

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

RESTORA HEALTHCARE HOLDINGS,
LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 14-10367 (PJW)

Jointly Administered

Related Docket Nos. 11, 21, 52 , 167

**FINAL ORDER (I) AUTHORIZING THE DEBTORS TO OBTAIN
POSTPETITION FINANCING, (II) AUTHORIZING THE DEBTOR
TO USE CASH COLLATERAL, (III) GRANTING ADEQUATE PROTECTION,
(IV) STIPULATING TO THE VALIDITY, ENFORCEABILITY AND NON-
AVOIDABILITY OF CERTAIN PRE-PETITION LIENS, AND
(V) GRANTING RELATED RELIEF**

Upon the motion, dated February 24, 2014 (the "Motion") [D.I. 11], of Restora Healthcare Holdings, LLC ("Restora Holdings"), Restora Hospital of Mesa, LLC ("Restora Mesa") and Restora Hospital of Sun City, LLC ("Restora Sun City"), as debtors and debtors in possession (collectively, the "Debtors") in the above-captioned chapter 11 cases (collectively, the "Case"), for interim and final orders under sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e) of title 11 of the United States Code (as amended, the "Bankruptcy Code") and Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (as amended, the "Bankruptcy Rules") and the Local Rules of Bankruptcy Practice and Procedures for the United States Bankruptcy Court for the District of Delaware (the "Local Bankruptcy Rules"), seeking, *inter alia*:

¹ The Debtors in these chapter 11 cases, together with the last four digits of each Debtor's federal tax identification number, are: Restora Healthcare Holdings, LLC (2837); Restora Hospital of Mesa, LLC (8773); and Restora Hospital of Sun City, LLC (1028). The mailing address for the Debtors, solely for purposes of notices and communications, is 2550 Northwinds Parkway, Suite 160, Alpharetta, Georgia 30009.

(a) authorization for the Debtors to obtain postpetition financing (collectively, the "Postpetition Financing" or the "DIP Facility") up to a maximum outstanding principal amount of \$7.0 million in accordance with, the Debtor-In-Possession Financing Term Sheet among Restora Mesa and Restora Sun City, as borrowers, Restora Holdings, as guarantor and Healthcare Finance Group, LLC ("HFG") and its assigns, as lender (the "Lender") and administrative agent (the "Agent" and together with the Lender, the "Lender Parties"), substantially in the form annexed to the Motion as Exhibit A (as amended, the "DIP Term Sheet"; together with such other documents and agreements required by the Lender Parties in connection with the DIP Facility (the "Loan Documents"))²;

(b) authorization for the Debtors to obtain from the Lenders on the Initial Funding Date and from time to time thereafter pending the Final Hearing (as defined below) revolving advances ("Revolving Loans") in amounts not to exceed a maximum outstanding principal amount of \$4.0 million (the "Interim Amount") in accordance with the DIP Term Sheet and the Interim Order (as defined below), which Interim Amount includes the amount of Existing Revolving Debt (as defined below) assumed by the Debtors as Lender Debt in accordance with the DIP Term Sheet and the Interim Order;

(c) authorization for the Debtors to assume immediately the Existing Revolving Debt as an obligation under the Postpetition Financing and to deem all outstanding Existing Revolving Debt including, without limitation, all principal, interest, fees and other expenses to constitute Lender Debt that is valid, binding, and enforceable against the Debtors without further action by the Debtors or the Lender Parties;

(d) authorization for the Debtors to obtain from the Lenders upon entry of this Final Order (as defined below), revolving advances in amounts not to exceed a maximum outstanding principal amount of \$7.0 million (the "Total Commitment") in accordance with the DIP Term Sheet, the Loan Documents and the Final Order which Total Commitment includes the amount of Existing Revolving Debt assumed by the Debtors as Lender Debt in accordance with the DIP Term Sheet and the Interim Order;

(e) authorization for the Debtors to execute and deliver the DIP Term Sheet and the Loan Documents and to perform such other and further acts as may be necessary or appropriate in connection therewith;

(f) authorization for the Debtors to grant to the Lender Parties assurances for the full and timely payment of the Lender Debt by granting to the Lender Parties (i) pursuant to section 364(c)(1) of the Bankruptcy Code, a superpriority administrative expense claim (a "Superpriority Administrative Expense Claim") having priority over any and all expenses and claims specified in any other section of the Bankruptcy Code, including, without limitation, sections 503(b) and 507(b) of the Bankruptcy Code; and (ii) pursuant to section 364(c)(2), (3) and (d) of the Bankruptcy Code, liens on, and

² Capitalized terms not otherwise defined in this Final Order shall have the definitions ascribed to them in the DIP Term Sheet.

security interests in, any and all of the Collateral (as defined below), subject only to the Senior Liens (as defined below);

(g) authorization for the Debtors to use the Prepetition Collateral (as defined below), including the Cash Collateral (as defined below) and approving the grant of adequate protection to the Existing Term Lender Parties (as defined below) as provided herein;

(h) scheduling, pursuant to Bankruptcy Rule 4001, an interim hearing (the "Interim Hearing") on the Motion to be held before this Court to consider entry of the Interim Order, among other things, authorizing the Debtors, on an interim basis, to borrow the Interim Amount under the Interim Order and the DIP Term Sheet; and

(i) scheduling, pursuant to Bankruptcy Rule 4001, a final hearing (the "Final Hearing") on the Motion to consider entry of a final order (the "Final Order") authorizing and approving, on a final basis, the Postpetition Financing, and establishing notice procedures in respect of the Final Hearing.

The Debtors having requested in the Motion that pending the Final Hearing on the Motion, an Interim Hearing be scheduled on an expedited basis to consider entry of the Interim Order; and the Interim Hearing having been held by the Court on February 26, 2014 following which the Court entered the Interim Order approving the DIP Facility on February 27, 2014 [D.I. 52]; and the Court through the entry of the Interim Order having scheduled the Final Hearing for March 12, 2014; and notice of entry of the Interim Order and notice of the Final Hearing having been provided to (a) the Office of the United States Trustee for the District of Delaware; (b) each of the Debtors' twenty largest unsecured creditors on a consolidated basis; (c) counsel to the Existing Lender Parties; (d) counsel to the DIP Lender Parties; (e) Wells Fargo Bank, N.A., (f) counsel to the Debtors' landlords; (g) all applicable health regulatory agencies and taxing authorities; (h) the United States Attorney's Office for the District of Delaware; (i) the Internal Revenue Service; (j) all known parties that may be asserting a lien against the Collateral; and (k) each party that had filed a notice of appearance in the Case as of the time of service of notice of entry of the Interim Order and notice of the Final Hearing (collectively, clauses (a) through (k), the "Notice Parties"); and upon the limited objection of the United States of America [D.I. 107],

the objection of the United States of America [D.I. 120], and the objection of the Official Committee of Unsecured Creditors (the "Committee") [D.I. 129] (collectively, the "Objections"); and it appearing that on the record made in the Case and after considering the Debtors' immediate need for financing, no other or further notice need be given; and the Lender Parties having agreed to provide the Postpetition Financing in accordance with the DIP Term Sheet and this Final Order; and the Debtors and HFG having agreed to certain amendments to the DIP Term Sheet, which are reflected in the amended DIP Term Sheet attached as Exhibit A hereto.

NOW, THEREFORE, upon the Motion and the record of the Case and the Final Hearing held before me on March 12, 2014; and after due deliberation and good and sufficient cause appearing therefor, the Court hereby makes the following findings of fact and conclusions of law:

Based upon the record presented to the Court, it appears that:

A. Filing; Interim Order. On February 24, 2014 (the "Filing Date"), each of the Debtors filed a voluntary petition for reorganization in this Court under chapter 11 of the Bankruptcy Code. The Debtors have continued in the management and operation of their businesses and properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. On March 6, 2014, the Office of the United States Trustee appointed the Committee. By the Interim Order, the Court authorized the Debtors to obtain secured credit on the terms and conditions under the DIP Facility and approved the DIP Facility on an interim basis pending the Final Hearing.

B. Debtors' Stipulations. Without prejudice to the rights of any other party (but subject to the limitations thereon contained in paragraph 27 hereof), the Debtors admit, stipulate and agree that:

1. Prior to the Filing Date, Restora Mesa and Restora Sun City, as borrowers, Restora Holdings, as guarantor and HFG and its affiliates, as revolving lender and term lender, and HFG, as agent (collectively, in such capacities, the "Existing Lender Parties"; HFG as term lender and agent, the "Existing Term Lender Parties") entered into that certain Revolving and Term Loan and Security Agreement dated as of June 29, 2012 (as amended, modified and supplemented from time to time, including the schedules and exhibits thereto, the "Existing Loan Agreement") and related agreements, documents and instruments delivered in connection therewith (collectively, together with the Existing Loan Agreement, the "Existing Loan Documents"), pursuant to which, among other things, the Existing Lender Parties loaned money or extended other financial accommodations to the Debtors. The Existing Loan Agreement (including the first amendment and second amendment thereto) has been filed with the Court [D.I. 106].

