995 over the comparable prior year period due primarily to a 12% increase in admissions and a 1.4% increase in patient days. The average length of stay was 12.9 days in the 1995 quarter compared to 14.3 days in the 1994 quarter. The reduction in the average length of stay is a result of changing practices in the delivery of psychiatric care and continued cost containment pressures from payors which includes a greater emphasis on the utilization of outpatient services. Management of the Company has anticipated these trends by developing and marketing new outpatient treatment programs. The shift to outpatient care is reflected in higher revenues from outpatient services, as gross outpatient revenues at the Company's behavioral health centers increased 25% for the three months ended March 31, 1995 as compared to the comparable prior year quarter and now comprises 16% of behavioral health gross patient revenues as compared to 13% in the prior year quarter.

Other Operating Results

Depreciation and amortization expense increased \$1.4 million for the three months ended March 31, 1995 as compared to the comparable prior year period due primarily to the acquisition of a 112-bed acute care hospital in November of 1994 and additional depreciation expense related to capital expenditures and expansions made in the Company's acute care division.

Interest expense decreased 11% in the 1995 first quarter as compared to last year's first quarter due to lower average outstanding borrowings.

The effective tax rate was 39% in each of the quarters ended March 31, 1995 and 1994.

1994 COMPARED TO 1993 AND 1992 (CONSOLIDATED)

Net revenues increased 3% (\$21 million) to \$782 million in 1994 and 4% (\$30 million) to \$762 million in 1993. Increases in both periods resulted primarily from revenue growth at facilities owned during each of the last three years, and the acquisition and development of ambulatory treatment centers, net of the revenue effects of facilities sold during these periods. Net revenues at hospital facilities owned during all three periods increased by 6.7% (\$46 million) in 1994 over 1993 and 7.2% (\$47 million) in 1993 over 1992, excluding, as discussed above, the additional revenues received from the special Medicaid reimbursements received by one of the Company's acute care facilities which participates in the Texas Medical Assistance Program. Upon meeting certain conditions of participation and serving a disproportionately high share of the state's low income patients, the hospital became eligible and received additional reimbursements totalling \$12.4 million in 1994, \$13.5 million in 1993 and \$29.8 million in 1992 from the state's disproportionate share hospital fund. As discussed above, these programs are scheduled to terminate in August 1995 and the Company cannot predict whether these programs will continue beyond the scheduled termination date. Net revenues at the Company's ambulatory treatment centers increased to \$17 million in 1994 from \$11 million in 1993 and \$2 million in 1992. The Company sold two hospitals in the fourth quarter of 1993, which reported net revenues of \$38 million in 1993 and \$48 million in 1992.

Excluding the revenue effects of the special Medicaid reimbursement programs, EBITDAR increased from \$106 million in 1992 to \$113 million in 1993 and to \$127 million in 1994. Overall operating margins improved from approximately 15% in both 1992 and 1993 to 16.5% in 1994. The improvement in the Company's overall operating margins in 1994 is due primarily to the divestiture of two low margin acute care facilities in 1993 and lower insurance expense in 1994 as compared to the previous two years.

Acute Care Services

Net revenues from the Company's acute care hospitals and ambulatory treatment centers accounted for 85%, 84% and 84% of consolidated net revenues in 1994, 1993 and 1992, respectively.

Net revenues at the Company's acute care hospitals owned during each of the last three years increased 9% in 1994 over 1993 and 7% in 1993 over 1992, after excluding the revenues received from the special Medicaid reimbursements described above. Despite the continued shift in the delivery of healthcare services to outpatient care, the Company's acute care hospitals experienced a 10% increase in inpatient admissions and a 7% increase in patient days in 1994 due primarily to additional capacity and expansion of service lines at two of the Company's larger facilities. Admissions and patient days at these facilities remained relatively unchanged during 1993 as compared to 1992. Outpatient activity at the Company's acute care hospitals increased as gross outpatient revenues at these hospitals increased 16% in 1994 over 1993 and 18% in 1993 over 1992 and comprised 24% of the Company's gross patient revenues in 1994 and 1993 and 23% in 1992. The increase was primarily the result of advances in medical technologies, which allow more services to be provided on an outpatient basis, and increased pressure from Medicare, Medicaid, HMOs, PPOs, and insurers to reduce hospital stays and provide services, where possible, on a less expensive outpatient basis.

Excluding the revenues received from the special Medicaid reimbursements described above, operating margins (EBITDAR) at the Company's acute care hospitals owned during all three years were 19.9%, 19.5% and 21.3% in 1994, 1993 and 1992, respectively. The margin improvement in 1994 over 1993 was primarily the result of lower insurance expense. The margin decline from 1992 to 1993 resulted primarily from deterioration in payor mix and general industry trends. Pressure on operating margins is expected to continue due to the industry-wide trend away from charge based payors which limits the Company's ability to increase its prices.

Behavioral Health Services

Net revenues from the Company's behavioral health services accounted for 14%, 15% and 15% of consolidated net revenues in 1994, 1993 and 1992, respectively. Net revenues at the Company's behavioral health centers owned during each of the last three years decreased 7% in 1994 as compared to 1993 due primarily to a reduction in patient days. Despite a 12% increase in admissions in 1994, patient days decreased 3% due to a reduction in the average length of stay to 13.8 days in 1994 from 15.9 days in 1993. The reduction in the average length of stay was a result of changing practices in the delivery of psychiatric care and continued cost containment pressures from payors which includes a greater emphasis on the utilization of outpatient services. Net revenues at these hospitals increased 6% in 1993 as compared to 1992 due to a 17% increase in admissions offset by a reduction in the average length of stay to 15.9 days in 1993 from an average stay of 20.0 days in 1992. The shift to outpatient care is reflected in higher revenues from outpatient services, as gross outpatient revenues at the Company's behavioral health centers increased 17% in 1994 over 1993 and 39% in 1993 over 1992 and comprised 15% of psychiatric gross patient revenues in 1994 as compared to 13% in 1993 and 10% in 1992.

Operating margins (EBITDAR) at the behavioral health facilities owned during all three years were 15.8% in 1994, 21.5% in 1993 and 17.6% in 1992. The decrease in the profit margin in 1994 as compared to 1993 was primarily caused by the decrease in the facilities net revenues which declined due to an increase in Medicaid denials, a decrease in days of care delivered and a decline in the net revenue per day.

Other Operating Results

During 1994, the Company recorded \$9.8 million of nonrecurring charges which includes a \$4.3 million loss on the anticipated disposal of two acute care facilities. The Company exchanged these facilities, along with cash, for a 225-bed medical complex. See "The Company -- Recent and Proposed Acquisitions and Development Activities." Also included in nonrecurring charges is a \$2.8 million

write-down in the carrying value of a behavioral health center owned by the Company and leased to an unaffiliated third party which is currently in default under the terms of the lease agreement, a \$1.4 million write down recorded against the book value of the real property of a behavioral health center, and \$1.3 million of expenses related to the disposition of a non-strategic business. Included in the \$8.8 million of nonrecurring charges recorded in 1993 is a \$4.4 million loss on disposal of two acute care facilities divested during the fourth quarter of 1993 and \$4.4 million related to the winding down or disposition of non-strategic businesses.

Depreciation and amortization expense increased \$2.8 million in 1994 over 1993 due primarily to \$1.9 million in such expenses related to the Company's acquisition of ambulatory treatment centers and the increased depreciation expense related to capital expenditures and expansions made in the Company's acute care division. Depreciation and amortization expense decreased approximately \$9.5 million in 1993 as compared to 1992, due primarily to a \$13.5 million amortization charge in 1992 resulting from the revaluation of certain goodwill balances. Partially offsetting this decrease was a \$2.4 million increase in depreciation and amortization expense related to the Company's acquisitions of outpatient treatment centers.

Interest expense decreased 27% in 1994 as compared to 1993 and 24% in 1993 as compared to 1992 due to lower average outstanding borrowings.

The effective tax rate was 39%, 32% and 51%, in 1994, 1993 and 1992, respectively. The increase in the effective tax rate for 1994 as compared to 1993 was due to the 1993 tax provision containing a reduction in the state tax provision. The reduction in the effective tax rate in 1993 as compared to 1992, in addition to the reduction in the state tax provision mentioned above, was attributable to the above mentioned \$13.5 million goodwill amortization recorded in the 1992 period, which was not deductible for income tax purposes.

INFLATION

The healthcare industry is very labor intensive and salaries and benefits are subject to inflationary pressures, as are supply costs which tend to escalate as vendors pass on the rising costs through price increases. Although the Company cannot predict its ability to continue to cover future costs increases, management believes that through the adherence to cost containment policies, labor management and reasonable price increases, the effects of inflation, which has not had a material impact on the results of operations during the last three years, on future operating margins should be manageable. However, the Company's ability to pass on these increased costs associated with providing healthcare to Medicare and Medicaid patients may be limited since although these fixed payments rates are indexed for inflation annually, the increases have historically lagged behind actual inflation.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$24.1 million during the first three months of 1995, and \$60.6 million, \$84.6 million and \$81.7 million for the 1994, 1993 and 1992 fiscal years, respectively. The \$24.0 million decrease in 1994 as compared to 1993 was primarily attributable to an increase in the number of days of revenues in accounts receivable, acceleration in the payment of income taxes and an increase in the payments made in settlement of the Company's self-insurance reserves. The unfavorable change in the outstanding accounts receivable was caused by a temporary decline in cash collections due to information system conversions at the Company's hospitals. During each of the past three years, the net cash provided by operating activities substantially exceeded the scheduled maturities of long-term debt.

The Company has recently acquired a 225-bed medical complex in Aiken, South Carolina and entered into an agreement to acquire a 512-bed acute care hospital located in Bradenton, Florida in exchange for aggregate consideration of approximately \$183 million in cash and two acute care facilities. In addition, in connection with the acquisition of Edinburg Hospital in 1994, the Company will invest at least an additional \$30 million over a ten-year period to renovate the existing facility and

construct an additional facility within four years. The Company plans to spend approximately \$55 million over a four-year period in connection with the development of a medical complex in Summerlin, Nevada. See "The Company -- Recent and Proposed Acquisitions and Development Activities." Excluding expenditures related to acquisitions, expansions and new services, the Company believes it will make capital expenditures of approximately \$30 million in each of 1995 and 1996.

The Company expects to finance all capital expenditures and acquisitions with internally generated funds and borrowed funds. Borrowed funds may be obtained through the Company's existing commercial paper program, under the Company's unsecured revolving credit agreement or pursuant to the sale of debt securities which may be offered hereby. The Company's commercial paper program provides for loans, secured against patient accounts receivable, of up to \$50 million at any time outstanding. The Company's unsecured revolving credit agreement, which expires on March 31, 2000, provides, subject to certain conditions, for \$225 million of borrowing capacity, until March 31, 1998, \$210 million until March 31, 1999 and \$185 million until March 31, 2000. As of March 31, 1995, the Company had approximately \$236 million of unused borrowing capacity under its commercial paper program and revolving credit facility. To reduce the impact of changes in interest rates on the cost of its debt, the Company, from time to time, enters into interest rate swap agreements. Currently, the Company has one such agreement with a notional principal amount of \$10 million. The Company also entered into forward starting interest rate swaps in the notional principal amount of \$100 million to hedge the underlying treasury component of the interest rate on a portion of the debt securities which may be offered hereby. The Company expects to unwind these swaps on the issue date of such debt securities resulting in an effective treasury rate component of approximately 7.15%.

HEALTHCARE INDUSTRY OVERVIEW

Healthcare is one of the largest industries in the United States, representing total expenditures of approximately \$938.3 billion, or 13.9% of gross domestic product, in 1994 according to the Federal Healthcare Financing Administration ("HCFA"). Increases in healthcare expenditures, including hospital expenditures, historically have outpaced inflation due to, among other factors, the aging of the population and the increased availability and use of high-technology treatments and tests. According to HCFA, healthcare expenditures increased by approximately 6.1% in 1994 from approximately \$884.0 billion in 1993.

In response to escalating healthcare costs, government and private purchasers of healthcare services have undertaken substantial revisions in their payment methodologies and have increased significantly the degree to which they monitor the utilization of services. Additionally, payors increasingly are utilizing HMOs and PPOs as cost-effective alternatives to traditional fee-for-service health insurance plans. See "Business -- Regulation and Other Factors." Under these systems, hospitals bear the financial risk of providing healthcare services since they receive a specific, fixed reimbursement for each treatment, or specific fixed periodic payments based on the number of members of the HMO or PPO served or eligible for service by that hospital, regardless of the actual costs of providing the care. These payment systems have resulted in increased contractual allowances and discounts to hospitals' standard charges for services and a shift from inpatient to outpatient care.

These changes in payment methodologies have created many changes in the provision of healthcare. A significant shift from inpatient to outpatient care has resulted in significant unused hospital capacity and increases in the utilization of outpatient services and greater outpatient revenues. As a result, in part, of the changes in the industry, there has been significant consolidation in the hospital industry over the past few years. In response to payor trends, integrated healthcare networks have been established to provide a continuum of patient care in a cost-effective framework.

BUSINESS

GENERAL

The principal business of the Company is owning and operating acute care hospitals, behavioral health centers, ambulatory surgery centers and radiation oncology centers. Presently, the Company operates 29 hospitals, consisting of 14 acute care hospitals and 15 behavioral health centers, in Arkansas, California, Florida, Georgia, Illinois, Louisiana, Massachusetts, Michigan, Missouri, Nevada, Pennsylvania, South Carolina, Texas and Washington. The Company, as part of its Ambulatory Treatment Centers Division owns outright, or in partnership with physicians, and operates or manages 24 surgery and radiation oncology centers located in 14 states.

Services provided by the Company's hospitals include general surgery, internal medicine, obstetrics, emergency room care, radiology, diagnostic care, coronary care, pediatric services and psychiatric services. The Company provides capital resources as well as a variety of management services to its facilities, including central purchasing, data processing, finance and control systems, facilities planning, physician recruitment services, administrative personnel management, marketing and public relations.

BUSINESS STRATEGY

The Company's strategy to enhance its profitability is to continue to provide high quality, cost-effective healthcare at each of its facilities. Key elements of the Company's strategy are:

- to establish and maintain market leadership positions in small and medium-sized markets with favorable demographics;
- to develop or participate in the leading integrated healthcare delivery system in each of its hospital's markets;
- to develop and maintain strong relationships with physicians;
- to maintain a low cost structure while providing high quality care; and
- to attract managed care contracts.

Establish and Maintain Leadership Positions in Small and Medium-Sized Markets with Favorable Demographics

The Company believes that small and medium-sized markets provide the Company with strong opportunities for profitability since such markets typically are less competitive than major metropolitan markets and have lower cost structures. The Company strives to enhance its leadership position in its existing markets by improving the hospital's physical plant, by improving and increasing the services offered by the hospital and by making complementary acquisitions or constructing additional facilities. In determining whether to enter new markets, the Company considers, among other factors, the competitive situation and demographic profile.

Examples of the Company's development and expansion of operations in small and medium-sized markets is the Company's recent acquisition and development activities. In Las Vegas, which is located in the fastest growing MSA in the nation, the Company owns the 398-bed Valley Hospital. At Valley Hospital, the Company recently developed an outpatient surgery center, conducted a major renovation of its emergency room and is establishing a neonatal intensive care unit. In addition, to further enhance the Company's leadership in Las Vegas, the Company is developing, with the Howard Hughes Corporation, a medical complex, including a 120-bed acute care hospital, an ambulatory surgery center, a medical office building, and a diagnostic center in the community of Summerlin, Nevada, in western Las Vegas. Howard Hughes Corporation has granted to the Company the exclusive right to operate medical facilities in Summerlin.

In McAllen, Texas, to complement the Company's market leading 428-bed McAllen Medical Center, the Company recently acquired Edinburg Hospital, located in Edinburg, north of McAllen. McAllen is in the fourth fastest growing MSA in the nation. The Company plans to further expand its presence in the McAllen market by building a new 100-bed acute care hospital in Edinburg and converting the existing property to a nursing and rehabilitation facility.

The Company's recent acquisition of Aiken Regional Medical Centers provided, and its planned acquisition of Manatee Memorial Hospital will, if completed, provide, the Company with two market leaders in markets with favorable demographics. Aiken, a 225-bed medical center complex located in Aiken, South Carolina, is the only hospital located in Aiken County, South Carolina. In addition, to acquire Aiken, the Company exchanged Dallas Family Hospital and Westlake Medical Center, two hospitals which are not leaders in their markets and which the Company was unable to link to their respective market leaders. Manatee, a 512-bed acute care hospital, is one of two hospitals in Manatee County, Florida. See "Business-Operations."

The Company has also established market leadership positions with most of its ambulatory surgery centers and radiation oncology centers. The majority of the Company's surgery centers are the sole free standing providers in their respective markets and all except one of the Company's free standing radiation centers are the sole providers. The Company seeks to acquire ambulatory surgery centers and radiation oncology centers which are the sole free standing providers in a market since these centers provide a cost-effective alternative to the local hospital.

Develop Integrated Healthcare Delivery Systems

In each of its hospital's markets, the Company has established or is developing an integrated healthcare delivery system to offer a full range of patient care on a cost-effective basis. Through the development of integrated healthcare delivery systems, the Company believes that it will augment revenues and market share by attracting an increasing share of large, sophisticated governmental and private sector managed care contracts. The Company believes that hospitals are the logical hubs for the development of integrated healthcare delivery systems due to their highly developed infrastructure, extensive base of services, sophisticated equipment and skilled personnel. The Company believes that the development of integrated healthcare delivery systems is accomplished by (i) maintaining a single hospital's leadership in its market or (ii) coordinating the services of its hospital with the market leader.

In certain markets where the Company is a market leader, for example Las Vegas, Nevada, and McAllen, Texas, the Company has positioned its hospitals as the center of delivery systems by responding to community needs and developing new services. In Las Vegas, for example, the Company developed an outpatient surgery center, conducted a major renovation of its emergency room and is establishing a neonatal intensive care unit. In the Las Vegas and McAllen markets, the Company has also undertaken development activities. See "The Company -- Recent and Proposed Acquisitions and Development Activities."

To increase the presence of the Company's behavioral health centers in southeastern Massachusetts, the Company recently acquired Fuller Memorial Psychiatric Hospital. Fuller, which is located in close proximity to two of the Company's other behavioral health centers and its eleven day-treatment clinics, will augment the Company's ability to serve additional patients in southeastern Massachusetts.

In markets where the Company is not by itself a market share leader, the Company attempts to link its hospitals with the market leader. The Company has effected such a linkage in New Orleans where its hospitals are linked with Methodist Hospital and East Jefferson Hospital, both of which are their respective market leaders.

Develop and Maintain Strong Relationships with Physicians

The Company believes that its success will depend in large part on maintaining strong relationships with physicians, and has devoted substantial management effort and resources to establishing and maintaining such relationships and to fostering a physician-friendly culture at each of its hospitals to better serve the needs of patients. The Company attracts physicians to its hospitals by equipping its hospitals with sophisticated equipment, constructing medical office buildings adjacent to many of its hospitals, providing physicians with a large degree of independence in conducting their hospital practice, supplying a quality nursing and technical staff and sponsoring training programs to educate physicians on advanced medical procedures. These efforts serve the dual purposes of developing and maintaining strong relationships with physicians and better serving the needs of patients. In addition, consistent with the Company's goal of establishing integrated healthcare delivery systems, the Company is expanding its alliances with physicians to create long term hospital/physician linkages. These arrangements will allow physicians to participate in the delivery of healthcare at the network level. For example, in Nevada, the Company has established Universal Health Network, a PPO with approximately 100,000 covered lives. In McAllen, the Company is pursuing a plan whereby McAllen Medical Center and Edinburg Hospital will be transferred to a partnership of which the staff physicians will own up to 5%.

Maintain a Low Cost Structure While Providing High Quality Care

The Company has taken steps to create a low cost structure and believes its current cost structure will enable it to continue to compete effectively in each of its current markets. The Company has established standardized management information systems which provide accurate clinical and financial data for use by hospital staff, physicians and corporate management. In addition, the Company closely monitors departmental staffing and has established staffing level targets for each hospital based on the amount and type of service provided to the patients. The Company reviews compliance with these staffing targets on a monthly basis. The Company also reviews patient length of stay, service utilization, cash flow, accounts receivable collection, inventory levels and outside purchases. To reduce the cost of supplies, the Company has entered into national purchasing contracts.

While maintaining its commitment to a low cost structure, the Company has developed and implemented a continuous quality improvement program designed to assess all levels of patient care provided in its hospitals. While the basics of the program are mandated by federal, state and Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") regulations and standards, the objective of the program is to meet or exceed the mandates by focusing on hospital systems, patient, physician and employee concerns. The quality improvement program is managed by a multidisciplinary committee consisting of physicians, nurses, ancillary managers and administration. The committee performs peer review, monitoring all functions within the hospital, identifying opportunities to improve, recommending actions and following up on the changes to assure improvement. The committee and its administrative support department, quality management and the corporate quality improvement services department meet regularly to address specific problems, program integrity, and ways to improve patients care under a "Total Quality Management System." Continual review, analysis and training provided through the quality improvement program provides patients, physicians and third party payors assurance that efficient, quality patient care receives the highest priority at each of the Company's hospitals. The Company's efforts in maintaining high quality care have been recognized. Recent awards include (i) the 1994 Quality and Productivity Award given by the United States Senate to Valley Hospital Medical Center, (ii) Keystone Center, Chalmette Medical Center, Turning Point Hospital, HRI Hospital and The Arbour receiving JCAHO Accreditation with Commendation (awarded to only 5% of hospitals, nationally) and (iii) the Company being recognized by the Pennsylvania Council of Excellence for quality management accomplishment.

Attract Managed Care Contracts

The Company has extensive experience in working with managed care providers. Pressures to control healthcare costs have resulted in a continuing increase in the percentage of the United States population that is covered by managed healthcare plans. To increase the cost-effectiveness of healthcare delivery, managed care payors have introduced new utilization review systems and have increased the use of discounted and capitated fee arrangements. Further, managed care payors have attempted, where appropriate, to direct patients to less intensive alternatives along the continuum of patient care. Management has responded to this trend by increasing the outpatient services offered at its hospitals and behavioral health centers. In addition, the Company also continues to add to its Ambulatory Treatment Centers Division, acquiring nine facilities in 1994. In determining with which providers to contract, payors consider, among other factors, the quality of care provided, the range of services, the geographic coverage and the cost-effectiveness of the care provided. The Company believes that the development and expansion of its integrated healthcare delivery systems will enable it to better compete for managed care contracts with payors, which, in turn, should allow it to expand its patient volume and cash flow, notwithstanding the reduced rates at which services are provided.

OPERATIONS

After giving effect to the Company's planned acquisition of Manatee Memorial Hospital, the Company will derive the majority of its revenue from Valley Hospital, McAllen Medical Center and Manatee Memorial Hospital. Following is a brief discussion of these facilities and their respective geographic areas:

Las Vegas, Nevada. The Company's Valley Hospital is a 398-bed hospital located in Las Vegas. Las Vegas is in the fastest growing MSA in the country. On a pro forma basis, assuming the Adjustments and excluding the Special Medicaid Reimbursements, Valley Hospital would have contributed 15% of the Company's net revenues for the three month period ended March 31, 1995, and the year ended December 31, 1994, and 26% and 28%, respectively, of the Company's EBITDAR for such periods. To enhance its competitive position in the Las Vegas market, Valley Hospital recently underwent a major expansion of its emergency room facility, established an outpatient surgery center and is establishing a neonatal intensive care unit.

The Company has begun construction of a new facility in Summerlin, Nevada which is a master planned community located in western Las Vegas. The new Summerlin Medical Center will be completed in three phases and will consist of a 100,000 square foot medical building, an outpatient surgery and diagnostic center and a 120-bed acute care hospital. Howard Hughes Corporation has granted to the Company the exclusive right to operate medical facilities in Summerlin. See "The Company -- Recent and Proposed Acquisitions and Development Activities."

McAllen, Texas. McAllen, located in the Rio Grande Valley area of Texas, is the center of a 200 mile wide consumer market area with more than ten million people. McAllen and its surrounding communities are in the fourth fastest growing MSA in the country. Furthermore, the population in McAllen increases significantly in the winter months with the inflow of retirees from the northern states. The Company's McAllen Medical Center, a 428-bed facility, is the largest hospital in the Rio Grande Valley and is the hub of a five hospital delivery network organized by the Company. The medical center offers a wide range of services including general medical/surgical care, a 24-hour emergency room, oncology care, cardiac care, obstetric, pediatric and neonatal care and laser surgery. On a pro forma basis, assuming the Adjustments and excluding the Special Medicaid Reimbursements, McAllen Medical Center would have contributed 18% and 17% of the Company's net revenues for the three month period ended March 31, 1995, and the year ended December 31, 1994, respectively, and 28% of the Company's EBITDAR for each such period.

The Company has recently acquired Edinburg Hospital, a 112-bed acute care facility. Located eight miles north of McAllen, this facility enhances the Company's delivery network in this rapidly growing area. The Company plans to further expand its presence in the McAllen market by building a

new 100-bed acute care hospital in Edinburg and converting the existing property to a nursing and rehabilitation facility.

Manatee County, Florida. Manatee County is located approximately 50 miles south of Tampa on the Gulf Coast of Florida. The County has a current population of approximately 250,000. The Company has entered into an agreement to acquire Manatee Memorial Hospital ("Manatee"), a 512-bed facility which is located in the County. Until the closing, the Company is managing Manatee for its current owners.

The hospital, which has a location which will benefit from the continuing eastern expansion of the County, offers a wide range of services from primary medical and surgical procedures to obstetric, pediatric, psychiatric and a broad range of specialized programs. The Manatee Heart Center offers the full range of cardiac care from catheterization and non-invasive procedures to open heart surgery. The Manatee Center for Women's Health offers neonatal care in addition to its obstetric and gynecological services. The Emergency Care Center is a state-of-the-art facility servicing 90% of the trauma cases in the County. Manatee also offers a full range of outpatient services to the community. It is the only hospital in the County to operate a Life Management inpatient and outpatient program for mentally ill individuals. Recently, Manatee opened its new Surgery and Outpatient Services Center which provides outpatient services to the community through twelve new surgical suites and arrays of diagnostic tests and surgical procedures.

Assuming the Adjustments and excluding the Special Medicaid Reimbursements, Manatee would have contributed 13% of the Company's net revenues for the three month period ended March 31, 1995, and the year ended December 31, 1994, and 15% of the Company's EBITDAR for both such periods.

FACILITIES

The following tables set forth the name, location, type of facility and, for acute care hospitals and behavioral health centers, the number of beds, for each of the Company's existing and pending facilities:

ACUTE CARE HOSPITALS

NAME OF FACILITY	LOCATION	NUMBER OF BEDS	INTEREST
Auburn General Hospital.....	Auburn, Washington	149	Owned
Chalmette Medical Center(1).....	Chalmette, Louisiana	118	Leased
Doctors' Hospital of Shreveport(2)....	Shreveport, Louisiana	136	Leased
Edinburg Hospital.....	Edinburg, Texas	112	Owned
Inland Valley Regional Medical Center(1).....	Wildomar, California	80	Leased
McAllen Medical Center(1).....	McAllen, Texas	428	Leased
Northern Nevada Medical Center(3).....	Sparks, Nevada	150	Owned
River Parishes Hospitals(4).....	LaPlace and Chalmette, Louisiana	216	Leased/Owned
Universal Medical Center.....	Plantation, Florida	202	Owned
Valley Hospital Medical Center.....	Las Vegas, Nevada	398	Owned
Victoria Regional Medical Center.....	Victoria, Texas	147	Owned
Wellington Regional Medical Center(1)..	West Palm Beach, Florida	120	Leased
Aiken Regional Medical Centers.....	Aiken, South Carolina	225	Owned
Manatee Memorial Hospital(5).....	Bradenton, Florida	512	Acquisition Pending

BEHAVIORAL HEALTH CENTERS

NAME OF FACILITY	LOCATION	NUMBER OF BEDS	OWNERSHIP
The Arbour Hospital.....	Boston, Massachusetts	118	Owned
The BridgeWay(1).....	North Little Rock, Arkansas	70	Leased
Del Amo Hospital.....	Torrance, California	166	Owned
Forest View Hospital.....	Grand Rapids, Michigan	62	Owned
Fuller Memorial Psychiatric Hospital.....	South Attleboro, Massachusetts	82	Owned
Glen Oaks Hospital.....	Greenville, Texas	54	Owned
HRI Hospital.....	Brookline, Massachusetts	68	Owned
KeyStone Center(6).....	Wallingford, Pennsylvania	84	Owned
La Amistad Residential Treatment Center....	Maitland, Florida	56	Owned
Meridell Achievement Center(1).....	Austin, Texas	114	Leased
The Pavilion.....	Champaign, Illinois	46	Owned
River Crest Hospital.....	San Angelo, Texas	80	Owned
River Oaks Hospital.....	New Orleans, Louisiana	126	Owned
Turning Point Hospital(6).....	Moultrie, Georgia	59	Owned
Two Rivers Psychiatric Hospital.....	Kansas City, Missouri	80	Owned

AMBULATORY SURGERY CENTERS

NAME OF FACILITY(8)	LOCATION
Arkansas Surgery Center of Fayetteville.....	Fayetteville, Arkansas
Goldring Surgical and Diagnostic Center.....	Las Vegas, Nevada
M.D. Physicians Surgicenter of Midwest City.....	Midwest City, Oklahoma
Outpatient Surgical Center of Ponca City.....	Ponca City, Oklahoma
St. George Surgical Center.....	St. George, Utah
Seacoast Outpatient Surgical Center.....	Somersworth, New Hampshire
Surgery Centers of the Desert.....	Rancho Mirage, California Palm Springs, California
The Surgery Center of Chalmette.....	Chalmette, Louisiana
Surgery Center of Littleton.....	Littleton, Colorado
Surgery Center of Springfield.....	Springfield, Missouri
Surgery Center of Texas.....	Odessa, Texas
Surgical Center of New Albany.....	New Albany, Indiana
Surgery Center of Corona.....	Corona, California

RADIATION ONCOLOGY CENTERS

NAME OF FACILITY	LOCATION
Auburn Regional Center for Cancer Care.....	Auburn, Washington
Bowling Green Radiation Oncology Associates(7).....	Bowling Green, Kentucky
Capital Radiation Therapy Center(7).....	Frankfort, Kentucky
Columbia Radiation Oncology.....	Washington, D.C.
Danville Radiation Therapy Center(7).....	Danville, Kentucky
Glasgow Radiation Oncology Associates(7).....	Glasgow, Kentucky
Madison Radiation Oncology Associates(9).....	Madison, Indiana
McAllen Medical Center Cancer Institute.....	McAllen, Texas
Regional Cancer Center at Wellington.....	West Palm Beach, Florida
Southern Indiana Radiation Therapy(9).....	Jeffersonville, Indiana

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(1) Real property leased from UHT.

(2) Real property leased with an option to purchase.

(3) General partnership interest in limited partnership.

(4) Includes Chalmette Hospital, a 114-bed rehabilitation facility. The Company owns the LaPlace real property and leases the Chalmette real property from UHT.

(5) Managed Hospital. The Company has entered into an agreement to acquire this facility. See "The Company -- Recent and Proposed Acquisitions and Development Activities."

(6) Addictive disease facility.

(7) Managed Facility. A partnership, in which the Company is the general partner, owns the real property.

(8) Each facility other than Goldring Surgical and Diagnostic Center and The Surgery Center of Chalmette are owned in partnership form with the Company owning general and limited partnership interests in a limited partnership. The real property is leased from third parties.

(9) A partnership in which the Company is the general partner owns the real property.

BED UTILIZATION AND OCCUPANCY RATES

The following table shows the bed utilization and occupancy rates for the hospitals operated by the Company for the years indicated, excluding information relating to hospitals no longer owned by the Company as of December 31, 1994. Accordingly, the information is presented on a basis different from that used in preparing the historical financial information included or incorporated by reference in this Prospectus. 1994 (Pro forma) assumes the effect of the Adjustments as if they occurred on January 1, 1994.

	1990	1991	1992	1993	1994	1994 (PRO FORMA)
	-----	-----	-----	-----	-----	-----
Average Licensed Beds						
Acute Care Hospitals.....	2,292	2,292	2,292	2,425	2,491	2,998
Behavioral Health Centers....	1,155	1,162	1,172	1,134	1,137	1,137
Average Available Beds (1)						
Acute Care Hospitals.....	1,980	1,980	1,980	2,108	2,177	2,580
Behavioral Health Centers....	1,151	1,156	1,115	1,132	1,137	1,137
Hospital Admissions						
Acute Care Hospitals.....	67,472	70,820	71,042	72,578	78,588	96,296
Behavioral Health Centers....	8,437	9,520	9,929	11,627	12,964	12,964
Average Length of Patient Stay (Days)						
Acute Care Hospitals.....	5.6	5.5	5.4	5.3	5.2	5.3
Behavioral Health Centers....	25.5	22.9	20.0	15.8	13.8	13.8
Patient Days (2)						
Acute Care Hospitals.....	374,896	387,641	385,652	385,863	409,091	512,372
Behavioral Health Centers....	215,439	218,061	198,116	184,264	179,238	179,238
Occupancy Rate (3):						
Licensed Beds						
Acute Care Hospitals.....	45%	46%	46%	44%	45%	47%
Behavioral Health Centers....	51%	51%	46%	45%	43%	43%
Available Beds						
Acute Care Hospitals.....	52%	54%	53%	50%	51%	54%
Behavioral Health Centers....	51%	52%	49%	45%	43%	43%

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(1) "Average Available Beds" is the number of beds which are actually in service at any given time for immediate patient use with the necessary equipment and staff available for patient care. A hospital may have appropriate licenses for more beds than are in service for a number of reasons, including lack of demand, incomplete construction, and anticipation of future needs.

(2) "Patient Days" is the aggregate sum for all patients of the number of days that hospital care is provided to each patient.

(3) "Occupancy Rate" is calculated by dividing average patient days (total patient days divided by the total number of days in the period) by the number of average beds, either available or licensed.

SOURCES OF REVENUE

The Company receives payment for services rendered from private insurers, including managed care plans, the Federal government under the Medicare program, state governments under their respective Medicaid programs and directly from patients. All of the Company's acute care hospitals and most of the Company's behavioral health centers are certified as providers of Medicare and Medicaid services by the appropriate governmental authorities. The requirements for certification are subject to change, and, in order to remain qualified for such programs, it may be necessary for the Company to

make changes from time to time in its facilities, equipment, personnel and services. Although the Company intends to continue in such programs, there is no assurance that it will continue to qualify for participation.

The sources of the Company's hospital revenues are charges related to the services provided by the hospitals and their staffs, such as radiology, operating rooms, pharmacy, physiotherapy and laboratory procedures, and basic charges for the hospital room and related services such as general nursing care, meals, maintenance and housekeeping. Hospital revenues depend upon the occupancy for inpatient routine services, the extent to which ancillary services and therapy programs are ordered by physicians and provided to patients, the volume of out-patient procedures and the charges or negotiated payment rates for such services. Charges and reimbursement rates for inpatient routine services vary depending on the type of bed occupied (e.g., medical/surgical, intensive care or psychiatric) and the geographic location of the hospital.

The following tables show approximate percentages of gross revenue derived by the Company's acute care hospitals and behavioral health centers owned as of December 31, 1994 since their respective dates of acquisition by the Company from third party sources and from all other sources during the five years ended December 31, 1994. 1994 (Pro forma) assumes the effect of the Adjustments as if they occurred on January 1, 1994.

PERCENTAGE OF GROSS REVENUES OF ACUTE CARE HOSPITALS

	1990	1991	1992	1993	1994	1994 (PRO FORMA)
	-----	-----	-----	-----	-----	-----
Third Party Payors:						
Blue Cross.....	0.9%	1.4%	0.6%	0.7%	2.3%	2.0%
Medicare.....	43.2%	44.4%	44.3%	43.8%	41.7%	43.6%
Medicaid.....	7.0%	8.5%	11.0%	12.0%	12.8%	13.0%
Other Sources (including patients and private insurance carriers).....	48.9%	45.7%	44.1%	43.5%	43.2%	41.4%
	-----	-----	-----	-----	-----	-----
Total:.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	=====	=====	=====	=====	=====	=====

PERCENTAGE OF GROSS REVENUES OF BEHAVIORAL HEALTH CENTERS

	1990	1991	1992	1993	1994	1994 (PRO FORMA)
	-----	-----	-----	-----	-----	-----
Third Party Payors:						
Blue Cross.....	13.1%	11.3%	10.1%	8.7%	6.7%	6.7%
Medicare.....	14.6%	17.6%	20.9%	22.1%	25.2%	25.2%
Medicaid.....	9.3%	4.8%	5.4%	14.2%	20.0%	20.0%
Other Sources (including patients and private insurance carriers).....	63.0%	66.3%	63.6%	55.0%	48.1%	48.1%
	-----	-----	-----	-----	-----	-----
Total:.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	=====	=====	=====	=====	=====	=====

Net revenues of the Company are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. The Company does not record net revenue by payor other than for Medicare and Medicaid. These net revenues are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Medicare and Medicaid net revenues represented 39%, 43%, 44% and 46% of net patient revenues for the years 1992, 1993, 1994 and 1994 (Pro forma), respectively, excluding the Special Medicaid Reimbursements.