2. Pursuant to the Existing Loan Documents, the Debtors granted the Existing Lender Parties, a first-priority lien on and security interest in substantially all of the Debtors' assets including, but not limited to, all of the Debtors' receivables, deposit accounts, cash, records, general intangibles, machinery, equipment, fixtures, personal property, inventory, contracts, investment property, equity interests and other assets of all kinds and all proceeds of all of the foregoing (collectively, as defined and specified in the Existing Loan Documents as "Collateral", the "Prepetition Collateral"), to secure the Debtors' obligations under the Existing Loan Documents. All proceeds of the Prepetition Collateral (including cash on deposit at depository institutions as of the Filing Date, securities or other property) are "cash collateral" of the Existing Lender Parties within the meaning of section 363(a) of the Bankruptcy Code (the "Cash Collateral")

3. As of the Filing Date, the Debtors were validly indebted to the Existing Lender Parties under the Existing Loan Documents in the approximate amount of \$3.0 million on account of the revolving loans under the Existing Loan Documents, plus accrued and unpaid interest, fees and expenses including professional fees and expenses incurred under or in connection with the Existing Loan Documents (the "Existing Revolving Debt") and \$2.6 million plus accrued and unpaid interest, fees and expenses including professional fees and expenses incurred under or in connection with the Existing Loan Documents (the "Existing Term Debt") and together with the Existing Revolving Debt, the "Existing Debt"), and the Debtors do not have any counterclaim, setoff, defense or objection against or relating to the Existing Debt. No portion of the Existing Debt is subject to avoidance, recharacterization, recovery, disallowance or subordination pursuant to the Bankruptcy Code (including, but not limited to, section 502(d) thereof) or applicable non-bankruptcy law. To the best of the Debtors' knowledge and belief, based on the value of the Prepetition Collateral (which, as of December 31, 2013, included approximately \$8.6 million in uncollected receivables), the Existing Debt is oversecured as of the Filing Date.

4. The Debtors are not aware of any facts that would support, nor are they aware of, any claims, causes of action or equitable remedies against or defenses to or abatement of the Claims and Liens asserted by the Existing Lender Parties, whether arising at law or in equity, including any recharacterization, subordination, avoidance or other claim arising under or

pursuant to section 105 or chapter 5 of the Bankruptcy Code or under any other similar provisions of applicable state or federal law.

5. The Existing Debt is fully secured by valid, binding, enforceable and properly perfected first priority liens and security interests in the Prepetition Collateral, each of which lien is not subject to avoidance, subordination, or disallowance pursuant to the Bankruptcy Code (including, but not limited to, section 502(d) thereof) or applicable non-bankruptcy law. The Debtors are unaware of any action taken by the Existing Lender Parties which would result in the avoidance, postponement, disallowance, recharacterization or subordination of the Existing Debt.

6. The rights of the Existing Lender Parties in respect of the Existing Revolving Debt in and to certain Prepetition Collateral (including receivables, money and cash, the lockbox accounts and records and proceeds thereof) is senior to the rights of the Existing Lender Parties in respect of the Existing Term Debt in such Prepetition Collateral. The rights of the Existing Lender Parties in respect of the Existing Term Debt in and to the remaining Prepetition Collateral (including general intangibles, goods, inventory, contracts, leases, instruments, investment property, equity interests, etc. and records and proceeds thereof) is senior to the rights of the Existing Lender Parties in respect of the Existing Revolving Debt in such Prepetition Collateral.

C. Need for Postpetition Financing and Use of Prepetition Collateral (including Cash Collateral). The Debtors have an immediate need to obtain the Postpetition Financing and to use the Prepetition Collateral including the Cash Collateral. The Debtors do not have sufficient available sources of working capital and financing to carry on the operation of their businesses without the Postpetition Financing and the Debtors' use of the Prepetition Collateral (including Cash Collateral). The ability of the Debtors to pay employees, maintain business relationships with vendors and suppliers, purchase new inventory, and otherwise finance their operations is essential to the Debtors' continued viability and to the well-being of the Debtors' patients dependent on the Debtors' healthcare services. Without the Postpetition Financing and the Debtors' use of the Prepetition Collateral (including Cash Collateral), the continued orderly operation of the Debtors' healthcare services would not be possible, and serious and irreparable harm to the Debtors and their estates as well as their vulnerable patients dependent on the Debtors' healthcare services would result. The purpose of the Postpetition

Financing and the Debtors' use of the Prepetition Collateral (including Cash Collateral) will thus be to preserve, maintain and enhance the going concern value of the Debtors and protect patients dependent on the Debtors' healthcare services.

D. No Credit Available on More Favorable Terms. Given the Debtors' financial condition, financing arrangements, and capital structure, as well as the uncertain timing of collections of receivables, the Debtors do not have sufficient Cash Collateral to fund their businesses and are otherwise unable to obtain adequate unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. Financing on a postpetition basis is not otherwise available without the Debtors' granting, pursuant to section 364(c)(1) of the Bankruptcy Code, claims having priority over any and all administrative expenses of the kinds specified in sections 503(b) and 507(b) of the Bankruptcy Code, and securing such indebtedness and obligations with the security interests in and the liens upon the Collateral pursuant to section 364(c) and (d) of the Bankruptcy Code. The Debtors are unable to obtain the necessary postpetition financing that they need on terms more favorable than those provided by the Postpetition Financing.

E. Need to Grant Superpriority Administrative Expense Claim and Priming Liens. The Debtors are unable to obtain an adequate unsecured credit facility allowable under section 503(b)(1) of the Bankruptcy Code and must grant to the Lender Parties a Superpriority Administrative Expense Claim as contemplated by section 364(c)(1) of the Bankruptcy Code and liens as contemplated by section 364(c)(2), (c)(3) and (d) of the Bankruptcy Code. Subject only to the Carveout (as defined below) and the Senior Liens, the Lender Parties have conditioned all loans and advances to be made under the DIP Term Sheet upon the grant to the Lender Parties of: (a) a Superpriority Administrative Expense Claim pursuant to section 364(c)(1) of the

Bankruptcy Code with priority over any and all expenses of any kind or nature whatsoever specified in sections 503(b) and 507(b) of the Bankruptcy Code; and (b) in accordance with section 364(c)(2), (3) and (d) of the Bankruptcy Code, liens on and security interests in the Collateral.

F. Roll-up of Prepetition Revolving Debt. In accordance with the Interim Order, the Existing Revolving Debt was rolled-up as Lender Debt. As provided in paragraph 27 hereof, this Final Order preserves the rights of parties in interest to investigate and, if appropriate, challenge the validity, enforceability, perfection and priority of the Existing Revolving Debt and the Existing Lender Parties' security interests in and liens on the Prepetition Collateral, including, without limitation, the roll-up of the Existing Revolving Debt.

G. DIP Facility. Pursuant to the DIP Facility, the Lender Parties have agreed to provide Revolving Loans to the Debtors in amounts not to exceed the maximum outstanding principal amount at any one time of (i) following entry of the Interim Order and prior to entry of the Final Order, \$4.0 million in accordance with the DIP Term Sheet, the Budget (as defined below) and the Interim Order, and (ii) upon entry of the Final Order, \$7.0 million, in accordance with the DIP Term Sheet, the Loan Documents, the Budget and this Final Order. The Lender Parties have agreed to make overadvances in excess of borrowing base availability (but not in excess of the Interim Amount prior to entry of the Final Order or in excess of the Total Commitment following the entry of the Final Order) in an amount up to (a) \$2.3 million following entry of the Interim Order and prior to entry of the Final Order in accordance with the DIP Term Sheet, the Budget and the Interim Order, and (b) \$2.6 million following entry of this Final Order in accordance with the DIP Term Sheet, the Loan Documents, the Budget and this Final Order. The Lender Parties shall have the discretion to establish reserves and liquidity

blocks in the borrowing base in accordance with the DIP Term Sheet, including on account of the Carveout.

H. Senior Liens. The Senior Liens (as defined in the DIP Term Sheet), but only to the extent such liens were, as of the Filing Date, valid, enforceable and not subject to avoidance and only to the extent the claims in respect of such liens remain unpaid, shall not be primed by the liens securing the DIP Facility.

I. Business Judgment and Good Faith. The terms of the Postpetition Financing including the interest rates and fees applicable thereto, are at least as favorable to the Debtors as those available from alternative sources. The terms of the Postpetition Financing have been negotiated in good faith and at arm's length between the Debtors and the Lender Parties, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are fair and reasonable under the circumstances, and are enforceable in accordance with applicable law. The credit extended to the Debtors by the Lender Parties under the Postpetition Financing and this Final Order shall be deemed to have been extended in "good faith" as that term is used in section 364(e) of the Bankruptcy Code, and in express reliance upon the protections set forth therein, and shall be entitled to the full protection of section 364(e) of the Bankruptcy Code in the event that this Final Order or any provision hereof is vacated, reversed or modified, on appeal or otherwise.

J. Need for Approval. Absent granting the relief sought by this Final Order, the Debtors' estates will be immediately and irreparably harmed. The Debtors have no alternative source of financing to meet their immediate and projected obligations, including payroll and other operating expenses, and consequently, it is essential that the Court approve the financing contemplated hereby. The continued approval of the Postpetition Financing and the

continued authorization of the use of the Prepetition Collateral (including Cash Collateral) in accordance with the terms of this Final Order are therefore in the best interests of the Debtors' estates, and are consistent with the Debtors' exercise of their fiduciary duties.

K. Jurisdiction and Venue. This Court has jurisdiction over the Case, the Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. This Final Order is entered in a "core" proceeding as defined in 28 U.S.C. §§ 157(b)(2)(A), (D), (G), (K) and (M). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507(b) of the Bankruptcy Code and Bankruptcy Rules 2002, 4001, 6004 and 9014.

L. Notice. Notice of the Motion, the relief requested therein, the entry of the Interim Order and the Final Hearing was served by the Debtors on the Notice Parties (See D.I. 28, 65, 84, 85). The notice provided of the Motion and the Final Hearing is sufficient and adequate notice and no further notice of the relief sought at the Final Hearing is necessary or required.

Based upon the foregoing, **IT IS HEREBY ORDERED, ADJUDGED AND DECREED** as follows:

Approval and Authorization.

1. Motion Granted. The Motion is granted with respect to the Postpetition Financing to the extent provided herein. The Objections and any other objections to the relief sought in the Motion with respect to the entry of this Final Order that have not been previously withdrawn, waived or settled, and all reservations of rights included therein, are hereby denied and overruled.

2. Approval of Documents. The Postpetition Financing and the DIP Term Sheet are hereby approved subject to the terms of this Final Order. The failure to reference or discuss any particular provision of the DIP Term Sheet shall not affect the validity or enforceability of any such provision.

3. Authorization to Execute and Deliver Documents. The Debtors are expressly authorized, empowered and directed to do and perform all acts to make, execute, deliver and implement the DIP Term Sheet and any other document required to be executed and delivered in connection therewith. Upon execution and delivery of the DIP Term Sheet, the DIP Term Sheet shall constitute valid, binding and non-avoidable obligations of the Debtors, enforceable against the Debtors in accordance with the terms of the Final Order and the DIP Term Sheet. No obligation, payment, transfer or grant of security under the DIP Term Sheet or this Final Order shall be stayed, restrained, voidable, avoidable or recoverable under the Bankruptcy Code or under any applicable nonbankruptcy law (including without limitation, under sections 502(d), 548 or 549 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law), or subject to any defense, reduction, setoff, recoupment or counterclaim. The Debtors are authorized and directed to pay all principal, interest, fees, costs and other expenses that may be required or necessary for the Debtors to perform all of their obligations under the DIP Term Sheet and this Final Order without any further order or approval of the Court.

4. Authorization to Borrow; the Budget. Good and sufficient cause has been shown for the entry of this Final Order. The Debtors are authorized and empowered to borrow funds pursuant to the DIP Term Sheet for the purposes permitted under the DIP Term Sheet and this Final Order, all in accordance with the budget attached to this Final Order as Exhibit B (the

“Budget”). The Debtors shall provide the Committee with three business days’ notice of any updated, revised or modified Budget and if the Committee objects thereto within such three business days’ notice period and the objection cannot be consensually resolved, the proposed updated, revised or modified Budget will not be effective unless approved by the Court.

5. Amendments. The Lender Parties and the Debtors may amend, modify, supplement or waive any provision of the DIP Term Sheet if such amendment, modification, supplement or waiver is not material (in the good faith judgment of the Lender Parties and the Debtor), without any need to apply to, or receive further approval from, the Court; *provided* that the Debtors provide the Committee with reasonable notice of such amendment, modification, supplement or waiver. Any material amendment, modification, supplement or waiver shall be in writing, signed by the parties and subject to approval by the Court on appropriate notice.

Roll-Up of Prepetition Revolving Debt.

6. Roll-Up of Prepetition Revolving Debt. Subject to the effects of a Challenging Action as defined and described in paragraph 27 hereof, in accordance with the Interim Order, all Existing Revolving Debt was rolled up and constitutes Lender Debt that is valid, binding, and enforceable against the Debtors as set forth in the Interim Order, this Final Order and the DIP Term Sheet.

Use of Prepetition Collateral (Including Cash Collateral).

7. Use of Prepetition Collateral (Including Cash Collateral). The Debtors are authorized to use the Prepetition Collateral (including the Cash Collateral) during the period from the Filing Date until the occurrence and continuation of an Event of Default for the same purposes as set forth in and in accordance with this Final Order, the DIP Term Sheet and the Budget.

Payment of Lender Debt.

8. **Payment of Principal, Interest, Fees, Etc.** The Debtors shall pay to the Lender Parties principal and interest as provided in this Final Order and the DIP Term Sheet in accordance with the procedures herein and therein set forth (and the Lender Parties shall be permitted to charge such amounts to the DIP Facility). In consideration of the financial and other accommodations to be made by the Lender Parties under this Final Order and the DIP Term Sheet, the Debtors are hereby authorized and directed, without further order of the Court, to pay to the Lender Parties all fees and charges as set forth herein and in the DIP Term Sheet and to reimburse the Lender Parties for all reasonable out of pocket expenses and professional fees and related disbursements incurred by the Lender Parties in connection with the preparation of the DIP Term Sheet and the Loan Documents or in connection with or related to the Debtors, the Case or the DIP Facility; *provided* that the Lender Parties shall provide a copy of any invoices (redacted with respect to privileged matters) for their professional fees and expenses to counsel for the Debtors, counsel for the Committee, and the Office of the United States Trustee, and in absence of an objection filed with this Court within 10 days after receipt of such invoices, the Debtors are authorized and directed to pay the amount of such invoices. In the event there is an objection filed with this Court within 10 days after receipt of such invoices, the Debtors are authorized and directed to pay only the portion of such invoices that are not subject to such objection, and shall pay any balance following resolution of such objection or upon an order of this Court.

Superpriority Administrative Claim; Collateral.

9. **Superpriority Administrative Expense Claim; Waiver under Section 506(c).** Subject to the Carveout, all of the Lender Debt shall have the status of an allowed

Superpriority Administrative Expense Claim in the Case pursuant to section 364(c)(1) of the Bankruptcy Code, having priority over any and all administrative expenses, adequate protection claims and all other claims against the Debtors, whether heretofore or hereafter incurred, of any kind or nature whatsoever, including without limitation, all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims arising under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 or 1114 of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment, which allowed claims shall for purposes of section 1129(a)(9)(A) of the Bankruptcy Code be considered administrative expenses allowed under section 503(b) of the Bankruptcy Code. No claim or expense having a priority senior or *pari passu* to the priority granted to the Lender Parties in this Final Order shall be granted or permitted in the Case, or any superseding chapter 7 case, and no other costs or expenses of administration of any kind, nature or description whatsoever shall be imposed against the Collateral under sections 105, 506(c) or 552 of the Bankruptcy Code or otherwise, in each case, while any portion of the Lender Debt remains outstanding.

10. Payment of Administrative Expenses. Unless an Event of Default shall have occurred (or would result from such payment), subject to the Budget, the Debtors shall be permitted to pay, as the same may become due or authorized and payable, administrative expenses of the kind specified in section 503(b) of the Bankruptcy Code incurred in the ordinary course of their businesses.

11. Collateral Security. As security for the full and timely payment of the Lender Debt, the Lender Parties are hereby granted pursuant to section 364(c)(2), (3) and (d) of

the Bankruptcy Code, liens on, and security interests in, all of the Collateral, subject only to the Carveout and the Senior Liens. The term "Collateral" shall have the definition ascribed thereto in the DIP Term Sheet and includes all of the Debtors' assets including, without limitation, whether now existing or owned or hereafter arising or acquired, all receivables, all general intangibles and payment intangibles, contract rights, deposits and deposit accounts, goods, inventory, machinery and equipment, goodwill and investment property, membership rights, privileges and interests in any person, real property and leasehold interests, and all cash and non-cash proceeds of the foregoing. The term "Collateral" shall also include any and all causes of action of the Debtors and their estate under sections 544, 545, 547, 548, 549, 550 and 724 of the Bankruptcy Code and any proceeds thereof ("Avoidance Actions"). Notwithstanding anything to the contrary contained in this Final Order or the DIP Term Sheet, the liens and Superpriority Administrative Expense Claims of the Lender Parties and the Existing Term Lender Parties with respect to the Avoidance Actions shall be of no further force and effect and shall terminate upon the closing of a going concern sale of the Debtors whether pursuant to 11 U.S.C. § 363 or under a plan of reorganization.

12. No Subordination. The liens on, and security interests in, the Collateral granted to the Lender Parties under this Final Order and pursuant to the DIP Term Sheet and the Loan Documents shall not be subordinated to, or made *pari passu* with, any other lien or security interest, however and whenever arising, in the Case or any superseding chapter 7 case, other than the Carveout and the Senior Liens.

13. Automatic Perfection of Liens.

(a) The liens and security interests granted to the Lender Parties hereunder and under the DIP Term Sheet are valid, binding, continuing, enforceable and fully-perfected with the priorities herein and therein set forth.

(b) The Lender Parties shall not be required to file any financing statements, mortgages, notices of lien or similar instruments in any jurisdiction or filing office, or to take any other action in order to validate or perfect the liens and security interests granted by or pursuant to this Final Order and/or the DIP Term Sheet.

(c) Should the Lender Parties, in their sole discretion, from time to time, choose to file such financing statements, mortgages, notices of lien or similar instruments, take possession of any Collateral securing the Lender Debt for perfection purposes, or take any other action to protect from infringement or otherwise validate or perfect any such security interest or lien, the Debtors and their officers are hereby directed to execute any such documents or instruments as the Lender Parties shall reasonably request, and all such documents and instruments shall be deemed to have been filed or recorded at the time and on the date of entry of the Interim Order.

(d) In the discretion of the Lender Parties, a certified copy of this Final Order may be filed with or recorded in filing or recording offices in addition to or in lieu of such financing statements, mortgages, notices of lien or similar instruments, and all filing offices are hereby directed to accept such certified copy of this Final Order for filing and recording, and such certified copy shall be deemed filed and recorded at the time and on the date of entry of the Interim Order.

Carveout.