MEDICAL STAFF AND EMPLOYEES

The Company's hospitals are staffed by licensed physicians who have been admitted to the medical staff of individual hospitals. With a few exceptions, physicians are not employees of the Company's hospitals and members of the medical staffs of the Company's hospitals also serve on the medical staffs of hospitals not owned by the Company and may terminate their affiliation with the Company's hospitals at any time. Each of the Company's hospitals is managed on a day-to-day basis by a managing director employed by the Company. In addition, a Board of Governors, including members of the hospital's medical staff, governs the medical, professional and ethical practices at each hospital. The Company's facilities had approximately 10,000 employees at June 1, 1995, of whom 7,500 were employed full-time.

614 of the Company's employees at four of its hospitals are unionized. At Valley Hospital, unionized employees belong to the Culinary Workers and Bartenders Union and the International Union of Operating Engineers. Registered nurses at Auburn General Hospital located in Washington State, are represented by the Washington State Nurses Association, the practical nurses at Auburn are represented by the United Food and Commercial Workers and licensed practical nurses at Auburn are represented by the Service Employees International Union, Local 6. In addition, at Auburn, the technical employees are represented by the United Food and Commercial Workers, and the service employees are represented by the Service Employees International Union. The registered nurses, licensed practical nurses, certain technicians and therapists, and housekeeping employees at HRI Hospital in Boston are represented by the Service Employees International Union. All full-time and regular part-time professional employees of La Amistad Residential Treatment Center in Maitland, Florida are represented by the United Nurses of Florida/United Health Care Employees Union. The Company believes that its relations with its employees are satisfactory.

COMPETITION

In all geographical areas in which the Company operates, there are other hospitals which provide services comparable to those offered by the Company's hospitals, some of which are owned by governmental agencies and supported by tax revenues, and others of which are owned by nonprofit corporations and may be supported to a large extent by endowments and charitable contributions. Such support is not available to the Company's hospitals. Certain of the Company's competitors have greater financial resources, are better equipped and offer a broader range of services than the Company. Outpatient treatment and diagnostic facilities, outpatient surgical centers and freestanding ambulatory surgical centers also impact the healthcare marketplace. In recent years, competition among healthcare providers for patients has intensified as hospital occupancy rates in the United States have declined due to, among other things, regulatory and technological changes, increasing use of managed care payment systems, cost containment pressures, a shift toward outpatient treatment and an increasing supply of physicians. The Company's strategies are designed, and management believes that its facilities are positioned, to be competitive under these changing circumstances.

REGULATION AND OTHER FACTORS

Within the statutory framework of the Medicare and Medicaid programs, there are substantial areas subject to administrative rulings, interpretations and discretion which may affect payments made under either or both of such programs and reimbursement is subject to audit and review by third party payors. Management believes that adequate provision has been made for any adjustments that might result therefrom.

The Federal government makes payments to participating hospitals under its Medicare program based on various formulae. The Company's general acute care hospitals are subject to a prospective payment system ("PPS"). PPS pays hospitals a predetermined amount per diagnostic related group ("DRG") based upon a hospital's location and the patient's diagnosis.

The deficit-reduction legislation passed by Congress in 1987 limits the increases in PPS reimbursement based on the rate of inflation and the location of hospitals. Psychiatric hospitals, which are exempt from PPS, are cost reimbursed by the Medicare program, but are subject to a per discharge limitation, calculated based on the hospital's first full year in the Medicare program. Capital related costs are exempt from this limitation.

On August 30, 1991, the Health Care Financing Administration issued final Medicare regulations establishing a prospective payment methodology for inpatient hospital capital-related costs. These regulations apply to hospitals which are reimbursed based upon the prospective payment system and took effect for cost years beginning on or after October 1, 1991. For each of the Company's hospitals, the new methodology began on January 1, 1992.

The regulations provide for the use of a 10-year transition period in which a blend of the old and new capital payment provisions will be utilized. One of two methodologies will apply during the 10-year transition period: if the hospital's hospital-specific capital rate exceeds the federal capital rate, the hospital will be paid on the basis of a "hold harmless" methodology, which is a blend of actual cost reimbursement and a prospectively determined national federal capital rate; or, with limited exceptions, if the hospital-specific rate is below the federal capital rate, the hospital will receive payments based upon a "fully prospective" methodology, which is a blend of the hospital's actual base year capital rate and a prospectively determined national federal capital rate. Each hospital's hospital-specific rate was determined based upon allowable capital costs incurred during the "base year", which, for all of the Company's hospitals, is the year ended December 31, 1990. All of the Company's hospitals are paid under the "hold harmless" methodology except for one hospital, which is paid under the "fully prospective" methodology.

Within certain limits, a hospital can manage its costs, and, to the extent this is done effectively, a hospital may benefit from the DRG system. However, many hospital operating costs are incurred in order to satisfy licensing laws, standards of the Joint Commission on the Accreditation of Healthcare Organizations and quality of care concerns. In addition, hospital costs are affected by the level of patient acuity, occupancy rates and local physician practice patterns, including length of stay judgments and number and type of tests and procedures ordered. A hospital's ability to control or influence these factors which affect costs is, in many cases, limited.

There have been additional proposals either proposed by the Administration or in Congress to reduce the funds available for the Medicare and Medicaid programs and to change the method by which hospitals are reimbursed for services provided to Medicare and Medicaid patients, including free indigent care. The House of Representatives and the Senate each recently passed bills which would limit the future rate of growth of the Medicare program from 10% annually to 7% annually and in the Medicaid Program from 10% annually to 4% annually (under the House of Representatives' plan). In addition, state governments may, in the future, reduce funds available under the Medicaid programs which they fund in part or impose additional restrictions on the utilization of hospital services. A number of legislative initiatives were proposed in 1994, and others may be proposed again in 1995, which if enacted would result in major changes in the healthcare system, nationally and/or at the state level. Several of these proposals limit the rate of increase in spending for Medicare and other healthcare costs as part of overall deficit reduction measures. The Company is unable to predict which bill, if any, will be adopted, or the ultimate impact its adoption would have on the Company; however, new legislation, if passed, could have a material adverse effect on the Company's future revenues.

In addition to federal health reform efforts, several states have adopted or are considering healthcare reform legislation. Several states are planning to consider wider use of managed care for their Medicaid populations and providing coverage for some people who presently are uninsured. In Texas, a law was recently passed which mandates that the State apply for a waiver from current Medicaid regulations to allow it to require that certain Medicaid participants be serviced through managed care providers. The Company is unable to predict whether Texas will be granted such a waiver or the effect on the Company's business of such law. A number of other states are considering

the enactment of managed care initiatives designed to provide low-cost coverage. The Company currently operates two behavioral health centers with a total of 186 beds in Massachusetts, which has mandated hospital rate-setting. The Company also operates three hospitals containing an aggregate of 378 beds, and manages, and has agreed to acquire, one hospital with 512 beds, in Florida that are subject to a mandated form of rate-setting if increases in hospital revenues per admission exceed certain target percentages. The Company does not believe that such regulation has had a material adverse effect on its operations.

Pursuant to Federal legislation, in general, the Federal government is required to match state funds applied to state Medicaid programs. Several states have initiated programs under which certain hospital providers are taxed to generate Medicaid funds which must be matched by the Federal government. New legislation passed by Congress on November 27, 1991, limits each state's use of provider taxes after 1994. State programs involving provider taxes in which UHS' hospitals are participants are in place in Texas, Louisiana, Missouri, Nevada and Washington. Included in the Company's 1994 financial results is revenue attributable to these programs, some of which expired in 1994. The Company cannot predict whether the remaining programs will continue beyond the scheduled termination dates.

Under the Omnibus Budget Reconciliation Act of 1993 ("OBRA"), enacted by Congress in late 1993, and effective January 1, 1995, physicians are precluded from referring Medicare and Medicaid patients for a wide range of services where the physician has an ownership interest or investment interest in, or compensation arrangement with, an entity that provides such services. The legislation includes certain exceptions including, for example, where the referring physician has an ownership interest in a hospital as a whole or an ambulatory surgery center if the physician performs services at the center. In addition, all Medicare providers and suppliers are subject to certain reporting and disclosure requirements.

In 1991, 1992 and 1993, the Inspector General of the Department of Health and Human Services ("HHS") issued regulations which provide for "safe harbors"; if an arrangement or transaction meets each of the stipulations established for a particular safe harbor, the arrangement will not be subject to challenge by the Inspector General. If an arrangement does not meet the safe harbor criteria, it will be analyzed under its particular facts and circumstances to determine whether it violates the Medicare anti-kickback statute which prohibits, in general, fraudulent and abusive practices, and enforcement action may be taken by the Inspector General. In addition to the investment interests safe harbor, other safe harbors include space rental, equipment rental, personal service/management contracts, sales of a physician practice, referral services, warranties, employees, discounts and group purchasing arrangements, among others.

The Company does not anticipate that either the OBRA provisions or the safe harbor regulations will have material adverse effects upon its operations.

Several states, including Florida and Nevada, have passed new legislation which limits physician ownership in medical facilities providing imaging services, rehabilitation services, laboratory testing, physical therapy and other services. This legislation is not expected to significantly affect the Company's operations.

All hospitals are subject to compliance with various federal, state and local statutes and regulations and receive periodic inspection by state licensing agencies to review standards of medical care, equipment and cleanliness. The Company's hospitals must comply with the licensing requirements of federal, state and local health agencies, as well as the requirements of municipal building codes, health codes and local fire departments. In granting and renewing licenses, a department of health considers, among other things, the physical buildings and equipment, the qualifications of the administrative personnel and nursing staff, the quality of care and continuing compliance with the laws and regulations relating to the operation of the facilities. State licensing of facilities is a prerequisite to certification under the Medicare and Medicaid programs. Various other licenses and permits are also required in order to dispense narcotics, operate pharmacies, handle radioactive materials and operate certain

equipment. All the Company's eligible hospitals have been accredited by the Joint Commission on the Accreditation of Healthcare Organizations.

The Social Security Act and regulations thereunder contain numerous provisions which affect the scope of Medicare coverage and the basis for reimbursement of Medicare providers. Among other things, this law provides that in states which have executed an agreement with the Secretary of the Department of Health and Human Services (the "Secretary"), Medicare reimbursement may be denied with respect to depreciation, interest on borrowed funds and other expenses in connection with capital expenditures which have not received prior approval by a designated state health planning agency. Additionally, many of the states in which the Company's hospitals are located have enacted legislation requiring certificates of need ("CON") as a condition prior to hospital capital expenditures, construction, expansion, modernization or initiation of major new services. Failure to obtain necessary state approval can result in the inability to complete an acquisition or change of ownership, the imposition of civil or, in some cases, criminal sanctions, the inability to receive Medicare or Medicaid reimbursement or the revocation of a facility's license. The Company has not experienced and does not expect to experience any material adverse effects from those requirements.

Health planning statutes and regulatory mechanisms are in place in many states in which the Company operates. These provisions govern the distribution of healthcare services, the number of new and replacement hospital beds, administer required state CON laws, contain healthcare costs, and meet the priorities established therein. Significant CON reforms have been proposed in a number of states, including increases in the capital spending thresholds and exemptions of various services from review requirements. The Company is unable to predict the impact of these changes upon its operations.

Federal regulations provide that admissions and utilization of facilities by Medicare and Medicaid patients must be reviewed in order to insure efficient utilization of facilities and services. The law and regulations require Peer Review Organizations ("PROs") to review the appropriateness of Medicare and Medicaid patient admissions and discharges, the quality of care provided, the validity of DRG classifications and the appropriateness of cases of extraordinary length of stay. PROs may deny payment for services provided, assess fines and also have the authority to recommend to HHS that a provider that is in substantial non-compliance with the standards of the PRO be excluded from participating in the Medicare program. The Company has contracted with PROs in each state where it does business as to the scope of such functions.

The Company's healthcare operations generate medical waste that must be disposed of in compliance with federal, state and local environmental laws, rules and regulations. In 1988, Congress passed the Medical Waste Tracking Act. Infectious waste generators, including hospitals, now face substantial penalties for improper arrangements regarding disposal of medical waste, including civil penalties of up to \$25,000 per day of noncompliance, criminal penalties of \$150,000 per day, imprisonment, and remedial costs. The comprehensive legislation establishes programs for medical waste treatment and disposal in designated states. The legislation also provides for sweeping inspection authority in the Environmental Protection Agency, including monitoring and testing. The Company believes that its disposal of such wastes is in compliance with all state and federal laws.

LIABILITY INSURANCE

For most of its hospitals, the Company is self-insured for its general liability risks for claims limited to \$5 million per occurrence and for its professional liability risks for claims limited to \$25 million per occurrence. Coverage in excess of these limits up to \$100 million is maintained with major insurance carriers. During 1994 and 1993, the Company purchased general and professional liability occurrence policies with commercial insurers for two of its acute care facilities and six of its behavioral health centers. These policies include coverage up to \$25 million per occurrence for the acute care hospitals, and from \$1 million to \$2 million per occurrence for the behavioral health centers, subject to certain aggregate limits, in each case without the payment of any deductible, for general and professional liability risks. Although the Company feels that it currently has adequate insurance coverage, the

commercial policies are limited to one-year terms and require annual renegotiation or replacement. The Company has no assurance that it will be able to maintain such insurance in the future on terms acceptable to the Company.

RELATIONS WITH UNIVERSAL HEALTH REALTY INCOME TRUST

The Company serves as advisor to Universal Health Realty Income Trust ("UHT"), which leases to the Company the real property of 7 facilities operated by the Company. In addition, UHT holds interests in properties owned by unrelated companies. The Company receives a fee for its advisory services based on the value of UHT's assets. In addition, certain of the directors and officers of the Company serve as trustees and officers of UHT. As of June 1, 1995, the Company owned 7.7% of UHT's outstanding shares and the Company currently has an option to purchase UHT shares in the future at fair market value to enable it to maintain a 5% interest.

FINANCING ARRANGEMENTS

The following summarizes the material long-term indebtedness of the Company. This summary is not a complete description of such indebtedness. Copies of the material agreements relating to such indebtedness have been filed with the Commission and the descriptions set forth below are qualified in their entirety by reference to such agreements.

COMMERCIAL PAPER PROGRAM

The Company has a loan facility pursuant to which it may borrow on a non-recourse basis up to \$50 million, secured by patients accounts receivable. The Company has sufficient accounts receivable to support a larger program, and, upon the mutual consent of the Company and its participating lenders, the commitment can be increased. A commitment fee of 0.76% is required on this facility. At May 31, 1995, \$32,385,000 was available for borrowing under the facility. The Company's average interest rate, including the commitment fee, over the five months ended May 31, 1995 was 7.34%.

REVOLVING CREDIT AGREEMENT

The Company has a \$225 million unsecured non-amortizing revolving credit agreement with Morgan Guaranty Trust Company of New York, as agent, and certain other lenders. Obligations under this agreement are guaranteed by UHS' subsidiaries. The agreement provides for an initial commitment of \$225 million which will be reduced to \$210 million on March 31, 1998, and to \$185 million on March 31, 1999. The agreement will expire on March 31, 2000. Loans under the agreement bear interest at a rate equal to, at the option of the Company, either (i) the prime rate or the sum of the certificate of deposit rate and between 0.625% to 1.125%, or (ii) in the case of Eurodollar loans, the sum of the Eurodollar rate and between 0.500% to 1.000%. A commitment fee ranging from 0.125% to 0.375% is required for the unused portion of the commitment. The margin over the certificate of deposit, the margin over the Eurodollar rate and the commitment fee are based on leverage and coverage ratios. In addition, the agreement contains a provision whereby half of the net consideration in excess of \$25 million from the disposition of assets will be used to reduce the commitment. At May 31, 1995, \$225 million was available for borrowing under the agreement and the commitment will be reduced to \$125 million in the event that the acquisition of Manatee Memorial Hospital is not consummated by December 31, 1995.

The agreement limits the Company's ability to incur indebtedness, to declare or pay dividends, to exceed capital expenditure limits, to prepay subordinated debt, to purchase or redeem the Company's stock, to use proceeds of the loans other than for its general corporate purposes, to make (additional) acquisitions, to create or incur liens on assets, or to merge, consolidate, reorganize, and to liquidate. Also, the agreement requires that the Company meet certain financial tests, and provides the lenders with the right to terminate the commitment and to require the payment of all of the amounts outstanding under the agreement in the event the Company fails to pay amount when due, the

Company makes material misrepresentations in its warranties or representations, the Company commences a voluntary case in bankruptcy or has an involuntary case in bankruptcy commenced against it, any person acquires 25% or more of its voting common stock, or the Company fails to perform any covenant pursuant to the agreement.

OTHER

The Company has an aggregate of \$21,724,000 in outstanding revenue bonds at varying maturities through 2015 secured by liens on the property of four facilities. Interest is at floating rates which ranged from 5.5% to 6.9% in 1994 and one bond is at a fixed interest rate of 8.3%. The Company also has various mortgages, notes payable and demand credit facilities which aggregated approximately \$13,300,000 at May 31, 1995.

DESCRIPTION OF DEBT SECURITIES

The Debt Securities will be issued under the indenture dated as of July 15, 1995 (the "Indenture"), between UHS and PNC Bank, National Association, as Trustee (the "Trustee"). A copy of the form of Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The summaries of certain provisions of the Indenture hereunder do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Indenture, including the definitions therein of certain terms and those terms made part of the Indenture by reference to the Trust Indenture Act of 1939 as in effect on the date of the Indenture. Certain capitalized terms used below and not defined have the respective meanings assigned thereto in the Indenture.

GENERAL

The Indenture provides for the issuance by UHS from time to time of its Debt Securities in one or more Series. The Indenture does not limit the amount of Debt Securities which may be issued thereunder, and provides that the specific terms of any Series of Debt Securities shall be set forth in, or determined pursuant to, an Authorizing Resolution and/or a supplemental indenture, if any, relating to such Series.

The specific terms of the Series of Debt Securities in respect of which this Prospectus is being delivered are set forth in the accompanying Supplement relating thereto, including the following, as applicable:

1. the title of the Series;
2. the aggregate principal amount of the Debt Securities of the Series;
3. the date or dates on which principal and premium, if any, on the Debt Securities of the Series is payable, and, if applicable, the terms on which such maturity may be extended;
4. the rate or rates of interest (if any) on the Debt Securities of such Series (whether floating or fixed), the provisions, if any, for determining such interest rate or rates and adjustments thereto, the interest payment dates and the regular record dates with respect thereto;
5. the currency(ies) in which principal, premium, if any, and interest are payable by UHS, if other than United States dollars;
6. provisions relating to redemption, at the option of UHS, pursuant to a sinking fund or otherwise or at the option of a Holder and the respective redemption dates and redemption prices and the terms and conditions for such redemption;
7. additional or different covenants or Events of Default, if any, with respect to the Debt Securities of such Series in addition to or in lieu of the covenants and Events of Default specified in the Indenture; and

8. if less than 100% of the principal amount of Debt Securities of such Series is payable on acceleration or provable in bankruptcy (which may be the case for securities issued with original issue discount), a schedule of the amounts which would be so payable or provable from time to time.

The Debt Securities will be issued only in registered form, without coupons, in denominations of \$1,000 and integral multiples thereof, or in such other currencies or denominations as may be specified in, or pursuant to, the Authorizing Resolution and/or supplemental indenture relating to such Series of Debt Securities. The Debt Securities will be senior unsecured obligations of UHS.

Except as otherwise specified in the Authorizing Resolution and/or supplemental indenture relating to the Debt Securities in respect of which this Prospectus is being delivered, principal and interest will be payable, and the Debt Securities will be transferable, at the office of the Trustee in New York, New York. At UHS' option, interest may be paid by check mailed to the registered holders of the Debt Securities. UHS may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with certain transfers or exchanges. Initially, the Trustee will act as paying agent and registrar under the Indenture. UHS may act as paying agent and registrar and may change any paying agent or registrar without notice.

Except as otherwise specified in the Authorizing Resolution and/or supplemental indenture relating to the Debt Securities in respect of which this Prospectus is being delivered, the Debt Securities do not contain event risk provisions designed to require UHS to redeem the Debt Securities or take other actions in response to highly leveraged transactions, change in credit rating or other similar occurrences.

The Debt Securities of a Series may be issued in whole or in part in the form of one or more global securities ("Global Securities") that will be deposited with, or on behalf of, a depository (the "Depository") identified in the Supplement relating to such Series. Global Securities may be issued only in fully registered form and either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual Debt Securities represented thereby, a Global Security (i) may not be transferred except as a whole and (ii) may only be transferred (A) by the Depository for such Global Security to its nominee, (B) by a nominee of such Depository to such Depository or another nominee of such Depository or (C) by such Depository or any such nominee to a successor Depository or nominee of such successor Depository. The specific terms of the depository arrangement with respect to a Series of Debt Securities will be described in the Supplement relating to such Series.

DEFINITIONS

"Attributable Debt" means, with respect to any Sale and Leaseback Transaction as of any particular time, the present value (discounted at the rate of interest implicit in the terms of the lease) of the obligations of the lessee under such lease for net rental payments during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of UHS, be extended).

"Consolidated Net Tangible Assets" means the total assets appearing on a consolidated balance sheet of UHS and its Consolidated Subsidiaries (as defined in the Indenture), less, without duplication: (i) current liabilities; (ii) all intangible assets and deferred charges; and (iii) deferred income tax assets.

"Funded Debt" means all Indebtedness maturing one year or more from the date of the creation thereof, all Indebtedness directly or indirectly renewable or extendible, at the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof, and all Indebtedness under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more, even though such Indebtedness may also conform to the definition of Short-Term Borrowing (as defined in the Indenture).

"Indebtedness" means (i) any liability of any person (a) for borrowed money, (b) evidenced by a note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any property or assets (other than inventory or similar property acquired in the ordinary course of business), including securities, or (c) for the payment of money relating to a Capitalized Lease Obligation (as defined in the Indenture); (ii) any guarantee by any person of any liability of others described in the preceding clause (i); and (iii) any amendment, renewal, extension or refunding of any liability of the types referred to in clauses (i) and (ii) above.

"Lien" means any mortgage, lien, pledge, charge, or other security interest or encumbrance of any kind.

"Principal Property of UHS" shall mean any property, plant, equipment or facility of UHS or any Subsidiary of UHS, except that any property, plant, equipment or facility of UHS or any Subsidiary of UHS which does not equal or exceed 3% of Consolidated Net Tangible Assets shall not constitute a Principal Property of UHS unless the Board of Directors or management of UHS deems it to be material to UHS and its Subsidiaries, taken as a whole. Principal Property of UHS shall not include accounts receivable or inventory of UHS or any Subsidiary of UHS; provided, however, that individual items of property, plant, equipment or individual facilities of UHS or any Subsidiary of UHS shall not be combined in determining whether such property, plant, equipment or facility constitutes a Principal Property of UHS, whether or not they are the subject of the same transaction or series of transactions.

"Sale and Leaseback Transaction" is defined in the "Restrictions on Sales and Leasebacks" covenant described below.

"Stated Maturity" when used with respect to any security or any installment of interest thereon means the date specified in such security as the fixed date on which the principal of such security or such installment of interest is due and payable.

"Subsidiary" means (i) a corporation a majority of whose capital stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by UHS, by UHS and a Subsidiary (or Subsidiaries) of UHS or by a Subsidiary (or Subsidiaries) of UHS or (ii) any person (other than a corporation) in which UHS, a Subsidiary (or Subsidiaries) of UHS or UHS and a Subsidiary (or Subsidiaries) of UHS, directly or indirectly, at the date of determination thereof has at least majority ownership interest.

RESTRICTIONS ON LIENS

UHS will not, and will not permit any Subsidiary of UHS to, incur, create, assume or otherwise become liable with respect to any Indebtedness secured by a Lien, or guarantee any Indebtedness with a guarantee which is secured by a Lien, on any Principal Property of UHS or any shares of Capital Stock or Indebtedness of any Consolidated Subsidiary, without effectively providing that the Debt Securities (together with, if UHS shall so determine, any other Indebtedness of UHS then existing or thereafter created ranking equally with the Debt Securities) shall be secured equally and ratably with (or, at the option of UHS, prior to) such secured Indebtedness so long as such secured Indebtedness shall be so secured; provided, however, that this covenant will not apply to Indebtedness secured by: (a) Liens existing on the date of the Indenture; (b) Liens in favor of governmental bodies to secure progress, advance or other payments; (c) Liens existing on property, Capital Stock or Indebtedness at the time of acquisition thereof (including acquisition through lease, merger or consolidation) or Liens to secure the payment of all or any part of the purchase price thereof or the purchase price of construction, installation, renovation, improvement or development thereon or thereof or to secure any Indebtedness incurred prior to, at the time of, or within 360 days after the later of the acquisition, completion of such construction, installation, renovation, improvement or development or the commencement of full operation of such property or within 360 days after the acquisition of such Capital Stock or Indebtedness for the purpose of financing all or any part of the purchase price thereof; (d) Liens securing Indebtedness in an aggregate amount which, at the time of incurrence and together with all outstanding Attributable Debt in respect of Sale and Leaseback Transactions permitted by clause

(y) in the "Restrictions on Sales and Leasebacks" covenant, does not exceed 5% of the Consolidated Net Tangible Assets of UHS and its Subsidiaries; and (e) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Liens referred to in the foregoing clauses (a) through (d) inclusive; provided, that such extension, renewal or replacement of such Lien is limited to all or any part of the same property, Capital Stock or Indebtedness that secured the Lien extended, renewed or replaced (plus improvements on such property), and that such secured Indebtedness at such time is not increased.

RESTRICTIONS ON SALES AND LEASEBACKS

UHS will not, and will not permit any Subsidiary of UHS to, sell or transfer any Principal Property of UHS, with UHS or such Subsidiary taking back a lease of such Principal Property of UHS (a "Sale and Leaseback Transaction"), unless (i) such Principal Property of UHS is sold within 360 days from the date of acquisition of such Principal Property of UHS or the date of the completion of construction or commencement of full operations of such Principal Property of UHS, whichever is later, or (ii) UHS or such Subsidiary, within 120 days after such sale, applies or causes to be applied to the retirement of Funded Debt of UHS or any Subsidiary (other than Funded Debt of UHS which by its terms or the terms of the instrument pursuant to which it was issued is subordinate in right of payment to the Debt Securities) an amount not less than the greater of (A) the net proceeds of the sale of such Principal Property of UHS or (B) the fair value (as determined in any manner approved by the Board of Directors) of such Principal Property of UHS. The provisions of this covenant shall not prevent a Sale and Leaseback Transaction (x) if the lease entered into by UHS or such Subsidiary in connection therewith is for a period, including renewals, of not more than 36 months, (y) if UHS or such Subsidiary would, at the time of entering into such Sale and Leaseback Transaction, be entitled, with out equally and ratably securing the Debt Securities, to create or assume a Lien on such Principal Property of UHS securing Indebtedness in an amount at least equal to the Attributable Debt in respect of such Sale and Leaseback Transaction pursuant to clause (d) above in the "Restrictions on Liens" covenant or (z) involving a Sale and Leaseback of a Principal Property of UHS to UHT not exceeding 5% of Consolidated Net Tangible Assets.

RANKING

The Debt Securities constitute senior unsecured obligations of UHS. As of May 31, 1995, UHS had approximately \$35 million of indebtedness outstanding which would rank pari passu with the Debt Securities. Creditors of UHS' Subsidiaries will have a claim on the assets of such Subsidiaries which will be prior to the holders of the Debt Securities. Indebtedness under UHS' revolving credit agreement is guaranteed by Subsidiaries of UHS. Except as otherwise specified in the Authorizing Resolution and/or supplemental indenture relating to the Debt Securities in respect of which this Prospectus is being delivered, there are no limitations in the Indenture relating to the Debt Securities on the amount of additional Indebtedness which may rank pari passu with the Debt Securities or on the amount of Indebtedness, secured or otherwise, which may be incurred or preferred stock which may be issued by any of UHS' Subsidiaries; provided, that the incurrence of secured Indebtedness by UHS is subject to the limitations set forth in the "Restrictions on Liens" covenant.

DISCHARGE

Except as specifically set forth in the Indenture, UHS may terminate its obligations under any Series of Debt Securities and the Indenture with respect to such Series, at any time, (a) by delivering all outstanding Debt Securities of such Series to the Trustee for cancellation and paying any other sums payable by it under such Debt Securities and the Indenture with respect to such Series, or (b) after giving notice to the Trustee of its intention to defease all of the Debt Securities of such Series by irrevocably depositing with the Trustee or a paying agent (other than UHS or a Subsidiary) (i) in the case of any Debt Securities of any Series denominated in United States dollars, cash or U.S. Government Obligations (as defined in the Indenture) sufficient to pay all remaining Indebtedness on

such Debt Securities and (ii) in the case of any Debt Securities of any Series denominated in any currency other than United States dollars, an amount of the Required Currency (as defined in the Indenture) sufficient to pay all remaining Indebtedness on such Debt Securities; provided that if such irrevocable deposit pursuant to (b) above is made on or prior to one year from the Stated Maturity for payment of principal of such Series of Debt Securities, UHS shall have delivered to the Trustee either an opinion of counsel with no material qualifications or a favorable ruling of the Internal Revenue Service, in either case to the effect that holders of such Debt Securities (i) will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit (and the defeasance contemplated in connection therewith) and (ii) will be subject to Federal income tax on the same amounts and in the same manner and at the same time as would have been the case if such deposit and defeasance had not occurred.

MERGER AND CONSOLIDATION

UHS shall not consolidate with or merge with or into any other corporation or transfer all or substantially all of its property and assets as an entirety to any person, in one or a series of related transactions, unless (i) UHS shall be the continuing person or the corporation formed by such consolidation or into which UHS is merged or to which the properties and assets of UHS as an entirety are transferred is a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia which expressly assumes all of the obligations of UHS under the Debt Securities and the Indenture and (ii) immediately before and immediately after giving effect to such transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default shall have occurred and be continuing.

MODIFICATION AND WAIVER

Modification and amendment of the Indenture may be made by UHS and the Trustee with the consent of the holders of not less than a majority in principal amount of the outstanding Debt Securities of all Series affected thereby (voting as a single class); provided that such modification or amendment may not, without the consent of the holder of the Debt Securities affected thereby, (i) extend the Stated Maturity of the principal of or any installment of interest with respect to the Debt Securities; (ii) reduce the principal amount of, or the rate of interest on, or alter the redemption provisions with respect to, the Debt Securities; (iii) change the currency of payment of principal of or interest on the Debt Securities; (iv) impair the right to institute suit for the enforcement of any payment on or with respect to the Debt Securities; (v) reduce the above-stated percentage of holders of the Debt Securities necessary to modify or amend the Indenture; or (vi) modify the foregoing requirements or reduce the percentage of outstanding Debt Securities necessary to waive any covenant or past default. Holders of not less than a majority in principal amount of the outstanding Debt Securities of all Series affected thereby (voting as a single class) may waive certain past defaults and may waive compliance by UHS with any provision of the Indenture or such Debt Securities (subject to the immediately preceding sentence); provided, that, only the holders of a majority in principal amount of Debt Securities of a particular Series may waive compliance with a provision of the Indenture or the Debt Securities of such Series having applicability solely to such Series.

EVENTS OF DEFAULT AND NOTICE THEREOF

The term "Event of Default" when used in the Indenture with respect to any Series of Debt Securities, means any one of the following: (i) failure of UHS to pay interest on such Series of Debt Securities within 30 days of when due or principal on such Series of Debt Securities when due (including any sinking fund installment); (ii) failure to perform any other agreement in the Debt Securities of such Series or the Indenture other than an agreement relating solely to another Series of Debt Securities for 30 days after notice; (iii) acceleration of Indebtedness of UHS or any Significant Subsidiary (as defined in the Indenture) under the terms of the instruments evidencing such Indebtedness aggregating more than \$5 million at the time outstanding; (iv) a default in the payment

of principal of or interest in respect of any Indebtedness of UHS or any Significant Subsidiary having an outstanding principal amount of \$5 million individually or in the aggregate; (v) judgments for the payment of more than \$5 million at the time outstanding rendered against UHS or any Significant Subsidiary and not discharged within 60 days after such judgment becomes final and nonappealable; and (vi) certain events of bankruptcy, insolvency or reorganization with respect to UHS or any Significant Subsidiary. Additional or different Events of Default, if any, applicable to the Series of Debt Securities in respect of which this Prospectus is being delivered are specified in the accompanying Supplement.

The Indenture provides that the Trustee shall, within 60 days after the occurrence of any default (the term "default" to include the events specified above without grace or notice) with respect to any Series of Debt Securities actually known to it, give to the holders of such Debt Securities notice of such default; provided that, except in the case of a default in the payment of principal of or interest on any of the Debt Securities or in the payment of any sinking fund installment, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the holders of such Debt Securities. The Indenture will require UHS to certify to the Trustee quarterly as to whether any default occurred during such quarter.

In case an Event of Default (other than an Event of Default resulting from bankruptcy, insolvency or reorganization of UHS) with respect to any Debt Securities of such Series shall occur and be continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the Debt Securities of such Series then outstanding, by notice in writing to UHS (and to the Trustee if given by the holders of the Debt Securities of such Series), may declare all unpaid principal of and accrued interest on such Debt Securities then outstanding to be due and payable immediately. In case an Event of Default resulting from certain events of bankruptcy, insolvency or reorganization of UHS shall occur, all unpaid principal of and accrued interest on all Debt Securities then outstanding shall be due and payable immediately without any declaration or other act on the part of the Trustee or the holders of any Debt Securities. Such acceleration may be annulled and past defaults (except, unless theretofore cured, a default in payment of principal of or interest on the Debt Securities of such Series) may be waived by the holders of a majority in principal amount of the Debt Securities of such Series then outstanding upon the conditions provided in the Indenture.

The Indenture provides that no holder of the Debt Securities of such Series may pursue any remedy under the Indenture unless the Trustee shall have failed to act after, among other things, notice of an Event of Default and request by holders of at least 25% in principal amount of the Debt Securities of the Series of which the Event of Default has occurred and the offer to the Trustee of indemnity satisfactory to it; provided, however, that such provision does not affect the right to sue for enforcement of any overdue payment on such Debt Securities.

THE TRUSTEE

PNC Bank, National Association will be Trustee under the Indenture. The Indenture contains certain limitations on the right of the Trustee, as a creditor of UHS, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; provided, however, if it acquires any conflicting interest, it must eliminate such conflict or resign.

The holders of a majority in principal amount of all outstanding Debt Securities of a Series (or if more than one Series is affected thereby, of all Series so affected voting as a single class) will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy or power available to the Trustee.

In case an Event of Default shall occur (and shall not be cured) and is known to the Trustee, the Trustee shall exercise such of the rights and powers vested in it by the Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no

obligation to exercise any of its rights or powers under the Indenture at the request of any of the holders of Debt Securities unless they shall have offered to the Trustee security and indemnity satisfactory to it.

GOVERNING LAW

The Indenture and the Debt Securities will be governed by the laws of the State of New York.

PLAN OF DISTRIBUTION

UHS may sell the Debt Securities in any of three ways: (i) through underwriters or dealers; (ii) directly to a limited number of institutional purchasers or to a single purchaser; or (iii) through agents. The underwriters for any offering may include Dillon, Read & Co. Inc., J.P. Morgan Securities Inc., BA Securities, Inc., Chemical Securities Inc., NationsBanc Capital Markets, Inc. and Smith Barney Inc. Any such dealer or agent, in addition to any underwriter, may be deemed to be an underwriter within the meaning of the Securities Act of 1933. The terms of the offering of the Series of Debt Securities with respect to which this Prospectus is being delivered are set forth in the accompanying Supplement, including the name or names of any underwriters, dealers or agents, the purchase price of such Series and the proceeds to UHS from such sale, any underwriting discounts and other items constituting underwriters' compensation, the initial public offering price and any discounts or concessions which may be allowed or reallocated or paid to dealers and any securities exchanges on which the Series may be listed.

If underwriters are used in the sale, the Debt Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The Debt Securities may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by one or more underwriters acting alone. Unless otherwise set forth in the Supplement, the obligation of the underwriters to purchase the Debt Securities described in the accompanying Supplement will be subject to certain conditions precedent and the underwriters will be obligated to purchase all such Debt Securities if any are so purchased by them. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

The Debt Securities may be sold directly by UHS or through agents designated by UHS from time to time. Any agents involved in the offer or sale of the Debt Securities in respect of which this Prospectus is being delivered are named, and any commissions payable by UHS to such agents are set forth in the accompanying Supplement. Unless otherwise indicated in the Supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

If dealers are utilized in the sale of any Debt Securities, UHS will sell the Debt Securities to the dealers, as principals. Any dealer may resell the Debt Securities to the public at varying prices to be determined by the dealer at the time of resale. The name of any dealer and the terms of the transaction will be set forth in the Supplement with respect to the Debt Securities being offered thereby.

Underwriters will not be obligated to make a market in any Debt Securities. UHS cannot predict the activity of trading in, or liquidity of, any Debt Securities.

Agents, dealers and underwriters will be entitled under agreements entered into with UHS to indemnification by UHS against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribution by UHS to payments they may be required to make in respect thereof. Agents, dealers and underwriters may be customers of, engage in transactions with or perform services for UHS in the ordinary course of business.

LEGAL MATTERS

Certain legal matters with respect to the validity of the Debt Securities will be passed upon for UHS by Fulbright & Jaworski L.L.P., 666 Fifth Avenue, New York, New York 10103. Anthony Pantaleoni, a director of UHS who owns less than one percent of the outstanding capital stock of UHS, is a partner of Fulbright & Jaworski L.L.P. Certain legal matters with respect to a particular issue of Debt Securities will be passed upon for the underwriters, dealers or agents, if any, by Cahill Gordon & Reindel, a partnership including a professional corporation, 80 Pine Street, New York, New York 10005.

EXPERTS

The consolidated financial statements and schedule of Universal Health Services, Inc. and subsidiaries as of December 31, 1994 and 1993, and for each of the three years in the period ended December 31, 1994, and the financial statements of Aiken Regional Medical Centers as of and for the year ended December 31, 1994, included or incorporated by reference in this Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included or incorporated by reference herein in reliance upon the authority of said firm as experts in giving said reports.

The combined financial statements of Manatee Hospitals and Health Systems, Inc. at August 31, 1993 and 1994, and for the years then ended appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent Certified Public Accountants, as set forth in their report thereon appearing elsewhere herein and in the Registration Statement, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

INDEX TO FINANCIAL STATEMENTS

	PAGE
UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES	
Report of Independent Public Accountants.....	F-2
Consolidated Statements of Income for the Three Years in the Period Ended December 31, 1994 (audited).....	F-3
Consolidated Balance Sheets as of December 31, 1993 and 1994 (audited).....	F-4
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 1994 (audited).....	F-5
Consolidated Statements of Cash Flows for the Three Years Ended December 31, 1994 (audited).....	F-6
Notes to Consolidated Financial Statements.....	F-7
Consolidated Statements of Income for the Three Months Ended March 31, 1994 (unaudited) and March 31, 1995 (unaudited).....	F-18
Condensed Consolidated Balance Sheets as of March 31, 1995 (unaudited) and December 31, 1994 (audited).....	F-19
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 1994 (unaudited) and March 31, 1995 (unaudited).....	F-20
Notes to Condensed Consolidated Financial Statements.....	F-21
AIKEN REGIONAL MEDICAL CENTERS, INC.	
Report of Independent Public Accountants.....	F-22
Balance Sheet for the Year Ended December 31, 1994 and for the Three Months Ended March 31, 1995 (unaudited).....	F-23
Statement of Income for the Year Ended December 31, 1994 and the Three Months Ended March 31, 1994 and 1995 (unaudited).....	F-24
Statement of Stockholders' Equity.....	F-25
Statements of Cash Flows.....	F-26
Notes to Financial Statements.....	F-27
MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.	
Report of Independent Certified Public Accountants.....	F-31
Combined Balance Sheets as of August 31, 1993 and 1994 (audited) and as of March 31, 1995 (unaudited).....	F-32
Combined Statements of Revenue and Expenses for the Years Ended August 31, 1993 and 1994 (audited) and for the Seven Months Ended March 31, 1994 and March 31, 1995 (unaudited).....	F-34
Combined Statements of Changes in Fund Balances for the Years Ended August 31, 1993 and 1994 (audited) and for the Seven Months Ended March 31, 1995 (unaudited).....	F-35
Combined Statements of Cash Flows for the Years Ended August 31, 1993 and 1994 (audited) and for the Seven Months Ended March 31, 1994 and March 31, 1995 (unaudited).....	F-36
Notes to Combined Financial Statements.....	F-37

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Universal Health Services, Inc.:

We have audited the accompanying consolidated balance sheets of Universal Health Services, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1993 and 1994, and the related consolidated statements of income, common stockholders' equity and cash flows for each of the three years in the period ended December 31, 1994. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Universal Health Services, Inc. and subsidiaries as of December 31, 1993 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
February 16, 1995

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31

	1992 -----	1993 -----	1994 -----
Net revenues.....	\$731,227,000	\$761,544,000	\$782,199,000
Operating charges			
Operating expenses.....	285,922,000	299,645,000	298,108,000
Salaries and wages.....	265,017,000	280,041,000	286,297,000
Provision for doubtful accounts.....	45,008,000	55,409,000	58,347,000
Depreciation & amortization.....	49,059,000	39,599,000	42,383,000
Lease and rental expense.....	33,854,000	34,281,000	34,097,000
Interest expense, net.....	11,414,000	8,645,000	6,275,000
Nonrecurring charges.....	--	8,828,000	9,763,000
	-----	-----	-----
Total operating charges.....	690,274,000	726,448,000	735,270,000
	-----	-----	-----
Income before income taxes.....	40,953,000	35,096,000	46,929,000
Provision for income taxes.....	20,933,000	11,085,000	18,209,000
	-----	-----	-----
Net income.....	\$ 20,020,000	\$ 24,011,000	\$ 28,720,000
	=====	=====	=====
Earnings per common & common share equivalents (fully diluted).....	\$ 1.43	\$ 1.71	\$ 2.02
	=====	=====	=====
Weighted average number of common shares and equivalents.....	14,970,000	14,819,000	14,389,000
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31	
	1993	1994
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 569,000	\$ 780,000
Accounts receivable, net of allowance of \$28,444,000 in 1993 and \$34,957,000 in 1994 for doubtful accounts.....	78,605,000	84,818,000
Supplies.....	12,617,000	15,723,000
Deferred income taxes.....	7,733,000	12,942,000
Other current assets.....	2,475,000	4,126,000
	-----	-----
Total current assets.....	101,999,000	118,389,000
PROPERTY AND EQUIPMENT		
Land.....	29,026,000	34,159,000
Buildings and improvements.....	284,510,000	314,545,000
Equipment.....	191,483,000	218,844,000
Property under capital lease.....	18,937,000	24,782,000
	-----	-----
	523,956,000	592,330,000
Less accumulated depreciation.....	231,509,000	265,059,000
	-----	-----
	292,447,000	327,271,000
Construction in progress.....	9,985,000	4,372,000
	-----	-----
	302,432,000	331,643,000
OTHER ASSETS		
Excess of cost over fair value of net assets acquired.....	38,089,000	38,762,000
Deferred income taxes.....	--	2,742,000
Deferred charges.....	1,697,000	1,527,000
Other.....	16,205,000	28,429,000
	-----	-----
	55,991,000	71,460,000
	-----	-----
	\$ 460,422,000	\$ 521,492,000
	=====	=====
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt.....	\$ 4,313,000	\$ 7,236,000
Accounts payable.....	34,038,000	37,185,000
Accrued liabilities		
Compensation and related benefits.....	16,565,000	20,208,000
Interest.....	3,247,000	2,442,000
Other.....	25,789,000	32,294,000
Federal and state taxes.....	2,547,000	4,417,000
	-----	-----
Total current liabilities.....	86,499,000	103,782,000
DEFERRED INCOME TAXES		
	3,863,000	--
OTHER NONCURRENT LIABILITIES		
	70,491,000	71,956,000
LONG-TERM DEBT		
	75,081,000	85,125,000
COMMITMENTS AND CONTINGENCIES		
COMMON STOCKHOLDERS' EQUITY		
Class A Common Stock, voting, \$.01 par value; authorized 12,000,000 shares; issued and outstanding 1,139,123 shares in 1993 and 1,090,527 in 1994.....	11,000	11,000
Class B Common Stock, limited voting, \$.01 par value; authorized 50,000,000 shares; issued and outstanding 12,171,454 shares in 1993 and 12,591,854 in 1994.....	122,000	126,000
Class C Common Stock, voting, \$.01 par value; authorized 1,200,000 shares; issued and outstanding 114,482 shares in 1993 and 109,622 in 1994.....	1,000	1,000
Class D Common Stock, limited voting, \$.01 par value; authorized 5,000,000 shares; issued and outstanding 26,223 shares in 1993 and 22,769 in 1994.....	--	--
Capital in excess of par value, net of deferred compensation of \$291,000 in 1993 and \$414,000 in 1994.....	80,878,000	88,295,000
Retained earnings.....	143,476,000	172,196,000
	-----	-----
	224,488,000	260,629,000
	-----	-----
	\$ 460,422,000	\$ 521,492,000
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1992 1993, AND 1994

	CLASS A COMMON	CLASS B COMMON	CLASS C COMMON	CLASS D COMMON	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TOTAL
BALANCE JANUARY 1, 1992.....	\$ 14,000	\$ 121,000	\$ 2,000	\$ 1,000	\$ 84,770,000	\$ 99,445,000	\$184,353,000
Common Stock Issued.....	--	--	--	--	1,134,000	--	1,134,000
Converted.....	(2,000)	4,000	(1,000)	(1,000)	--	--	--
Repurchased.....	--	(2,000)	--	--	(2,924,000)	--	(2,926,000)
Amortization of deferred compensation.....	--	--	--	--	361,000	--	361,000
Cancellation of stock grant.....	--	--	--	--	(39,000)	--	(39,000)
Net income.....	--	--	--	--	--	20,020,000	20,020,000
BALANCE JANUARY 1, 1993.....	12,000	123,000	1,000	--	83,302,000	119,465,000	202,903,000
Common Stock Issued.....	--	1,000	--	--	518,000	--	519,000
Converted.....	(1,000)	1,000	--	--	--	--	--
Repurchased.....	--	(3,000)	--	--	(3,233,000)	--	(3,236,000)
Amortization of deferred compensation.....	--	--	--	--	333,000	--	333,000
Cancellation of stock grant.....	--	--	--	--	(42,000)	--	(42,000)
Net income.....	--	--	--	--	--	24,011,000	24,011,000
BALANCE JANUARY 1, 1994.....	11,000	122,000	1,000	--	80,878,000	143,476,000	224,488,000
Common Stock Issued.....	--	9,000	--	--	20,308,000	--	20,317,000
Repurchased.....	--	(5,000)	--	--	(13,144,000)	--	(13,149,000)
Amortization of deferred compensation.....	--	--	--	--	277,000	--	277,000
Cancellation of stock grant.....	--	--	--	--	(24,000)	--	(24,000)
Net income.....	--	--	--	--	--	28,720,000	28,720,000
BALANCE DECEMBER 31, 1994.....	\$ 11,000	\$ 126,000	\$ 1,000	--	\$ 88,295,000	\$172,196,000	\$260,629,000

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31		
	1992	1993	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 20,020,000	\$ 24,011,000	\$ 28,720,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	49,059,000	39,599,000	42,383,000
Provision for self-insurance reserves....	21,193,000	20,755,000	10,810,000
Other non-cash charges.....	--	8,828,000	9,763,000
Changes in assets and liabilities, net of effects from acquisitions and dispositions:			
Accounts receivable.....	7,608,000	12,928,000	(4,380,000)
Accrued interest.....	(256,000)	(412,000)	(805,000)
Accrued and deferred income taxes.....	(9,955,000)	(8,990,000)	(9,944,000)
Other working capital accounts.....	3,960,000	4,858,000	1,710,000
Other assets and deferred charges.....	(2,120,000)	(5,804,000)	(3,064,000)
Other.....	620,000	1,002,000	(42,000)
Payments made in settlement of self-insurance claims.....	(8,398,000)	(12,135,000)	(14,527,000)
Net cash provided by operating activities.....	81,731,000	84,640,000	60,624,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property and equipment additions.....	(33,244,000)	(47,319,000)	(43,998,000)
Disposition of assets.....	2,652,000	227,000	1,132,000
Acquisition of properties previously leased.....	--	(3,218,000)	(5,771,000)
Acquisition of businesses.....	(7,188,000)	(11,526,000)	(16,794,000)
Acquisition of assets held for lease.....	--	--	(9,059,000)
Disposition of businesses.....	12,355,000	18,492,000	3,791,000
Other investments.....	--	--	(1,079,000)
Net cash used in investing activities.....	(25,425,000)	(43,344,000)	(71,778,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Additional borrowings.....	15,375,000	1,800,000	45,469,000
Reduction of long-term debt.....	(85,900,000)	(46,496,000)	(21,981,000)
Issuance of common stock.....	1,134,000	519,000	1,026,000
Repurchase of common shares.....	(2,926,000)	(3,236,000)	(13,149,000)
Net cash provided by (used in) financing activities.....	(72,317,000)	(47,413,000)	11,365,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(16,011,000)	(6,117,000)	211,000
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	22,697,000	6,686,000	569,000
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 6,686,000	\$ 569,000	\$ 780,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest paid.....	\$ 11,670,000	\$ 9,057,000	\$ 7,080,000
Income taxes paid, net of refunds.....	\$ 31,086,000	\$ 19,901,000	\$ 28,153,000

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:

See Notes 2, 3 and 6

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Universal Health Services, Inc. (the "Company") is primarily engaged in owning and operating acute care and psychiatric hospitals and ambulatory treatment centers. The consolidated financial statements include the accounts of the Company, and its majority-owned subsidiaries and partnerships controlled by the Company as the managing general partner. All significant intercompany accounts and transactions have been eliminated. The more significant accounting policies follow:

NET REVENUES: Net revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. These net revenues are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Medicare and Medicaid net revenues represented 39%, 43% and 44% of net patient revenues for the years 1992, 1993 and 1994, respectively, excluding the additional revenues from special Medicaid reimbursement programs described in Note 9.

PROPERTY AND EQUIPMENT: Property and equipment are stated at cost. Expenditures for renewals and improvements are charged to the property accounts. Replacements, maintenance and repairs which do not improve or extend the life of the respective asset are expensed as incurred. The Company removes the cost and the related accumulated depreciation from the accounts for assets sold or retired and the resulting gains or losses are included in the results of operations.

Depreciation is provided on the straight-line method over the estimated useful lives of buildings and improvements (twenty to forty years) and equipment (five to fifteen years).

OTHER ASSETS: The excess of cost over fair value of net assets acquired in purchase transactions, net of accumulated amortization of \$47,663,000 in 1993 and \$52,261,000 in 1994 is amortized using the straightline method over periods ranging from five to forty years. During 1992 the Company recorded a \$13.5 million charge to amortization expense due to a revaluation of certain goodwill balances.

During 1994, the Company established an employee life insurance program covering approximately 2,500 employees. At December 31, 1994, the cash surrender value of the policies (\$41.3 million) was recorded net of related loans (\$41.0 million) and is included in other assets.

LONG-LIVED ASSETS: It is the Company's policy to review the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If such review indicates that the carrying value of the asset is not recoverable, it is the Company's policy to reduce the carrying amount of such assets to fair value.

EARNINGS PER COMMON AND COMMON SHARE EQUIVALENTS: Earnings per share are based on the weighted average number of common shares outstanding during the year adjusted to give effect to common stock equivalents. The 1994, 1993 and 1992 earnings per share have been adjusted to reflect the assumed conversion of the Company's convertible debentures. In April 1994, the Company redeemed the debentures which reduced the fully diluted number of shares outstanding by 451,233.

INCOME TAXES: The Company and its subsidiaries file consolidated Federal tax returns. Deferred taxes are recognized for the amount of taxes payable or deductible in future years as a result of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements.

OTHER NONCURRENT LIABILITIES: Other noncurrent liabilities include the long-term portion of the Company's professional and general liability and workers' compensation reserves and minority interests in majority owned subsidiaries and partnerships.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

STATEMENT OF CASH FLOWS: For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. Interest expense in the consolidated statements of income is net of interest income of \$515,000, \$498,000 and \$266,000 in 1992, 1993 and 1994, respectively.

INTEREST RATE SWAP AGREEMENTS: In managing interest rate exposure, the Company at times enters into interest rate swap agreements. When interest rates change, the differential to be paid or received is accrued as interest expense and is recognized over the life of the agreements.

RECLASSIFICATIONS: Certain prior year amounts have been reclassified to conform with the current year's presentation.

2) ACQUISITIONS, DISPOSITIONS AND CLOSURES

1994 -- During 1994 the Company purchased majority interests in two separate partnerships which own and operate outpatient surgery facilities. One of these partnerships was merged with an existing partnership in which the Company held a majority ownership. The Company also agreed to manage the operations of, and purchased a majority interest in, three separate partnerships which lease fixed assets to four radiation therapy centers located in Kentucky. In addition, the Company purchased one radiation center and majority interests in two separate partnerships which own and operate radiation therapy centers. Total consideration for these acquisitions was \$14.5 million in cash, and the assumption of liabilities totalling \$3.0 million.

In November 1994, the Company acquired a 112-bed acute care hospital located in Edinburg, Texas for net cash of approximately \$11.3 million and the assumption of liabilities totalling \$2.2 million. In connection with this acquisition, the Company committed to invest at least an additional \$30 million, over a four year period, to renovate the existing facility and construct an additional facility.

During the fourth quarter of 1994, the Company signed a letter of intent to acquire a 225-bed acute and psychiatric care hospital located in Aiken, South Carolina in exchange for a 104-bed acute care hospital, a 126-bed acute and psychiatric care hospital and cash. The majority of the real estate assets of the 126-bed facility are currently being leased from Universal Health Realty Income Trust (the "Trust") pursuant to the terms of an operating lease which expires in 2000. The Company anticipates exchanging additional real estate assets with the Trust as consideration for the purchase of the real estate assets of this facility (See Note 8). The closing of this transaction, which is expected to be completed during the second quarter of 1995, is subject to a number of conditions including regulatory approval. As a result of this transaction a \$4.3 million charge is included in the 1994 consolidated statement of income.

Also during the fourth quarter of 1994, the Company signed a letter of intent to acquire a 512-bed acute care hospital located in Bradenton, Florida. The closing of this transaction is subject to a number of conditions. Although management does not expect to close this transaction until the second quarter of 1995, the Company began to manage the hospital in January, 1995 under a separate management contract. Total cash consideration for the Aiken and Bradenton acquisitions is expected to approximate \$200 million.

Operating results of the hospital located in Edinburg have been included in the financial statements only from the date of acquisition. Assuming the above Edinburg, Aiken and Bradenton acquisitions had been completed as of January 1, 1994 the unaudited pro forma net revenues and net income would have been \$952 million and \$32 million, respectively. In addition, the unaudited pro forma earnings per share would have been \$2.25. The unaudited pro forma financial information may not be indicative of results that would have been reported if the acquisitions had occurred at the beginning of 1994 and may not be indicative of future operating results.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1993 -- During 1993 the Company purchased a radiation therapy center and majority interests in four separate partnerships which own and operate ambulatory surgery facilities for \$11.5 million in cash and the assumption of liabilities totaling \$300,000.

During the fourth quarter, the Company sold the operations and fixed assets of a 124-bed acute care hospital for approximately \$7.8 million in cash. The Company also sold the operations and certain fixed assets of a 134-bed acute care hospital for cash of \$1.5 million. Concurrently, the Company sold certain related real property to Universal Health Realty Income Trust (the "Trust"), an affiliate and the lessor of this 134-bed acute care hospital, for \$1 million in cash and a note receivable of \$900,000 (see Note 8). In connection with this transaction, the Company's lease with the Trust for this property was terminated. The disposition of these two facilities resulted in a pre-tax loss of \$4.4 million (\$2.2 million after tax), which is included in nonrecurring charges in the 1993 consolidated statement of income.

Also during 1993, the Company recorded a pre-tax charge of \$4.4 million related to the winding down or disposition of other non-strategic businesses which is included in nonrecurring charges in the 1993 consolidated statement of income.

1992 -- During 1992 the Company purchased majority interests in four separate partnerships which own and operate ambulatory surgery facilities for \$7.2 million in cash and the assumption of liabilities totaling \$5.4 million.

Also during 1992, the Company discontinued operations at a 96-bed acute care hospital and sold the fixed assets of this facility for \$3.4 million. The closing and sale of this hospital did not have a material impact on the consolidated financial statements.

3) LONG-TERM DEBT

A summary of long-term debt follows:

	DECEMBER 31	
	1993	1994
LONG-TERM DEBT:		
Notes payable (including obligations under capitalized leases of \$12,132,000 in 1993 and \$14,004,000 in 1994) with varying maturities through 2001; weighted average interest at 7.0% in 1993 and 6.9% in 1994 (see Note 6 regarding capitalized leases).....	\$13,727,000	\$19,442,000
Mortgages payable, interest at 6.0% to 11.0% with varying maturities through 2000.....	3,811,000	3,745,000
Revolving credit and demand notes.....	4,600,000	8,950,000
Commercial paper.....	--	38,500,000
Revenue bonds:		
interest at floating rates ranging from 5.5% to 6.9% and one at a fixed rate of 8.3% at December 31, 1994 with varying maturities through 2015.....	18,200,000	18,200,000
Subordinated debt.....	9,151,000	3,524,000
	29,905,000	--
	79,394,000	92,361,000
Less-Amounts due within one year.....	4,313,000	7,236,000
	\$75,081,000	\$85,125,000
	=====	=====

During 1994, the Company increased its commercial paper facility from \$25 million to \$50 million. The facility is a daily valued program which is secured by patient accounts receivable. The Company has sufficient patient receivables to support a larger program, and upon the mutual consent of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Company and the participating lending institutions, the commitment can be increased. A fee of .76% is required on this \$50 million commitment. Outstanding amounts of commercial paper that can be refinanced through available borrowings under the Company's revolving credit agreement are classified as long-term.

The Company entered into an unsecured \$125 million non-amortizing revolving credit agreement in 1994 which matures in August of 1999 and provides for interest, at the Company's option, at the prime rate, certificate of deposit rate plus 5/8% to 1 1/8% or Euro-dollar plus 1/2% to 1%. A fee ranging from 1/8% to 3/8% is required on the unused portion of this commitment. The margins over the certificate of deposit, the Euro-dollar rates and the commitment fee are based upon leverage and coverage ratios. At December 31, 1994 the applicable margins over the certificate of deposit and the Euro-dollar rate were 7/8% and 3/4%, respectively, and the commitment fee was 1/4%. There are no compensating balance requirements. The agreement contains a provision whereby 50% of the net consideration, in excess of \$25 million, from the disposition of assets will be applied to reduce commitments. At December 31, 1994, the Company had \$125 million of unused borrowing capacity, and there were no borrowings outstanding under this revolving credit agreement.

The average amounts outstanding during 1992, 1993 and 1994 under the revolving credit and demand notes and commercial paper program were \$47,318,000, \$25,069,000 and \$16,324,000, respectively, with corresponding effective interest rates of 5.5%, 4.6% and 7.9%, including commitment fees. The maximum amounts outstanding at any month-end were \$91,650,000, \$46,800,000 and \$47,450,000 during 1992, 1993 and 1994, respectively.

The Company has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its floating rate revolving credit and demand notes and commercial paper program. At December 31, 1994, the Company had two interest rate swap agreements with commercial banks having a total notional principal amount of \$30 million. These agreements call for the payment of interest at a fixed rate by the Company in return for the payment by the commercial banks of a variable rate interest, which effectively fixes the Company's interest rate on a portion of its floating rate debt at 11.9%. The interest rate swap agreements in the amounts of \$20 million and \$10 million expire in January, 1995 and March, 1996, respectively. The effective interest rate on the Company's revolving credit and demand notes and commercial paper program including interest rate swap expense was 11.2%, 13.9% and 16.1% during 1992, 1993 and 1994, respectively. Additional interest expense recorded as a result of the Company's hedging activity was \$4,158,000, \$3,160,000 and \$1,981,000 in 1992, 1993 and 1994, respectively. The Company is exposed to credit loss in the event of non-performance by the counterparties to the interest rate swap agreements. These counterparties are major financial institutions and the Company does not anticipate nonperformance by the counterparties which are rated AA or better by Moody's Investors Service. The cost to terminate the swap obligations at December 31, 1993 and 1994, was approximately \$4,870,000 and \$2,133,000, respectively.

Covenants relating to long-term debt require maintenance of a minimum net worth, specified debt to total capital, debt to EBITDA and fixed charge coverage ratios. Covenants also limit the Company's ability to incur additional senior debt and to pay cash dividends and repurchase its shares and limit capital expenditures, among other restrictions.

During 1994, the Company called its 7 1/2% subordinated convertible debentures due 2008. Approximately \$11 million of the debentures were redeemed in cash and \$19 million were converted to the Company's class B stock.

Substantially all of the Company's accounts receivable are pledged as collateral to secure debt.

The fair value of the Company's long-term debt at December 31, 1994 was approximately equal to its carrying value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company is currently negotiating an increase to its revolving credit agreement. In connection with this transaction and other potential debt transactions to finance the acquisitions discussed in Note 2, the Company has entered into two options for interest rate swap agreements to become effective June, 1995, with a notional amount of \$75 million and expiration dates in 2005.

Aggregate maturities follow:

1995.....	\$ 7,236,000
1996.....	5,721,000
1997.....	4,540,000
1998.....	2,647,000
1999.....	48,733,000
Later.....	23,484,000

Total.....	\$92,361,000
	=====

4) COMMON STOCK

During 1993 and 1994, the Company repurchased 224,800 and 509,800 shares of Class B Common Stock, respectively, at an average purchase price of \$14.39 and \$25.79 per share, respectively, or an aggregate of approximately \$3.2 million and \$13.2 million, respectively. All repurchases during 1994 were made subsequent to March 1, 1994. The Company's ability to repurchase its shares is limited by long-term debt covenants to \$50 million plus 50% of cumulative net income since March, 1994. Under the terms of these covenants, the Company had the ability to repurchase an additional \$61.6 million of its Common Stock as of December 31, 1994. The repurchased shares are treated as retired.

At December 31, 1994 2,598,439 shares of Class B Common Stock were reserved for issuance upon conversion of shares of Class A, C and D Common Stock outstanding, for issuance upon exercise of options to purchase Class B Common Stock, and for issuance of stock under other incentive plans. Class A, C and D Common Stock are convertible on a share for share basis into Class B Common Stock.

In 1994, the Company adopted a Stock Compensation Plan which was approved by the Board of Directors. Under the terms of the Stock Compensation Plan, shares may be granted to key employees of the Company and to consultants and independent contractors. Shares may not be granted to officers or directors of the Company. The Plan will terminate on November 16, 2004, unless terminated sooner by the Board.

At December 31, 1994 the Company has reserved 50,000 shares of its Class B Common Stock for the Stock Compensation Plan. In 1994, 1,800 shares were issued.

In 1992, the Company adopted a Stock Bonus Plan and a Stock Ownership Plan, both of which were approved by the stockholders at the 1992 annual meeting. Under the terms of the Stock Bonus Plan, eligible employees may elect to receive all or part of their annual bonuses in shares of restricted stock (the "Bonus Shares"). Those electing to receive Bonus Shares also receive additional restricted shares in an amount equal to 20% of their Bonus Shares (the "Premium Shares"). Restrictions on one-half of the Bonus Shares and one-half of the Premium Shares lapse after one year and the restrictions on the remaining shares lapse after two years. The Company has reserved 150,000 shares of Class B Common Stock for this plan and has issued 58,178 shares at December 31, 1994.

Under the terms of the Stock Ownership Plan, eligible employees may purchase shares of common stock, directly from the Company, at the market price. The Company will loan each eligible employee an amount equal to 90% of the purchase price for the shares. The loans, which are partially recourse to the employee, bear interest at the applicable Federal rate and are due five years from the purchase date. Shares purchased under this plan are restricted from sale or transfer. Restrictions on one-half of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

shares lapse after one year and restrictions on the remaining shares lapse after two years. The Company has reserved 100,000 shares of Class B Common Stock for this plan. As of December 31, 1994, 31,234 shares were sold under the terms of this plan.

The Company also has a Restricted Stock Purchase Plan which allows eligible participants to purchase shares of Class B Common Stock at par value, subject to certain restrictions. Under the terms of this plan, 300,000 shares of Class B Common Stock have been reserved for purchase by officers, key employees and consultants. The restrictions lapse as to one-third of the shares on the third, fourth and fifth anniversary dates of the purchase. The Company has issued 153,513 shares under this plan, of which 45,000 and 41,336 became fully vested during 1993 and 1994, respectively. Compensation expense, based on the difference between the market price on the date of purchase and par value, is being amortized over the restriction period and was \$265,000 in 1992, \$240,000 in 1993, \$148,000 in 1994.

Stock options to purchase Class B Common Stock have been granted to officers, key employees and directors of the Company under various plans. During 1994, subject to shareholder approval, the Board of Directors approved a 600,000 share increase in the reserve for Class B Common Stock available for grant, pursuant to the terms of the 1992 Stock Option Plan. All stock options were granted with an exercise price equal to the fair market value on the date of the grant. Options are exercisable ratably over a four year period beginning one year after the date of the grant. The options expire five years after the date of the grant.

Information with respect to these options is summarized as follows:

OUTSTANDING OPTIONS	NUMBER OF SHARES	AVERAGE OPTION PRICE
	-----	-----
Balance, January 1, 1992.....	148,002	\$ 7.80
Granted.....	135,000	\$12.72
Exercised.....	(78,487)	\$ 6.82
Cancelled.....	(4,340)	\$12.67
	-----	-----
Balance, January 1, 1993.....	200,175	\$11.40
Granted.....	7,400	\$14.88
Exercised.....	(40,238)	\$ 7.23
Cancelled.....	(3,000)	\$12.50
	-----	-----
Balance, January 1, 1994.....	164,337	\$12.53
Granted.....	560,750	\$22.05
Exercised.....	(15,988)	\$10.98
Cancelled.....	(5,500)	\$16.64
	-----	-----
Balance, December 31, 1994.....	703,599	\$20.12
	=====	=====

Options for 299,350 shares, subject to shareholder approval as described above, were available for grant at December 31, 1994. At December 31, 1994, options for 71,801 shares of Class B Common Stock with an aggregate purchase price of \$893,445 (average of \$12.44 per share) were exercisable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5) INCOME TAXES

Components of income tax expense are as follows:

	YEAR ENDED DECEMBER 31		
	1992	1993	1994
Currently payable			
Federal.....	\$28,495,000	\$17,315,000	\$27,014,000
State.....	3,949,000	1,136,000	3,009,000
	-----	-----	-----
	32,444,000	18,451,000	30,023,000
	-----	-----	-----
Deferred			
Federal.....	(10,110,000)	(6,482,000)	(10,412,000)
State.....	(1,401,000)	(884,000)	(1,402,000)
	-----	-----	-----
	(11,511,000)	(7,366,000)	(11,814,000)
	-----	-----	-----
Total.....	\$20,933,000	\$11,085,000	\$18,209,000
	=====	=====	=====

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," (SFAS 109). Under SFAS 109, deferred taxes are required to be classified based on the financial statement classification of the related assets and liabilities which give rise to temporary differences. The net effect of the impact of the 1993 tax law changes on the 1993 current and deferred tax provisions was immaterial.

Deferred taxes result from temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The components of deferred taxes are as follows:

	YEAR ENDED DECEMBER 31	
	1993	1994
Self-insurance reserves.....	\$29,134,000	\$28,944,000
Doubtful accounts and other reserves.....	6,270,000	9,921,000
State income taxes.....	(1,546,000)	(126,000)
Other deferred tax assets.....	491,000	382,000
Depreciable and amortizable assets.....	(22,434,000)	(17,319,000)
Conversion from cash basis to accrual basis of accounting....	(7,634,000)	(5,017,000)
Other deferred tax liabilities.....	(411,000)	(1,101,000)
	-----	-----
Total deferred taxes.....	\$ 3,870,000	\$15,684,000
	=====	=====

A reconciliation between the federal statutory rate and the effective tax rate is as follows:

	YEAR ENDED DECEMBER 31		
	1992	1993	1994
Federal statutory rate.....	34.0%	35.0%	35.0%
Nondeductible (deductible) depreciation, amortization and other....	13.0	(3.9)	1.6
State taxes, net of Federal income tax benefit.....	4.1	0.5	2.2
	-----	-----	-----
Effective tax rate.....	51.1%	31.6%	38.8%
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In 1993 and 1994, the Company reviewed its deferred state tax balances and as a result reduced its tax provision by \$780,000 and \$390,000, respectively. The net deferred tax assets and liabilities are comprised as follows:

	YEAR ENDED DECEMBER 31	
	1993	1994
Current deferred taxes		
Assets.....	\$10,723,000	\$16,622,000
Liabilities.....	(2,990,000)	(3,680,000)
Total deferred taxes -- current.....	7,733,000	12,942,000
Noncurrent deferred taxes		
Assets.....	25,172,000	22,625,000
Liabilities.....	(29,035,000)	(19,883,000)
Total deferred taxes -- noncurrent.....	(3,863,000)	2,742,000
Total deferred taxes.....	\$ 3,870,000	\$15,684,000

The assets and liabilities classified as current relate primarily to the allowance for uncollectible patient accounts and the current portion of the temporary differences related to self-insurance reserves and the change in accounting method. Under SFAS 109, a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. The Company has not provided a valuation allowance since management believes that all of the deferred tax assets will be realized through the reversal of temporary differences that result in deferred tax liabilities and through expected future taxable income.

6) LEASE COMMITMENTS

Certain of the Company's hospital and medical office facilities and equipment are held under operating or capital leases which expire through 2013 (See Note 8). Certain of these leases also contain provisions allowing the Company to purchase the leased assets during the term or at the expiration of the lease at fair market value. A summary of property under capital lease follows:

	DECEMBER 31	
	1993	1994
Land, buildings and equipment.....	\$18,937,000	\$23,697,000
Less: accumulated amortization.....	6,400,000	10,426,000
	\$12,537,000	\$13,271,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Future minimum rental payments under lease commitments with a term of more than one year as of December 31, 1994 are as follows:

	CAPITAL LEASES -----	OPERATING LEASES -----
1995.....	\$ 5,581,000	\$ 23,693,000
1996.....	4,716,000	21,011,000
1997.....	3,363,000	18,371,000
1998.....	1,618,000	17,012,000
1999.....	381,000	16,405,000
Later Years.....	--	36,536,000
	-----	-----
Total minimum rental.....	\$ 15,659,000	\$133,028,000
	-----	=====
Less: Amount representing interest.....	1,655,000	

Present value of minimum rental commitments.....	14,004,000	
Less: Current portion of capital lease obligations.....	4,729,000	

Long-term portion of capital lease obligations.....	\$ 9,275,000	

Capital lease obligations of \$7,310,000, \$5,371,000, \$4,654,000 in 1992, 1993 and 1994, respectively, were incurred when the Company entered into capital leases for new equipment.

7) COMMITMENTS AND CONTINGENCIES

The Company is self-insured for its general liability risks for claims limited to \$5 million per occurrence and for its professional liability risks for claims limited to \$25 million per occurrence. Coverage in excess of these limits up to \$100 million is maintained with major insurance carriers. During 1993 and 1994, the Company purchased a general and professional liability occurrence policy with a commercial insurer for one of its larger acute care facilities. This policy includes coverage up to \$25 million per occurrence for general and professional liability risks.

As of December 1993 and 1994, the reserve for professional and general liability risks was \$65.2 million and \$62.4 million, respectively, of which \$8.3 million in 1993 and \$11.0 million in 1994 is included in current liabilities. Self-insurance reserves are based upon actuarially determined estimates.

The Company has outstanding letters of credit totalling \$20 million related to the Company's self-insurance programs (\$11.0 million), as support for various debt instruments (\$.4 million) and as support for a loan guarantee for an unaffiliated party (\$8.6 million). The Company has also guaranteed approximately \$2 million of loans.

During 1994, the Company signed letters of intent to acquire a 512-bed acute care hospital located in Bradenton, Florida and a 225-bed acute and psychiatric care facility located in Aiken, South Carolina. These transactions, which are subject to a number of conditions, are expected to be completed during the second quarter of 1995. In addition to the exchange of certain real estate assets, the total cash consideration for these acquisitions is expected to approximate \$200 million. Additionally, the Company is committed to invest at least an additional \$30 million, over a four year period, to renovate the existing facility and construct an additional facility related to its 1994 acquisition of a 112-bed acute care hospital located in Edinburg, Texas. (See Note 2).

The Company estimates the cost to complete major construction projects in progress at December 31, 1994 will approximate \$12.3 million.

The Company has entered into a long-term contract with a third party to provide certain data processing services for its acute care and psychiatric hospitals. This contract expires in 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Various suits and claims arising in the ordinary course of business are pending against the Company. In the opinion of management, the outcome of such claims and litigation will not materially affect the Company's consolidated financial position or results of operations.

8) RELATED PARTY TRANSACTIONS

At December 31, 1994, the Company held approximately 8% of the outstanding shares of Universal Health Realty Income Trust (the "Trust"). Certain officers and directors of the Company are also officers and/or Directors of the Trust. The Company accounts for its investment in the Trust using the equity method of accounting. The Company's pre-tax share of income/(loss) from the Trust was (\$110,000), \$757,000 and \$1,095,000 in 1992, 1993 and 1994 respectively, and is included in net revenues in the accompanying consolidated statements of income. The carrying value of this investment at December 31, 1993 and 1994 was \$7,375,000 and \$8,404,000, respectively, and is included in other assets in the accompanying consolidated balance sheets. The market value of this investment at December 31, 1993 and 1994 was \$10,352,000 and \$11,261,000, respectively.