14. The liens, security interests, and Superpriority Administrative Expense Claims granted in favor of the Lender Parties in connection with the DIP Facility shall be subject to a carveout (the "Carveout") for (i) in the event of conversion of the Case to Chapter 7 of the Bankruptcy Code, payment of up to \$20,000 of fees and expenses of a trustee appointed under section 702 of the Bankruptcy Code, (ii) the payment of all unpaid fees payable to the U.S. Trustee under 28 U.S.C. § 1930 in such amounts as determined in agreement with the U.S. Trustee or by a final order of the Court fees, (iii) the payment of all fees and expenses incurred during the Case in accordance with the Budget (without regard to any variance permitted by the DIP Term Sheet) prior to the occurrence of an Event of Default (as defined below) under the DIP Facility, but that remain unpaid as of such date, of professionals retained by the Debtors, professionals retained by the Committee, and any patient care ombudsman appointed in the Case (collectively, the "Professional Fees") in an amount not to exceed \$500,000, and (iv) an amount up to \$150,000 for the payment of Professional Fees incurred from and after the occurrence of an Event of Default under the DIP Facility following entry of the Final Order. So long as no Event of Default shall have occurred and be continuing, the Carveout shall not be reduced by the payment of Professional Fees in accordance with and subject to the Budget. Other than the Carveout, the DIP Facility shall not otherwise be subject to any carveout for Professional Fees.

15. Intentionally Omitted.

Termination.

16. Termination. Notwithstanding the provisions of section 362 of the Bankruptcy Code and without order of or application or motion to the Court, subject to any applicable grace or cure period expressly set forth in the DIP Term Sheet, in the event of (a) the

failure of the Debtors to perform any of their material obligations under this Final Order, or (b) the occurrence and continuance of an Event of Default, then and upon the occurrence of either of the foregoing (each a "Termination Event"), and at all times during the continuance thereof, the Lender Parties may upon not less than five (5) days prior written notice to the Debtors and their counsel, the Office of the United States Trustee, and counsel for the Committee exercise any and all rights and remedies allowed under this Final Order, the DIP Term Sheet and/or applicable law; *provided, however*, that notwithstanding the foregoing and section 362 of the Bankruptcy Code, and without order of or application or motion to the Court, if a Termination Event exists, the Lender Parties may do one or more of the following at any time and in any order: (i) reduce the amount of the borrowing base used in computing availability under the DIP Facility, (ii) restrict the amount of or refuse to make revolving loans or advances under the DIP Facility or terminate or reduce the Lender Parties' commitment to lend under the DIP Facility, (iii) continue to apply collections on receivables and other Collateral to the Lender Debt, and/or (iv) declare the Lender Debt to be immediately due and payable. The Lender Parties' failure to exercise rights under this paragraph shall not constitute a waiver of any of their rights. At any hearing following a Termination Event, the Debtors shall be permitted to contest whether a Termination Event has occurred and is then continuing but may not seek any relief that would in any way restrict or impair the rights and remedies of the Lender Parties set forth in this Final Order, the DIP Term Sheet and/or applicable law.

17. Maturity Date. In addition to any rights and remedies of the Lender Parties under the terms of this Final Order, the DIP Facility shall immediately and automatically terminate and the Lender Debt shall be immediately due and payable upon the Maturity Date.

Adequate Protection for the Existing Term Lender Parties.

18. Adequate Protection Liens. As adequate protection for the granting of liens to secure the DIP Facility and the Debtors' use of the Prepetition Collateral including the Cash Collateral, to the extent of any diminution in value (if any) of the Existing Term Lender Parties' liens (if any) in the Collateral following the Filing Date, the Existing Term Lender Parties are granted replacement liens (the "Adequate Protection Liens") in all Collateral. The Adequate Protection Liens shall be subject to the Carveout and shall be junior in priority to the Senior Liens and the liens of the Lender Parties securing the Lender Debt and senior to all other liens.

19. Interest, Fees and Expenses. As adequate protection for the granting of liens to secure the DIP Facility and the Debtors' use of the Prepetition Collateral including the Cash Collateral, (a) interest on the Existing Term Debt shall accrue during the Case at the default rate set forth in the Existing Loan Agreement, and (b) the Debtors shall pay all reasonable out of pocket expenses and professional fees and related disbursements incurred by the Existing Term Lender Parties in connection with the Debtors or the Case in accordance with the invoice, review and payment procedure set forth in paragraph 8 hereof. In the event any payments made pursuant to this paragraph would not be permitted as a result of the application of section 506(b) of the Bankruptcy Code, any such payments shall be reallocated to the secured portion of the outstanding principal amount of the Existing Term Debt. The Committee's rights to contest the Existing Term Lender Parties' entitlement to post-petition interest at the default rate on the Existing Term Debt are fully preserved.

20. No Filing Required. The Existing Term Lender Parties shall not be required to file any financing statements, mortgages, notices of lien or similar instruments in any

jurisdiction or filing office, or to take any other action in order to validate or perfect the Adequate Protection Liens granted by or pursuant to this Final Order. The Existing Term Lender Parties shall have no right to seek or exercise any rights or remedies in respect of the Adequate Protection Liens unless the Lender Parties have consented thereto or the Lender Debt has been indefeasibly paid and satisfied in full accordance with the DIP Term Sheet and this Final Order.

21. Superpriority Administrative Expense Claim; Waiver under Section 506(c). In accordance with section 507(b) of the Bankruptcy Code, solely to the extent the Adequate Protection Liens fail to protect the Existing Term Lender Parties from the diminution in value (if any) of the Existing Term Lender Parties' liens in the Collateral following the Filing Date, the Existing Term Lender Parties shall have an allowed Superpriority Administrative Expense Claim in the Case pursuant to section 364(c)(1) of the Bankruptcy Code, having priority over any and all administrative expenses, adequate protection claims and all other claims against the Debtors, whether heretofore or hereafter incurred, of any kind or nature whatsoever, including without limitation, all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims arising under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 or 1114 of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment, which allowed claims shall for purposes of section 1129(a)(9)(A) of the Bankruptcy Code be considered administrative expenses allowed under section 503(b) of the Bankruptcy Code, subject and junior only to the Lender Parties' Superpriority Administrative Expense Claim and the Carveout. Except for the Lender Parties' Superpriority Administrative Expense Claim and the Carveout, (i) no claim or expense having a priority senior or *pari passu* to the priority granted to the Existing Term Lender

Parties in this Final Order shall be granted or permitted in the Case, or any superseding chapter 7 case, and (ii) no other costs or expenses of administration of any kind, nature or description whatsoever shall be imposed against the Collateral under sections 105, 506(c), or 552 of the Bankruptcy Code or otherwise, in each case, while any portion of the Existing Term Debt remains outstanding.

Miscellaneous Provisions.

22. Reporting Requirements. The Debtors are obligated to allow access to the Lender Parties, the Existing Term Lender Parties and their respective representatives and to provide information with respect to and otherwise comply with the reporting and disclosure undertakings and agreements set forth in this Final Order, the DIP Term Sheet and the Loan Documents and such obligations shall continue until the indefeasible payment in full of all Lender Debt and the Existing Term Debt and the Lender Parties' commitment to loan money to the Debtors under the DIP Term Sheet is terminated.

23. Collection and Deposit Accounts. In accordance with the Order granting the Debtors' motion to maintain their cash management system [D.I. 6], Wells Fargo Bank, National Association ("Wells Fargo") shall continue to comply with its obligations under the collection account agreements and deposit account control agreements among Wells Fargo, the respective Debtor, and the Existing Lender Parties and shall transfer all collections and proceeds of accounts receivable deposited in the accounts governed by such agreements in accordance with the terms of such agreements to the Agent, in accordance with the written instructions provided by the Agent to Wells Fargo.

24. Binding Effect of Order; Successors and Assigns. The DIP Term Sheet and this Final Order shall be binding upon all parties-in-interests in the Case, including without

limitation, the Lender Parties, the Existing Term Lender Parties, the Committee and the Debtors and their respective successors and assigns, including, without limitation, any chapter 11 trustee or chapter 7 trustee or similar responsible person hereafter appointed as a representative of the Debtors' estates and any such successors or assigns, without further order of this Court and shall inure to the benefit of the Lender Parties, the Existing Term Lender Parties, the Committee and the Debtors and their respective successors and assigns. The Debtors and their successors and assigns shall be deemed authorized and directed to comply with the provisions of this Final Order and the DIP Term Sheet. The Lender Parties shall not have any obligation to extend any financing to any chapter 11 trustee or chapter 7 trustee or similar responsible person appointed for the estates of the Debtors.

25. No Impairment of Liens and Order. The liens, security interests, Superpriority Administrative Expense Claims, Lender Debt and other rights and remedies granted to the Lender Parties under this Final Order and the DIP Term Sheet, and the Adequate Protection Liens and other rights herein granted to the Existing Term Lender Parties, and any actions taken pursuant hereto or thereto shall survive, and shall not be modified, altered or impaired in any manner by (a) any other financing or extension of credit or incurrence of debt by the Debtors (under section 364 of the Bankruptcy Code or otherwise), (b) the entry of an order confirming any plan of reorganization, (c) the entry of an order converting the Case to chapter 7 or dismissing the Case, or (d) the maturity of the Lender Debt. The liens, security interests, claims and any other rights granted to the Lender Parties and the Existing Term Lender Parties pursuant to this Final Order and the DIP Term Sheet shall continue in effect until (i) in the case of the Lender Parties, the Lender Debt is indefeasibly satisfied and paid, and the Lender Parties'

commitment to make loans under the DIP Facility has terminated, and (ii) in case of the Existing Term Lender Parties, the Existing Term Lender Debt is indefeasibly satisfied and paid.

26. Good Faith. Having been found to be extending the Postpetition Financing to the Debtors in good faith, the Lender Parties are entitled to the full protection of section 364(e) of the Bankruptcy Code with respect to the Lender Debt and the Superpriority Administrative Expense Claims and liens created or authorized by this Final Order in the event that this Final Order or any authorization contained herein is stayed, vacated, reversed or modified on appeal. If any provision of this Final Order is hereafter modified, vacated, reversed or stayed by subsequent order of this or any other court for any reason, such modification, vacation, reversal or stay shall not affect the validity, enforceability and priority of any of the Lender Debt or the claims, liens and security interests granted to the Lender Parties under this Final Order and/or the DIP Term Sheet, and the validity, enforceability or priority of the Lender Debt and the claims, liens and security interests of the Lender Parties shall be governed in all respects by the original provisions of this Final Order, and the Lender Parties shall be entitled to all of the rights, privileges and benefits granted herein, including, without limitation, the liens, security interests and priorities granted to the Lender Parties in this Final Order with respect to all Lender Debt.