During 1993, pursuant to the terms of its lease with the Trust, the Company purchased the real property of a 48-bed psychiatric hospital located in Texas for \$3.2 million. The real property of this hospital was previously leased by the Company and base rental payments continued under the existing lease until the date of sale. Operations at this hospital were discontinued during the first quarter of 1992; however, the facility is currently being utilized for outpatient services at one of the Company's acute care hospitals. Also during 1993, the Company sold to the Trust certain real estate assets of a 134-bed hospital located in Illinois for approximately \$1.9 million. These assets consisted of additions and improvements made to the facility by the Company since the sale of the major portion of the real estate assets to the Trust in 1986. The operations of this facility were sold during 1993 to an operator unaffiliated with the Company.

As of December 31, 1994, the Company leased eight hospital facilities from the Trust with initial terms expiring in 1999 through 2003. These leases contain up to six 5-year renewal options. Future minimum lease payments to the Trust are included in Note 6. The terms of the lease provide that in the event the Company discontinues operations at the leased facility for more than one year, the Company is obligated to offer a substitute property. If the Trust does not accept the substitute property offered, the Company is obligated to purchase the leased facility back from the Trust at a price equal to the greater of its then fair market value or the original purchase price paid by the Trust (See Note 2). Total rent expense under these operating leases was \$17,000,000 in 1992, \$16,600,000 in 1993 and \$15,700,000 in 1994. The Company received an advisory fee of \$913,000 in 1992, \$880,000 in 1993 and \$909,000 in 1994 from the Trust for investment and administrative services provided under a contractual agreement which is included in net revenues in the accompanying consolidated statements of income.

In connection with various stock based compensation plans, \$405,000 and \$118,000 of loans made to certain officers and key employees were forgiven in 1992 and 1994, respectively, and charged to compensation expense.

At January 1, 1992, the Company had a non-interest bearing demand note from a principal officer which was fully forgiven during 1992. Compensation expense charged to operations related to this note was \$393,000 in 1992.

A member of the Company's Board of Directors is a partner in the law firm used by the Company as its principal outside counsel.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9) QUARTERLY RESULTS (UNAUDITED)

The following tables summarize the Company's quarterly financial data for the two years ended December 31, 1994.

1993	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net revenues.....	\$195,305,000	\$187,453,000	\$186,332,000	\$192,454,000
Income before income taxes....	\$ 13,120,000	\$ 9,735,000	\$ 7,503,000	\$ 4,738,000
Net income.....	\$ 8,611,000	\$ 6,478,000	\$ 5,157,000	\$ 3,765,000
Earnings per share (fully diluted).....	\$ 0.60	\$ 0.46	\$ 0.37	\$ 0.28

Net revenues in 1993 include \$13.5 million of additional revenues received from special Medicaid reimbursement programs. Of the amount received, \$4.6 million was recorded in each of the first and second quarters, \$1.0 million was recorded in the third quarter and \$3.3 million was recorded in the fourth quarter. These amounts were recorded in the periods that the Company met all of the requirements to be entitled to these reimbursements. The first quarter operating results also include approximately \$4.1 million of expenses related to the disposition of ancillary businesses and the second quarter operating results include a \$3.2 million increase in the reserves for the Company's self-insurance programs. Net revenues in the third quarter include \$3.0 million of unfavorable adjustments related to prior year reimbursement issues and the fourth quarter operating results includes a \$4.7 million pre-tax loss on disposal of two acute care hospitals and the winding down or disposition of non-strategic businesses. The Company's effective tax rate in the fourth quarter was significantly lower than other quarters due to the disposition of two acute care hospitals resulting in the recoupment of previously non-deductible charges.

1994	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net revenues.....	\$194,432,000	\$192,199,000	\$191,512,000	\$204,056,000
Income before income taxes....	\$ 16,794,000	\$ 13,357,000	\$ 9,622,000	\$ 7,156,000
Net income.....	\$ 10,287,000	\$ 8,153,000	\$ 5,835,000	\$ 4,445,000
Earnings per share (fully diluted).....	\$ 0.72	\$ 0.57	\$ 0.41	\$ 0.32

Net revenues in 1994 include \$12.4 million of additional revenues received from special Medicaid reimbursement programs. Of this amount, \$3.0 million was recorded in each of the first and second quarters, \$3.1 million in the third quarter and \$3.3 million in the fourth quarter. These programs are scheduled to terminate in August, 1995. These amounts were recorded in the periods that the Company met all of the requirements to be entitled to these reimbursements. Net revenues in the fourth quarter also include \$3.0 million of proceeds related to the Company's previously disposed UK operations. The first quarter operating results also include approximately \$1.3 million of expenses related to the disposition of a non-strategic business. The second quarter results include a \$2.8 million write-down recorded against the book value of the real property of a psychiatric hospital owned by the Company and leased to an unaffiliated third party, which is currently in default under the terms of the lease. Also included in operating expenses during the second quarter is a \$1.1 million favorable adjustment made to reduce the Company's workers compensation reserves. The fourth quarter results include a \$1.3 million write-down recorded against the book value of the real property of a psychiatric hospital owned by the Company and for which its lease was terminated by an unaffiliated third party and a \$4.3 million charge related to the anticipated disposition of two acute care hospitals. (See Note 2).

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(000'S OMITTED EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1994	1995
Net revenues.....	\$ 194,432	\$ 220,715
Operating charges:		
Operating expenses.....	74,327	84,469
Salaries and wages.....	69,870	78,021
Provision for doubtful accounts.....	13,208	17,185
Depreciation and amortization.....	9,920	11,310
Lease and rental expense.....	8,491	8,772
Interest expense, net.....	1,822	1,614
	-----	-----
	177,638	201,371
	-----	-----
Income before income taxes.....	16,794	19,344
Provision for income taxes.....	6,507	7,503
	-----	-----
Net Income.....	\$ 10,287	\$ 11,841
	=====	=====
Earnings per common and common equivalent share:.....	\$ 0.72	\$ 0.85
	=====	=====
Weighted average number of common shares and equivalents:.....	14,761	13,942
	=====	=====

See accompanying notes to these condensed consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(000'S OMITTED)

	DECEMBER 31, 1994	MARCH 31, 1995
	-----	-----
		(UNAUDITED)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 780	\$ 1,832
Accounts receivable, net.....	84,818	90,511
Supplies.....	15,723	15,827
Deferred income taxes.....	12,942	18,491
Other current assets.....	4,126	5,407
	-----	-----
Total current assets.....	118,389	132,068
	-----	-----
Property and equipment.....	596,702	608,070
Less: accumulated depreciation.....	(265,059)	(272,650)
	-----	-----
	331,643	335,420
	-----	-----
OTHER ASSETS:		
Excess of cost over fair value of net assets acquired.....	38,762	37,572
Deferred income taxes.....	2,742	2,742
Deferred charges.....	1,527	1,630
Other.....	28,429	29,800
	-----	-----
	71,460	71,744
	-----	-----
	\$ 521,492	\$ 539,232
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt.....	\$ 7,236	\$ 7,175
Accounts payable and accrued liabilities.....	92,129	92,072
Federal and state taxes.....	4,417	17,228
	-----	-----
Total current liabilities.....	103,782	116,475
	-----	-----
Other noncurrent liabilities.....	71,956	74,831
	-----	-----
Long-term debt, net of current maturities.....	85,125	75,038
	-----	-----
COMMON STOCKHOLDERS' EQUITY:		
Class A Common Stock, 1,090,527 shares outstanding in 1994, 1,090,527 in 1995.....	11	11
Class B Common Stock, 12,591,854 shares outstanding in 1994, 12,618,277 in 1995.....	126	126
Class C Common Stock, 109,622 shares outstanding in 1994, 109,622 in 1995.....	1	1
Class D Common Stock, 22,769 shares outstanding in 1994, 21,953 in 1995.....	0	0
Capital in excess of par, net of deferred compensation of \$414,000 in 1994 and \$332,000 in 1995.....	88,295	88,713
Retained earnings.....	172,196	184,037
	-----	-----
	260,629	272,888
	-----	-----
	\$ 521,492	\$ 539,232
	=====	=====

See accompanying notes to these condensed consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED	
	MARCH 31,	
	1994	1995
	----- (000'S UNAUDITED) -----	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 10,287	11,841
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization.....	9,920	11,310
Provision for self-insurance reserves.....	2,900	4,504
Changes in assets & liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable.....	(5,946)	(5,693)
Accrued interest.....	(1,601)	(1,891)
Accrued and deferred income taxes.....	3,458	7,262
Other working capital accounts.....	(3,840)	(105)
Other assets and deferred charges.....	(171)	(2,085)
Other.....	171	529
Payments made in settlement of self-insurance claims.....	(3,889)	(1,566)
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	11,289	24,106
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions.....	(11,871)	13,536
Disposition of assets.....	250	250
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES.....	(11,621)	13,286
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additional borrowings.....	2,284	0
Reduction of long-term debt.....	0	(10,148)
Issuance of common stock.....	278	380
	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES.....	2,562	(9,768)
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS.....	2,230	1,052
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	569	780
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 2,799	\$ 1,832
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid.....	\$ 3,423	\$ 3,505
	=====	=====
Income taxes paid, net of refunds.....	\$ 3,049	\$ 241
	=====	=====

See accompanying notes to these condensed consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) GENERAL

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of the Company, are necessary to fairly present results for the interim periods. 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 accompanying disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements, accounting policies and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

(2) EARNINGS PER SHARE

Earnings per share are based on the weighted average number of common shares outstanding during the year adjusted to give effect to common stock equivalents. Earnings per share have been adjusted for the three months ended March 31, 1994 to reflect the assumed conversion of the Company's convertible debentures. In April 1994, the Company redeemed the debentures which reduced the fully diluted number of shares outstanding by 451,233.

(3) UNUSUAL ITEMS

Included in net revenues for the three month periods ended March 31, 1994 and 1995 was \$3.0 million and \$3.3 million, respectively, of additional revenues received from special Medicaid reimbursements received by one of the Company's acute care facilities which participates in the Texas Medical Assistance Program. Upon meeting certain conditions of participation and serving a disproportionately high share of the state's low income patients, the hospital became eligible and received additional reimbursement from the state's disproportionate share hospital fund. This program is scheduled to terminate in August 1995 and the Company cannot predict whether this program will continue beyond the scheduled termination date.

(4) OTHER LIABILITIES

Other noncurrent liabilities include the long-term portion of the Company's professional and general liability and workers' compensation reserves.

(5) COMMITMENT AND CONTINGENCIES

Under certain agreements, the Company has committed or guaranteed an aggregate of \$20,000,000 related principally to the Company's self-insurance programs and as support for various debt instruments and loan guarantees.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Aiken Regional Medical Centers:

We have audited the accompanying balance sheet of Aiken Regional Medical Centers as of December 31, 1994, and the related statements of income, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aiken Regional Medical Centers as of December 31, 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania

June 6, 1995

F-22

AIKEN REGIONAL MEDICAL CENTERS

BALANCE SHEETS

(IN THOUSANDS)

	DECEMBER 31, 1994	MARCH 31, 1995
	-----	-----
		(UNAUDITED)
ASSETS		
CURRENT ASSETS:		
Cash.....	\$ 2,042	\$ 1,537
Accounts receivable, net of contractual allowances and allowance for doubtful accounts of \$14,582 and \$16,639 in 1995 (unaudited) (Note 1).....	14,988	15,431
Supplies (Note 1).....	2,102	2,128
Other current assets.....	223	193
	-----	-----
Total current assets.....	19,355	19,289
	-----	-----
PROPERTY AND EQUIPMENT (Note 1):		
Land.....	3,249	3,249
Buildings and improvements.....	25,976	25,976
Equipment.....	27,334	27,384
	-----	-----
	56,559	56,609
Less -- Accumulated depreciation.....	(13,484)	(14,358)
	-----	-----
	43,075	42,251
Construction in progress.....	56	150
	-----	-----
	43,131	42,401
	-----	-----
GOODWILL (Note 1).....	8,005	7,946
	-----	-----
OTHER ASSETS (Note 1).....	1,625	1,897
	-----	-----
	\$ 72,116	\$ 71,533
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable.....	\$ 3,721	\$ 2,140
Accrued liabilities.....	1,809	1,615
Other current liabilities.....	1,986	2,235
	-----	-----
Total current liabilities.....	7,516	5,990
	-----	-----
DEBT ALLOCATED FROM AFFILIATE (Note 3).....	9,464	4,500
	-----	-----
DUE TO AFFILIATE (Note 6).....	25,934	30,755
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 2)		
STOCKHOLDER'S EQUITY:		
Common stock.....	1	1
Additional paid-in capital.....	99	157
Retained earnings.....	29,102	30,130
	-----	-----
	29,202	30,288
	-----	-----
	\$ 72,116	\$ 71,533
	=====	=====

The accompanying notes are an integral part of these financial statements.

AIKEN REGIONAL MEDICAL CENTERS

STATEMENTS OF INCOME

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1994 -----	THREE MONTHS ENDED MARCH 31 -----	
		1994 -----	1995 -----
		(UNAUDITED)	
NET REVENUES.....	\$ 84,012 -----	\$ 19,898 -----	\$ 22,289 -----
OPERATING CHARGES:			
Operating expenses (Note 6).....	35,386	8,728	9,781
Salaries and wages.....	25,637	6,080	6,445
Provision for doubtful accounts.....	9,687	2,479	2,322
Depreciation and amortization (Note 1).....	3,824	911	950
Lease and rental expense (Note 2).....	1,445	404	317
Interest expense, net of interest income of \$193, \$5 and \$30, respectively (Note 6).....	337	82	60
Management fees (Note 6).....	841	210	660
Total operating charges.....	77,157 -----	18,894 -----	20,535 -----
INCOME BEFORE INCOME TAXES.....	6,855	1,004	1,754
PROVISION FOR INCOME TAXES (Note 5).....	2,816	412	726
NET INCOME.....	\$ 4,039 =====	\$ 592 =====	\$ 1,028 =====

The accompanying notes are an integral part of these financial statements.

AIKEN REGIONAL MEDICAL CENTERS
 STATEMENTS OF STOCKHOLDER'S EQUITY
 (IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
	-----	-----	-----
JANUARY 1, 1994.....	\$ 1	\$ 99	\$ 25,063
Net income.....	--	--	4,039
	---	---	-----
DECEMBER 31, 1994.....	1	99	29,102
Net income (unaudited).....	--	--	1,028
Capital contribution (unaudited).....	--	58	--
	---	---	-----
MARCH 31, 1995 (unaudited).....	\$ 1	\$ 157	\$ 30,130
	===	===	=====

The accompanying notes are an integral part of these financial statements.

AIKEN REGIONAL MEDICAL CENTERS

STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1994	THREE MONTHS ENDED MARCH 31	
		1994	1995
		(UNAUDITED)	
OPERATING ACTIVITIES:			
Net income.....	\$ 4,039	\$ 592	\$ 1,028
Adjustments to reconcile net income to net cash provided by operating activities--			
Depreciation and amortization.....	3,824	911	950
Provision for doubtful accounts.....	9,687	2,479	2,322
Change in operating assets and liabilities--			
Accounts receivable.....	(9,869)	(2,580)	(2,765)
Other current assets.....	(186)	(12)	4
Other assets.....	(199)	(15)	(289)
Accounts payable.....	334	(367)	(1,579)
Other accrued liabilities.....	274	334	111
Net cash provided by operating activities.....	7,904	1,342	(218)
INVESTING ACTIVITIES:			
Additions to property and equipment.....	(2,315)	(580)	(144)
Net cash used in investing activities.....	(2,315)	(580)	(144)
FINANCING ACTIVITIES:			
Due to affiliate, net.....	(4,158)	1,509	4,821
Repayment of debt.....	--	(1)	(4,964)
Net cash (used in) provided by financing activities.....	(4,158)	1,508	(143)
CHANGE IN CASH.....	1,431	2,270	(505)
CASH, BEGINNING OF PERIOD.....	611	611	2,042
CASH, END OF PERIOD.....	\$ 2,042	\$ 2,881	\$ 1,537

The accompanying notes are an integral part of these financial statements.

AIKEN REGIONAL MEDICAL CENTERS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Aiken Regional Medical Centers (the "Company") owns and operates a 225 bed facility comprised of an acute care hospital (Aiken Regional Medical Center), a psychiatric hospital (Aurora Pavilion) and a cancer center (The Carolina Cancer Center) in Aiken, South Carolina. The Company is a wholly-owned subsidiary of Columbia/HCA.

In 1989, the Company's then parent (HCA) was acquired in a leveraged buyout transaction accounted for as a purchase. Accordingly, the accompanying financial statements include adjustments to reflect to allocation of HCA's cost, including an adjustment to increase the carrying value of property and equipment to fair value (\$5,728,000) and to allocate the excess of cost over the fair value of tangible assets acquired to goodwill (\$9,364,000).

The more significant accounting policies follow:

Net Revenues

Net revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. These net revenues are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Medicare and Medicaid revenues represented 39% and 14%, respectively, of net revenues for the year ended December 31, 1994. Net revenues in 1994 include \$330,000 of favorable adjustments relating to prior year reimbursement issues.

The Company participates in the State of South Carolina's Medicaid Disproportionate Share Program. This program provides additional reimbursement to eligible hospitals based on the unreimbursed costs incurred in providing health care services to Medicaid and underinsured patients. Net revenues in 1994 include approximately \$4.9 million of additional reimbursement recorded under this program as follows (in thousands):

State fiscal year 1989.....	\$2,400
State fiscal year 1994 (for the period January 1, 1994 to June 30, 1994).....	988
State fiscal year 1995 (for the period July 1, 1994 to December 31, 1994).....	1,521

	\$4,909
	=====

In 1994, the Company successfully filed an appeal relating to its eligibility to participate in the State's fiscal year 1989 program. As a result of a settlement reached with the State, the Company recorded \$2.4 million of net proceeds received in the third quarter, which amount is included in the table above.

Under the provisions of the State's fiscal year 1995 program, the Company will be entitled to additional disproportionate share payments through June 30, 1995. Management expects that the Company will be eligible for additional amounts under the State's fiscal year 1996 program (July 1, 1995 through June 30, 1996), although the amounts to be received under that program cannot presently be estimated. Management is unable to predict whether these disproportionate share payments will continue beyond the end of the State's fiscal year 1996.

AIKEN REGIONAL MEDICAL CENTERS

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Statements of Cash Flows

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Supplies

Supplies are valued at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment are stated at cost as described above. Expenditures for renewals and improvements are charged to the property accounts. Replacements, maintenance and repairs that do not improve or extend the life of the respective assets are expensed as incurred. The Company removes the cost and the related accumulated depreciation from the accounts for assets sold or retired, and resulting gains or losses are included in the results of operations.

Depreciation is provided using the straight-line method over the estimated useful lives of buildings and improvements (ranging from 5 to 40 years) and equipment (ranging from 4 to 20 years).

Goodwill

The goodwill amount recorded as described above is being amortized over 40 years. In 1994, amortization expense of \$234,000 was charged to operations.

Other Assets

Other assets consist primarily of loans made to physicians. These loans have maturities ranging from 3 to 6 years and interest rates ranging from 0% to 8.5%.

2. COMMITMENTS AND CONTINGENCIES:

During the fourth quarter of 1994, the Company's parent signed a letter of intent to exchange Aiken Regional Medical Centers for a 104-bed acute care hospital, a 126-bed acute and psychiatric care hospital and cash. The closing of this transaction, which is expected to be completed during June of 1995, is subject to a number of conditions, including regulatory approval. The following assets and liabilities of Aiken Regional Medical Centers are excluded from this exchange: cash and cash equivalents, all intercompany receivables, restricted funds, accounts receivable, inventory, capital lease obligations and long-term indebtedness.

The Company's parent insures a substantial portion of its professional liability risks through a wholly-owned insurance subsidiary.

Minimum rental commitments under operating leases having an initial or remaining noncancelable lease term of more than one year as of December 31, 1994, are as follows:

1995	\$ 414,000
1996	304,000
1997	283,000
1998	239,000
Thereafter.....	--

	\$1,240,000
	=====

AIKEN REGIONAL MEDICAL CENTERS

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Various suits and claims arising in the ordinary course of business are pending against the Company. In the opinion of management, the outcome of such claims and litigation will not materially affect the Company's financial position or results of operations.

3. DEBT ALLOCATED FROM AFFILIATE:

The Company's parent has allocated a portion of its outstanding debt to Aiken Regional Medical Centers. In addition, the parent allocates interest incurred on the outstanding balance of this obligation (see Note 6).

4. EMPLOYEE RETIREMENT PLANS:

The Company's employees are eligible to participate in various retirement plans sponsored by Columbia/HCA. Company contributions to these plans represent a percentage of the employee's pay, a percentage of the employee's pay based on years of service or a match of the employee's contribution. Total expense recognized by the Company under these plans was \$499,000 in 1994.

5. INCOME TAXES:

The Company's parent generally does not allocate federal and state income taxes to its subsidiary companies, including Aiken Regional Medical Centers. For financial reporting purposes only, the Company has estimated a tax provision for federal and state income taxes as if the Company filed a separate tax return.

The components of income tax provision for the year ended December 31, 1994, are as follows:

Current provision:	
Federal.....	\$ 3,613,000
State.....	543,000

	4,156,000

Deferred benefit:	
Federal.....	(1,165,000)
State.....	(175,000)

	(1,340,000)

	\$ 2,816,000
	=====

The financial statements reflect the accounting for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"). Under FAS 109, deferred taxes are required to be provided based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Temporary differences giving rise to deferred taxes as of December 31, 1994, include doubtful accounts and other reserves, depreciable and amortizable assets and the conversion of cash basis to accrual basis of accounting.

Since the Company's parent does not directly charge its subsidiaries for federal and state income taxes, all accrued and deferred tax liabilities have been included in the amount due to affiliate in the accompanying balance sheet.

The Company's effective tax rate (41.1%) differs from its federal statutory rate (35%) due primarily to the effect of non-deductible depreciation and amortization (2.8%) and state income taxes, net of federal benefit (3.3%).

AIKEN REGIONAL MEDICAL CENTERS

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

6. RELATED-PARTY TRANSACTIONS:

Columbia/HCA supports the Company in various operating areas and provides centralized cash management and other treasury services. All such intercompany transactions have been included in the accompanying financial statements and are reflected in the amount due to affiliate.

Certain common expenses of the consolidated group, including workers' compensation insurance, general and professional liability insurance and data processing services, are allocated to the individual subsidiaries.

Parent Company allocations in the accompanying statement of income for the year ended December 31, 1994, are as follows:

Included in operating expenses	
Insurance.....	\$ 919,000
Data processing fees.....	395,000
Other.....	22,000

	1,336,000
Management fees.....	841,000
Interest.....	533,000

Total.....	\$2,710,000
	=====

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

We have audited the accompanying combined balance sheets of Manatee Hospitals and Health Systems, Inc. as of August 31, 1993 and 1994, and the related combined statements of revenue and expenses, changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Manatee Hospitals and Health Systems, Inc. at August 31, 1993 and 1994, and the combined results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Tampa, Florida
October 24, 1994

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

COMBINED BALANCE SHEETS
(AMOUNTS IN THOUSANDS)

	AUGUST 31		MARCH 31
	1993	1994	1995
	-----	-----	-----
			(UNAUDITED)
GENERAL FUND			
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 4,989	\$ 6,903	\$ 4,185
Short-term investments.....	6,046	10,305	12,062
Accounts receivable, less allowance for doubtful accounts of \$5,436 and \$5,139 at August 31, 1993 and 1994, respectively, and \$4,968 at March 31, 1995 (unaudited).....	19,291	17,169	22,237
Inventories.....	2,793	2,517	2,609
Prepaid expenses and other assets.....	347	237	465
Current portion of assets whose use is limited.....	4,634	5,070	1,577
	-----	-----	-----
Total current assets.....	38,100	42,201	43,135
Assets whose use is limited, less current portion.....	13,454	11,342	11,403
Property, plant and equipment:			
Land and land improvements.....	4,545	4,545	4,545
Leasehold improvements.....	107	108	108
Buildings.....	52,902	56,153	57,127
Equipment.....	25,543	28,362	29,045
Less allowances for depreciation.....	(27,507)	(32,516)	(35,462)
	-----	-----	-----
	55,590	56,652	55,363
Construction in progress.....	1,432	641	256
	-----	-----	-----
	57,022	57,293	55,619
Due from affiliated organizations.....	11,915	16,926	21,387
Other assets:			
Debt issue costs, less accumulated amortization of \$3,373 and \$3,960 at August 31, 1993 and 1994, respectively, and \$4,303 at March 31, 1995 (unaudited).....	3,326	2,739	2,396
Acquisition costs, less accumulated amortization of \$655 and \$728 at August 31, 1993 and 1994, respectively, and \$771 at March 31, 1995 (unaudited).....	1,386	1,313	1,270
Other.....	1,010	911	885
	-----	-----	-----
	5,722	4,963	4,551
	-----	-----	-----
Total assets.....	\$ 126,213	\$ 132,725	\$ 136,095
	=====	=====	=====
RESTRICTED FUND			
Due from general fund.....	\$ 914	\$ 828	\$ --
	=====	=====	=====

COMBINED BALANCE SHEETS -- (CONTINUED)

	AUGUST 31		MARCH 31
	1993	1994	1995
	-----	-----	-----
			(UNAUDITED)
GENERAL FUND			
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable and accrued expenses.....	\$ 6,887	\$ 6,882	\$ 5,324
Accrued employee compensation and related liabilities.....	4,666	5,766	7,249
Accrued interest payable.....	3,796	3,732	1,163
Estimated third-party settlements.....	366	1,250	2,392
Other current liabilities.....	2,369	2,310	2,297
Current portion of long-term debt.....	1,557	1,645	1,737
	-----	-----	-----
Total current liabilities.....	19,641	21,585	20,162
Other liabilities.....	777	759	532
Long-term debt, less current portion and escrowed funds.....	83,894	82,259	80,869
Fund balance.....	21,901	28,122	34,532
	-----	-----	-----
Total liabilities and fund balance.....	\$ 126,213	\$ 132,725	\$ 136,095
	-----	-----	-----
RESTRICTED FUND			
Fund balance.....	\$ 914	\$ 828	\$ --
	=====	=====	=====

See accompanying notes.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.
 COMBINED STATEMENTS OF REVENUE AND EXPENSES
 (AMOUNTS IN THOUSANDS)

	YEAR ENDED AUGUST 31		SEVEN-MONTH PERIOD ENDED MARCH 31	
	1993	1994	1994	1995
	(UNAUDITED)			
Net patient service revenue.....	\$ 118,005	\$ 114,814	\$ 69,995	\$ 72,524
Other revenue.....	1,849	2,399	1,156	1,950
	119,854	117,213	71,151	74,474
Expenses:				
Salaries and wages.....	40,393	38,444	22,970	23,596
Employee benefits.....	10,539	10,587	6,342	6,536
Supplies and other.....	39,173	39,382	23,534	24,548
Provision for doubtful accounts.....	9,666	8,663	5,572	5,349
Depreciation and amortization.....	5,622	5,768	3,286	3,341
Interest.....	7,779	7,440	4,463	4,974
	113,172	110,284	66,167	68,344
Allocated costs.....	6,682	6,929	4,984	6,130
	(1,474)	(1,336)	(835)	(849)
Income from operations.....	5,208	5,593	4,149	5,281
Nonoperating gains.....	345	628	286	504
	\$ 5,553	\$ 6,221	\$ 4,435	\$ 5,785
	\$ 5,553	\$ 6,221	\$ 4,435	\$ 5,785

See accompanying notes.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

COMBINED STATEMENTS OF CHANGES IN FUND BALANCES
(AMOUNTS IN THOUSANDS)

	YEAR ENDED AUGUST 31		SEVEN-MONTH PERIOD ENDED MARCH 31 1995
	1993	1994	(UNAUDITED)
GENERAL FUND			
Balance at beginning of period.....	\$ 16,248	\$ 21,901	\$ 28,122
Excess of revenue over expenses.....	5,553	6,221	5,785
Transfer from restricted fund.....	100	--	825
Transfer to Foundation.....	--	--	(200)
	-----	-----	-----
Balance at end of period.....	\$ 21,901	\$ 28,122	\$ 34,532
	=====	=====	=====
RESTRICTED FUND			
Balance at beginning of period.....	\$ 929	\$ 914	\$ 828
Restricted expenditures.....	--	(86)	(3)
Restricted donations.....	85	--	--
Transfer to general fund.....	(100)	--	(825)
	-----	-----	-----
Balance at end of period.....	\$ 914	\$ 828	\$ --
	=====	=====	=====

See accompanying notes.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

COMBINED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

	YEAR ENDED AUGUST 31		SEVEN-MONTH PERIOD ENDED MARCH 31	
	1993	1994	1994	1995
			(UNAUDITED)	
OPERATING ACTIVITIES AND NONOPERATING GAINS				
Excess of revenue over expenses.....	\$ 5,553	\$ 6,221	\$ 4,435	\$ 5,785
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities and nonoperating gains:				
Depreciation and amortization.....	5,622	5,768	3,286	3,341
Change in current assets and current liabilities, exclusive of cash and cash equivalents and current portions of noncurrent assets and liabilities.....	1,405	4,450	(972)	(6,075)
Increase (decrease) in other liabilities.....	65	(18)	(92)	(227)
Net cash provided by operating activities and nonoperating gains.....	12,645	16,421	6,657	2,824
INVESTING ACTIVITIES				
Purchases of property, plant and equipment.....	(4,453)	(5,331)	(3,760)	(1,281)
Increase in short-term investments.....	(3,105)	(4,259)	(3,050)	(1,757)
Decrease in assets whose use is limited.....	1,389	1,746	5,039	3,432
(Increase) decrease in other assets.....	(5)	99	118	26
Restricted donations (expenditures).....	85	(86)	(103)	(3)
Net cash (used in) provided by investing activities.....	(6,089)	(7,831)	(1,756)	417
FINANCING ACTIVITIES				
Transfer to Foundation.....	--	--	--	(200)
Payments to affiliated organizations.....	(5,972)	(5,011)	(1,659)	(4,461)
Repayment of long-term debt.....	(2,140)	(1,665)	(1,825)	(1,298)
Net cash used in financing activities.....	(8,112)	(6,676)	(3,484)	(5,959)
(Decrease) increase in cash and cash equivalents...	(1,556)	1,914	1,417	(2,718)
Cash and cash equivalents at beginning of period...	6,545	4,989	4,989	6,903
Cash and cash equivalents at end of period.....	\$ 4,989	\$ 6,903	\$ 6,406	\$ 4,185

See accompanying notes.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 1994

1. OPERATIONS AND ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations and Organization

Manatee Hospitals and Health Systems, Inc. (the Organization) is a not-for-profit corporation affiliated through common corporate membership with Baptist Hospitals and Health Systems, Inc. (BHHS), an Arizona not-for-profit corporation. The Organization consists of Manatee Memorial Hospital (the Hospital) and related affiliates, Trumed, Inc., Intermed America, Inc., and Manatee Memorial Hospital Foundation, Inc. (the Foundation). The Hospital provides acute care inpatient and ambulatory care services, and Trumed, Inc. and Intermed America, Inc. provide home health care services and outpatient care services, respectively. The Foundation conducts fund-raising activities primarily for the benefit of the Hospital. The operations of these affiliates are combined in the accompanying financial statements. All significant intercompany transactions have been eliminated.

The Organization purchased from Manatee County (the County) the assets and assumed the obligations of Manatee Memorial Hospital on July 25, 1984. The Organization entered into an agreement with the County to provide medical care to qualified indigent County residents. The agreement requires the Organization to provide \$150,000 of medical education services to County residents annually through September 1, 2000. As additional consideration, the Organization has agreed to make its best efforts to make certain capital improvements and additions to the Organization and to limit future management fees to BHHS to a certain percentage of gross patient service charges.

Mission Statement and Nonoperating Gains and Losses

The primary mission of the Organization is to provide health care services through its acute care and specialty care facilities. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses unrelated to the primary mission of the Organization are considered to be nonoperating.

Charity Care

The Organization provides care to patients that meet certain criteria under its charity care policy without charge or at amounts less than its established rates. A patient is classified as a charity patient by reference to certain policies established by the Organization. Partial payments to which the Organization is entitled from public assistance and other programs on behalf of patients that meet the Organization's charity care criteria are reported as patient service revenue. The Organization considers the difference between established rates and such partial payments from public assistance and other programs to be charity care.

The Organization maintains records to identify the level of charity care provided. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The level of charity care provided (charges foregone, based upon established rates) totaled \$22,200,000 in 1993 and \$24,000,000 in 1994.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Net Patient Service Revenue

Net patient service revenue includes amounts estimated by management to be reimbursable by Medicare, Medicaid, and other third-party programs. The Organization recognizes estimated final settlements due from or to third-party programs. The final determination of reimbursement amounts is subject to audit by the intermediaries and final settlements are reflected in these statements for cost reports through the year ended August 31, 1992. Differences between estimated provisions and final settlements are reflected as net patient service revenue in the fiscal year the cost reports are finalized. Net patient service revenue includes approximately \$1,994,000 recognized in the current year due to changes in estimated settlements. Presented below are the components of net patient service revenue presented in the combined statements of revenue and expenses:

	YEAR ENDED AUGUST 31	
	1993	1994

	(IN THOUSANDS)	
Total patient service charges.....	\$ 201,375	\$ 202,028
Less contractual adjustments and other deductions from revenue.....	(83,370)	(87,214)

Net patient service revenue.....	\$ 118,005	\$ 114,814
	=====	=====

Estimated Medicare Settlements

The Organization is covered under the Medicare Prospective Payment System (PPS) and is reimbursed a predetermined amount for inpatient services based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient. Since the amount is prospectively determined, retroactive settlements are not made for inpatient services under PPS.

Medicare outpatient services, bad debts, home health care services, and certain capital-related costs are reimbursed on a cost basis. Medicare cost reports are filed annually for reimbursement of these costs. Retroactive cost settlements are estimated and recorded in the financial statements for these amounts.

Charges for services to patients under the Medicare program as a percent of gross patient service charges approximated 54 percent in 1993 and 55 percent in 1994.

Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with a maturity of three months or less at date of acquisition, excluding amounts whose use is limited by Board designation or other arrangements under trust agreements.

Investments and Investment Income

Marketable securities are carried at cost which approximates market value. Investment earnings on assets whose use is limited are reported as other revenue. All other investment earnings are reported as nonoperating gains.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Property, Plant and Equipment

Property, plant and equipment is recorded at historical cost at date of acquisition or fair market value at date of donation. Depreciation expense is computed using the straight-line method. At August 31, 1994, the estimated cost to complete construction projects is approximately \$200,000.

Income Taxes

The Hospital and Trumed, Inc. are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under the provisions of Chapter 220.13 of the Florida Statutes. The Foundation is exempt under Section 509(a)(3) of the Internal Revenue Code. Accordingly, income earned in furtherance of the Organization's tax-exempt purpose is exempt from federal and state income taxes. Intermed America, Inc. is a taxable entity. No provision has been made for income taxes since the amount is immaterial.

Accrued Employee Benefits

The Organization has a plan for granting paid absences which combines all time normally granted for vacations and holidays. The benefits are accrued monthly and presented in the financial statements as a current liability.

Restricted Fund

The Restricted Fund consists of specific purpose donor restricted assets.

Debt Issue Costs

Debt issue costs are amortized over the term of the related obligations using the straight-line method and the related amortization is included in depreciation and amortization expense.

Reclassifications

Certain reclassifications were made to the 1993 financial statements to conform to the 1994 presentation. These reclassifications had no effect on excess of revenue over expenses.

2. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods are used by the Organization in estimating the market value disclosures for certain financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates market value.

Short-term investments: The values for U.S. Government securities which comprise short-term investments are based on quoted market prices.

Assets whose use is limited: The carrying amount of assets whose use is limited, which consist primarily of cash and cash equivalents and U.S. Government securities, approximates market value. Market value for U.S. Government securities is estimated based on quoted market prices for those or similar investments.

Long-term debt: The fair value of the Organization's long-term debt is based on the quoted market prices for the outstanding issues.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The carrying amount and market values of the Organization's financial instruments at August 31, 1994 are as follows:

	CARRYING AMOUNT	MARKET VALUE
	-----	-----
	(IN THOUSANDS)	
Cash and cash equivalents.....	\$ 6,903	\$ 6,903
Short-term investments.....	10,305	10,204
Assets whose use is limited.....	16,412	16,418
Long-term debt, less escrowed funds.....	83,904	93,289

3. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consist of:

	AUGUST 31	
	-----	-----
	1993	1994
	-----	-----
	(IN THOUSANDS)	
Assets held for payment of bond principal and interest (Bond Fund).....	\$ 4,634	\$ 4,742
Assets held to provide a reserve for the payment of principal and interest (Reserve Fund).....	10,409	10,109
Assets held for payment of construction in progress (Acquisition Fund).....	1,638	--
Asset held under self-insurance trust arrangements...	1,407	1,561
	-----	-----
	18,088	16,412
Less current portion.....	(4,634)	(5,070)
	-----	-----
	\$ 13,454	\$ 11,342
	=====	=====

Assets held under self-insurance trust arrangements are amounts designated by the Board of Directors to pay for medical malpractice, workers' compensation and general liability claims within the deductible provisions of the insurance coverage.

Assets whose use is limited consist of United States Government securities, money market funds invested in United States Government securities, and cash and repurchase agreements. All such investments are carried at cost plus accrued interest.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

4. LONG-TERM DEBT

The Organization was obligated under long-term debt agreements as follows:

	AUGUST 31	
	1993	1994
	(IN THOUSANDS)	
Industrial Development Revenue Bonds, Series		
1991.....	\$ 21,306	\$ 21,124
Industrial Development Revenue Refunding Bonds:		
Series 1988.....	5,040	5,040
Series 1987.....	53,093	53,098
Series 1985, Serial and Term Bonds.....	54,522	53,251
Series 1985, Compound Interest Bonds.....	3,588	3,943
Other.....	267	98
Escrowed investments for retirement of bonds.....	(52,365)	(52,650)
	85,451	83,904
Less current portion.....	(1,557)	(1,645)
	\$ 83,894	\$ 82,259

Industrial Development Revenue Bonds and Industrial Development Revenue Refunding Bonds described above are net of unamortized issue discounts at August 31, 1993 and 1994 of \$670,000 and \$621,800, respectively.

All bonds were issued pursuant to a Master Trust Indenture entered into between the Obligated Group and an Arizona bank, as trustee. The Obligated Group consists of Phoenix Baptist Hospital and Medical Center, Inc., Medical Environments, Inc., Northwest Development, Inc., and Manatee Hospitals and Health Systems, Inc. Each member of the Obligated Group has issued indebtedness under the provisions of the Master Trust Indenture, which constitute separate issues of each issuer. The indebtedness of each issuer is collateralized by a deed of trust and mortgage and a security agreement granting security interests on certain encumbered property of Phoenix Baptist Hospital and Manatee Memorial Hospital.

The Master Trust Indenture provides for the joint and several liability on the part of each Obligated Group member for the payment of any notes issued under the Master Trust Indenture (see Note 8). The Master Trust Indenture places certain restrictions on the operations of the Obligated Group, which, among other things, includes minimum debt service coverage ratios, limits on encumbrances and liens, limits on additional indebtedness, and minimum insurance coverage.

In 1985, the Obligated Group refunded Series 1984 Bonds in advance of the scheduled maturity dates and was legally released from being the primary obligor on the Series 1984 Bonds. A portion of the proceeds from the Series 1985 Revenue Refunding Bonds was used to purchase government securities that were placed in a depository trust. The earnings and principal maturities of the securities in the depository trust will be sufficient to provide timely and adequate funds for the payment of all principal and interest on the refunded Series 1984 Bonds. Therefore, these assets and the Series 1984 Bonds (principal amount of \$52,375,000 and \$51,650,000 as of August 31, 1993 and 1994, respectively) are not included in the Organization's financial statements. A portion of the proceeds from the Series 1985 Revenue Refunding Bonds are held by the trustee in the Reserve Fund solely as security for the Series 1985 Revenue Refunding Bonds. The Series 1985 Revenue Refunding Bonds bear interest at rates ranging from 8.30% to 9.75%, payable annually with principal due September 1, 2014.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The proceeds of the Series 1987 Bonds were used to pay issuance costs and the remainder was used to purchase government securities which have been deposited into an escrow account administrated by the trustee. The investment income from the government securities, along with the principal, will be used for payment of interest on the Series 1987 Bonds through September 1, 1995, at which time the remaining proceeds will be used to partially redeem the serial and term bonds of the Series 1985 Bonds and redeem the compound interest bonds of the Series 1985 Bonds. Also on September 1, 1995 the Organization will begin paying debt service on the 1987 Bonds. Deposits with the trustee for debt service payments after the crossover date of September 1, 1995 will be equal to 10% of the aggregate principal amount of the Series 1987 Bonds. The Series 1987 Bonds bear interest from 8.00% to 8.25%, payable semiannually and principal payable annually beginning September 1, 2002 through September 1, 2014.

The proceeds of the Series 1988 Bonds were used to pay issuance costs and the remainder to purchase government securities to be deposited in an escrow account. The earnings and principal will be used primarily for payment of interest and principal on the serial and term bonds of the Series 1985 through September 1, 1998. The Series 1988 Bonds bear interest from 7.00% to 7.20%, payable semiannually with principal payable semiannually beginning February 15, 1999 through September 1, 2001.

The proceeds of the Series 1991 Bonds were used to finance the costs of constructing and equipping a new surgery center and the first two floors of an adjacent medical office building, fund the Reserve Fund, pay interest on the Series 1991 Bonds during the estimated construction period, and pay issuance costs. The Series 1991 Bonds bear interest from 8.25% to 9.25% and mature at various dates through 2021.

Future maturities of long-term debt, including sinking fund requirements, are as follows:

YEAR	AMOUNT (IN THOUSANDS)
1995	\$1,645
1996	1,762
1997	1,966
1998	2,105
1999	2,270

During 1993 and 1994, gross interest costs incurred approximated \$12,401,000 and \$12,261,000, respectively. Investment income earned on the escrowed funds established with proceeds of the Series 1987 Bonds is recorded as a reduction to interest expense and approximated \$4,622,000 and \$4,651,000 in 1993 and 1994, respectively. The Organization paid \$11,221,000 and \$11,799,000 during 1993 and 1994, respectively. The Organization capitalized interest of \$170,000 during 1994.

At August 31, 1994, the Organization has available a \$1,500,000 line of credit. No amounts were outstanding under this agreement at August 31, 1994.

5. TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

The amounts due from affiliated organizations reflected in the combined balance sheets relate to transactions with BHHS and other affiliates and generally represent working capital advances. The ultimate recoverability of amounts due from affiliated organizations is dependent upon those affiliates' ability to generate cash flow from operations sufficient in amount to support continuing operations and repay working capital advances. Interest is calculated on the outstanding balance in the intercompany

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

account at the beginning of each month based upon the prime rate of Bank One Arizona. Intercompany interest income of \$455,000 and \$879,169 in 1993 and 1994 and data processing fees of \$1,914,000 and \$1,856,000 in 1993 and 1994, are included in other revenue and operating expenses, respectively, in the accompanying combined statements of revenue and expenses.

Allocated costs represent the Organization's share of the costs incurred by BHHS in providing accounting, administrative, consulting and other services to its affiliates.

6. MALPRACTICE INSURANCE

Under its occurrence-basis commercial insurance coverage, the Organization is liable for specified deductible provisions up to a maximum of \$100,000 per claim. The Organization funds coverage for the deductible provisions based on actuarial determinations and deposits such funds into a revocable trust account.

Losses from asserted claims and from unasserted claims identified under the Organization's incident reporting system are accrued based on estimates that incorporate the Organization's past experience as well as other considerations including the nature of each claim or incident. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system has been made because the amount is not reasonably estimable. In management's opinion, any such incidents would not have a material adverse effect on the operations or financial position of the Organization.

7. PENSION PLAN

The Organization has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's highest compensation for any five years of employment. The Organization's funding policy is to contribute annually at least the minimum amount that should be funded in accordance with the provisions of ERISA. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The plan's funded status and amounts recognized in the Organization's combined balance sheets as of August 31 are as follows:

	1993	1994
	-----	-----
Actuarial present value of benefit obligations as of June 30:		
Accumulated benefit obligation, including vested benefits of \$16,761,644 and \$16,522,393 for 1993 and 1994, respectively.....	\$ 17,869,077	\$ 17,645,529
	=====	=====
Projected benefit obligation for service rendered to date....	\$ (21,455,741)	\$ (20,131,971)
Plan assets at fair value, primarily listed stock and U.S. Obligations.....	14,586,842	15,696,103
	-----	-----
Projected benefit obligation in excess of plan assets.....	(6,868,899)	(4,435,868)
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions.....	4,320,460	1,388,615
Unrecognized net transition obligation.....	488,108	433,874
	-----	-----
Pension plan funding for July and August.....	(2,060,331)	(2,613,379)
	88,000	111,303
	-----	-----
Accrued Pension Costs Included in Accrued Employee Compensation and Related Liabilities.....	\$ (1,972,331)	\$ (2,502,076)
	=====	=====
Net pension cost included the following components:		
Service cost -- benefits earned during the period.....	\$ 1,202,681	\$ 1,334,715
Interest cost on projected benefit obligation.....	1,494,834	1,743,139
Actual return on plan assets.....	(1,174,581)	(142,628)
Net amortization and deferral.....	284,237	(842,035)
	-----	-----
Net Periodic Pension Cost.....	\$ 1,807,171	\$ 2,093,191
	=====	=====

Significant actuarial assumptions used in measuring benefit obligations and the expected return on plan assets are as follows:

	1993	1994
	-----	-----
Weighted-average discount rate.....	8.5%	8.25%
Weighted-average rate of compensation increase.....	4.75%	4.75%
Expected rate of return on assets.....	9.0%	9.0%

8. COMMITMENTS AND CONTINGENCIES

The Organization is a member of an Obligated Group which, at August 31, 1994, consists of Medical Environments, Inc., Phoenix Baptist Hospitals and Medical Center, Inc. (Phoenix Baptist), Northwest Development, Inc., and Manatee Hospitals and Health Systems, Inc. This group is obligated for the payment of principal and interest on bonds issued under a Master Trust Indenture (see Note 4). As of August 31, 1994, the Organization is contingently liable for debt service payments on outstanding bonds totaling \$90,883,000 which are payable by other members of the Obligated Group. In the opinion of management of the Organization, no contingent payments will be made by the Organization on outstanding bonds of the other members of the Obligated Group.

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The future minimum lease payments under noncancelable operating leases with terms greater than one year are as follows:

YEAR	OPERATING AMOUNT (IN THOUSANDS)
1995.....	\$1,243
1996.....	688
1997.....	352
1998.....	132
1999.....	12

	\$2,427
	=====

Rental expense on operating leases was approximately \$1,677,000 and \$1,807,000 for 1993 and 1994, respectively.

9. SUBSEQUENT EVENT

Subsequent to year end, Manatee Hospitals and Health Systems, Inc. entered into negotiations for a letter of intent to sell all assets of the Organization. The anticipated sale will be contingent upon the completion of due diligence by the buyer and applicable regulatory approvals. It is anticipated that the Organization will recognize a gain on this sale.

10. UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim combined financial statements include all adjustments, consisting only of normal recurring accruals, which the Organization considers necessary for a fair presentation of the financial position of the Organization as of March 31, 1995 and the results of operations for the seven-month periods ended March 31, 1994 and 1995, as presented in the accompanying unaudited interim combined financial statements.

As described in Note 9, the Organization is negotiating to sell all its assets to Universal Health Services, Inc. (UHS). In connection with the proposed sale, the Organization is being jointly managed by BHHS and UHS. The Organization paid UHS management fees of \$500,000 which are included in supplies and other expenses in the statement of revenue and expenses for the seven-month period ended March 31, 1995.

As described in Note 4, the proceeds of the Series 1987 Bonds were used to pay issuance costs and the remainder was used to purchase government securities which have been deposited into an escrow account. The government securities matured in February 1995. Under the terms of the escrow agreement, the Organization cannot reinvest the proceeds of the investments that matured in February 1995. Consequently, the Organization will not recognize any investment earnings on these funds between February 1995 and September 1, 1995.

During November 1994, the Organization transferred \$200,000 from its restricted fund to the Manatee Memorial Hospital Foundation, Inc. (an affiliated organization).

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE COMPANY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY STATE IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

 TABLE OF CONTENTS

	PAGE
Available Information.....	2
Incorporation of Certain Documents by Reference.....	2
The Company.....	3
Risk Factors.....	4
Use of Proceeds.....	6
Pro Forma Financial Information.....	7
Selected Financial and Other Data.....	14
Managements' Discussion and Analysis of Financial Condition and Results of Operations.....	16
Healthcare Industry Overview.....	20
Business.....	21
Financing Arrangements.....	34
Description of Debt Securities.....	35
Plan of Distribution.....	41
Legal Matters.....	42
Experts.....	42
Index to Financial Statements.....	F-1

UNIVERSAL HEALTH
 SERVICES, INC.

\$150,000,000

DEBT SECURITIES

 PROSPECTUS

J.P. MORGAN SECURITIES INC.
BA SECURITIES, INC.
CHEMICAL SECURITIES INC.
NATIONSBANC CAPITAL MARKETS, INC.
SMITH BARNEY INC.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following is an itemized statement of all estimated amounts of all expenses payable by the Registrant in connection with the registration of the Notes offered hereby, other than underwriting discounts and commissions:

Registration Fee -- Securities and Exchange Commission.....	\$ 51,724.14
Securities rating service fee.....	\$ 40,000
Blue Sky fees and expenses.....	\$ 20,000
Accountants' fees and expenses.....	\$140,000
Legal fees and expenses.....	\$100,000
Printing and engraving expenses.....	\$ 7,500
Trustee Fees.....	\$ 5,000
Miscellaneous.....	\$ 35,775.86

Total.....	\$400,000.00
	=====

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the General Corporation Law of Delaware permits indemnification of directors, officers and employees of a corporation under certain conditions and subject to certain limitations. Section 7 of the By-Laws of the Company contains provisions for the indemnification of directors and officers of the Company.

ITEM 16. EXHIBITS.

1	-- Form of Standard Underwriting Provisions and Term Agreement.*
4.1	-- Form of Indenture under which the Debt Securities are to be issued.*
4.2	-- Form of Note (included in Exhibit 4.1).*
5	-- Opinion of Fulbright & Jaworski L.L.P.*
12	-- Computation of Ratio of Earnings to Fixed Charges.*
23.1	-- Consent of Arthur Andersen LLP.*
23.2	-- Consent of Ernst & Young L.L.P.*
23.3	-- Consent of Fulbright & Jaworski L.L.P. (included in Exhibit 5.)*
24	-- Power of Attorney (included on signature page).*
25	-- Statement of Eligibility of the Trustee on Form T-1.*
99.1	-- Asset Exchange Agreement among C/HCA Development, Inc., Universal Health Services, Inc., Aiken Regional Medical Centers, Inc., Dallas Family Hospital, Inc., Westlake Medical Center, Inc. and UHS of Delaware, Inc., as amended.*
99.2	-- Asset Purchase Agreement among Baptist Hospitals and Health Systems, Inc. and Affiliated Florida Companies and Manatee Memorial Hospital, L.P. and Universal Health Services, Inc., dated as of June 30, 1995.

- -----
* Previously filed.

ITEM 17. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment of 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; Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

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

Provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8 and 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.

(2) 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 offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) 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.

(b) 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 Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an 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.

(c) 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 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.

(d) The undersigned hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the securities Act of 1933, each post-effective amendment that contains a form of prospectus 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.

II-3

SIGNATURES

PURSUANT TO THE REQUIREMENTS 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 KING OF PRUSSIA, COMMONWEALTH OF PENNSYLVANIA, ON JULY 14, 1995.

UNIVERSAL HEALTH SERVICES, INC.

By: /s/ ALAN B. MILLER

 Alan B. Miller
 Chairman of the Board, President
 & Chief Executive Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE -----	TITLE -----	DATE ----
/s/ ALAN B. MILLER ----- Alan B. Miller	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	July 14, 1995
LEONARD W. CRONKHITE, JR., M.D.* ----- Leonard W. Cronkhite, Jr., M.D.	Director	July 14, 1995
JOHN H. HERRELL* ----- John H. Herrell	Director	July 14, 1995
ROBERT H. HOTZ* ----- Robert H. Hotz	Director	July 14, 1995
MARTIN MYERSON* ----- Martin Myerson	Director	July 14, 1995
SIDNEY MILLER* ----- Sidney Miller	Director	July 14, 1995
ANTHONY PANTALEONI* ----- Anthony Pantaleoni	Director	July 14, 1995
/s/ KIRK E. GORMAN ----- Kirk E. Gorman	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	July 14, 1995
* /s/ KIRK E. GORMAN -----		
By: Kirk E. Gorman as Attorney-in-fact		

EXHIBIT INDEX

- 99.2 -- Asset Purchase Agreement among Baptist Hospitals and Health Systems, Inc. and Affiliated Florida Companies and Manatee Memorial Hospital, L.P. and Universal Health Services, Inc., dated as of June 30, 1995.

ASSET PURCHASE AGREEMENT

AMONG

BAPTIST HOSPITALS AND HEALTH SYSTEMS, INC.

AND

AFFILIATED FLORIDA COMPANIES

AND

MANATEE MEMORIAL HOSPITAL, L.P.

AND

UNIVERSAL HEALTH SERVICES, INC.

DATED AS OF JUNE 30, 1995

TABLE OF CONTENTS

Section -----	Page ----
1. Purchase and Sale of Assets.	2
1.1 Assets Conveyed	2
1.2 Excluded Assets	5
2. Payment of the Purchase Price and Assumption of Liabilities.	6
2.1 Purchase Price	6
2.2 Adjustments and Prorations	7
2.3 Liabilities Assumed by the Purchaser	7
2.4 Liabilities Retained by the BHHS Entities	9
2.5 Instruments of Conveyance and Transfer of Books and Records	11
3. Representations and Warranties of the BHHS Entities	13
3.1 Organization, Capitalization, Authorization, Etc.	13
3.1.1 Organization	13
3.1.2 Governing Documents	14
3.2 Ownership of Assets	14
3.3 Authority and No Conflict	14
3.4 Financial Statements, Books and Records and Change in Condition.	16
3.4.1 Financial Statements Provided	16
3.4.2 Receivables	17
3.4.3 Inventories	18
3.4.4 Events Subsequent to the Balance Sheet Date	18
3.5 Absence of Undisclosed Liabilities	20
3.6 Real Property	20
3.7 Property to Operate Facilities	26
3.8 Trade Names, Trademarks, Copyrights, Etc.	27
3.9 Litigation	28
3.10 Compliance with Laws; Environmental Matters	28
3.11 Contracts	34
3.12 Employee and Labor Matters and Plans.	38
3.13 Insurance Policies	43
3.14 Records	44
3.15 Professional Staff, Medicare, Medicaid and Other Health Care Programs	44
3.16 Facility Surveys	46
3.17 Suppliers and Providers of Services	46
3.18 Licenses	47
3.19 Taxes	48
3.20 No Illegal or Improper Transactions	50
3.21 Related Party Transactions	50
3.22 No Misleading Statements	51
3.23 No Broker	51

Section	Page
-----	----
4. Representations and Warranties of the Purchaser and UHS	51
4.1 Organization	51
4.2 Authority and No Conflict	52
4.3 Defaults, Consents, Etc.	53
4.4 No Broker	53
5. Obligations Before and After Closing.	54
5.1 BHHS Agreement	54
5.1.1 Access to Premises and Information	54
5.1.2 Conduct of Business in Ordinary Course	55
5.1.3 Representations and Warranties True at Closing	56
5.1.4 Further Authorization	57
5.1.5 Interviewing Employees	57
5.1.6 No Shopping	57
5.1.7 Non-Competition	57
5.1.8 Tax Returns Through Closing Date	58
5.1.9 Subsequent Liability	58
5.1.10 FIRPTA Affidavits	59
5.2 BHHS/Purchaser/UHS Agreement	59
5.2.1 Consents	60
5.2.2 Public Announcements	60
5.2.3 Confidentiality Obligations of the Parties	61
5.3 Purchaser/UHS Agreement	61
5.3.1 Representations and Warranties True at Closing	61
5.3.2 Further Authorization	61
5.3.3 Employment of BHHS Florida Affiliates Personnel	61
5.3.4 Bulk Sales Law	64
5.3.5 Purchaser/UHS Compliance	64
6. Conditions Precedent to the Performance of UHS and the Purchaser.	64
6.1 Accuracy of Representations and Warranties	64
6.2 Performance	65
6.3 No Material Adverse Change	65
6.4 Certification by the Company	65
6.5 Opinion of the BHHS Entities' Counsel	65
6.6 Absence of Litigation	65
6.7 Legal Prohibition	66
6.8 Consents, Approvals, Permits, Licenses, etc.	66
6.9 Property Tax Records; Appraisal	67
6.10 Closing Matters	67
6.11 Supplemental Disclosure	68
6.12 Risk of Loss	68
7. Conditions Precedent to the BHHS Entities' Performance	70

Section -----	Page -----
7.1 Accuracy of Representations and Warranties of UHS and the Purchaser	70
7.2 Performance; Authorization	71
7.3 Certificates	71
7.4 Absence of Litigation	71
7.5 Consents	71
7.6 Opinion of Counsel for UHS and the Purchaser	72
7.7 Long Term Bonds	72
7.8 Delivery of Documents	73
7.9 State Birds and Flowers Commemorative Collection	73
7.10 Receipt of Valuation Document	73
8. Joint Covenants	74
8.1 Access to Books and Records; Cooperation	74
8.2 Allocation of Purchase Price	75
8.3 Employee Plans	76
9. Certain Actions After the Closing	77
10. The Closing	79
11. Survival of Representations; Indemnification.	81
11.1 Survival of Representations, Etc.	81
11.2 Indemnification by the BHHS Entities.	81
11.3 Indemnification by the Purchaser and UHS	82
11.4 Procedure for Indemnification	83
11.5 Limitations on Indemnification Rights	85
12. Entire Agreement; Modification, Waiver	85
13. Expenses	86
14. Further Assurances	86
15. Successors and Assigns; Assignment	86
16. Notices	86
17. Governing Law	87
18. No Third-Party Rights	88
19. Execution in Counterparts	88
20. Knowledge	88

Section	Page
-----	----
21. Access to Information	88
22. Additional Assumed Liability of Purchaser	88
23. No Partnership or Agency	89

ASSET PURCHASE AGREEMENT

AGREEMENT, made as of the 30th day of June, 1995, by and among (i) MANATEE MEMORIAL HOSPITAL, L.P., a Delaware limited partnership (the "Purchaser"), and an indirect subsidiary of UNIVERSAL HEALTH SERVICES, INC. ("UHS"), a Delaware corporation, (ii) UHS, (iii) BAPTIST HOSPITALS AND HEALTH SYSTEMS, INC., an Arizona non-profit corporation ("BHHS"), and (iv) the corporations listed on Exhibit A hereto, each a Florida corporation and an affiliate of BHHS (collectively, the "BHHS Florida Affiliates"). BHHS and the BHHS Florida Affiliates are sometimes collectively referred to herein as the "BHHS Entities."

W I T N E S S E T H :

WHEREAS, BHHS directly or indirectly controls the BHHS Florida Affiliates, which provide health care related services in the state of Florida through the operation of the health care facilities listed on Exhibit A hereto (collectively, the "Facilities"), including Manatee Memorial Hospital (the "Hospital"), First Care Clinic, a portion of Health Park East, and Florida Home Health Services - Manasota;

WHEREAS, the Purchaser desires to purchase and the BHHS Florida Affiliates (with the approval of BHHS) desire to sell substantially all of the assets used by the BHHS Florida Affiliates in the operation of the Facilities, upon the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the Purchaser has deposited \$250,000 with BHHS to evidence its good faith intention to consummate the transactions contemplated hereunder;

NOW, THEREFORE, in consideration of the mutual promises and agreements hereinafter contained, the parties hereto agree as follows:

1. Purchase and Sale of Assets.

1.1 Assets Conveyed. At the closing of the transactions contemplated hereby (the "Closing") on the Closing Date (as hereinafter defined), and upon the basis of the representations, warranties, covenants and agreements contained herein, each of the BHHS Florida Affiliates shall sell, transfer, assign, convey and deliver to the Purchaser, and the Purchaser shall purchase on the terms set forth herein, all of the BHHS Florida Affiliates' right, title and interest in and to their respective assets ("Assets"), except for the Excluded Assets as provided for in Section 1.2, free and clear of all liens, charges, claims, pledges, security interests, equities and encumbrances of any nature whatsoever (collectively, "Liens"), except for Permitted Encumbrances. "Permitted Encumbrances" shall mean (a) liens of current taxes not yet due and payable; (b) those easements, rights of way, servitudes, restrictions, liens and other matters described in Schedule 3.6(b) hereto; (c) mechanics', carriers', workers', repairmen's and other similar liens arising or incurred in the ordinary course of business; (d) Liens created by the Purchaser or UHS and (e) the Assumed Liabilities (as defined below). The "Assets" shall mean all those personal, tangible and intangible properties, and the real property and improvements of the BHHS Florida Affiliates used in connection with the operation of the Facilities as set forth below other than Excluded Assets (as defined below) including without limitation, those more particularly described in the Schedules to this Section 1.1, including the going concern value of the BHHS Florida Affiliates, if any, including assets described in (a) through (i), below:

(a) Contractual Rights: all rights and benefits and obligations (arising after the Closing Date) of the BHHS Florida Affiliates under all contracts relating to the operation of the Facilities as listed on Schedule 1.1(a) hereto (which also recites those contracts, the assignment of which by their terms requires third party consent) including leases to the extent such rights and benefits can be assigned (the "Assumed Contracts");

(b) Licenses and Permits: to the extent permitted by applicable law and regulation, all licenses and permits held or used by the BHHS Florida Affiliates in connection with the ownership of the Assets and the conduct of the operations of the Facilities as listed on Schedule 1.1(b) hereto;

(c) Equipment: all equipment, computers, computer hardware and software (subject to any restrictions by licensors on the assignment thereof), tools, supplies, furniture, vehicles, and other tangible personal property and assets owned or leased by the BHHS Florida Affiliates related to the Facilities as of the date of this Agreement, as such items may be modified prior to Closing in the ordinary course of business. Such items shall be listed on Schedule 1.1(c) to be furnished by UHS no later than July 31, 1995, which Schedule shall be reasonably satisfactory to BHHS;;

(d) Leases: to the extent permitted by the applicable lease agreement, all the interest of and the rights and benefits accruing to the BHHS Florida Affiliates as lessees under (i) the leases relating to the Leased Properties and all leasehold improvements and fixtures relating thereto as defined and described in Schedule 3.6 hereto and (ii) the leases or rental agreements covering equipment, computers, computer hardware and software used at the Facilities, all such leases as described in Schedule 1.1(a) and 3.11 hereto;

(e) Current Assets: all accounts and notes receivable (including without limitation, any claims, remedies and other rights related thereto) rights to

payment for services rendered through the Closing Date, all claims for amounts due, or that may become due from Medicare, Medicaid or any other health care or payment intermediary resulting from cost reports or other adjustments, usable inventories of supplies relating to the Facilities and prepaid expenses relating to the Facilities on the Closing Date arising in connection with the BHHS Florida Affiliates' conduct of the operations of the Facilities ("Current Assets");

(f) Records: all operating data and records of the BHHS Florida Affiliates relating to the BHHS Florida Affiliates, the Facilities and the Assets, including without limitation, client lists and records, patient records, referral sources, research and development reports and records, production reports and records, equipment logs, operating guides and manuals, projections, copies of financial, accounting and personnel records, correspondence and other similar documents and records except as to medical records, if any, which are prohibited by law to be transferred and assigned without patient approval and except as to attorney-client communications and attorney work product and BHHS Florida Affiliates' Board and Board Committee minutes;

(g) Intellectual Property: all of the intangible and intellectual property of the BHHS Florida Affiliates used in the operation of the Facilities, including all software (including all source codes and object codes, to the extent such are legally and contractually permitted to be transferred), products, research data, marketing plans and strategies, forecasts, trademarks, servicemarks (but restricting use by Purchaser and UHS of the servicemark "Design of Cross with Sunburst numbered T16379 to Florida only), tradenames (but restricting use by Purchaser and UHS of the tradename "Med-Vet" to Florida only), licenses (if transferable), copyrights, operating

rights, permits and other similar intangible property and rights relating to the Facilities as such property and rights are listed in Schedule 1.1(g);

(h) Real Property: all of the land and leasehold interests described in Schedule 3.6 and the improvements, fixtures and other property located thereon that is classified under Florida law as real property; and

(i) Certificate of Need: the certificate of need (the "CON") described in Schedule 1.1(i) hereto (to the extent legally permitted to be transferred);

(j) Pension Plans: all assets of the Manatee Memorial Hospital Retirement Plan (the "Retirement Plan"), provided the Retirement Plan is assumed by Purchaser in accordance with Section 8.3; and

(k) Judgment Rights: all judgments of record in favor of any of the BHHS Florida Affiliates.

1.2 Excluded Assets. Anything to the contrary in Section 1.1 notwithstanding, the Assets shall exclude and the Purchaser shall not purchase the following (collectively, the "Excluded Assets"):

(a) cash, cash equivalents and short-term investments;

(b) any and all accounts receivable respecting an intercompany transaction among the BHHS Entities and any other affiliate of BHHS, whether or not such transaction relates to the provision of goods and services, tax sharing arrangements, payment arrangements, intercompany charges or balances, or the like;

(c) securities or other instruments or investments constituting current assets other than accounts and notes receivable as set forth in Section 1.1(e);

(d) restricted funds (assets whose use is limited as set forth in the August Balance Sheet (as hereinafter defined) or assets of a similar nature arising after the date of the August balance sheet);

(e) prepaid insurance, self insurance trust funds and charitable contributions, pledges and deferred gifts provided that no such contributions shall consist of tangible assets other than cash or cash equivalents;

(f) video conferencing equipment; and

(g) those other items which the Purchaser in its sole discretion determines not to purchase, including without limitation, those specifically set forth in Schedule 1.2 hereto. Purchaser shall advise BHHS in writing at least ten (10) days prior to Closing those other items which Purchaser does not intend to purchase. Any items so excluded shall not reduce the Purchase Price (as hereinafter defined).

2. Payment of the Purchase Price and Assumption of Liabilities.

2.1 Purchase Price. The purchase price (the "Purchase Price") for the Assets shall be \$139,218,000 payable as follows:

(a) \$250,000 (the "First Deposit") has been deposited in escrow with Bank One of Arizona, the principal and interest amounts of which shall be released to BHHS or its nominee affiliate on the Closing Date or released to UHS in whole, all in accordance with the terms of the Escrow Agreement annexed as Exhibit B hereto (the "Escrow Agreement").

(b) \$7,750,000 (the "Second Deposit") has been deposited in escrow with Bank One of Arizona at the time of the signing of this Agreement, the principal and interest amounts of which will be released to BHHS or its nominee

affiliate on the Closing Date or released to UHS in whole, all in accordance with the terms of the Escrow Agreement.

(c) \$131,218,000 (the "Closing Payment") shall be payable by certified or bank check or wired Federal funds on the Closing Date to such account as shall be designated by BHHS no later than 5 days prior to the Closing Date subject to adjustment as provided in Section 2.2 hereof.

2.2 Adjustments and Prorations.

(a) The Closing Payment shall be reduced to the extent "Working Capital" (accounts receivable net (including Medicare and Medicaid receivables) plus inventory, plus other current assets transferred to Purchaser less accounts payable less accrued payroll and related expenses less other current liabilities and all current liabilities assumed pursuant to Section 2.3 hereof (including Medicare and Medicaid liabilities assumed by Purchaser) calculated consistent with the July 31, 1994 interim unaudited balance sheet of the BHHS Florida Affiliates is less than \$9,900,000 on the Closing Date; and the Closing Payment shall be increased to the extent Working Capital (as defined herein) is greater than \$9,900,000 on the Closing Date.

(b) Within 60 days after the Closing Date, the BHHS Entities and the Purchaser shall prorate as of the Closing Date, ad valorem taxes, if any, on the Assets, including any and all ad valorem property taxes on the Real Property or the Improvements.

2.3 Liabilities Assumed by the Purchaser. In further consideration for the sale of the Assets, on and as of the Closing Date, the Purchaser shall assume and agree to pay, perform and discharge the Assumed Liabilities. Subject to Section 8.3, and except as otherwise specifically provided herein, for purposes of this Agreement,

the term "Assumed Liabilities" shall include, and shall be limited solely to any and all obligations of the BHHS Florida Affiliates relating to the Assets and (a) reflected on the August Balance Sheet (as defined below) to the extent they are liabilities on the Closing Date, (b) current liabilities calculated consistent with the July 31, 1994 unaudited balance sheet of the BHHS Florida Affiliates accruing from and after August 31, 1994 in the ordinary course of business, or (c) accruing from and after the Closing Date, other than those obligations which the Purchaser expressly does not assume in accordance with Section 2.4 below. Without limiting the generality of the foregoing, the Purchaser will assume (i) all Assumed Contracts and capital and operating leases of the BHHS Entities relating to the operation of the Facilities (which leases are set forth on Schedules 1.1(a) and/or 3.6 and/or 3.11 hereto), (ii) all current liabilities calculated consistent with the July 31, 1994 unaudited balance sheet of the BHHS Florida Affiliates to employees for compensation and fringe benefits, incentive payments, accrued bonuses, vacation, sick leave, maternity and other leave and earned time, all to the extent, and only to the extent, such liabilities are reflected in the August Balance Sheet or arose after the date of the August Balance Sheet pursuant to plans and arrangements in existence on that date, (iii) in accordance with Section 8.3, the liabilities and sponsorship of the Retirement Plan (described in Section 1.1(j)), (iv) all liabilities for amounts due or that may become due to the Medicare, Medicaid or any other health care reimbursement or payment intermediary resulting from cost report or other adjustments or depreciation or other reimbursement recapture reflected in the August Balance Sheet or liabilities arising after the date of the August Balance Sheet and, except with respect to Medicare recapture, reflected as a current liability calculated consistent with the July 31, 1994 unaudited balance sheet of the BHHS Florida

Affiliates, and (v) all liabilities for unemployment compensation and workers' compensation and the Florida Patient Medical Assistance Trust Fund ("PMATF") as reflected on the August Balance Sheet or arising after the date of the August Balance Sheet in the ordinary course of business and reflected as a current liability calculated consistent with the July 31, 1994 unaudited balance sheet of the BHHS Florida Affiliates. The Purchaser will also assume the obligations of Manatee Hospitals and Health Systems, Inc. under its indigent care agreement, dated September 1, 1990, with the County of Manatee as it may be amended from time to time; provided, however, that Purchaser shall not assume any liability which is not a current liability (i.e., not included in the calculation of Working Capital in accordance with Section 2.2 (c) hereof) calculated consistent with the July 31, 1994 Unaudited Balance Sheet in excess of \$1,891,000 in the aggregate.

2.4 Liabilities Retained by the BHHS Entities. Notwithstanding anything to the contrary contained herein, the Purchaser shall not assume any debts, obligations or liabilities of the BHHS Entities not expressly assumed pursuant to Section 2.3 hereof or elsewhere in this Agreement; and, the BHHS Entities shall continue to be obligated to pay, perform and discharge their respective debts, obligations and liabilities and hold the Purchaser harmless from any such liabilities, including without limitation:

(a) any and all obligations for the payment of any long term indebtedness existing at the Closing Date (including the current portion thereof) relating to the BHHS Entities whether or not set forth on the August Balance Sheet;

(b) any and all accrued interest through the Closing Date;

(c) any and all liabilities respecting an intercompany transaction among the BHHS Entities and any other affiliate of BHHS, whether or not such transaction relates to the provision of goods and services, tax sharing arrangements, payment arrangements, intercompany charges or balances, or the like;

(d) except for (i) the Assumed Liabilities, and (ii) any liabilities arising solely from actions or omissions of UHS, its agents, employees or affiliates pursuant to the Management Services Agreement or otherwise, any and all actual or contingent liabilities or obligations of or demands upon the BHHS Entities arising from acts or omissions of the BHHS Entities (actual or alleged) prior to the Closing Date including liabilities or obligations arising from breach by any BHHS Entity of any Assumed Contract, or any liabilities now existing or which may hereafter exist by reason of any alleged violation of law or Governmental regulation or any other claims arising out of any act or omission of the BHHS Entities prior to the Closing Date including, without limitation, any malpractice claims or liabilities;

(e) all liabilities arising out of or in connection with the existence of Hazardous Materials (as defined in Section 3.10(c)) upon, about, beneath or migrating to or from the Owned Property (as defined in Section 3.6(a)) on or before the Closing Date or the existence on or before the Closing Date of any violation of any Environmental Laws (as defined in Section 3.10(c)) pertaining to any such Owned Property or the operation of the Facilities or any other business operated therefrom;

(f) federal, state and local income taxes, if any, payable with respect to any activities of the BHHS Entities through the Closing Date;

(g) sales and other taxes (including, without limitation, use taxes) payable with respect to the business or operations of BHHS Entities through the Closing Date or the transactions contemplated hereby;

(h) any liability or obligation to any broker, finder, investment banker or other intermediary engaged by any BHHS Entity in connection with the sale of the Assets (including) without limitation, the transactions contemplated by this Agreement;

(i) the BHHS Entities' obligations and liabilities arising under this Agreement;

(j) except as specifically provided otherwise in Sections 2.3(ii), 2.3(iii) or 8.3, any liability for benefits or otherwise which has arisen or may arise under or in connection with any Employee Plan (as defined in 3.12(a)); and

(k) any liability arising out of any medical malpractice or workers' compensation other than as specified in Section 2.3 or similar acts or omissions arising prior to the Closing Date.

2.5 Instruments of Conveyance and Transfer of Books and

Records.