27. Challenges in Respect of Existing Debt. The Debtors agreed to waive the right to challenge the validity, enforceability, perfection and priority of the Existing Debt and the Existing Lender Parties' security interest and liens on the Prepetition Collateral. Each other party, including the Committee or any trustee appointed before the Challenge Deadline (as defined below), shall have waived any right to challenge the validity, enforceability, perfection and priority of the Existing Debt and the Existing Lender Parties' security interest and liens on

the Prepetition Collateral, unless that party commences in the Court an adversary proceeding challenging such validity, enforceability, perfection and/or priority (a "Challenging Action") on or before 75 days after the entry of the Interim Order (or in the case of the Committee 60 days after the appointment of the Committee) (the "Challenge Deadline"). The Challenge Deadline may be extended in writing by the Existing Lender Parties or by the Court for cause upon request by the Committee made prior to the expiration of the Challenge Deadline. With respect to any trustee appointed before the expiration of the Challenge Deadline, the Court may extend such Challenge Deadline upon request by such trustee for cause shown. The Existing Debt and the Existing Lender Parties' security interest and liens on the Prepetition Collateral shall be deemed, as against any party in interest that does not file a Challenging Action on or before the Challenge Deadline, to be legal, valid, binding, perfected, not subject to defense, counterclaim, offset of any kind, subordination and otherwise unavoidable. If no Challenging Action is commenced on or before the Challenge Deadline or, in the event one or more Challenging Actions is commenced on or before the Challenge Deadline and such Challenging Actions are dismissed, then the Existing Debt and the Existing Lender Parties' security interest and liens on the Prepetition Collateral shall not be subject to any other or further challenge by any party in interest seeking to exercise the rights of the Debtors' estates or otherwise, including without limitation, any successor thereto. None of the advances under the DIP Facility or the Carve-Out Reserve may be used to prosecute actions, claims, demands or causes of action against the Lender Parties or the Existing Lender Parties or to object to or contest in any manner, or to raise any defense in any pleading to the validity, perfection, priority or enforceability of the Existing Debt or the Existing Lender Parties' liens and security interests in the Prepetition Collateral, the liens and security interests granted to the Lender Parties hereunder, or the Lender Debt, including

in respect of a Challenging Action; *provided, however*, up to an aggregate of \$32,500 of the Prepetition Collateral including the Cash Collateral, advances under the DIP Facility, or the Carveout may be used by the Committee (if any) to investigate the validity, enforceability, perfection and priority of the Existing Debt and the Existing Lender Parties' security interests and liens on the Prepetition Collateral. The Committee shall have standing to commence a Challenging Action. For the avoidance of doubt, the roll-up of the Existing Revolving Debt shall be subject to being unwound, in whole or in part, as a result of a successful Challenging Action with respect to the Existing Revolving Debt and/or the security interests and liens securing the Existing Revolving Debt.

28. No Third Party Beneficiaries. Other than as expressly set forth herein, no rights are created hereunder for the benefit of any third party, or any direct, indirect or incidental beneficiary.

29. No Marshaling. In no event shall the Lender Parties be subject to the equitable doctrine of "marshaling" or any similar doctrine with respect to the Collateral.

30. Limitations under Section 552(b) of the Bankruptcy Code. The Lender Parties and the Existing Lender Parties shall be entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code and no expenses of administration of the Case or any future proceeding that may result therefrom, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, may be charged against proceeds, product, offspring or profits from any of the Collateral under section 552(b) of the Bankruptcy Code.

31. No Waiver. Any Lender Party's delay or failure to exercise rights and remedies under the DIP Term Sheet or this Final Order shall not constitute a waiver of the Lender Party's rights hereunder, thereunder or otherwise, unless any such waiver is pursuant to a

written instrument executed in accordance with the terms of the DIP Term Sheet and this Final Order.

32. Payments Free and Clear. Subject to paragraph 27 hereof, any and all payments or proceeds remitted to the Lender Parties or the Existing Term Lender Parties pursuant to the provisions of this Final Order or any subsequent order of this Court shall be received free and clear of any claim, charge, assessment or other liability, including without limitation, any such claim or charge arising out of or based on, directly or indirectly, sections 506(c) (whether asserted or assessed by, through or on behalf of the Debtors) or 552(b) of the Bankruptcy Code.

33. Insurance. The Lender Parties are deemed to be the loss payee under the Debtors' insurance policies and shall act in that capacity and distribute any proceeds recovered or received in respect of any such insurance policies to the payment in full of the Lender Debt, subject as applicable to the Senior Liens.

34. Automatic Stay. The automatic stay imposed by virtue of section 362 of the Bankruptcy Code is hereby vacated and modified insofar as necessary to permit the Lender Parties and the Existing Term Lender Parties to take any action authorized or contemplated by this Final Order or the DIP Term Sheet and to carry out the terms thereof, subject, however, to the satisfaction of any notice, procedural and other conditions contained in this Final Order, and/or the DIP Term Sheet.

35. No Control. By consenting to this Final Order or the Interim Order, by making advances, loans or extending financial accommodations of any type, kind or nature under the DIP Facility or by administering the loans made under the DIP Facility, none of the Lender Parties shall be deemed to be in control of the operations of the Debtors or to be acting as a

“responsible person,” “managing agent” or “owner or operator” (as such terms or any similar terms are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, as amended, or any similar Federal or state statute) with respect to the operation or management of the Debtors.

36. Limitation of Liability. Nothing in this Final Order, the Interim Order or the DIP Term Sheet shall in any way be construed or interpreted to impose or allow the imposition upon the Lender Parties or the Existing Term Lender Parties, any liability for any claims arising from the prepetition or postpetition activities of the Debtors in the operation of their businesses, or in connection with their restructuring efforts. So long as the Lender Parties and the Existing Term Lender Parties comply with their respective obligations under this Final Order, the Interim Order and the DIP Term Sheet and their obligations under applicable law (including the Bankruptcy Code), (a) the Lender Parties and the Existing Term Lender Parties shall not, in any way or manner, be liable or responsible for (i) the safekeeping of the Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof, or (iv) any act or default of any carrier, servicer, bailee, custodian, forwarding agency or other person, and (b) all risk of loss, damage or destruction of the Collateral shall be borne by the Debtors.

37. Inconsistency. In the event of any inconsistency between this Final Order and the DIP Term Sheet, any Loan Document, the Existing Loan Agreement, any document or any other agreement heretofore or hereafter entered into by and between the Debtors and the Lender Parties and/or the Existing Term Lender Parties, the terms of this Final Order shall govern and control.

38. Retention of Jurisdiction. The Bankruptcy Court shall retain jurisdiction to enforce the provisions of this Final Order, and this retention of jurisdiction shall survive the confirmation and consummation of any chapter 11 plan for the Debtors notwithstanding the terms or provisions of any such chapter 11 plan or any order confirming any such chapter 11 plan.

39. Immediate Docketing of Order. The Clerk of the Court is hereby directed to forthwith enter this Final Order on the docket of this Court maintained in regard to the Case.

40. Effectiveness. In accordance with Rule 7052, this Final Order shall constitute findings of fact and conclusions of law and shall take effect and be fully enforceable immediately upon entry hereof. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, or 9014 of the Bankruptcy Rules or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Final Order.

41. Headings. Section headings used herein are for convenience only and are not to affect the construction of or to be taken into consideration in interpreting this Final Order.

Dated: Wilmington, Delaware
March 26, 2014

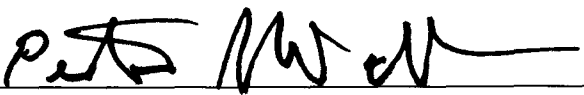

HONORABLE PETER J. WALSH
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

DIP TERM SHEET



199 Water Street
31st Floor
New York, NY 10038

March 19, 2014

George Dunaway
Restora Healthcare
2550 Northwinds Parkway, Suite 160
Alpharetta, GA 30009

George D. Pillari, Chief Restructuring Officer
Alvarez & Marsal Healthcare Industry Group, LLC
100 Pine Street, Suite 900
San Francisco, CA 94111

Dear George and George:

You have requested that Healthcare Finance Group, LLC (together with its affiliates, "**HFG**") provide the terms of a Debtor in Possession financing facility in connection with the chapter 11 bankruptcy cases (the "**Case**") that may be filed by Restora Healthcare Holdings, LLC, Restora Hospital of Mesa, LLC and Restora Hospital of Sun City, LLC in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**") on a date selected by the Borrower (the "**Filing Date**"), which date shall not be later than February 24, 2014.

Debtor in Possession Financing Term Sheet

Borrower: Restora Hospital of Mesa, LLC and Restora Hospital of Sun City, LLC (collectively, "**Restora**" or the "**Borrower**").

Guarantor: Restora Healthcare Holdings, LLC ("**Restora Holdings**" or the "**Guarantor**").

Lender: HFG or its assigns (the "**Lender**").

Administrative Agent: HFG or its assigns (the "**Administrative Agent**" and together with the Lender, the "**Lender Parties**").