(a) At the Closing, the BHHS Florida Affiliates shall deliver to the Purchaser such deeds, bills of sale, endorsements, assignments and other instruments of sale, conveyance, transfer and assignment as are required pursuant to the provisions hereof in the required form and substance, in order to convey to the Purchaser good and marketable title to (or valid and enforceable leasehold, license or similar interests in) the Assets, free and clear of all Liens except Permitted Encumbrances. Subject to reimbursement pursuant to Section 13 hereof, the BHHS

Florida Affiliates shall pay all sales, transfer or stamp taxes, or similar charges, payable by reason of the sale, assignment, transfer and delivery hereunder of the Assets.

(b) At the Closing, and except as may otherwise be provided for herein, the BHHS Florida Affiliates shall use all reasonable efforts to deliver to the Purchaser all written consents which are required under any Assumed Contract being assigned to the Purchaser hereunder; provided, however, that as to any Assumed Contract the assignment of which by its terms requires prior consent of the parties thereto, if such consent is not obtained prior to or on the Closing Date, the BHHS Florida Affiliates shall use all reasonable efforts to obtain such consents promptly following the Closing Date and deliver constructive use of BHHS Florida Affiliates rights (and obligations) thereunder pending delivery of such consents.

(c) At the Closing, the BHHS Florida Affiliates shall deliver general warranty deeds to the Owned Property conveying good and marketable title, free and clear of all mortgages, liens, charges or other encumbrances except for the Permitted Encumbrances. The BHHS Florida Affiliates shall deliver standard ALTA fee owner's title insurance policies (the "Title Policies") insuring title to each parcel of Owned Property in the Purchaser as prospective fee owner, subject only to the Permitted Encumbrances, in the aggregate amount of \$41,770,000, which aggregate amount shall be allocated as follows: (i) \$8,000,000 from Attorneys' Title Insurance Fund, Inc. ("Attorneys' Fund"); and (ii) \$33,770,000 from Commonwealth Land Title Insurance Company ("Commonwealth": Commonwealth and Attorneys' Fund are sometimes hereinafter referred to collectively as the "Title Companies"). The Title Companies shall act as co-insurers for their respective Title Policies, with the amount under each of such policies to be further allocated for re-insurance with such other title insurance

companies and in such amounts as shall be reasonably satisfactory to the Purchaser. The BHHS Entities shall also deliver surveys of the Owned Property made by a registered land surveyor bearing a certificate addressed to the Purchaser and the Title Companies, signed by the surveyor, certifying that the survey was actually made on the ground and that there are no encumbrances except as shown, and complying with the minimum detail requirements for ALTA/ACSM and land Title Surveys as adopted by the American Land Title Association and the American Congress on Surveying and Mapping 1992. The survey shall provide sufficient detail to provide the basis for the Title Companies to issue their respective Title Policies without the general exception for survey matters. Notwithstanding the foregoing, no survey shall be required hereunder for Units 1 and 2 of Manatee M.O.B., a condominium. The BHHS Entities shall pay all premiums and other expenses relating to such survey and title insurance policy commitment including, without limitation, the title insurance premium subject to Section 13 hereof. The BHHS Entities shall pay all transfer taxes and recording fees payable by reason of the delivery or recording of the general warranty deeds to the Owned Property subject to Section 13 hereof.

3. Representations and Warranties of the BHHS Entities.

In order to induce the Purchaser to enter into and perform this Agreement, the BHHS Entities, jointly and severally, represent, warrant and agree as follows:

3.1 Organization, Capitalization, Authorization, Etc.

3.1.1 Organization. Each of the BHHS Entities is a corporation duly organized, validly existing and in good standing under the laws of its respective state of incorporation as set forth on Schedule 3.1.1 hereto, with all the requisite power

and authority to execute, deliver and perform this Agreement and to hold the properties, rights and assets and to carry on the businesses now conducted by it. Each of the BHHS Entities is qualified to do business as a foreign corporation in each jurisdiction in which the nature of the business conducted by it or its ownership or leasing of property make such qualification necessary except where such failure to qualify would not have a material adverse effect on the BHHS Entities, all of which jurisdictions are set forth on Schedule 3.1.1 hereto.

3.1.2 Governing Documents. Copies of the Articles of Incorporation and By-Laws of each of the BHHS Entities have heretofore been delivered to the Purchaser and are true, complete and correct.

3.2 Ownership of Assets. Except as set forth in Schedule 3.2 hereto, the BHHS Florida Affiliates are the legal and beneficial owner of their respective Assets described in Section 1.1 hereto, free and clear of any Liens other than Permitted Encumbrances, and each BHHS Florida Affiliate has full right, power and authority to sell, transfer, assign, convey and deliver all of the Assets to be sold by each of them, respectively, hereunder and delivery thereof will convey to Purchaser good and marketable title to said Assets, free and clear of any Liens other than Permitted Encumbrances.

3.3 Authority and No Conflict. (a) Each BHHS Entity has full right, power and authority to execute, deliver and carry out the terms of this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement, and this Agreement has been duly authorized, executed and delivered by each BHHS Entity. The execution and delivery of this Agreement by each BHHS Entity does not, and consummation of the transactions contemplated hereby will not

(a) conflict with, or result in any violation of or default or loss of any benefit under, any provision of the Articles of Incorporation or By-laws of any BHHS Entity; (b) conflict with, or result in any violation of or default or loss of any material benefit under, any permit, concession, grant, franchise, law, rule or regulation, or any judgment, decree or order of any court or other governmental agency or instrumentality to which any BHHS Entity is a party or to which any of their respective properties are subject; (c) conflict with, or result in a breach or violation of or default or loss of any material benefit under, or accelerate the performance required by, the terms of any agreement, contract, indenture or other instrument to which any BHHS Entity is a party or to which any of the Assets is subject (other than the Bonds as to which there will be a defeasance or tender pursuant to Section 7.7), or constitute a default or loss of any right thereunder or an event which, with the lapse of time or notice or both, might result in a default or loss of any right thereunder or the creation of any Lien upon any of the Assets; or (d) result in any suspension, revocation, impairment, forfeiture or nonrenewal of (i) any License (as defined in Section 3.18) relating to the ownership and operation of health care facilities which are the subject of the transactions contemplated hereby; subject, however, to UHS and/or the Purchaser obtaining new licenses for its operations of the facilities; or (ii) any other material License related to the Assets or the Assumed Liabilities. All action and other authorizations prerequisite to the execution of this Agreement and the consummation of the transactions contemplated by this Agreement have been taken or prior to the Closing Date will have been taken or obtained by each BHHS Entity. This is a valid and binding agreement of each BHHS Entity enforceable in accordance with its terms, subject to the effect of bank-

ruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance or other similar laws affecting the rights of creditors.

(b) The execution, delivery and performance by the BHHS Entities of this Agreement, and the performance of the transactions contemplated by this Agreement, do not require the authorization, consent, approval, certification, license or order of, or any filing with, any court or governmental agency of such a nature that the failure to obtain the same would have a material adverse effect on the Assets, except for compliance with the HSR Act (as hereinafter defined) and except for (i) such governmental authorizations, consents, approvals, certifications, licenses and orders that customarily accompany the transfer of health care facilities such as the Facilities, (ii) receipt of a favorable ruling from the Internal Revenue Service or bond counsel opinion described in Section 7.7 hereof, or (iii) as otherwise provided for in this Agreement.

3.4 Financial Statements, Books and Records and Change in Condition.

3.4.1 Financial Statements Provided. The BHHS Florida Affiliates have delivered to the Purchaser true, correct and complete copies of the audited balance sheet of the BHHS Florida Affiliates as of August 31, 1994 (the "August Balance Sheet") and the related statements of operations, and statements of fund balance and cash flows for the 12 months then ended, together with notes to such financial statements together with the report thereon of Ernst & Young L.L.P., independent public accountants (the "August Financial Statements"). The August Financial Statements are in accordance with the books and records of the BHHS Florida Affiliates and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the period covered thereby (except as otherwise indicated in the notes

thereto), and the balance sheets included therein present fairly as of August 31, 1994 the financial condition of each of the BHHS Florida Affiliates. The statements of operations, and statements of fund balance and cash flows included in the August Financial Statements present fairly the results of operations, fund balance and cash flows of the BHHS Florida Affiliates for the periods indicated, and the notes included in the August Financial Statements present fairly the information purported to be shown thereby. The statements of operations included in the August Financial Statements do not contain any items of material non-recurring income or other income not earned in the ordinary course of business except as expressly specified therein. The BHHS Florida Affiliates have also delivered to the Purchaser the July 31, 1994 Interim Unaudited Balance Sheet of the BHHS Florida Affiliates referenced in Section 2.2(a).

3.4.2 Receivables. The accounts receivable of all kinds of the BHHS Florida Affiliates which are included in the Assets, net of the allowance for doubtful accounts applicable thereto included in the balance sheets included in the August Financial Statements arose in the usual and ordinary course of business of the BHHS Florida Affiliates from arms'-length transactions, and to the knowledge of the BHHS Florida Affiliates, except as set forth on Schedule 3.4.2 hereto, there do not exist any defenses, counterclaims and set-offs known to the BHHS Florida Affiliates which would materially adversely affect such receivables, and all such receivables are actual and bona fide receivables representing obligations for the total dollar amount thereof shown on the books of the BHHS Florida Affiliates. The BHHS Florida Affiliates have fully performed all obligations with respect thereto which they were obligated to perform to the date hereof. The BHHS Florida Affiliates have delivered to the Purchaser an aging schedule for the accounts receivable as of April 30, 1995.

3.4.3 Inventories. All inventories of the BHHS Florida Affiliates set forth on the August Balance Sheets, and all inventories acquired subsequent to August 31, 1994 (the "Balance Sheet Date") are valued at the lower of cost (applied on a first-in-first-out basis) or market in accordance with generally accepted accounting principles. All inventories included in the Assets consist, and at the Closing will consist, of a quality and quantity usable and saleable in the ordinary course of business without discount or reduction, except for items of obsolete materials, all of which have been written down on the August Balance Sheets to realizable market value. The present quantities of inventory of the BHHS Florida Affiliates are and at Closing will be consistent with the past inventory practices of the respective BHHS Florida Affiliates.

3.4.4 Events Subsequent to the Balance Sheet Date. Since the Balance Sheet Date there has been no material adverse change in the assets or liabilities, or in the business or condition, financial or otherwise, or in the results of operations or, to the knowledge of the BHHS Entities, material adverse change in the reasonably expectable prospects (except for any change in prospects which may arise from regulatory or legislative changes in the health care industry, for which no representation is made), of any BHHS Florida Affiliate, whether as a result of revocation of any License or right to do business, fire, explosion, accident, casualty, labor trouble, flood, drought, riot, storm, condemnation or act of God or otherwise, and, to the knowledge of the BHHS Entities, no fact or condition exists or is contemplated or threatened which could reasonably be anticipated to cause such a change in the future.

Since the Balance Sheet Date and except as listed on Schedule 3.4.4 hereto, no BHHS Florida Affiliate has (a) borrowed any amount or incurred or become subject to any material liability (absolute, accrued or contingent), other than current liabilities incurred and liabilities under contracts entered into, all of which were in the ordinary course of business; (b) discharged or satisfied any Lien or incurred or paid any obligation or liability (absolute, accrued or contingent) other than current liabilities shown on the most recent balance sheet included in the August Financial Statements and current liabilities incurred since the Balance Sheet Date in the ordinary course of business; (c) declared or made any payment or distribution (whether in cash, securities, other property or any combination thereof) on or in respect of the capital stock of the BHHS Florida Affiliates; (d) mortgaged, pledged or subjected to Lien any of its assets, tangible or intangible (including the Assets), other than in the ordinary course of business consistent with past practices; (e) sold, assigned or transferred any of its tangible assets or canceled any debt or claim except in the ordinary course of business; (f) sold, assigned, transferred or granted any license with respect to any trademark, trade name, service mark, copyright, trade secret or other intangible assets except in the ordinary course of business; (g) suffered any material loss of property or waived any right of substantial value whether or not in the ordinary course of business; (h) suffered any material adverse change in its relations with, or any material loss or, to its knowledge, material adverse threatened loss of, any of its material suppliers, managed care contracts, physician relationships or Medicare or Medicaid contracts; (i) other than in the ordinary course of business and consistent with past practice, (1) entered into any employment, deferred compensation or other similar agreement (or any amendment to any such existing agreement) or arrangement with any of its directors, officers or

employees, (2) increased any benefits payable under any existing severance or termination pay policies or employment agreements, or (3) increased the compensation, bonus or other benefits payable to any of its directors, officers or employees; (j) made any material change in the manner of its business or operations, including without limitation any change in the manner in which any BHHS Florida Affiliate extends credit to patients or otherwise deals with patients; (k) made any material change in any method of accounting or accounting practice, except for any such changes required by reason of a concurrent change in generally accepted accounting principles or disclosed in the August Financial Statements; (l) written off as uncollectible any accounts or notes receivable in excess of reserves; (m) been the subject of any material labor dispute or, to its knowledge, threat thereof; (n) entered into any material transaction except in the ordinary course of business or as otherwise contemplated hereby; or (o) entered into any commitment (contingent or otherwise) to do any of the foregoing.

3.5 Absence of Undisclosed Liabilities. No BHHS Florida Affiliate has any direct debt, liability or obligation of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due, which is not reflected or reserved against in the August Financial Statements except for (a) those which are not required by generally accepted accounting principles to be so reflected, (b) those which were incurred in the ordinary course of business and are usual and normal in amount both individually and in the aggregate; or (c) otherwise disclosed on a Schedule to the Agreement.

3.6 Real Property.

(a) Schedule 3.6 hereto identifies all interests in real property including land and improvements held by the BHHS Florida Affiliates as of the date

hereof, together with the nature of such interest. To the extent that any such interest is shared, Schedule 3.6(a) also sets forth the nature and proportion of the sharing arrangement. Each of the properties on Schedule 3.6(a) is identified either as a property in which the BHHS Florida Affiliate holds all or a portion of the fee title (individually, an "Owned Property" and collectively, the "Owned Properties"), or all or a portion of a leasehold estate in the property (individually, a "Leased Property" and collectively, the "Leased Properties"). The Owned Properties and the Leased Properties are collectively referred to herein as "Real Property."

(b) The BHHS Florida Affiliates have good, valid and marketable title to each Owned Property free and clear of all Liens whatsoever except for Permitted Encumbrances identified in Schedule 3.6(b). The BHHS Florida Affiliates' occupation, possession and use of the Leased Properties has not been disturbed in any material respect and no written claim has been asserted or, to the knowledge of the BHHS Entities, threatened, adverse to the respective rights of the BHHS Florida Affiliates to the continued occupation, possession and use of the Leased Properties, as currently utilized and as presently contemplated to be utilized.

(c) Except as disclosed by Schedule 3.6(c), all buildings, structures, improvements, fixtures, facilities, equipment, all components of all buildings, structures and other improvements included within the Owned Property, including but not limited to the roofs and structural elements thereof and the heating, ventilation, air conditioning, plumbing, electrical, mechanical, sewer, waste water, storm water, paving and parking equipment, systems and facilities included therein (collectively, the "Improvements") are in reasonably good operating condition and repair, subject to normal wear and maintenance (taking due regard for the age of each of the Improve-

ments involved and in comparison in the aggregate to similar improvements in comparable facilities of comparable age) and are usable in the regular and ordinary course of business, and no material maintenance, repair or necessary replacement thereof has knowingly been deferred. As used in the preceding sentence, "material" shall mean as to any single maintenance, repair or replacement item that the cost thereof shall be greater than \$10,000. Except as set forth on Schedule 3.6(c), to the knowledge of each BHHS Entity, there are no unsatisfied requirements for any material repairs, restorations or improvements to the Owned Property and Improvements from any foreign or domestic court, administrative agency or commission or other governmental authority or instrumentality (a "Governmental Entity"), except as conducted in the regular and ordinary course of business. All material repairs to the Owned Property and Improvements have been paid for, accrued on the August financial statements or are consistent with the budget for any BHHS Florida Affiliate at which such repair is being made. No portion of the Owned Property has suffered any material damage by fire or other casualty which heretofore has not been repaired in all material respects. No Person other than the BHHS Florida Affiliates owns any material Improvements necessary to the operation of the business of the BHHS Florida Affiliates. Except as disclosed on Schedule 3.6 with respect to the walls, roof and subterranean portions, if any, of the Improvements, presently there is no material water, chemical or gaseous seepage, diffusion or other intrusion into said buildings, including any subterranean portions which would impair in any material respect the beneficial use of the Owned Property and Improvements by the Purchaser in any material manner.

(d) The use and operation of the Owned Property and Improvements by the relevant BHHS Florida Affiliates is not in material violation of any relevant use statutes, rules, regulations, ordinances, orders, writs, injunctions, judgments, decrees, awards and restrictions, including without limitation, zoning and land use laws (collectively, "Use Laws") of any applicable Governmental Entity having jurisdiction over any such Owned Property and Improvements. The construction of the Improvements on each parcel of Owned Property is not in material violation of any relevant use statutes, rules, regulations, ordinances, orders, writs, injunctions, judgments, decrees, awards and restrictions, including without limitation, all laws relating to the construction and safety of the Improvements and access thereto by the handicapped (collectively, "Construction Laws" and, collectively with the Use Laws, "Real Property Laws") of every Governmental Entity having jurisdiction over any such Improvements in connection with the use and operation of the Owned Property and Improvements by the relevant BHHS Florida Affiliates. Effective as of the Closing, the Purchaser shall have the right under all Real Property Laws to continue the use and operation of the Owned Property and Improvements for their current uses in the operation of the business of the BHHS Florida Affiliates. No BHHS Entity has received any written notice of any violation of or investigation regarding any Real Property Laws. With the exception of the Permitted Encumbrances and except to the extent disclosed by the survey required to be delivered herein, none of the Owned Property or the Improvements, the appurtenances thereto or the equipment therein or the operation or maintenance thereof violates any restrictive covenant or encroaches on any property owned by others or any easement, right of way or other encumbrance or restriction affecting the Owned Property and/or Improvements in any manner which would,

individually or in the aggregate, interfere in any material respect with the use, occupancy or operation thereof as currently used, occupied and operated. With the exception of the Permitted Encumbrances and except to the extent disclosed by the survey required to be delivered hereunder, no building or structure of any third party encroaches upon the Owned Property or any easement or right of way benefiting the Owned Property. The BHHS Florida Affiliates have provided the Purchaser with copies of the most recent title reports in their possession relating to the Owned Property and all title insurance policies currently in effect with respect to such Owned Property. Notwithstanding the foregoing, the provisions of subparagraphs (c) and (d) shall not apply to Parcel 3 as described in Section 3.6(a) (the Auxiliary House) except to the extent it results in a material liability to a third party.

(e) No BHHS Entity has received written notice of, nor do they otherwise have knowledge of, any condemnation, fire, health, safety, building, zoning or other land use regulatory proceedings, either instituted or planned to be instituted, which would have a material adverse effect on the use and operation of any portion of the Owned Property and/or Improvements for their respective intended purposes or the value of any material portion of the Owned Property or Improvements, nor except as described on Schedule 3.6(e) hereto, has any BHHS Entity received notice of any special improvements, liens, assessments or assessment proceedings affecting any of the Owned Property or Improvements, nor has any BHHS Entity received any written notice of violation or claimed violation of any Real Property Law.

(f) To the knowledge of the BHHS Entities and except as disclosed on Schedule 3.6(f), all water, sewer, gas, electric, telephone and drainage facilities, and all other utilities required by any applicable law or by the current use and

operation of the Owned Property and Improvements are installed to the property lines of the Owned Property, are connected (pursuant to valid permits to the extent required) to municipal or public utility services or proper drainage facilities, are fully operable and are adequate to service the Owned Property and Improvements as currently used in the operation of the business of the BHHS Florida Affiliates and to permit compliance with the requirements of all applicable Real Property Laws. The BHHS Florida Affiliates have no knowledge or notice of any fact or condition which could result in the termination or reduction of the current access from the Owned Property to existing roads or to sewer or other utility services presently serving the Owned Property.

(g) All licenses, permits, certificates (including without limitation certificates of occupancy), easements and rights of way, including proof of dedication, required from all Governmental Entities having jurisdiction over the Owned Property for the use and operation of the Owned Property and Improvements as currently used in the operation of the business of the BHHS Florida Affiliates and to provide for vehicular and pedestrian ingress to and egress from the Owned Property have been obtained, except where the failure to obtain any such license, permit, certificate, easement or right of way would not have a material adverse effect on the value or use of the Owned Property by the BHHS Florida Affiliates or the Purchaser. The transactions contemplated hereby will not require the issuance of any new or amended license, permit or certificate except for any licenses or certificates of need (or waiver thereof) required by the State of Florida Agency for Health Care Administration.

(h) The Owned Property is located in an area identified as a "flood hazard area" by the United States Department of Housing and Urban Develop-

ment as shown in the survey delivered to the Purchaser pursuant to Section 2.5(c) hereof, or otherwise disclosed on Schedule 3.6(h), which survey, to the knowledge of the BHHS Florida Affiliates, is accurate and complete in all material respects. None of the BHHS Florida Affiliates has granted any easements or entered into an arrangement or agreement since the date of such survey which would cause any change to be made in such survey if such survey was performed as of the date hereof.

(i) None of the representations and warranties set forth in this Section 3.6 shall be deemed to pertain to any asbestos in the Real Property or Improvements or its condition.

(j) Nothing in this Section 3.6 shall be deemed to constitute a representation or warranty that any of the Improvements include any or all current medical or technological advances or are so-called "state of the art."

(k) Notwithstanding anything to the contrary contained herein, to the extent the repairs and maintenance listed on Schedule 3.6(k) hereto have been made or for which contracts have been entered into, the BHHS Entities make no representation or warranty as to those items that are the subject of such repairs or maintenance.

3.7 Property to Operate Facilities. To the knowledge of each BHHS Entity, and except as set forth in Schedule 3.7, the Assets constitute, in the aggregate, all the assets and property necessary for the conduct of the Facilities as currently conducted. All the assets and property of each BHHS Florida Affiliate necessary or useful in the conduct of the Facilities are located at the Real Property. To the knowledge of each BHHS Entity, and except as set forth in Schedule 3.7, all tangible personal property is in reasonably good operating condition and repair in all material

respects, reasonable wear and tear excepted, taking due regard for the age of each of the items of personal property involved and in comparison in the aggregate to similar property in comparable facilities of comparable age, and is suitable for use in the ordinary conduct of the operations of the Facilities, and no material maintenance, repair or necessary replacement has knowingly been deferred. Nothing in this Section 3.7 shall be deemed to constitute a representation or warranty that any of the items of personal property include any or all current medical or technological advances or are so-called "state of the art."

3.8 Trade Names, Trademarks, Copyrights, Etc. Schedule 3.8 contains a schedule of all trade names, trademarks, service marks, copyrights, patents or applications for patents, and trade secrets used by the BHHS Florida Affiliates in the operation of the Facilities and their respective businesses or in which they have any rights (including licenses), together with a brief description of each. To the BHHS Florida Affiliates' knowledge, no BHHS Florida Affiliate has infringed, or is now infringing, upon any trade name, trademark, service mark, copyright, patent or trade secret belonging to a third party and no BHHS Florida Affiliate has received any written notice of infringement upon or conflict with the asserted rights of others. Except as set forth on Schedule 3.8 hereto, none of such names, marks, copyrights or patents, however, are registered with the United States Patent and Trademark Office or the United States Copyright Office. To the knowledge of the BHHS Florida Affiliates there are no trade names, trademarks, service marks, copyrights, patents or applications for patents and trade secrets other than those listed on Schedule 3.8 which are necessary for the conduct of the respective businesses of the BHHS Florida Affiliates as now being conducted, the loss of which could materially and adversely

affect the prospects, operations or condition, financial or otherwise, of the Facilities. No director, officer, stockholder, or, to the knowledge of the BHHS Entities, employee, of any BHHS Entity or any predecessor has any interest in any of the foregoing rights.

3.9 Litigation. Except as set forth on Schedule 3.9 hereto, there is no action, suit, arbitration, proceeding or investigation pending or, to the knowledge of the BHHS Entities, threatened against or affecting any BHHS Florida Affiliate or any of their respective properties or rights or any of their respective officers or directors in their capacities as such, assets or business, whether at law or in equity, by or before any Governmental Entity. With respect to each litigation or claim described in Schedule 3.9, copies of all pleadings, filings, judgments, orders, attachments, impositions of or recordings of liens and other documents have been furnished or made available to the Purchaser, except where doing so may jeopardize the legal position of any BHHS Entity.

3.10 Compliance with Laws; Environmental Matters.

(a) Each BHHS Florida Affiliate is in compliance with all applicable laws, rules or regulations relating to or affecting the operation, conduct or ownership of its respective properties or business (including without limitation any that relate to the ownership and operation of hospitals and health care facilities, consumer protection, health and safety, products and services, proprietary rights, anti-competitive practices, collective bargaining, equal opportunity and improper payments), except for violations that individually or in the aggregate would not have a material adverse effect. No BHHS Entity nor, to the knowledge of the BHHS Entities, any directors or officers in their capacity as such, is in default with respect to any order, writ, injunction or

decree, known to, or served upon, any BHHS Entity, of any Governmental Entity relating to the operation or ownership of the Assets. To the knowledge of the BHHS Entities, there is no existing law, rule, regulation or order, whether Federal, state or local, which would prohibit or materially restrict any BHHS Entity from, or otherwise materially adversely affect any BHHS Entity in, conducting its business in any jurisdiction in which it is now conducting business or in which it currently proposes to conduct business.

(b) No BHHS Entity has received any notice of any claim, requirement or demand of any Governmental Entity having or claiming any licensing, certifying, supervising, evaluating or accrediting authority over the BHHS Entities or their business to rework or redesign the Facilities, professional staff or professional services, procedures or practices in any material respect or to provide a material amount of additional furniture, fixtures, equipment or inventory so as to make such Facilities conform to or comply with applicable law.

(c) The BHHS Florida Affiliates and their respective officers and directors in their capacities as such, have not engaged in any activities which are prohibited under any laws, or the regulations promulgated pursuant to such Laws or related state or local laws, statutes or regulations or which are prohibited by rules of professional conduct, including but not limited to the following: (i) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any application for any benefit or payment; (ii) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment; (iii) presenting or causing to be

presented a claim for reimbursement for services under Medicare, Medicaid, or other state health care programs that is for an item or service that is known or should be known to be (a) not provided as claimed, or (b) false or fraudulent; (iv) failing to disclose knowledge by a claimant of the occurrence of any event affecting the initial or continued right to any benefit or payment on its own behalf or on behalf of another, with intent to fraudulently secure such benefit or payment; (v) knowingly and willfully offering, paying, soliciting or receiving any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind (a) in return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or other state health care program, or (b) in return for purchasing, leasing, or ordering or arranging for or recommending purchasing, leasing, or ordering any good, facility, service, or item for which payment may be made in whole or in part by Medicare or Medicaid or other state health care program; (vi) knowingly making a payment, directly or indirectly, to a physician as an inducement to reduce or limit necessary services to individuals who are under the direct care of the physician and who are entitled to benefits under Medicare, Medicaid, or other state health care programs; (vii) providing to any person information that is known or should be known to be false or misleading that could reasonably be expected to influence the decision when to discharge a patient from a Facility; (viii) knowingly and willfully making or causing to be made or inducing or seeking to induce the making of any false statement or representation (or omitting to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading) of a material fact

with respect to (a) the conditions or operations of a Facility in order that the Facility may qualify for Medicare, Medicaid or other state health care program certification, or (b) information required to be provided under Section 1124A of the Social Security Act (42 U.S.C. Section 1320a-3); (ix) knowingly and willfully (a) charging for any Medicaid service money or other consideration at a rate in excess of the rates established by the state, or (b) charging, soliciting, accepting or receiving, in addition to amounts paid by Medicaid, any gift money, donation or other consideration (other than a charitable, religious or other philanthropic contribution from an organization or from a person unrelated to the patient) (x) as a precondition of admitting the patient, or (y) as a requirement for the patient's continued stay in the Facility.

(d) (i) Specifically, without limiting the representations contained in subsection (a) hereof, except as disclosed in Schedule 3.10(d), the BHHS Florida Affiliates have obtained all permits and licenses which are required to conduct their respective businesses under all applicable Federal, state, county and local environmental statutes, laws, regulations, ordinances, rules, judgments, orders and decrees regulating the treatment, storage, recycling, transportation, release or disposal of any Hazardous Materials (as defined below) into the environment (collectively, "Environmental Laws"). Except as disclosed in Schedule 3.10(d), each BHHS Florida Affiliate is in material compliance (1) with the terms and conditions of all such permits and licenses and (2) with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Environmental Law applicable to it in connection with the conduct of its business or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand

letter issued, entered, promulgated or approved under any applicable Environmental Law. In addition, except as disclosed in Schedule 3.10(d), no notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed to the knowledge of the BHHS Entities, and no investigation or review is pending or threatened by any Governmental Entity or any executive, legislative, judicial, regulatory or administrative entity with respect to any alleged failure by any BHHS Florida Affiliate to have any permit or license required for the generation, treatment, storage, recycling, transportation, release or disposal of any asbestos; PCBs; petroleum or petroleum products; or hazardous material, hazardous substance, extremely hazardous substance, regulated substance, industrial waste, residual waste, solid waste, toxic substances, toxic pollutants, contaminants or pollutants as any of these terms is currently defined under any Environmental Laws (collectively "Hazardous Materials") generated by or relating to any BHHS Florida Affiliate or any of their respective properties (or, to the knowledge of the BHHS Entities, any predecessor to any of the businesses or assets of the BHHS Florida Affiliates with respect to such businesses or assets) whether or not occurring at or on property owned or operated by any BHHS Florida Affiliate. Except as disclosed in Schedule 3.10(d), no BHHS Florida Affiliate has, nor are any of their respective properties subject to, any material liability, contingent or otherwise, arising out of or resulting from the release, leakage, pouring, emission, emptying, injection, pumping, escaping, leaching, dumping, discharge, spillage, storage, burying or other disposal, whether on its own premises or through other persons, of any Hazardous Materials, (ii) except as disclosed by Schedule 3.10(d), (A) there are no Hazardous

Substances (as such term is defined in the Comprehensive Environment Response, Compensation and Liability Act of 1980 ("CERCLA") and equivalent state laws) in, beneath or migrating to or from the Owned Property and (B) except as set forth on Schedule 3.10(d), there are no underground storage tanks for Hazardous Substances, active or abandoned, at any property now or previously owned or operated by any BHHS Florida Affiliate, and (iii) there are no encumbrances in favor of any Governmental Entity for (A) any liability under Environmental Laws or (B) damages arising from or costs incurred by such Governmental Entity in response to a release or threatened release of Hazardous Substances into the environment (collectively, "Environmental Encumbrances") arising under or pursuant to any Environmental Laws, and no governmental actions have been taken or, to the knowledge of the BHHS Entities that are in process which could reasonably be anticipated to subject the business of the BHHS Florida Affiliates to such Environmental Encumbrances and no BHHS Florida Affiliate is required to place any notice or restriction relating to the presence of Hazardous Substances at any facility owned or managed by the BHHS Florida Affiliates in any deed to such property.

(e) None of the representations and warranties set forth in this Section 3.10 shall be deemed to pertain to any asbestos in the Real Property or Improvements or its condition.

(f) Radon Gas: radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantity, may present health risks to persons who are exposed to it over time. Levels of radon that exceed Federal

guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from the county public health unit.

3.11 Contracts.

(a) The BHHS Florida Affiliates have no existing contract, obligation or commitment (written or oral) (other than obligations involving annual payments of less than \$50,000 or \$750,000 in the aggregate) of any nature, including without limitation the following, except as set forth on Schedule 3.11:

(i) Employment, bonus, severance or consulting agreements, retirement, stock bonus, stock option, or similar plans other than those agreements or plans that are set forth in Schedule 3.12;

(ii) Loan or other agreements, notes, indentures, or instruments relating to or evidencing indebtedness for borrowed money or mortgaging, pledging or granting or creating a lien or security interest or other encumbrance on any of the assets of any BHHS Florida Affiliate or any agreement or instrument evidencing any guaranty by any BHHS Florida Affiliate of payment or performance by any other person;

(iii) Agreements with any labor union or collective bargaining organization or other labor agreements;

(iv) Any contract or series of contracts with the same person for the furnishing or purchase of equipment, goods or services;

(v) Any joint venture contract or arrangement or other agreement involving a sharing of profits or expenses to which any BHHS Florida Affiliate is a party or by which any of them is bound;

(vi) Agreements which would, after the Closing Date, limit the freedom of the Purchaser to compete in any line of business or in any geographic area or with any person;

(vii) Agreements providing for acquisition or disposition of the assets, businesses or a direct or indirect ownership interest in any BHHS Florida Affiliate including without limitation the contract pursuant to which Manatee was purchased from the County of Manatee;

(viii) Any lease under which any BHHS Florida Affiliate is either lessor or lessee;

(ix) Any contract, commitment or arrangement not made in the ordinary course of business of any BHHS Florida Affiliate, including without limitation, any powers-of-attorney giving any person authority to act on behalf of any BHHS Florida Affiliate;

(x) Any license, agreement, or arrangement, whether as licensor, licensee, or otherwise, with respect to any trade name, trademark, service mark, copyright, patent or trade secret;

(xi) Any contract or series of contracts, commitments or arrangement relating to the provision of goods or services for any BHHS Florida Affiliate by any person who, to the knowledge of any BHHS Entity, is related to, or an affiliate of, any BHHS Entity or any officer, director or stockholder of any BHHS Entity, and any contract or series of contracts, commitments or arrangement relating to the provision of goods or services for any BHHS Florida Affiliate by any person the terms of which, to

the knowledge of any BHHS Entity, were not determined on an arms' length basis;

(xii) Any contract with any managed care, preferred provider or other similar entity;

(xiii) Any patient care or pharmacy vending contract not entered into in the ordinary course of business; or

(xiv) Agreements with any Governmental Entity, including without limitation Medicare and Medicaid provider agreements and indigent care contracts.

True and correct copies of all contracts, agreements, arrangements and similar instruments set forth on Schedule 3.11 have been provided or made available to the Purchaser. Each contract, agreement, arrangement, plan, lease (including lease agreements with respect to the Leased Properties under which any BHHS Florida Affiliate is either lessor or lessee) or similar instrument to which any BHHS Florida Affiliate is a party, and which is listed on Schedule 3.11 (collectively, the "BHHS Florida Affiliate Contracts"), is a valid and binding obligation of the BHHS Florida Affiliate party thereto and, to the best knowledge of the BHHS Florida Affiliates, the other parties thereto, enforceable in accordance with its terms (except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally or by general principles of equity, regardless of whether such enforceability is considered in equity or at law), and is in full force and effect (except for any BHHS Florida Affiliate Contracts which by their terms expire after the date hereof or are terminated after the date hereof in accordance with the

terms thereof), and neither any BHHS Florida Affiliate nor, to the knowledge of the BHHS Florida Affiliates, any other party thereto (except Serving Software) has breached any material provision of, nor is in default in any material respect under the terms of (and, to the knowledge of the BHHS Florida Affiliates, no condition exists which, with the passage of time, the giving of notice, or both (including consummation of the transactions contemplated hereby), would result in a material default under the terms of), any of the BHHS Florida Affiliate Contracts.

(b) (1) Except as set forth on Schedule 3.11, no purchase contracts or commitments of any BHHS Florida Affiliate continue for a period of more than 12 months or are in quantities or amounts in excess of the normal, ordinary, usual and current requirements of its respective business or in excess of market prices generally available to purchasers of similar quantities; (ii) no BHHS Florida Affiliate Contract requires any BHHS Florida Affiliate to provide services at a fixed price; (iii) no BHHS Florida Affiliate has outstanding any bid, contract, commitment or proposal which, if not executory, would be required to be disclosed on Schedule 3.11 either (x) continuing for a period of more than 12 months or (y) quoting prices which are determined in a manner which is not consistent with past experience; and (2) none of such BHHS Florida Affiliate Contracts obligates any BHHS Florida Affiliate to perform services which any BHHS Entity knows or has reason to believe are at a price which would result in a material net loss on the provision of services, or are pursuant to terms or conditions it cannot reasonably expect to satisfy or fulfill in their entirety.

3.12 Employee and Labor Matters and Plans.

(a) Schedule 3.12 lists each of the following plans, contracts, policies and arrangements which is currently sponsored, maintained or contributed to by, or otherwise binding upon, any BHHS Florida Affiliate for the benefit of any current or former employee, director or other personnel (including any such plan, contract, policy or arrangement approved or adopted before, but effective on or after, the date of this Agreement): (i) the Retirement Plan, (ii) any other "employee benefit plan," as such term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA") whether or not in fact subject to the provisions of ERISA, and (iii) any other employment, consulting, collective bargaining, stock option, stock bonus, stock purchase, phantom stock, incentive, bonus, deferred compensation, retirement, severance, vacation, dependent care, employee assistance, fringe benefit, medical, dental, sick leave, death benefit, golden parachute or other compensatory plan, contract, policy or arrangement which is not an employee benefit plan as defined in Section 3(3) of ERISA (each such plan, contract, policy and arrangement being herein referred to as an "Employee Plan").

(b) With respect to each Employee Plan, the BHHS Entities have delivered to the Purchaser true and complete copies of (i) each contract, plan document, policy statement, summary plan description and other written material governing or describing the Employee Plan and/or any related funding arrangements (including without limitation any related trust agreement or insurance company contract) or, if there are no such written materials, a summary description of the Employee Plan and (ii), where applicable, (1) the last two annual reports (5500 series) filed with the

Internal Revenue Service (the "IRS") or the Department of Labor, (2) the most recent balance sheet and financial statement, (3) the most recent actuarial report or valuation statement, (4) the most recent determination letter issued by the IRS, as well as any other determination letter, private letter ruling, opinion letter or prohibited transaction exemption issued by the IRS or the Department of Labor within the last six years and any application therefor which is currently pending and (5) the last PBGC-1 filed with the Pension Benefit Guaranty Corporation (the "PBGC").

(c) Each Employee Plan has been maintained and administered in accordance with its material terms and in substantial compliance with the material provisions of applicable law, including without limitation applicable disclosure, reporting, funding and fiduciary requirements imposed by ERISA and/or the Code. All contributions, insurance premiums, benefits and other payments required to be made to or under each Employee Plan have been made timely and in accordance with the governing documents and in substantial compliance with applicable law. With respect to each Employee Plan, except as disclosed in Schedule 3.12: (i) no application, proceeding or other matter is pending before the IRS, the Department of Labor, the PBGC or any other Governmental Entity (other than routine disclosures, reports and filings); (ii) no action, suit, proceeding or claim (other than routine claims for benefits) is pending or, to the best knowledge of the BHHS Entities, has been threatened; and (iii) to the best knowledge of the BHHS Entities, no fact exists which could give rise to an action, suit, proceeding or claim which, if asserted, could result in a material liability or expense to any BHHS Florida Affiliate or the plan assets.

(d) With respect to each Employee Plan which is an "employee benefit plan" within the meaning of Section 3(3) of ERISA or which is a "plan" within the meaning of Section 4975(e) of the Code, to the knowledge of the BHHS Entities there has occurred no transaction which is prohibited by Section 406 of ERISA or which constitutes a "prohibited transaction" under Section 4975(c) of the Code and with respect to which a prohibited transaction exemption has not been granted and is not currently in effect.

(e) Schedule 3.12 identifies each funded Employee Plan which is an employee pension plan within the meaning of Section 3(2) of ERISA (other than a multiemployer plan within the meaning of Section 3(37) of ERISA). With respect to each such Employee Plan, (i) the Employee Plan is a qualified plan under Section 401(a) or 403(a) of the Code, and its related trust is exempt from Federal income taxation under Section 501(a) of the Code, (ii) a favorable IRS determination letter is currently in effect and, since the date of the last determination letter, the Employee Plan has not been amended or, to the knowledge of the BHHS Entities, operated in a manner which would adversely affect its qualified status and no event has occurred which has caused or could cause the loss of such status, (iii) the remedial amendment period for the Plan to reflect the requirements of the Tax Reform Act of 1986 and subsequent legislation through the Omnibus Budget Reconciliation Act of 1993 will not expire before December 31, 1996, (iv) there has been no termination or partial termination within the meaning of Section 411(d)(3) of the Code, (v) with respect to each such Employee Plan which is covered by Section 412 of the Code, there has been no accumulated funding deficiency, whether or not waived, within the meaning of

Section 302(a)(2) of ERISA or Section 412 of the Code, and there has been no failure to make a required installment by its due date under Section 412(m) of the Code and (vi) with respect to the Retirement Plan, (1) no reportable event within the meaning of Section 4043(b) of ERISA and the regulations thereunder has occurred, (2) no notice of intent to terminate the plan has been provided to participants or filed with the PBGC under Section 4041 of ERISA, nor has the PBGC instituted or threatened to institute any proceeding under Section 4042 of ERISA to terminate the plan and (3) no liability has been incurred under Title IV of ERISA to the PBGC or otherwise (except for the payment of PBGC premiums). No BHHS Florida Affiliate has ceased operations at a facility so as to become subject to the provisions of Section 4068(f) of ERISA, withdrawn as a substantial employer so as to become subject to the provisions of Section 4063 of ERISA or ceased making contributions to any Employee Plan which is a pension plan subject to Section 4064(a) of ERISA.

(f) Each trust which is intended to be exempt from Federal income taxation pursuant to Section 501(c)(9) of the Code has been identified as such on Schedule 3.12, and each such trust satisfies the requirements of that Section and is covered by a favorable IRS determination letter, and neither the trust nor any related plan has been amended or, to the knowledge of the BHHS Entities, operated since the date of the most recent determination letter in a manner which would adversely affect such exempt status.

(g) No Employee Plan listed on Schedule 3.12 is a multiemployer plan within the meaning of Section 3(37) of ERISA. No BHHS Florida Affiliate is, or within six years prior to the date hereof was, obligated to contribute or otherwise is or

was a party to any such multiemployer plan. No BHHS Florida Affiliate has incurred or expects to incur any withdrawal liability under Title IV of ERISA (either as a contributing employer or as part of a controlled group which includes a contributing employer) in connection with a complete or partial withdrawal from a multiemployer plan.

(h) The BHHS Florida Affiliates have complied in all material respects with the provisions of Section 4980(B) of the Code with respect to any Employee Plan or benefit arrangement which is a group health plan within the meaning of Section 5001(b)(1) of the Code. No BHHS Florida Affiliate maintains, contributes to, or is obligated under any plan, contract, policy or arrangement providing health or death benefits (whether or not insured) to current or former employees or other personnel beyond the termination of their employment (or other services) for such BHHS Affiliate, except as required in accordance with Code Section 4980(B). Except as set forth in Schedule 3.12, the BHHS Florida Affiliates have reserved the right to unilaterally terminate and/or amend each Employee Plan at any time.

(i) Schedule 3.12 sets forth a complete and accurate list showing the names, titles, length of employment or service, the rate of compensation and the amount of accrued paid time-off that is payable upon termination of all current officers of each BHHS Florida Affiliate and of all employees of or consultants to each BHHS Florida Affiliate that received, for the year ended December 31, 1994, or are expected to receive, during the year ending December 31, 1995, annual base salary or other compensation in excess of \$60,000. None of such personnel is a party or subject to any oral or written employment, bonus, pension, profit-sharing, deferred compensation,

percentage compensation, employee benefit (including without limitation medical disability, life insurance and other welfare benefit plans), incentive, pension or retirement plans, fringe benefit or termination or severance agreements, plans or commitments other than a plan, policy agreement or commitment listed on Schedule 3.12. The BHHS Florida Affiliates are not in default with respect to any of the foregoing obligations.

(j) There have been no Federal or state government audits of the equal employment opportunity practices of the BHHS Florida Affiliates during the preceding 12-month period. To the knowledge of the BHHS Entities, there is no strike, dispute, slowdown or stoppage pending or threatened against or involving any BHHS Florida Affiliate. To the knowledge of the BHHS Entities, no BHHS Florida Affiliate has received written notice from any union or group of employees setting forth demands for representation, elections or present or future changes in wages, terms of employment or working conditions.

(k) Schedule 3.12 sets forth all outstanding loans and other advances (other than travel advances in the ordinary course of business which do not exceed \$1,000 per individual) made by any BHHS Florida Affiliate to any of its officers, directors, employees, stockholders or consultants.

3.13 Insurance Policies. Schedule 3.13 contains a correct and complete description of all insurance policies of the BHHS Florida Affiliates covering the BHHS Florida Affiliates and their respective employees, agents and assets. Each such policy is in full force and effect and, to the knowledge of the BHHS Entities, is reasonably adequate in coverage and amount to insure against customarily insured risks to which

the BHHS Florida Affiliates and their employees, businesses, properties and other assets may likely be exposed in the operation of their respective business. All premiums with respect to such insurance policies have been paid on a timely basis, and no notice of cancellation or termination has been received with respect to any such policy. To the knowledge of the BHHS Entities, no BHHS Florida Affiliate has failed to give any notice or present any claim thereunder in due and timely fashion. To the knowledge of the BHHS Entities, and except as set forth on Schedule 3.13, there are no pending claims against such insurance by any BHHS Florida Affiliate as to which the insurers have denied coverage or otherwise reserved rights. Since January 1, 1994, no BHHS Florida Affiliate has been refused any insurance with respect to its assets or operations, nor has its coverage been limited, by any insurance carrier to which it has applied for any such insurance or with which it has carried insurance.

3.14 Records. The BHHS Florida Affiliates have records that accurately reflect its transactions and accounting controls sufficient so that such transactions are (i) in all material respects executed in accordance with each of their respective management's general or specific authorization and (ii) recorded in conformity with generally accepted accounting principles.

3.15 Professional Staff, Medicare, Medicaid and Other Health Care Programs.

(a) The professional licensed provider staff of the Hospital consists substantially of the persons whose names and status are set forth on Schedule 3.15 hereto.

(b) Each BHHS Florida Affiliate is certified for participation in the Medicare and Florida Medical Assistance ("Medicaid") programs, and has a current and valid provider contract with such programs.

(c) The BHHS Florida Affiliates have timely filed or caused to be timely filed all cost reports and other reports of every kind whatsoever required by any Governmental Entity to be made by them with respect to the purchase of services by third-party purchasers, including but not limited to Medicare and Medicaid programs and other insurance carriers, all such reports are complete and accurate in all material respects. The BHHS Florida Affiliates have paid or caused to be paid all refunds, discounts or adjustments which have become due in accordance with said reports as filed and have not been notified that there is any further liability now due (whether or not disclosed in any report heretofore or hereafter made) for any such refund, discount or adjustment, or any interest or penalties accruing with respect thereto. The BHHS Florida Affiliates have delivered to the Purchaser complete copies of all of their Medicare and Medicaid Cost Reports submitted by the BHHS Florida Affiliates for the two most recent fiscal years.

(d) Each BHHS Florida Affiliate and, to the knowledge of the BHHS Entities, their respective officers and directors (acting in their capacities as such), have not engaged in any activities which (i) could subject such person to sanctions under 42 U.S.C. Section 1320a-7 (other than subparagraph (b)(7) thereof) or (ii) at the time such activities were engaged in were known or reasonably could have been known to be prohibited under Federal Medicare and Medicaid statutes, 42 U.S.C. Section Section 1320a-7a and 1320a-7b, or the regulations promulgated pursuant to such statutes or

related state or local statutes or regulations or which are prohibited by rules of professional conduct.

3.16 Facility Surveys. True and complete copies of any and all licensure survey reports and any and all Medicare and/or Medicaid and JCAHO survey reports issued within the 24-month period preceding the execution of this Agreement with respect to each Facility for which surveys are conducted by the appropriate state or Federal agencies having jurisdiction thereof and JCAHO have been furnished to the Purchaser, along with true and complete copies of any and all plans of correction which the agencies required to be submitted in response to said survey reports.

3.17 Suppliers and Providers of Services.

(a) Schedule 3.17 lists all suppliers of goods to, and providers of services to, the BHHS Florida Affiliates to which the BHHS Florida Affiliates made payments during the fiscal year ended August 31, 1994 or expect to make payments during the year ending August 31, 1995, in excess of five percent of any BHHS Florida Affiliate's operating expenses as reflected on its statement of operations for such year (collectively, "Suppliers").

(b) Except as set forth on Schedule 3.17 pertaining to not-for-profit discounts, no BHHS Entity has any information which might reasonably indicate that any of the Suppliers listed on Schedule 3.17 intends to cease selling or rendering services to, or dealing with, the BHHS Florida Affiliates, nor has any information been brought to their attention which might reasonably lead them to believe any such Supplier intends to alter in any material respect the amount of sales or service or the extent of dealings with the Purchaser, or would alter in any material respect the sales

or service or dealings in the event of the consummation of the transactions contemplated hereby.

(c) Except as set forth at Schedule 3.17, no BHHS Entity (or any entity controlled by any BHHS Entity) nor, to the knowledge of the BHHS Entities, any of their respective executive officers or directors (or any entity controlled by any executive officer or director) owns, directly or indirectly, any interest in (excepting less than 2% stock holdings for investment purposes in securities of publicly held and traded companies), or is an officer, director, employee, partner or consultant of, any person which is, or is engaged in business as, a competitor, lessor, lessee or Supplier of any of the BHHS Florida Affiliates.

3.18 Licenses. Each BHHS Florida Affiliate, and, to the knowledge of BHHS Entities, its respective officers and directors possess all governmental registrations, certificates of need, consents, qualifications and accreditations materially relating to the ownership or operation of health care facilities, and other material licenses, permits, authorizations and approvals that are required by every Governmental Entity for the conduct of the business of such BHHS Florida Affiliate and the use of its properties as presently conducted or used including without limitation all material licenses required under any Federal, state or local law relating to, public health and safety, or employee health and safety (collectively, "Licenses"). Schedules 1.1(b) and 1.1(i) contain a true and complete list of the Licenses, exclusive of any Licenses with respect to state or local sales, use or other Taxes (as defined in Section 3.19). All of the Licenses are in full force and effect and no action or claim is pending nor, to the knowledge of the BHHS Florida Affiliates, is threatened to revoke or

terminate any License or declare any License invalid in any material respect. No BHHS Florida Affiliate or any of its officers or directors or, to the knowledge of the BHHS Entities, employees is in default in any material respect under any of such Licenses and, to the knowledge of the BHHS Entities, other than as set forth on the Facility survey reports, copies of which have been provided to the Purchaser, no event has occurred and no condition exists which, with the giving of notice, the passage of time, or both, would constitute a default thereunder, which default could reasonably be expected to have a material adverse effect on the business or operations of any BHHS Florida Affiliate.

3.19 Taxes.

(a) Except as specifically set forth in Schedule 3.19, (i) the BHHS Florida Affiliates have filed on a timely basis (taking into account any extensions received from the relevant taxing authorities) all returns and reports of Taxes (which for the purposes of this Agreement shall include all U.S. federal, state, local and foreign income, profits, franchise, unincorporated business, capital, general corporate, sales, use, occupation, property, excise and any and all other taxes) relating to the Assets or the Facilities that are or were required to be filed with the appropriate taxing authorities in all jurisdictions in which such returns and reports are or were required to be filed, and all such returns and reports are true, correct and complete in all material respects, (ii) all Taxes (including interest, additions to tax and penalties thereon together with interest on such additions to tax and penalties) relating to the Assets or the Facilities that are due from or may be asserted against the BHHS Florida Affiliates (including deferred taxes) in respect of or attributable to all periods ending

on or before the Closing Date have been fully paid, deposited or adequately provided for on the books and financial statements of the BHHS Florida Affiliates and the Facilities or are being contested in good faith by appropriate proceedings, (iii) no issues have been raised (or are currently pending) by any taxing authority in connection with any of the returns and reports referred to in clause (i) which might be determined adversely to the BHHS Florida Affiliates and which would have a material adverse effect on the Facilities, (iv) the BHHS Florida Affiliates have not given or been requested to give waivers or extensions of any statute of limitations with respect to the payment of Taxes relating to the Facilities, and (v) no tax liens which have not been satisfied or discharged by payment or concession by the relevant taxing authority or as to which sufficient reserves have not been established on the books and financial statements of the BHHS Florida Affiliates and the Facilities are in force as of the date hereof with respect to any of the assets of the BHHS Florida Affiliates and the Facilities.

(b) To the BHHS Entities' knowledge, all deficiencies proposed in writing by taxing authorities which would have a material adverse effect on the Facilities have been paid, reserved against, settled or are being contested in good faith by appropriate proceedings.

(c) All Taxes relating to the Assets or the Facilities that the BHHS Florida Affiliates are or were required by law to withhold, to deposit or to collect have been duly withheld, deposited or collected and, to the extent required, have been paid to the relevant taxing authority or have been accrued and reflected in the accounts of the Facilities.

3.20 No Illegal or Improper Transactions. No BHHS Entity has, nor, to the knowledge of the BHHS Entities, have any of their respective directors or officers, in their capacities as such, directly or indirectly used funds or other assets of any BHHS Florida Affiliate, or made any promise or undertaking in such regard, for (a) illegal contributions, gifts, entertainment or other expenses relating to political activity; (b) illegal payments to or for the benefit of governmental officials or employees, whether domestic or foreign; (c) illegal payments to or for the benefit of any person, firm, corporation or other entity, or any director, officer, employee, agent or representative thereof; or (d) the establishment or maintenance of a secret or unrecorded fund; and there have been no false or fictitious entries made in the books or records of any BHHS Florida Affiliate.

3.21 Related Party Transactions. To the knowledge of the BHHS Entities, except as set forth in Schedule 3.21, and except for compensation to employees for services rendered, no current director or officer of the Hospital is presently, or during the last fiscal year has been, (a) a party to any material transaction with the Hospital (including, but not limited to, any contract, agreement or other arrangement providing for the furnishing of services by, or rental of real or personal property from, or otherwise requiring payments to, any such director, officer, or shareholder, or (b) the direct or indirect owner of an interest in any corporation, firm, association or business organization which is a present competitor, supplier or customer of the Hospital with respect to the business, nor does any such person receive income from any source other than the Hospital which should properly accrue to the Hospital.

3.22 No Misleading Statements. This Agreement and the information and schedules referred to herein and the written information that has been furnished to the Purchaser in connection with the transactions contemplated hereby do not include any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

3.23 No Broker. The BHHS Entities represent and warrant that they have not dealt with any broker or finder in connection with any of the transactions contemplated by this Agreement, except for Ernst & Young, whose fees and expenses shall be the sole responsibility of BHHS.

4. Representations and Warranties of the Purchaser and UHS.

In order to induce the BHHS Entities to enter into and perform this Agreement, the Purchaser and UHS, jointly and severally, represent and warrant as follows:

4.1 Organization. UHS is a corporation, and Purchaser is a limited partnership, each duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. Each of UHS and the Purchaser is duly qualified to transact business as a foreign corporation or limited partnership, as the case may be, in each

state in which the nature of the business conducted by it or its ownership or leasing of property make such qualification necessary, except where such failure to qualify would not have a material adverse effect on the Purchaser or UHS.

4.2 Authority and No Conflict. Each of UHS and the Purchaser has the full power and authority to execute, deliver and carry out its obligations under this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement. This Agreement has been duly authorized, executed and delivered by each of UHS and the Purchaser, and the execution of this Agreement and the consummation of the transactions contemplated hereby will not (a) conflict with, or result in any violation of or default or loss of any benefit under, any provision of the Certificate of Incorporation or By-laws of UHS or the Agreement of Limited Partnership of Purchaser; (b) conflict with, or result in any violation of or default or loss of any material benefit under, any permit, concession, grant, franchise, law, rule or regulation, or any judgment, decree or order of any court or other governmental agency or instrumentality to which UHS or Purchaser is a party or to which any of their respective properties are subject; (c) conflict with, or result in a breach or violation of or default or loss of any material benefit under, or accelerate the performance required by, the terms of any agreement, contract indenture or other instrument to which UHS or Purchaser is a party, or constitute a default or loss of any right thereunder or an event which, with the lapse of time or notice or both, might result in a default. All action and other authorizations prerequisite to the execution of this Agreement and the consummation of the transactions contemplated by this Agreement have been taken or prior to the Closing Date will have been taken or obtained by UHS and the Purchaser.

This is a valid and binding agreement of UHS and the Purchaser enforceable against each of them, respectively, in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance or other similar laws affecting the rights of creditors.

4.3 Defaults, Consents, Etc. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not result in a violation by UHS or the Purchaser of, or constitute a default by UHS or the Purchaser under, any material contractual obligation of UHS or the Purchaser or any legal requirement applicable to UHS or the Purchaser. No approval, consent, authorization or other order of, and no declaration, filing, registration, qualification or recording with, any governmental authority or any other person, including, without limitation, any party to any contractual obligation of UHS or the Purchaser, is required to be made by or on behalf of UHS or the Purchaser or such governmental authority or other person for the execution, delivery or performance of this Agreement by UHS and the Purchaser except for those contemplated hereby or which have been or will be obtained or for which waivers will be obtained prior to the Closing.

4.4 No Broker. UHS and the Purchaser represent and warrant that neither of them has dealt with any broker or finder in connection with any of the transactions contemplated by this Agreement and, to their knowledge, no broker or other person is entitled to any commission or finder's fee in connection with any of such transactions.

5. Obligations Before and After Closing.

5.1 BHHS Agreement. From and after the date hereof, the BHHS Entities agree that:

5.1.1 Access to Premises and Information. The Purchaser, UHS and their counsel, accountants, and other representatives will, with reasonable advance notice, have reasonable access during normal business hours to the BHHS Florida Affiliates, the Facilities and to all their properties, books, accounts and records, contracts and documents (other than attorney-client communications and attorney work product and Board and Board Committee Minutes relating to the sale of the Facilities) of or relating to the business of the Facilities provided that such access shall not interfere with the operation of the Facilities. In connection with the exercise by Purchaser or UHS of their rights hereunder, Purchaser and UHS agree to promptly repair any damage they cause to the properties or any of the improvements. Purchaser and UHS shall indemnify and hold the BHHS Entities harmless from and against any and all costs, claims, actions, damages, demands, expenses (including reasonable attorney's fees), injuries, judgments, liabilities, penalties, losses, and suits, suffered, sustained or incurred by any of the BHHS Entities arising from or in any way related to the exercise by Purchaser or UHS of their rights hereunder. The BHHS Entities will use all reasonable efforts to furnish or cause to be furnished to the Purchaser, UHS and their representatives all data and information concerning the business, finances, and properties of the BHHS Florida Affiliates and the Facilities that may reasonably be requested. Any of the BHHS Florida Affiliates reserves the right to require that any

representative of the Purchaser or UHS desiring access hereunder be accompanied by the representative of the appropriate BHHS Florida Affiliate.

5.1.2 Conduct of Business in Ordinary Course. Subject to UHS' rights and obligations under that certain Management Services Agreement effective January 16, 1995 (the "Management Agreement"), the BHHS Florida Affiliates will carry on their respective businesses (including the operation of the Facilities) diligently, in the ordinary course and in substantially the same manner as such business has previously been carried out, and will not, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, make or institute any unusual or novel purchase, sale, lease, management, accounting policy or operation that will vary materially from those methods used by it during the 12 month period ending on the date of this Agreement.

Without limiting the foregoing, and except as may be in the ordinary course of business consistent with past practices, from the date hereof until the Closing Date, as it relates to the Facilities and their operation, the BHHS Entities will (i) not increase any compensation payable to any employees or consultants (except in the ordinary course of business); (ii) not enter into, materially amend or terminate any material contract, agreement, permit or lease without the prior written consent of the Purchaser which consent shall not be unreasonably withheld; (iii) not enter into any commitment to borrow money, mortgage, pledge, or subject to lien, charge or encumbrance any of the Assets except in the ordinary course of conduct of business or as contemplated hereunder; (iv) not sell or transfer any of the Assets or cancel any claim applicable to the Facilities except in the ordinary course of conduct of business

or as contemplated hereunder; (v) keep in full force and effect all insurance relating to the business of the BHHS Florida Affiliates, including the Facilities, comparable in amount and scope of coverage to that now maintained; (vi) perform all material obligations under Licenses, the BHHS Florida Affiliate Contracts and other documents relating to or affecting conduct of business of the BHHS Florida Affiliates, including the Facilities, all in the same manner as heretofore performed; (vii) use all reasonable efforts to maintain and preserve the Assets, the Facilities and their respective business organizations intact, their good will and relationships with their officers, employees, Suppliers, professional staff and others having a business relationship with them, and maintain all Licenses requisite to the conduct of their businesses as now conducted except for any changes therein resulting from the ordinary course of conduct of business or as contemplated hereunder; and (viii) maintain in working condition all equipment, and other personal property, reasonable wear and tear excepted.

5.1.3 Representations and Warranties True at Closing. All representations and warranties of the BHHS Entities set forth in this Agreement will also be true and correct in all material respects as of the Closing Date as if made on that date. The BHHS Entities each undertake to revise all Schedules hereto as may be necessary from the date hereof until the Closing Date. Any such revisions made pursuant to this Section shall be deemed to be conclusively accepted by Purchaser and UHS and shall be deemed to cure any breach of any representation or warranty made in this Agreement unless the Purchaser specifically informs the BHHS Florida Affiliates otherwise in writing within ten (10) business days of receipt of any such change.

5.1.4 Further Authorization. The BHHS Entities will take, or cause to be taken, such further actions as may be necessary or appropriate to authorize the execution, delivery and performance of this Agreement by them.

5.1.5 Interviewing Employees. The Purchaser shall be permitted to interview employees of the BHHS Florida Affiliates engaged in the Facilities for the purpose of offering employment to such employees in accordance with Section 5.3.3 hereof, provided that any such interviewing will not interfere with the performance by employees of their jobs.

5.1.6 No Shopping. From the date of this Agreement until the termination hereof, no BHHS Entity nor any of their respective officers, directors, stockholders, agents or representatives shall provide information to, solicit any indications of interest from, or negotiate with, any third party with respect to any possible sale of stock or assets, merger or other business combination or similar transaction involving the BHHS Florida Affiliates and/or the Facilities until the termination of this Agreement in accordance with the terms hereof.

5.1.7 Non-Competition. Each BHHS Entity agrees that neither it nor any of its affiliated entities will, for a period of five (5) years from the Closing Date directly or indirectly (i) own, build, invest in, assist in the development of, or have any management role in, any firm, corporation, business or other organization or enterprise engaged, directly or indirectly, in the provision of health care services within thirty miles of any Facility, (ii) solicit for employment any employee of the Facilities purchased by Purchaser pursuant to the terms of this Agreement, or (iii) interfere with, disrupt or attempt to disrupt the relationship between UHS and the Purchaser or any

of their affiliates and any of their respective lessors, lessees, licensors, licensees, customers or suppliers pertaining to the Facilities. If any court determines that any of the restrictive covenants set forth in this Section 5.1.7, or any part of such covenants, is unenforceable because of the duration of such provision or the area covered thereby, such court shall have the power to reduce the duration or area of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced.

5.1.8 Tax Returns Through Closing Date. The BHHS Florida Affiliates shall prepare and file on a timely basis all reports and returns of Taxes relating to the Assets or the Facilities with respect to all periods through and including the Closing Date and shall pay or cause to be paid when due all Taxes relating to the Assets or the Facilities for such periods, including any interest, additions to tax or penalties thereon together with interest on such additions to tax or penalties except as otherwise assumed by the Purchaser pursuant to this Agreement. The BHHS Florida Affiliates shall be entitled to receive any tax refund of Taxes attributable to the Assets or conduct of the Facilities in respect of any period prior to and through the Closing Date to the extent paid by the BHHS Florida Affiliates.

5.1.9 Subsequent Liability. If, subsequent to the Closing Date, any liability for Taxes relating to the Assets or the conduct of the Facilities is imposed on the Purchaser with respect to any period prior to and through the Closing Date which has not otherwise been assumed by the Purchaser pursuant to this Agreement, then the BHHS Florida Affiliates shall indemnify and hold the Purchaser harmless, from and against, and shall pay, the full amount of such Tax liability, including any interest,

additions to tax and penalties thereon, together with interest on such additions to tax or penalties (as well as reasonable attorneys' or other fees and disbursements of the Purchaser incurred in determination thereof or in connection therewith), or the BHHS Florida Affiliates shall, at their sole expense and in their reasonable discretion, either settle any Tax claim that may be the subject of indemnification under this Section 5.1.9 at such time and on such terms as they shall deem appropriate or assume the entire defense thereof, provided, however, that no BHHS Florida Affiliate shall in any event take any position in such settlement or defense that subjects the Purchaser to any civil fraud or any civil or criminal penalty. Notwithstanding the foregoing, no BHHS Florida Affiliate shall consent, without the prior written consent of the Purchaser, which prior written consent shall not be unreasonably withheld, to any change in the treatment of any item which would, in any manner whatsoever, affect the tax liability of the Purchaser for a period subsequent to the Closing Date.

5.1.10 FIRPTA Affidavits. At the Closing, the BHHS Entities shall execute and deliver to the Purchaser affidavits complying in all respects with Section 1445(b)(2) of the Code and the Purchaser agrees that, except as otherwise provided in Section 1445(b)(7) of the Code and the Treasury Regulations promulgated pursuant thereto, upon the execution and delivery of such affidavits to the Purchaser, no deduction shall be made or claimed against the Purchase Price of the Assets by reason of the requirements of Section 1445 of the Code.

5.2 BHHS/Purchaser/UHS Agreement. The BHHS Entities, the Purchaser and UHS agree that:

5.2.1 Consents. Each of the BHHS Entities, the Purchaser and UHS, as promptly as practicable, (i) will make, or cause to be made, all filings and submissions under laws, rules and regulations applicable to it, or to its subsidiaries and affiliates, as may be required for it to consummate the transactions contemplated hereby including without limitation, all filings under the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); (ii) will use its reasonable efforts to obtain, or cause to be obtained, all authorizations, approvals, consents and waivers from all persons and Governmental Entities necessary to be obtained by it, or any subsidiaries or affiliates, in order for it so to consummate such transactions; and (iii) will use all reasonable efforts to take, or cause to be taken, all other actions necessary, proper or advisable in order for it to fulfill its obligations hereunder. The BHHS Florida Affiliates shall cooperate with efforts by the Purchaser to obtain consents necessary to any assignment to the Purchaser of Licenses necessary to operate the Facilities. The BHHS Entities, the Purchaser and UHS will coordinate and cooperate with one another in exchanging information and supplying such reasonable assistance as may be reasonably requested by each in connection with the foregoing. The Purchaser and UHS shall each use all reasonable efforts to assist the BHHS Entities in obtaining all consents required under the Assumed Contracts as a result of this Agreement and the transactions contemplated hereby.

5.2.2 Public Announcements. Unless and to the extent required by law, each party hereto will agree in advance prior to the issuance by either of any press release or the making of any public statement with respect to this Agreement and the transactions contemplated hereby and shall not issue any such press release or

make any such public statement without the agreement of the other party, which agreement shall not be unreasonably withheld. In the event that either party is required to issue a press release or make a public statement by law, it will use all reasonable efforts to notify the other party of the contents thereof in advance of the issuance or making thereof.

5.2.3 Confidentiality Obligations of the Parties. The confidentiality obligations of the parties from the time of the execution of this Agreement are contained in Exhibit C.

5.3 Purchaser/UHS Agreement. The Purchaser and UHS agree that:

5.3.1 Representations and Warranties True at Closing. All representations and warranties of the Purchaser and UHS set forth in this Agreement will also be true and correct as of the Closing Date as if made on that date.

5.3.2 Further Authorization. The Purchaser and UHS will take, or cause to be taken, such further actions as may be necessary or appropriate to authorize the execution, delivery and performance of this Agreement by them.

5.3.3 Employment of BHHS Florida Affiliates Personnel. The Purchaser shall offer to employ all personnel of the BHHS Florida Affiliates listed on Schedule 5.3.3 hereto on an at-will basis at substantially the same wage rates and substantially the same positions in effect for such employees as of the Closing Date. The Purchaser shall provide a comprehensive benefit package to such employees comparable to the benefits provided to similarly situated employees at other UHS facilities. The Purchaser will also offer retention of the medical staff with the same privileges (subject to then applicable medical staff by-law requirements) to all persons

on the medical staff of the Facilities on the Closing Date. Each employee will carry over to his employment with the Purchaser full credit for years of service with the BHHS Florida Affiliates for determining eligibility and vesting under employee benefits of the Purchaser (other than plans which are adopted after the Closing Date and which do not give credit for past service), and for determining the period of employment under a vacation, sick leave or other paid time off plan of Purchaser as well as for determining other entitlements and terms of employment affected by seniority under the Purchaser's employment policies. The Purchaser shall be liable for accrued sick leave, vacation or paid time off to the extent provided in Section 2.3(ii) hereto, and shall make such amounts available to employees in accordance with the Purchaser's standard policies concerning the use of paid time-off. An employee of the BHHS Florida Affiliates who becomes an employee of the Purchaser ("Transferred Employees") will be eligible to participate in the Purchaser's group health plan on the day following the Closing Date or, if later, the first day after the Closing Date on which the employee is actively at work for the Purchaser and the Purchaser shall waive the normal 30-day waiting period for entry into such plan. If an employee of the BHHS Florida Affiliates becomes covered under the Purchaser's group health plan, then any pre-existing condition limitation under the Purchaser's plan will be waived unless the waiver is prohibited by the plan document, by an insurance policy maintained as part of the plan or by applicable law, provided that the pre-existing condition limitation will apply with respect to any such employee who, as of the Closing Date, is subject to a similar limitation under the group medical plan(s) of the BHHS Florida Affiliates. The BHHS Florida Affiliates will remain liable for any COBRA coverage applicable to their current and former employees (and beneficiaries) in respect of their participation in a group

health plan of any of the BHHS Affiliates; and Purchaser shall have COBRA responsibility only for those employees of the BHHS Florida Affiliates who (a) become employees of the Purchaser, and (b) become covered under the Purchaser's group health plan. For purposes of pre-existing condition limitations, the commencement date for determining lapse of time shall be deemed to be the date employees become covered by the applicable BHHS plan. Notwithstanding any provision herein, no term of this Agreement shall be deemed to create any contract between the Purchaser and any such employee which gives the employee the right to be retained in the employment of the Purchaser or any related employer, or to interfere with any employer's right to terminate employment at any time or to change its policies regarding salaries, benefits and other employment matters at any time or from time to time. The representations, warranties, covenants and agreements contained herein are for the sole benefit of the parties hereto, and employees are not intended to be and shall not be construed as beneficiaries hereof. Purchaser shall assume responsibility for compliance with the federal Worker Adjustment and Retraining Notification Act, 29 U.S.C. Section 2101 et seq., in connection with post-closing involuntary termination of Transferred Employees, and shall indemnify the BHHS Entities pursuant to Section 11.3 hereof for any liabilities associated with non-compliance, provided, however, that Section 11.3(c) shall not apply with respect to such indemnification.

In addition, the Purchaser shall assume responsibility for any unemployment compensation that results from any involuntary termination of former employees of the BHHS Florida Affiliates after the Closing Date, and the Purchaser and UHS shall indemnify the BHHS Entities under Section 11.3 for any unemployment

compensation that may be imposed on the BHHS Entities for such post-closing terminations, provided, however, that Section 11.3(c) shall not apply with respect to such indemnification.

5.3.4 Bulk Sales Law. The Purchaser and UHS hereby waive compliance by the BHHS Florida Affiliates with all applicable bulk sales laws; provided, however, that this waiver shall not relieve the BHHS Entities of their indemnification obligations to UHS and the Purchaser pursuant to Section 11.2 hereof as a result of the BHHS Florida Affiliates' non-compliance with any applicable bulk sales or similar laws.

5.3.5 Purchaser/UHS Compliance. The Purchaser and UHS agree that they shall comply with all provisions of the Management Agreement.

6. Conditions Precedent to the Performance of UHS and the Purchaser. The obligations of UHS and the Purchaser under this Agreement are subject to the satisfaction, at or before the Closing, of all the conditions set out below. UHS and the Purchaser may waive any or all of these conditions in whole or in part without prior notice; provided, however, that no such waiver of a condition shall constitute a waiver by UHS or the Purchaser of any of their other rights or remedies, at law or in equity, if the BHHS Entities are in default of any of the representations, warranties, or covenants contained in this Agreement, except to the extent that such defaults are expressly waived.

6.1 Accuracy of Representations and Warranties. All representations and warranties by the BHHS Florida Affiliates in this Agreement or in any written agreement or in any written statement that is delivered to UHS or the Purchaser pursuant to this Agreement will be true and correct in all material respects on and as of the Closing Date as though made on that date.

6.2 Performance. The BHHS Florida Affiliates will have performed, satisfied, and complied in all material respects with all covenants, agreements, and conditions required by this Agreement to be performed or complied with by them on or before the Closing Date.

6.3 No Material Adverse Change. There shall have been no change in the Assets, tangible property, condition, financial or otherwise, results of operations of the BHHS Florida Affiliates and the Facilities from August 31, 1994 which in the aggregate are materially adverse (unless UHS in its role as manager under the Management Agreement shall have contributed to any changes in any material respect).

6.4 Certification by the Company. UHS and the Purchaser will have received certificates, dated the Closing Date, signed by the President and Chief Financial Officer of each of the BHHS Entities, respectively, certifying, in such detail as UHS and the Purchaser and their counsel may reasonably request, that the conditions specified in Sections 6.1, 6.2 and 6.3 hereof have been fulfilled in all material respects, including, but not limited to, certified copies of all resolutions of the BHHS Entities pertaining to corporate authorization of the execution, delivery and performance of this Agreement.

6.5 Opinion of the BHHS Entities' Counsel. UHS and the Purchaser shall have received from Gardner, Carton & Douglas, counsel to the BHHS Entities an opinion, which opinion may rely on opinions from other counsel to BHHS, dated the Closing Date, in form and substance reasonably satisfactory to UHS and the Purchaser.

6.6 Absence of Litigation. No action, suit, or proceeding before any court or any Governmental Entity, pertaining to the transactions contemplated by this Agreement or to their consummation, will have been instituted or threatened in writing

on or before the Closing Date (except for any action, suit or proceeding dismissed by the court or Governmental Entity or any threat which is frivolous).