Existing Facility: That certain Revolving and Term Loan and Security Agreement dated as of June 29, 2012 (as amended, modified and supplemented from time to time, including the schedules and exhibits thereto, the "**Existing Loan Agreement**") among Restora, as borrowers, Restora Holdings, as guarantor, and HFG and its affiliates, as revolving lender and term lender, and HFG, as agent (collectively, the "**Existing Lender Parties**")

and related agreements, documents and instruments delivered in connection therewith (collectively, together with the Existing Loan Agreement, the "*Existing Loan Documents*").

As of the Filing Date, the Borrower was validly indebted to the Existing Lender Parties under the Existing Loan Documents in the approximate amount of \$5.6 million, plus accrued and unpaid interest, fees and expenses including professional fees and expenses incurred under or in connection with the Existing Loan Documents (collectively, the "*Existing Debt*"). The Existing Debt in respect of the Revolving Loan is approximately \$3.0 million (the "*Existing Revolver Debt*") and the Existing Debt in respect of the Term Loan is approximately \$2.6 million (the "*Existing Term Debt*"). As described below, the Existing Revolving Debt is to be assumed by the Borrower under the DIP Facility and shall be deemed to be obligations thereunder.

DIP Facility:

A senior secured revolving credit facility not to exceed \$7,000,000 (the "*Committed Amount*"), subject to a borrowing base and applicable reserves (the "*DIP Facility*").

Prior to entry of a final order approving the DIP Facility, the aggregate principal amount of the DIP Facility shall not exceed \$4.0 million (the "*Interim Amount*"), including the Existing Revolver Debt.

Purpose/Use of DIP Facility:
Budget:

The Borrower may apply proceeds of the DIP Facility only to fund operating expenses, the costs and expenses of administering the Case and other payments as set forth in the Budget (as defined below) and to assume the Existing Revolving Debt. On the initial funding date of the DIP Facility, the Existing Revolving Debt shall be deemed to constitute obligations under the DIP Facility.

The liens, security interests, and Superpriority Administrative Expense Claims (as defined below) granted in favor of the Lender Parties in connection with the DIP Facility shall be subject to a carveout (the "*Carveout*") for (i) payment of up to \$20,000 of fees and expenses of a trustee appointed under section 726(b) of the Bankruptcy Code, (ii) the payment of U.S. Trustee fees, (iii) the payment of all fees and expenses incurred during the Case in accordance with the Budget (without regard to any variance permitted by the DIP Term Sheet) prior to the occurrence of an Event of Default (as defined below) under the DIP Facility, but that remain unpaid

as of such date, of professionals retained by the Debtors, professionals retained by the official committee of unsecured creditors, once appointed (the "**Committee**"), and any patient care ombudsman appointed in the Case (collectively, the "**Professional Fees**") in an amount not to exceed (a) \$250,000 prior to entry of the Final Order and (b) \$500,000 following entry of the Final Order, and (iv) an amount up to \$150,000 for the payment of Professional Fees incurred from and after the occurrence of an Event of Default under the DIP Facility following entry of the Final Order. So long as no Event of Default shall have occurred and be continuing, the Carveout shall not be reduced by the payment of Professional Fees in accordance with and subject to the Budget. Other than the Carveout, the DIP Facility shall not otherwise be subject to any carveout for Professional Fees.

The Borrower shall provide a rolling, week-by-week budget (the "**Budget**"), acceptable to the Lender Parties. Such Budget shall include forecasts of revenues and receipts, expenses (including restructuring expenses and expenses arising on account of the Case including Professional Fees), statements of cash flows, and applicable assumptions, prepared by the management and/or financial advisors of the Borrower; such Budget may be updated and revised by the Borrower from time to time in form and substance satisfactory to the Lender Parties, and upon approval of such revised budget, it shall become the Budget.

On the second business day of each week, the Borrower shall update the Budget on a weekly, rolling basis and shall deliver a variance analysis with respect to the Borrower's actual revenue, collections and expenses during the prior week measured on a line item basis against the Budget and indicate whether it is in substantial compliance with the Budget and the terms of the DIP Facility, in each case in form and substance satisfactory to the Lender Parties. In connection with delivery of the weekly updated Budget, the Borrower shall clearly identify to the Lender Parties any changes made from the prior Budget.

Documentation; Orders:

The DIP Facility shall be subject to approval by the Bankruptcy Court pursuant to an interim order in respect of the Interim Amount (the "**Interim Order**") and a final order in respect of the Committed Amount (the "**Final Order**" and together with the Interim Order, the "**Orders**"), in each case in form and substance acceptable to the Lender Parties and the Existing

Lender Parties.

The DIP Facility shall be governed by the Orders, this Term Sheet, the Existing Loan Agreement (as modified by this Term Sheet) and such other documents and agreements required by the Lender Parties (collectively, the "*Loan Documents*").

DIP Facility Terms:

Revolver Committed Amount: \$7,000,000.

Minimum Usage: \$2,000,000.

Advance Rate: 85% of the collectible value of eligible receivables, as determined by the Administrative Agent consistent with the criteria in place under the Existing Loan Agreement, subject to due diligence and subject to reserves and liquidity blocks (i) consistent with those in place under the Existing Loan Agreement, (ii) as otherwise determined in the Lender Parties' discretion and (iii) on account of the amount of the Carveout; *provided* that the Lender Parties agree to make overadvances, at Borrower's request, subject to the Budget, in an amount up to \$2.3 million following entry of the Interim Order and up to \$2.6 million following entry of the Final Order. Following the Sale (as defined below), the Lender Parties shall have no further obligation to make advances to the Borrower.

Lockboxes: All payors on the receivables will be instructed to send payments to designated lockboxes for deposit. The deposits will be swept to the Lender daily, made available for draws by the Borrower on a same-day basis, and credited against the Revolver within three business days.

Interest Rate: LIBOR (subject to a 1.25% floor) plus 6.50%.

Default Rate: 2% in excess of applicable interest rate.

Facility Fee: 1.5% of the Committed Amount earned in full at the commencement of the DIP Facility and payable on the earliest of the Maturity Date (as defined below and without regard to any agreed extension thereof), an Event of Default (as defined below) and the consummation of a Sale

Non-Utilization Fee: 0.50% per annum, payable monthly, on the difference between the Committed Amount (or prior to the entry of the Final Order, the Interim Amount) and the average outstanding

balance of the DIP Facility.

Collateral Monitoring Fee: \$2,500 per month.

Maturity Date: 4 months from the Filing Date.

Collateral Security: The obligations in respect of the DIP Facility including all principal, interest, expenses, fees and other amounts owing in respect thereof (collectively, the "**Lender Debt**") shall be secured pursuant to section 364(c)(2), (3) and (d) of the Bankruptcy Code, by first priority senior liens on, and security interests in, all of the Collateral (as defined below), subject only to (i) the Carveout, (ii) the liens securing the Existing Term Debt in the Term Loan Senior Collateral (as defined in the Existing Loan Agreement) (the "**Existing Term Loan Senior Liens**"), and (iii) the existing liens set forth on Exhibit 1 in each case to the extent valid, enforceable and non-avoidable (collectively, together with the Existing Term Loan Senior Liens, the "**Senior Liens**"). In no event shall there be any Senior Liens against the Borrower's receivables and the proceeds thereof.

"**Collateral**" includes all of the Borrower's and the Guarantor's assets including, without limitation, whether now existing or owned or hereafter arising or acquired, all receivables, all general intangibles and payment intangibles, contract rights, deposits and deposit accounts, goods, inventory, machinery and equipment, goodwill and investment property, membership rights, privileges and interests in any person, real property and leasehold interests, and all cash and non-cash proceeds of the foregoing. Following entry of the Final Order, "**Collateral**" shall also include all avoidance actions and all cash and non-cash proceeds thereof. Notwithstanding anything to the contrary contained in the Final Order or this Term Sheet, the liens and Superpriority Administrative Expense Claims of the Lender Parties and the Existing Term Lender Parties with respect to the Avoidance Actions shall be of no further force and effect and shall terminate upon the closing of a going concern sale of the Debtors whether pursuant to 11 U.S.C. § 363 or under a plan of reorganization.

Superpriority Administrative Expense Claim:

All of the Lender Debt shall have the status of a superpriority administrative expense claim (a "**Superpriority Administrative Expense Claim**") in the Case pursuant to section 364(c)(1), having priority over any and all administrative expenses, whether heretofore or hereafter incurred, of any kind or nature

specified in sections 503(b) and 507(b) of the Bankruptcy Code, subject to the Carveout.

Receivables Collection and Billing Procedures:

The Borrower shall (i) maintain and retain adequate management, staffing and third party consultants, and shall have developed a satisfactory plan to oversee and implement the billing and collection of receivables in a manner reasonably acceptable to the Administrative Agent, including obtaining approval by the Administrative Agent of any significant "bulk" compromises on receivables; (ii) consult with the Administrative Agent regarding any significant changes to the personnel engaged in the billing, collection and reporting of Receivables, outside consultants and advisers and outsource firms; and (iii) if required by Administrative Agent, engage a "hot" backup servicer for Receivables (acceptable to the Administrative Agent with instructions to communicate with and provide information directly to the Administrative Agent upon its request) and have such backup servicer in place and in a position to perform full collection functions if requested to do so.

Financial Consultant/Restructuring Advisor; Manager:

The Borrower shall have engaged financial consultants, restructuring advisors and/or other advisors, reasonably acceptable to the Administrative Agent, for a scope of services reasonably acceptable to the Administrative Agent. The Borrower's retention of Alvarez & Marsal, the current Alvarez & Marsal personnel, and the scope of Alvarez & Marsal's responsibilities, are acceptable to Administrative Agent and satisfy this requirement.

The Borrower agrees that any management company to be engaged by the Borrower to manage the operations of the Debtors' business, and the terms of such engagement, shall be reasonably acceptable to the Lender Parties.

Representation and Warranties:

Usual and customary, including with respect to organization in good standing, validity of agreements, tax status, compliance with laws, litigation and the Borrower's billing and collection policies and procedures.

Reporting Requirements:

Consistent with the Existing Loan Documents, together with customary reporting requirements for debtor-in-possession financing facilities and as otherwise determined by the Administrative Agent, in consultation with the Borrower. Among other things, (i) Borrower shall keep the Lender Parties fully informed of all material activities and developments

regarding their efforts to raise financing, restructure and/or sell assets and shall provide the Lender Parties with copies of all proposals, term sheets and other correspondence and documentation in such regard promptly following receipt or sending thereof by the Borrower; (ii) Borrower shall promptly and in no event later than one business day following actual knowledge or receipt thereof provide a complete description, with copies of all relevant documentation, of any material communication to or from any governmental entity; and (iii) Borrower shall promptly inform Lender Parties of any professional engagements and outsourcing of services.

Asset Sales:

The Borrower shall not sell any Receivables or, except in connection with a Qualified Sale (as defined below), any material assets outside the ordinary course of business, in each case without the consent of the Lender Parties. Subject to the Senior Liens, all proceeds of Collateral shall be immediately applied to the Lender Debt, subject to a hold-back reserve in an amount consistent with the Budget and to be agreed upon by the Borrower and the Lender Parties for funding the wind-down of the Borrower.

Milestones:

The Borrower shall satisfy certain deadlines in the Case as follows (each of which may be extended by an agreement in writing between the Borrower and the Lender Parties):

(i) Within one business day of the Filing Date, the Borrower shall have filed a motion (the "**Sale Motion**") to establish bidding procedures for the sale of substantially all of its assets (the "**Purchased Assets**"), and to approve the sale of the Purchased Assets (the "**Sale**"), which motion shall be in form and substance reasonably acceptable to the Lender Parties.

(ii) Within 25 days of the Filing Date, the Bankruptcy Court shall have entered an order approving bidding procedures for the Sale, which order shall be in form and substance reasonably acceptable to the Lender Parties.

(iii) On or before April 25, 2014, the Bankruptcy Court shall have entered an order approving a Sale to the entity that submits the highest and best offer for the Purchased Assets on terms reasonably acceptable to the Lender Parties (a "**Qualified Sale**"), which order shall be in form and substance reasonably acceptable to the Lender Parties.

(iv) On or before April 30, 2014, the Qualified Sale shall have

been consummated.

(v) In the case of a Qualified Sale that does not include the receivables as a Purchased Asset, on or before the closing of the Qualified Sale, the Borrower shall have engaged a servicer for the billing and collection of the Borrower's receivables reasonably acceptable to the Lender Parties and on terms of service reasonably acceptable to the Lender Parties. Such servicer must be in position to perform billing and collection services as of the date of such closing.

Events of Default:

(i) The Final Order is not entered within 25 days following the entry of the Interim Order.

(ii) The Case shall be dismissed or converted to a case under chapter 7 of the Bankruptcy Code.

(iii) Upon receipt of notice of default from the Lender Parties following the filing of a proposed plan of reorganization by the Borrower (or, if exclusivity has terminated, by any party), which plan does not provide for the indefeasible payment in full in cash of the Lender Debt and the Existing Term Debt as of the effective date of such plan or which plan is not reasonably acceptable to the Lender Parties and the Existing Lender Parties.

(iv) Upon receipt of notice of default from the Lender Parties following the entry of an order confirming a plan of reorganization that does not require repayment in full of the Lender Debt and the Existing Term Debt as of the effective date of such plan or which plan is not reasonably acceptable to the Lender Parties and the Existing Lender Parties.

(v) Appointment in the Case of a trustee under section 1104 of the Bankruptcy Code or an examiner with enlarged powers (powers beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code) under section 1106(b) of the Bankruptcy Code.

(vi) Entry of an order amending, supplementing, staying, vacating, revoking, reversing or otherwise modifying the DIP Facility, the Orders, this Term Sheet or Loan Documents, without the prior written consent of the Lender Parties.

(vii) Entry of an order permitting any claim against, or obligation of, the Borrower or the Guarantor (now existing or

hereafter arising, of any kind or nature whatsoever), to have priority equal or superior to the priority of the Lender Parties in respect of the Lender Debt and the liens securing the Lender Debt or the Existing Lender Parties in respect of the Existing Term Debt and the liens securing the Existing Term Debt (including any adequate protection liens securing the Existing Term Debt), other than the Carveout and the Senior Liens.

(viii) Any attempt by the Borrower or the Guarantor to invalidate, reduce or otherwise impair any of the Lender Parties' rights, claims or liens under the DIP Facility, this Term Sheet, the Loan Documents and the Orders or to invalidate, reduce or otherwise impair any of any of the Existing Lender Parties' rights, claims or liens under the Existing Loan Documents and the Orders, or any such rights, claims or liens shall, for any reason, cease to be valid.

(ix) The entry of an order which subjects the Collateral to assessment pursuant to section 506(c) of the Bankruptcy Code.

(x) Upon receipt of notice of default from the Lender Parties following any material payment is made on, or application for authority to pay (which is supported, directly or indirectly, by the Borrower, or is not being actively contested by the Borrower in good faith), any material prepetition claim (other than amounts provided for in the Budget) without the Lender Parties' consent.

(xi) An order is entered granting any creditor material relief from the automatic stay to exercise rights with respect to property of the estate having a value of more than \$50,000 or which has a material effect on the ability of the Borrower to operate the business consistent with current practice.

(xii) Breach of any obligation of the Borrower or the Guarantor set forth in this Term Sheet, the Loan Documents or the Orders, which breach is not cured within 5 days of the Borrower's receipt of written notice of such breach by the Administrative Agent; *provided* that such notice and cure period shall not be applicable to any of the other specifically enumerated Events of Defaults in this Term Sheet.

(xiii) Advances or the Carveout is utilized to prosecute actions, claims, demands or causes of action against the Lender Parties or the Existing Lender Parties or to object to or contest in any manner or to raise any defense in any pleading to the validity,

perfection, priority or enforceability of the Lender Debt, the Existing Term Debt, of the rights, claims, liens and security interests granted to the Administrative Agent and the Lender under the DIP Facility and the Orders, or of the rights, claims, liens and security interests granted to the Existing Lender Parties under the Existing Loan Documents and the Orders; *provided* that up to an aggregate of \$32,500 of the Prepetition Collateral including the Cash Collateral, advances under the DIP Facility, or the Carveout may be used by the Committee (if any) to investigate the validity, enforceability, perfection and priority of the Existing Debt and the Existing Lender Parties' security interests and liens on the Prepetition Collateral; *provided further* the filing by the Committee of a Challenging Action (as defined in the Final Order) shall not be an Event of Default.

(xiv) Offset or recoupment by any governmental entity of overpayments or other amounts in an amount greater than \$50,000 in contravention of Orders.

(xv) Upon receipt of notice of default from the Lender Parties following an application for any of the orders or actions described in clauses (ii), (v), (vi), (vii), (viii), (ix), (xi), (xiii) or (xiv) above shall be made by any person, including the unsecured creditors' committee, and such application either is supported, directly or indirectly, by the Borrower, or is not actively contested by the Borrower in good faith within the applicable objection period.

(xvi) The Borrower shall have failed to satisfy any of the Milestones without prior consent of the Lender Parties.

(xvi) Upon receipt of notice of default from the Lender Parties following the occurrence of (1) a material adverse effect on the business, assets, liabilities, operations, patient census, prospects or condition (financial or other) of either Borrower, recognizing that the Borrower is filing the Case; (2) the material impairment of the ability of the Borrower to meet its obligations substantially as set forth in the Budget or to otherwise perform its obligations in connection with the DIP Facility; (3) the imposition of any obligation on any Lender Party, compliance with which would materially impair such person's ability to receive its contemplated economic benefits hereunder; (4) the material impairment of the validity or enforceability of, or the rights, claims, liens, remedies or benefits available to the Lender Parties under, the Orders, this

Term Sheet, or the Loan Documents; or (5) the material impairment of the validity, perfection or priority of any lien granted in favor of the Lender Parties or the Existing Lender Parties.

(xvii) Upon receipt of notice of default from the Lender Parties following a material variance from the Budget tested on a weekly basis as follows:

(a) Actual disbursements (“Total Operating Cash Outflows” plus “Total Ch. 11 Items”) in the aggregate being more than 110% of projected disbursements in the Budget;

(b) Actual disbursements on a line item basis being more than 110% of projected disbursements in the Budget and more than \$25,000 of such projected disbursements; or

(c) “Net Cash Flow” in the Budget, if negative, being more than 110% of, and not more than \$100,000 less than, the projected Cumulative Net Cash Flow in the Budget, and, if positive, being less than 90% of, and not less than \$100,000 less than, the projected “Net Cash Flow” in the Budget.

Conditions Precedent to Closing of the DIP Facility and Interim Amount:

(i) The Interim Order shall have been entered within 2 business days following the Filing Date, and shall not have been reversed, vacated, modified, amended or stayed, except for modifications and amendments that are reasonably acceptable to the Lender Parties and the Existing Lender Parties.

(ii) The execution and delivery of this Term Sheet and such other definitive loan documentation in form and substance satisfactory to the Lender Parties.

(iii) Implementation of a cash management system satisfactory to the Lender Parties, which shall include, among other things, exclusive collection and other remittance procedures (without netting or offsets) and lockbox collection procedures. The existing cash management system if maintained following the Filing Date is acceptable to the Lender Parties.

(iv) The Lender Parties and the Existing Lender Parties shall have received, prior to their submission to the Bankruptcy Court, all “first day” pleadings, and been reasonably satisfied with all such pleadings.