6.7 Legal Prohibition. On the Closing Date, no injunction or order shall be in effect prohibiting consummation of the transactions contemplated hereby or which would make the consummation of such transactions unlawful and no action or proceeding shall have been instituted and remain pending before a Governmental Entity to restrain or prohibit the transactions contemplated by this Agreement and no adverse decision shall have been made by any such Governmental Entity which is reasonably likely to materially adversely affect the BHHS Florida Affiliates and the Facilities. No federal, state or local statute, rule or regulation shall have been enacted the effect of which would be to prohibit, materially restrict, impair or delay the consummation of the transactions contemplated hereby or materially restrict or impair the ability of the Purchaser to own or conduct the business of the BHHS Florida Affiliates.

6.8 Consents, Approvals, Permits, Licenses, etc. The waiting period under the HSR Act shall have expired or been terminated and all material authorizations, consents, waivers, approvals, orders, registrations, qualifications, designations, declarations, filings or other action required with or from any Governmental Entity (including without limitation receipt of licenses (or commitments to issue licenses) to own and operate the Facilities in Florida and for the Purchaser to conduct the business of the BHHS Florida Affiliates as currently conducted, approvals of the U.S. Department of Justice, the Federal Trade Commission and the Florida agencies responsible for hospital licensing and the CON or nonaction of the U.S. Department of Justice and the Federal Trade Commission within the applicable waiting period) in connection with the execution, delivery and performance of this Agreement and the consummation of

the transactions contemplated hereby shall have been duly obtained and shall be reasonably satisfactory to UHS and the Purchaser and their counsel, and copies thereof shall be delivered to UHS and the Purchaser no later than three (3) days prior to the Closing. No such consent or approval (a) shall be conditioned on the material modification, cancellation or termination of any material Assumed Contract, or (b) shall impose on UHS or the Purchaser any material condition or provision or requirement with respect to the Facilities or their operation that is more restrictive in any material respect than or different in any material respect from the conditions imposed upon such operation prior to Closing, unless UHS and the Purchaser give their prior written approval, which consent shall not be unreasonably withheld.

6.9 Property Tax Records; Appraisal. UHS and the Purchaser shall have received such property tax records of the BHHS Florida Affiliates as they shall have reasonably requested, and an appraisal of the Assets (including the Owned Property but not the leased property) solely for the purpose of allocating the agreed Purchase Price by a qualified appraiser, reasonably satisfactory to the BHHS Entities and to UHS and the Purchaser, which records and appraisal will be used in arriving at and supporting the allocation of the Purchase Price for the Assets referred to in Section 8.2 hereof. The cost of the appraisal shall be borne equally by the BHHS Entities and the Purchaser.

6.10 Closing Matters. All proceedings to be taken by the BHHS Entities in connection with the consummation of the transactions contemplated hereby and all certificates, opinions, instruments and other documents required to effect the

transactions contemplated hereby shall be reasonably satisfactory in form and substance to UHS and the Purchaser and their counsel.

6.11 Supplemental Disclosure. If the BHHS Florida Affiliates shall have supplemented or amended any Schedule pursuant to their obligations set forth in Section 5.1.3 hereof, with the result that there is a material adverse effect to the Purchaser and UHS, UHS and the Purchaser shall not have given notice to the BHHS Entities within the time permitted by Section 5.1.3, that, as a result of information provided to UHS and the Purchaser in connection with any or all of such amendments or supplements, UHS and the Purchaser have determined not to proceed with the consummation of the transactions contemplated hereby.

6.12 Risk of Loss. The risk of loss or damage to any of the tangible property, transfer of which is contemplated hereby, shall remain with the BHHS Florida Affiliates until the Closing and they shall maintain their insurance policies covering the assets and the Owned Property through the Closing. With respect to the Owned Property:

(a) If prior to the Closing, all or any part of the Owned Property is destroyed or damaged by fire or the elements or by any other cause, the respective BHHS Florida Affiliates shall within ten (10) days provide written notice thereof to Purchaser and shall also provide Purchaser, together with such notice, copies of all insurance then in force relating to such Owned Property, whereupon Purchaser may, by written notice to the BHHS Entities within twenty (20) days after receipt of notice of the occurrence, elect in writing not to purchase the Assets if such damage exceeds \$1,000,000 and if the respective BHHS Florida Affiliates do not agree to repair, restore and replace such Owned Property to Purchaser's reasonable satisfaction and in

compliance with all state licensing requirements and Laws within 120 days of the notice of the casualty delivered to Purchaser. Purchaser's election to so terminate may be exercised, however, if after the respective BHHS Florida Affiliates agree to so repair, restore and replace, they fail to substantially effect such repair, restoration and replacement within such 120 day period. Upon such election, this Agreement shall wholly cease and terminate. If all or any part of the Owned Property is so destroyed but this Agreement is not so terminated by Purchaser, this Agreement shall not be affected, but Purchaser shall retain all of the respective BHHS Florida Affiliates' right, title and interest in and to the policies of insurance insuring against the loss and their interest in sums payable thereunder and they shall pay to Purchaser the amount of any deductibles under such insurance policies and any payments theretofore made on account of the destruction or damage unless already applied to repairs.

(b) In the event of the institution of any proceeding involving the proposed taking by eminent domain or a taking by eminent domain of all or any portion of the Owned Property prior to Closing, which would materially injure, damage, or decrease the value of the Owned Property in any material respect, Purchaser shall have the right and option to elect to cancel and terminate this Agreement by giving the BHHS Entities notice to such effect within thirty (30) days after its receipt of written notice of any such occurrence, whereupon this Agreement shall be deemed to be terminated. The respective BHHS Florida Affiliates shall within ten (10) days furnish Purchaser with written notice of any such occurrence and all available data related thereto. Should Purchaser so terminate this Agreement, this Agreement shall cease and terminate. If Purchaser does not so terminate this Agreement, Purchaser shall accept the Owned Property subject to such proceeding or without the portion of the Owned

Property taken, and the Purchaser shall retain all of the right, title and interest of the respective BHHS Florida Affiliates as owner of the Owned Property, in and to such proceeding and the proceeds of the award to be made in such proceeding, and they shall turn over to Purchaser the proceeds of any award (or payment made pending the making of the award) already received by them to the extent not retained by the respective BHHS Florida Affiliates.

All insurance proceeds attributable to the damage, destruction, or casualty loss of any of the assets other than the Owned Property prior to the Closing Date not expended in the replacement of such assets by the respective BHHS Florida Affiliates shall be assigned to Purchaser at the Closing, and the Purchase Price shall be reduced by an amount equal to the deductible amount not expended in the replacement of such assets under the applicable insurance policy.

7. Conditions Precedent to the BHHS Entities' Performance.

The obligations of the BHHS Entities under this Agreement are subject to the satisfaction, at or before the Closing, of all the following conditions. The BHHS Entities may waive any or all of these conditions in whole or in part without prior notice; provided, however, that no such waiver of a condition shall constitute a waiver of any of the BHHS Entities' other rights or remedies, at law or in equity, if UHS or the Purchaser is in default of any of the representations, warranties or covenants contained in this Agreement, except to the extent that such defaults are expressly waived.

7.1 Accuracy of Representations and Warranties of UHS and the Purchaser. All representations and warranties by UHS and the Purchaser contained in this Agreement or in any written statement delivered by UHS and the Purchaser

under this Agreement at the Closing will be true in all material respects on and as of the Closing Date as though such representations and warranties were made on and as of that date.

7.2 Performance; Authorization. UHS and the Purchaser will have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed or complied with by it on or before the Closing Date.

7.3 Certificates. The BHHS Entities will have received certificates, dated the Closing Date, signed by the President and Chief Financial Officer of UHS and of the Purchaser certifying, in such detail as the BHHS Entities may reasonably request, that the conditions specified in Sections 7.1 and 7.2 hereof have been fulfilled in all material respects, including, but not limited to, certified copies of all resolutions of UHS and the Purchaser pertaining to authorization of the execution, delivery and performance of this Agreement by UHS and the Purchaser.

7.4 Absence of Litigation. No action, suit, or proceeding before any court or any governmental body or authority pertaining to the transactions contemplated by this Agreement or to their consummation, will have been instituted or threatened on or before the Closing Date.

7.5 Consents. The waiting period under the HSR Act shall have expired or been terminated. All agreements and consents necessary to permit the consummation by the BHHS Entities, UHS and the Purchaser of the transactions contemplated by this Agreement shall have been obtained by the BHHS Entities, UHS and the Purchaser, respectively, and delivered to the BHHS Entities, UHS and the Purchaser, respectively, and no Governmental Entity having jurisdiction over the transactions

contemplated hereby shall have taken any action to enjoin or prevent the consummation of such transactions. As to any Assumed Contract the assignment of which by its terms requires prior consent of the parties thereto, if such consent is not obtained prior to or on the Closing Date, the respective BHHS Florida Affiliates shall use all reasonable efforts to obtain such consents promptly following the Closing Date and deliver constructive use of BHHS Florida Affiliate rights (and obligations) thereunder pending delivery of such consents.

7.6 Opinion of Counsel for UHS and the Purchaser. The BHHS Entities shall have received from Fulbright & Jaworski L.L.P., counsel to UHS and the Purchaser, and from Bond counsel acceptable to the BHHS Entities, a written opinion, dated the Closing Date, in form and substance satisfactory to the BHHS Entities.

7.7 Long Term Bonds. The Closing will be conditioned upon the receipt by BHHS of a favorable ruling from the Internal Revenue Service or receipt of an opinion from Mudge Rose Guthrie Alexander & Ferdon ("Mudge Rose") (which opinion is reaffirmed as of the Closing Date) satisfactory to BHHS and UHS relating to the defeasance or tender/purchase of certain long-term bonds (the "Bonds") issued by or on behalf of certain of the BHHS Florida Affiliates, and their Arizona affiliates described at Schedule 7.7. UHS, at the cost of BHHS, will assist BHHS in obtaining the ruling from the Internal Revenue Service relating to the defeasance of the Bonds. In the event BHHS becomes aware at any time that Mudge Rose is no longer able to deliver a satisfactory opinion, then BHHS agrees to file a request for a ruling from the Internal Revenue Service within 15 business days from the date it is advised that Mudge Rose can no longer deliver such opinion, and the parties shall postpone the Closing and the Management Agreement shall be extended on its current terms for a period of 90 days.

During such 90-day period, the parties shall negotiate in good faith for a possible revision of the Purchase Price and amounts payable under the Management Agreement. If no such agreement is reached, Purchaser shall have the option of terminating this Agreement and the Management Agreement or extending the Closing Date hereunder (with all other terms of this agreement remaining in effect) and the term of the Management Agreement, provided that during such extended term BHHS shall pay a delay penalty of \$75,000 per month to Purchaser commencing immediately following such 90 day period.

7.8 Delivery of Documents. All proceedings to be taken by UHS and the Purchaser in connection with the consummation of the transactions contemplated hereby and all certificates, opinions, instruments and other documents required to effect the transactions contemplated hereby shall be reasonably satisfactory in form and substance to the BHHS Entities and their counsel.

7.9 State Birds and Flowers Commemorative Collection. Purchaser shall have made arrangements satisfactory to the BHHS Entities for the preservation and display of the "State Birds and Flowers Commemorative Mint Stamp Collection" paintings maintained by the BHHS Florida Affiliates.

7.10 Receipt of Valuation Document. The BHHS Florida Affiliates shall have received on or before July 7, 1995 from an independent third party valuation consultant an opinion that the transactions contemplated hereby are fair from a financial point of view to the BHHS Florida Affiliates, or such other documentation as to value reasonably satisfactory to the BHHS Florida Affiliates (the "Valuation Document"); provided that this condition shall be deemed waived unless the BHHS Florida Affiliates shall have notified the Purchaser on or before July 10, 1995 of the

failure to receive such Valuation Document by such date, in which event the BHHS Florida Affiliates or the Purchaser shall have the right to terminate this Agreement within 5 days after such date; provided further that in the event the opinion of Mudge Rose referenced in Section 7.7 hereof is not received and BHHS seeks a ruling from the Internal Revenue Service referred to in such Section, it shall be a further condition to the BHHS Florida Affiliates' obligations hereunder that the BHHS Florida Affiliates shall have received a Valuation Document on or before the date 45 days prior to the extended Closing Date, provided that this condition shall be deemed waived unless the BHHS Florida Affiliates shall have notified the Purchaser on or before 40 days prior to the extended Closing Date of the failure to receive such Valuation Document by such date.

8. Joint Covenants.

8.1 Access to Books and Records; Cooperation. Following the Closing, UHS and the Purchaser shall cooperate with and permit BHHS and its affiliates and representatives and in accordance with applicable law, governmental authorities, (including, without limitation, their counsel and auditors), during normal business hours, to have reasonable access to, and examine and make copies of, all books and records of the BHHS Florida Affiliates, or otherwise relating to the Assets for periods prior and subsequent to Closing to the extent necessary to audit reports or maintain or defend positions or comply in connection with any investigation, claim, liquidation or proceeding. Such books and records shall not be destroyed for at least five years after the Closing, and UHS and the Purchaser agree that, prior to the destruction or disposition of any such books or records at any time within five years after the Closing Date, UHS and the Purchaser shall provide not less than 45 days', nor more than 90 days', prior written notice to BHHS of such proposed destruction or disposal. If BHHS desires to obtain any of such documents, it may do so by notifying UHS and the

Purchaser in writing at any time prior to the date scheduled for such destruction or disposal. In such event, UHS and the Purchaser shall not destroy such documents and the parties shall then promptly arrange for the delivery of such documents to BHHS, its successors or assigns. All out-of-pocket costs associated with the delivery of the requested documents shall be paid by BHHS. UHS and the Purchaser shall cooperate with BHHS in the defense of any litigation, investigation, claim or proceeding related to the BHHS Entities including the provision of witnesses and records in a timely manner as reasonably requested by BHHS. UHS and Purchaser also agree (a) to abide by any applicable confidentiality privileges all as in the ordinary course of business; (b) to promptly notify the applicable BHHS Entity in writing of any claim or threatened claim against any such BHHS Entity or its present, previous or future directors or officers arising out of any matter relating to the Assets; (c) to promptly deliver to the applicable BHHS Entity all correspondence or other written materials received by UHS or Purchaser after Closing pertaining to such BHHS Entity or its present, previous or future directors or officers; and (d) to require any subsequent owner or operator of the Assets for a period of five years from the date hereof to also agree in writing to be bound by this Section 8.1.

8.2 Allocation of Purchase Price. The Purchase Price shall be allocated in its entirety among the Assets and the Non-Competition Agreement in accordance with Schedule 8.2 hereto and as required by Section 1060 of the Code and Treasury Regulations promulgated thereunder to the extent reasonably satisfactory to UHS, the Purchaser and the BHHS Entities. The BHHS Entities, UHS and the Purchaser shall file all information and tax returns (and any amendments thereto) in a manner consistent with this Section 8.2 and comply with the applicable information reporting requirements of Section 1060 of the Code and Treasury Regulations promulgated thereunder. If, contrary to the intent of the parties hereto as expressed in this Section 8.2,

any taxing authority makes or proposes an allocation different from that contained in this Section 8.2, the BHHS Entities and Purchaser shall cooperate with each other in good faith to contest such taxing authority's allocation (or proposed allocation), provided, however, that, after consultation with the party adversely affected by such allocation (or proposed allocation), another party hereto may file such protective claims or returns as may reasonably be required to protect its interests.

8.3 Employee Plans. Except as otherwise specifically provided in Section 2.3(ii) or (iii), or in this section, the Purchaser does not and will not assume the sponsorship of, or the responsibility for contributions to or any liability or obligation in connection with, any Employee Plan or any other compensatory plan, program, arrangement or agreement for the benefit of any employee or agent or former employee or agent (and their respective beneficiaries) of the BHHS Florida Affiliates. Effective immediately after the Closing Date, the Purchaser will assume sponsorship of the Retirement Plan (defined in Section 1.1(j)), or, at the election of Purchaser, the parties will arrange for the transfer of assets, subject to benefit liabilities, by the Retirement Plan to a new or existing qualified pension plan maintained by Purchaser. In either case, all of the assets of the Retirement Plan, subject to all of the benefit liabilities thereof, shall be transferred to and assumed by the Purchaser. The BHHS Entities, at their sole expense, shall take such actions as are necessary in order to maintain the qualified status of the Retirement Plan through the Closing Date. On or as soon as practicable after the Closing Date, the BHHS Entities shall provide Purchaser with such records and information as may be reasonably requested in order to enable Purchaser to carry out its responsibilities with respect to the Retirement Plan after the Closing Date. Purchaser and the BHHS Entities will cooperate fully with each other and, will execute and furnish such documents and take such other and further action as may be reasonably requested by the other in connection with the orderly and proper

transfer and assumption of assets and liabilities of the Retirement Plan as contemplated herein. The provisions of this section will not affect the Purchaser's obligations imposed by Section 5.3.3. The Purchaser shall be permitted to terminate or freeze accruals under the Retirement Plan; provided, however, that Purchaser complies with the specific obligations pertaining to the Retirement Plan which are incorporated in Section 22 of this Agreement.

9. Certain Actions After the Closing.

9.1 Delivery of Property Received by the BHHS Entities, UHS or the Purchaser After Closing. From and after the Closing, the Purchaser shall have the right and authority to collect, for the account of the Purchaser, all assets which shall be transferred or are intended to be transferred to the Purchaser as part of the Assets as provided in this Agreement, and to endorse with the name of the BHHS Florida Affiliates any checks or drafts received on account of any such assets. The BHHS Entities agree that they will transfer or deliver to the Purchaser, promptly after the receipt thereof, any cash or other property which the BHHS Entities receive after the Closing Date in respect of any assets transferred or intended to be transferred to the Purchaser as part of the Assets under this Agreement. In addition, UHS and the Purchaser agree that they will transfer or deliver to the BHHS Entities, promptly after receipt thereof, any cash or other property which UHS or the Purchaser receives after the Closing Date in respect of any assets not transferred or intended to be transferred to the Purchaser as part of the Assets under this Agreement.

9.2 Purchaser Appointed Attorney for the BHHS Florida Affiliates. The BHHS Florida Affiliates, effective at the Closing Date, hereby constitute and appoint the Purchaser, its successors and assigns, the true and lawful attorney of the BHHS Florida Affiliates, in the name of either the Purchaser or the respective BHHS Florida

Affiliates (as the Purchaser shall determine in its sole discretion) but for the benefit of the Purchaser: (i) to institute and prosecute all proceedings which the Purchaser may reasonably deem proper in order to collect, assert or enforce any claim, right or title of any kind of the Purchaser in or to the Assets as provided for in this Agreement; (ii) to defend or compromise upon at least five days advance written notice to the BHHS Entities any and all actions, suits or proceedings in respect of any of the Assets, and to do all such acts and things in relation thereto as the Purchaser shall reasonably deem advisable; and (iii) to take all action which the Purchaser, its successors or assigns may reasonably deem proper in order to provide for the Purchaser, its successors or assigns, the benefits under any of the Assets where any required consent of another party to the sale or assignment thereof to the Purchaser pursuant to this Agreement shall not have been obtained. The BHHS Florida Affiliates acknowledge that the foregoing powers are coupled with an interest and shall be irrevocable. Except as otherwise provided by Section 9.1, the Purchaser shall be entitled to retain for its own account any amounts collected pursuant to the foregoing powers, including any amounts payable as interest in respect thereof. The Purchaser agrees to act in good faith in seeking to collect, assert or enforce any claim against any third party in accordance with this Section 9.2.

9.3 Subrogation of the Purchaser. In the event the Purchaser shall become liable for or suffer any damage with respect to any matter which was covered by insurance maintained by the BHHS Entities on or prior to the Closing Date, the BHHS Florida Affiliates agree that the Purchaser shall be and hereby is, to the extent permitted under such policies and to the extent consistent with Section 11 hereof,

subrogated to any rights of the BHHS Florida Affiliates under such insurance coverage, and, in addition, the BHHS Entities agree to promptly remit to the Purchaser any insurance proceeds which they may receive on account of any such liability or damage to the extent of the damages suffered by Purchaser.

9.4 Payment of Liabilities. Following the Closing Date each of the Purchaser and the BHHS Florida Affiliates agree to discharge in accordance with their terms the Assumed Liabilities and the Excluded Liabilities, respectively, as provided in the Agreement.

10. The Closing.

Assuming the satisfaction or the waiver of satisfaction of the conditions contained herein (including but not limited to those specified in Sections 6 and 7 hereof), all documents (which shall be dated as of August 31, 1995) shall be executed and delivered at the offices of Gardner Carton & Douglas, 321 North Clark Street, Chicago, Illinois, on August 4, 1995 and the Closing shall occur on August 31, 1995 (the "Closing Date"), or at such other time and place as the parties hereto may mutually agree but in no event later than the Termination Date unless the approvals specified in Sections 6.8 or 7.5 or 7.7 have not yet been obtained. If one or more of such requested approvals is denied, the Termination Date shall be sixty (60) days after written notice to UHS or Purchaser thereof. Furthermore, the Closing Date shall not occur until such time as the BHHS Arizona Affiliates have completed the refinancing of certain of their bonds, so long as that refinancing is completed on or prior to the Termination Date. If the transaction is not closed on or before September 30, 1995 (or as extended by written agreement of the parties) (the latest such date, the "Termination Date" (except to the extent that the applications for the regulatory approvals specified

in Sections 6.8 or 7.7 are still pending, in which case the Termination Date shall be 60 days after notice to UHS of the denial of such approvals), the Deposit shall be disbursed in accordance with the terms of the Escrow Agreement. If the pending applications for regulatory approvals are granted after September 30, 1995 but not later than June 30, 1996, then the Closing Date shall be within sixty days thereafter. If the regulatory approvals are not granted on or before June 30, 1996, then June 30, 1996 shall be the Termination Date. If the Closing does not occur on August 31, 1995 due solely to default of the Purchaser, then Purchaser shall pay the BHHS Entities all resulting loss and expense incurred by them due to their ordering of time-limited securities on or after August 1, 1995 for a bond refinancing in anticipation of an August 31, 1995 Closing whether or not there is a subsequent Closing. This shall not limit any other remedies to which they would be entitled (including retention of the First and Second Deposits) if Closing does not occur thereafter by September 30, 1995 due solely to default by Purchaser. If the Closing does not occur on August 31, 1995 due solely to the default of the BHHS Entities, then the BHHS Entities shall pay UHS all resulting funding costs incurred by UHS due to their issuance of debt securities for all periods from August 31, 1995 until the Closing Date (or until the Contract is terminated) whether or not there is a subsequent closing. UHS funding costs shall equal the product of (i) the difference between (x) the interest rate on its publicly offered Senior Debt Securities, as adjusted by any interest rate hedge entered into by the Purchaser in connection with the issuance of such Securities and (y) the average rate of United States Treasury bills with a maturity of thirty days, based on the weekly average of the rates therefor in Federal Reserve Statistical Release H.15 for the period Closing is delayed multiplied by (ii) the Purchase Price. This shall not limit the other remedies

to which Purchaser or UHS would be entitled if Closing does not occur by September 30, 1995 due to default of the BHHS Entities. The parties shall be deemed in default if such party fails or refuses to close the transaction despite the satisfaction or waiver of all conditions to Closing set forth herein (other than those conditions which have not been satisfied due to the willful or grossly negligent acts or omissions of the defaulting party).

11. Survival of Representations; Indemnification.

11.1 Survival of Representations, Etc. All representations and warranties contained in this Agreement shall survive the Closing and shall remain in full force and effect until the expiration of two (2) years from the Closing Date, and, thereafter, in any case, to the extent a claim in writing is made prior to such expiration with respect to any breach of such representation or warranty until such claim is finally determined or settled; provided, however, that (i) the representations and warranties of the BHHS Entities contained in Section 3.23 hereof, and the representations and warranties of UHS and the Purchaser contained in Section 4.4 hereof and (ii) the representations and warranties of the BHHS Entities contained in Sections 3.15, 3.19, and 3.20 and (iii) the covenants among the BHHS Entities, UHS and the Purchaser contained in Sections 5.1.8, 5.1.9 and 5.1.10 of the Agreement shall remain in full force and effect until the expiration of the applicable statute of limitations.

11.2 Indemnification by the BHHS Entities. The BHHS Entities, jointly and severally, shall defend and indemnify UHS and the Purchaser and hold UHS and the Purchaser wholly harmless from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and costs of appeal) and expenses

(including, without limitation, reasonable attorneys' fees of one counsel) that UHS and the Purchaser incurs as a result of, or with respect to:

(a) any inaccuracy in or breach of any representation or warranty of any of the BHHS Entities contained in this Agreement to the extent UHS and/or the Purchaser suffer damage by reason of such breach;

(b) except as expressly assumed by the Purchaser under this Agreement or in the documents executed at Closing, any claim or cause of action against or liability or obligation (actual or alleged), of any nature whatsoever arising out of or relating to the use or operation of the Facilities or any other business of the BHHS Entities prior to the Closing Date, or any act or omission of the BHHS Entities, or any of their agents, employees, or officers, occurring prior to the Closing Date, including, without limitation, any claim or cause of action arising out of or relating to any act of malpractice of any of them occurring prior to the Closing Date.

(c) Except with respect to the representations set forth in Sections 3.2 (Ownership of Assets), 3.19 (Taxes) and 3.23 (No Broker), liabilities not assumed by Purchaser hereunder and specific covenants or agreements by any of the BHHS Entities hereunder, the indemnity provided for by Section 11.2(a) shall not apply to any claim, or the cost of defense thereof until the aggregate of all claims made under Section 11.2(a), and the cost of defense thereof total an aggregate of \$350,000, in which event this indemnity shall apply to all such claims.

11.3 Indemnification by the Purchaser and UHS. The Purchaser and UHS, jointly and severally, shall defend and indemnify the BHHS Entities and hold the BHHS Entities wholly harmless from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and cost of appeal) and

expenses (including, without limitation, reasonable attorneys' fees of one counsel) that the BHHS Entities incur as a result of, or with respect to:

(a) any inaccuracy in or breach of any representation, warranty, covenant or agreement of UHS or the Purchaser contained in this Agreement to the extent any of the BHHS Entities suffer damage by reason of such breach;

(b) any claim, cause of action, liability or obligation (actual or alleged), of any nature whatsoever arising out of or relating to the use or operation of the facilities on or after the Closing Date or any act or omission of UHS or the Purchaser, or any of their agents, employees, officers, successors, assigns or affiliates, occurring on or after the Closing Date (or during the time prior to the Closing Date during which UHS or Purchaser participates in the management of the Facilities), including, without limitation, any claim or cause of action arising out of or relating to any act of malpractice, occurring after the Closing Date.

(c) Except with respect to the representation set forth in Section 4.4 (No Broker), liabilities specifically assumed by Purchaser hereunder and specific covenants or agreements of the Purchaser hereunder, the indemnity provided by Section 11.3(a) shall not apply to any claim, or the cost of defense thereof, until the aggregate of all claims made under Section 11.3(a), and the cost of defense thereof total an aggregate of \$350,000, in which event this indemnity shall apply to all such claims.

11.4 Procedure for Indemnification. The following procedure shall apply with respect to any claims or proceedings covered by the foregoing agreements to indemnify and hold harmless:

(i) The party who is seeking indemnification (the "Claimant") shall give written notice to the party from whom indemnification is sought

(the "Indemnitor") promptly after the Claimant learns of the claim or proceeding but (with respect to breaches of representations and warranties only) not later than the period after the Closing Date (if any) specified in Section 11.1 hereof, setting forth with reasonable specificity the basis for the claim; provided that the failure to give such notice shall not relieve the Indemnitor of its obligations hereunder if the Claimant uses its best efforts to mitigate Claimant's damages, except to the extent it is actually damaged thereby.

(ii) With respect to any third-party claims or proceedings as to which the Claimant is entitled to indemnification, the Indemnitor shall have the right to select and employ counsel of its own choosing to defend against any such claim or proceeding, to assume control of the defense of such claim or proceeding, and to compromise, settle or otherwise dispose of the same, if the Indemnitor deems it advisable to do so, all at the expense of the Indemnitor; provided, however that the Claimant may employ counsel, of its own choosing, at its sole expense. The parties will fully cooperate in any such action, and shall make available to each other any books or records useful for the defense of any such claim or proceeding. The Claimant may, at its sole expense, retain separate counsel in connection therewith, which counsel shall be consulted by Indemnitor regarding the resolution of any claim. Subject to the foregoing, the Claimant shall not settle or compromise any such third party claim

without the prior consent of the Indemnitor, which consent shall not be unreasonably withheld.

11.5 Limitations on Indemnification Rights. Indemnification shall be due only to the extent of the loss or damage actually suffered (i.e., reduced by any offsetting or related asset or service received and by any recovery from any third party, such as an insurer, taxing body or other governmental agency. Each party shall be obligated to take reasonable actions to receive such benefits.) No claim for indemnification for breach of any representation or warranty (but not claims under Section 11.2(b) or 11.3(b)) by Claimant under this Agreement may be made more than two (2) years after the Closing Date, except that any claim for breach of the representations contained in Sections 3.15, 3.19, 3.20, 3.23 and 4.4 may be made within six months after expiration of statute of limitations.

12. Entire Agreement; Modification, Waiver.

This Agreement and its Schedules and Exhibits constitute the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and understandings of the parties other than the Management Agreement, effective January 16, 1995, by and between UHS and UHS of Florida, Inc. and the BHHS Entities and other than the Escrow Agreement by and between UHS and the BHHS Entities and Bank One, Arizona N.A. No supplement, modification, or amendment of this Agreement will be binding unless executed in writing by all of the parties. No waiver of any of the provisions of this Agreement will be deemed, or will constitute, a waiver of any other

provisions, whether or not similar, nor will any waiver constitute a continuing waiver. No waiver will be binding unless executed in writing by the party making the waiver.

13. Expenses. The parties shall each bear their respective legal, accounting and other expenses in connection with the transactions contemplated hereby whether or not the transaction is consummated. Notwithstanding the foregoing, the BHHS Florida Affiliates shall be responsible for all closing costs, including without limitation title costs, title insurance (based on an amount not to exceed the value allocated to the Owned Property and Improvements in the allocation referred to in Section 8.2 hereof), recording fees and transfer and other taxes arising from the transactions contemplated hereby, provided that UHS will reimburse the BHHS Florida Affiliates for one-half of such costs up to a maximum reimbursement of \$250,000.

14. Further Assurances.

The parties from time to time will execute and deliver such additional documents and instruments and take such additional actions as may be necessary to carry out the transactions contemplated by the Agreement.

15. Successors and Assigns; Assignment.

This Agreement will be binding on, and inure to the benefit of, the parties hereto and their respective legal representatives, successors and assigns. Purchaser may, upon providing written notice to the BHHS Entities, assign all of its rights and obligations hereunder to an affiliate of UHS, provided that no such assignment shall relieve Purchaser or UHS from its obligations hereunder.

16. Notices.

All notices, requests, demands and other communications required or permitted to be given or made under this Agreement will be in writing and will be

delivered personally or will be sent postage prepaid by United States registered or certified mail, return receipt requested or by overnight courier service as follows:

- (a) To the BHHS Entities at:
 Baptist Hospitals and Health Systems, Inc.
 2224 West Northern Avenue
 Suite D-300
 Phoenix, AZ 85021
 Attention: Gerald L. Wissink, President

with copies to:

- (b) To the BHHS Entities at:
 Baptist Hospitals and Health Systems, Inc.
 2224 West Northern Avenue
 Suite D-300
 Phoenix, AZ 85021
 Attention: William J. Alsentzer, Jr., Esq. and to:

- (c) Gardner, Carton & Douglas
 c/o Michael W. Peregrine, Esq.
 321 North Clark Street, Suite 3400
 Chicago, IL 60610-4795

- (b) To the Purchaser at:

UHS of Florida, Inc.
 c/o Universal Health Services, Inc.
 Universal Corporate Center
 367 South Gulph Road
 King of Prussia, PA 19406
 Attention: President

with a copy to:

Universal Health Services, Inc.
 Universal Corporate Center
 367 South Gulph Road
 King of Prussia, PA 19406
 Attention: General Counsel

17. Governing Law.

This Agreement will be construed in accordance with, and governed by, the laws of the State of Florida.

18. No Third-Party Rights.

Each signatory hereto agrees that it is its specific intent to create no third-party rights by virtue of this agreement other than as expressly set forth herein.

19. Execution in Counterparts.

This Agreement may be executed simultaneously in one or more counterparts and each of which shall be deemed an original agreement, but all of which altogether shall constitute one and the same instrument.

20. Knowledge.

For purposes hereof, "knowledge," "known to" or similar phrases shall mean matters actually known to the officers of the BHHS Entities listed on Schedule 3.1.1.

21. Access to Information.

Purchaser and UHS will make available to the BHHS Entities financial statements of Purchaser and UHS and such other financial records and other documents concerning Purchaser and UHS as the BHHS Entities may reasonably request, as well as any communications from, to or with any governmental or regulatory agency.

22. Additional Assumed Liability of Purchaser.

To the extent required by such agreement, the Purchaser shall perform all requirements of paragraph 14.01 of that certain May 9, 1984 Acquisition Agreement between MHHS and the County of Manatee, which paragraph is hereby incorporated by reference for the benefit of certain employees of Manatee Memorial Hospital as stated therein. These obligations shall be made applicable to any subsequent owner or operator of Manatee Memorial Hospital.

23. No Partnership or Agency.

None of the BHHS Entities shall be considered to be in partnership or joint venture with nor an affiliate of any of Purchaser or UHS nor shall Purchaser nor UHS be considered to be in partnership or joint venture with nor an affiliate of any of the BHHS Entities, nor shall any BHHS Entity be considered to be an agent of Purchaser or UHS nor Purchaser or UHS be an agent of any BHHS Entity.

IN WITNESS WHEREOF, the parties have executed this Agreement as of June 30, 1995.

MANATEE MEMORIAL HOSPITAL, L.P.

By: UHS OF MANATEE, INC., General Partner

By: /s/ Steve Filton

BAPTIST HOSPITALS AND HEALTH SYSTEMS, INC

By: /s/ Gerald L. Wissink

MANATEE HOSPITALS AND HEALTH SYSTEMS, INC.

By: /s/ Gerald L. Wissink

INTERMED AMERICA INC.

By: /s/ Gerald L. Wissink

FLORIDA HOME HEALTH SERVICES - MANASOTA, INC.

By: /s/ Gerald L. Wissink

GUARANTEE

Universal Health Services, Inc., a Delaware corporation, hereby unconditionally guarantees all obligations of the Purchaser under that certain Asset Purchase Agreement dated June 30, 1995. In case of any breach by the Purchaser of its obligations hereunder, any or all of the BHHS Entities may proceed without notice against UHS immediately without first proceeding against Purchaser.

UNIVERSAL HEALTH SERVICES, INC.

By: /s/ Steve Filton

June 30, 1995

CONFIDENTIALITY OBLIGATIONS

Until the Closing Date, each party shall keep all information obtained from any other party either before or after the date of this Agreement confidential, and no party shall reveal such information to, nor produce copies of any written information for, any person outside its management group or its professional advisors without the prior written consent of the other parties, unless such party is compelled to disclose such information by judicial or administrative process or by any other requirements of Law. If the transactions contemplated by this Agreement should fail to close for any reason, each party shall return to the original provider as soon as practicable all originals and copies of written information provided to such party by or on behalf of any other party and none of such information shall be used by any party, or their employees, agents or representatives in the business operations of any party. Notwithstanding the foregoing, each party's obligations hereunder shall not apply to any information or document which is or becomes available to the public other than as a result of a disclosure by such party in violation of this Agreement or other obligation of confidentiality under which such information may be held or becomes available to the party on a non-confidential basis from a source other than such other party or its officers, directors, employees, representatives or agents. The parties' obligations hereunder shall survive the termination of this Agreement.

EXHIBITS

- A - BHHS Florida Affiliates and Facilities
- B - Escrow Agreement
- C - Confidentiality

SCHEDULES

- 1.1(a) Contractual Rights and Obligations; Third Party Consent; Assignable Leases
- 1.1(b) Licenses and Permits
- 1.1(c) Description of Tangible Personal Property
- 1.1(g) Intangible and Intellectual Property
- 1.1(i) Certificate of Need
- 1.2 Other Excluded Assets
- 3.1.1 State of Incorporation and Qualification
- 3.2 Ownership of Assets - Exceptions
- 3.4.2 Accounts Receivable
- 3.4.4 Material Adverse Events Subsequent to Balance Sheet Date
- 3.6 Description of Real Property, Permitted Encumbrances, Property, Plant and Equipment ("Improvements") Exceptions, Notices, Survey, Repairs and Maintenance
- 3.7 Tangible Personal Property Exceptions
- 3.8 Trade Names, Trademarks, Copyrights, Etc.
- 3.9 Litigation
- 3.10(d) Compliance with Laws: Environmental Matters
- 3.11 Contracts
- 3.12 Employee and Labor Matters and Plans
- 3.13 Insurance Policies; Insurance Coverage Claim Exceptions
- 3.15 Professional Licensed Staff
- 3.17 Suppliers of Goods and Providers of Services

3.19	Taxes
3.21	Related Party Transactions
5.3.3	BHHS Florida Affiliates Personnel
7.7	Long Terms Bonds
8.2	Allocation of Purchase Price