Conditions Precedent to Committed Amount:

(i) The Final Order shall have been entered not later than 25 days after entry of the Interim Order and shall not have been reversed, vacated, modified, amended or stayed, except for modifications and amendments that are reasonably acceptable

to the Lender Parties and the Existing Lender Parties.

(ii) The execution and delivery of any applicable Loan Documents in form and substance acceptable to the Lender Parties.

Conditions Precedent to All Advances and Disbursements under the DIP Facility:

(i) There shall exist no Event of Default (or event which would constitute an Event of Default with the giving of notice or lapse of time or both), and the representations and warranties stated in any of the Loan Documents or any borrowing certificate shall be true and correct in all material respects, immediately prior to, and after giving effect to, such extension of credit.

(ii) The Administrative Agent and the Lender shall have received the Budget, including revised "to date" projections and cash flows in form and substance acceptable to them.

(iii) The Administrative Agent and the Lender shall have received such approvals, opinions or documents as they may reasonably request.

Expenses:

The Borrower is responsible for all due diligence and legal expenses of the Lender and the Administrative Agent related to this transaction (including attorneys' fees and expenses related to enforcing this provision) whether or not it closes and with respect to expenses incurred prior to and subsequent to its closing. Such amounts incurred prior to the Filing Date shall be added to the obligations under the Existing Loan Documents, and such amounts incurred on or after the Filing Date shall be paid by Borrower on a current basis in accordance with the terms of the Orders.

Adequate Protection for Existing Lender Parties in Respect of Existing Term Loan:

The Borrower shall grant adequate protection liens in the Collateral to the Existing Lender Parties securing diminution in value of the Existing Term Loan Liens in the Collateral securing the Existing Term Debt, which adequate protection liens shall be senior liens in all Collateral subject only to (i) the Carveout, (ii) the liens securing the Lender Debt, and (iii) the Senior Liens. In addition, (a) interest on the Term Loan shall accrue during the Case at the default rate set forth in the Existing Loan Agreement, and (b) the Borrower shall pay the fees and expenses of the professionals representing the Existing Lender Parties in connection with Borrower's bankruptcy proceeding.

Intercreditor Agreement between

The Lender Parties and the Existing Lender Parties in respect

Lender Parties and Existing Lender Parties:

of the Existing Term Loan shall enter into an intercreditor agreement, in form and substance acceptable to each of them and acknowledged and agreed to by the Borrower, pursuant to which (a) the Lender Debt's lien in all Collateral other than Term Loan Senior Collateral shall be senior to the lien securing the Existing Lender Debt, and (b) the Existing Lender Parties' lien in the Term Loan Senior Collateral shall be senior to the lien securing the Lender Debt.

Borrower's Stipulations in Favor of Existing Lender Parties:

Subject to the right of other parties in interest with standing, the Borrower shall (i) stipulate to the amount, validity, enforceability, perfection and unavailability of the Existing Debt including the Existing Revolver Debt and the Existing Term Debt and any liens in respect thereof, (ii) stipulate that as of the Filing Date, to the best of Borrower's knowledge, the value of the Collateral exceeds the Existing Debt, (iii) acknowledge that as of the date hereof no affirmative claims exist in favor of Borrower or Guarantor against the Existing Lender Parties with respect to any matters, and (iv) release and waive any such matters, including affirmative causes of action and objections to claims, with respect to the Existing Lender Parties as of the date hereof.

Due Diligence:

Before closing, desk and onsite reviews of the Borrower's historical and projected financial information, accounts receivable performance, systems, management controls, servicing capabilities and other matters will be conducted. Pending consummation of the proposed DIP Facility, the Borrower will keep the Administrative Agent advised with respect to the Borrower's business activities and financial condition, and it will furnish to the Administrative Agent such information as may be requested.

Assignments; Participations:

The Lender Parties may assign any of their rights or obligations under the DIP Facility or any interest in the DIP Facility in accordance with the terms of the Existing Loan Agreement.

Confidentiality:

The Borrower and Guarantor agree that the existence and the terms of this letter are confidential, may not be disclosed by the Borrower or Guarantor to any party (except to the extent otherwise agreed to by the parties or except as may be required by law, rule, or regulation and to the extent legally permissible, it will provide notice to the Administrative Agent prior to such disclosure), and may not be used for any purpose other than the consummation of the transaction outlined herein; *provided however*, that the Borrower may disclose the terms of this letter

to its attorneys and professional consultants representing it in this transaction provided that each agree in advance to the same confidentiality provisions stated herein and that the Borrower may disclose the existence and terms of this letter to the Bankruptcy Court and parties in interest in the Case, and that the terms of this letter will be filed in the Case and will be publicly available on the Bankruptcy Court's docket and claims agent's website.

The Administrative Agent and Lender agree that they will not disclose the confidential information of the Borrower and the Guarantor except (a) as may be required by law, rule, or regulation (and to the extent legally permissible, they will provide notice to the Borrower and the Guarantor prior to such disclosure) and (b) to their affiliates and to their affiliates' and their own officers, directors, employees, attorneys, agents and consultants.

The Borrower agrees that it shall not make any press release or public announcement concerning the DIP Facility or the Lender Parties without the prior agreement of the Lender Parties to the contents thereof.

Indemnification:

The Borrower and Guarantor will indemnify and hold harmless the Lender and the Administrative Agent and their respective members, officers, directors, employees, affiliates, successors, assigns, agents, counsel and other advisors (collectively, the "*Indemnified Parties*") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (a) the DIP Facility, the transactions contemplated thereby, and any use made or proposed to be made with the proceeds thereof, (b) the Case, or (c) the actual or alleged presence of hazardous materials on any property of the Borrower or the Guarantor or any environmental action or proceeding relating in any way to the Borrower, the Guarantor or any of their properties, in each case, whether or not such investigation, litigation or proceeding is brought by the Borrower, the Guarantor, their shareholders or creditors or an Indemnified Party, or an Indemnified Party is otherwise a party thereto, except to the extent such claim, damage, loss, liability or expense (i) is found in a final,

nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence willful misconduct or (ii) is incurred in connection with defending a successful claim in a Challenging Action.

Release:

In connection with the indefeasible payment in full in cash of the Lender Debt and the termination of the DIP Facility, the Borrower and Guarantor covenants and agree that at such time each shall execute and deliver in favor of the Lender Parties a valid and binding termination and release agreement, in form and substance acceptable to the Lender Parties.

Governing Law:

New York (without regard to conflict of law principles), except as governed by the United States Bankruptcy Code.

This Term Sheet is for discussion purposes only and does not constitute a commitment to lend, arrange or provide financing or an agreement or understanding to issue a commitment letter with respect to the transaction set forth herein. The Lender Parties' consummation of the DIP Facility will be predicated upon, but not limited to: (a) authorization and approval of the transaction by the Board of Directors of the Borrower and the Credit Committee of the Lender Parties, (b) the Lender Parties' satisfaction with the results of its due diligence including with respect to the liquidity and capitalization of the Borrower and the extent of Senior Liens, (c) closing of the transactions on the terms and conditions described herein, and (d) satisfaction of the Lender Parties' counsel with the documentation, proceedings, and legal opinions incident to the proposed transaction.

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If this Term Sheet is acceptable to you, please so indicate by signing below in the place indicated and returning the same to me prior to the close of business on March 20, 2014. This Term Sheet will expire at the close of business on March 20, 2014 if we do not receive your countersignature prior thereto.

Sincerely,

Alan Regdos
Chief Credit Officer

cc: Dan Chapa

Accepted and agreed to:

RESTORA HOSPITAL OF MESA, LLC

By: _____ on this date: March __, 2014
Name:
Title:

RESTORA HOSPITAL OF SUN CITY, LLC

By: _____ on this date: March __, 2014
Name:
Title:

RESTORA HEALTHCARE HOLDINGS, LLC

By: _____ on this date: March __, 2014
Name:
Title:

Exhibit 1

Senior Liens

None

EXHIBIT B

BUDGET

Restora Healthcare Holdings
 Chapter 11 Cash Flow Analysis - Based on Collections
 Anticipated Filing Week Ending 2-28-2014
 (\$ Actual)

	Week Ending 2/28/2014	Week Ending 3/7/2014	Week Ending 3/14/2014	Week Ending 3/21/2014	Week Ending 3/28/2014	Week Ending 4/4/2014	Week Ending 4/11/2014	Week Ending 4/18/2014	Week Ending 4/25/2014	3-days ended 4/30/2014	Total From Filing Date
1 Collections											
2 Other Receipts											
3 Total Receipts	\$ 734,099	\$ 905,814	\$ 711,526	\$ 709,929	\$ 794,099	\$ 760,000	\$ 760,000	\$ 760,000	\$ 760,000	\$ 408,000	\$ 7,303,466
4 Operating Cash Outflows											
5 Payroll and Staffing											
6 Total Payroll	805,259	15,000	805,259	15,000	805,259	15,000	805,259	15,000	805,259	15,000	4,101,296
7 Total Employee Benefits And Taxes	115,000	-	-	-	115,000	-	-	-	-	-	345,000
8 Medical Staff and Contract Labor	37,287	29,450	29,450	29,450	29,450	23,560	23,560	23,560	23,560	11,780	261,107
8a Medical Staff - Wage Motion ESTIMATE	125,000	-	-	-	-	-	-	-	-	-	125,000
9 Total Payroll and Staffing Expense	957,546	169,450	834,709	44,450	949,709	38,560	828,819	38,560	828,819	141,780	4,832,403
10 Other Operating Expenses											
11 All Vendors	347,931	295,794	295,794	295,794	295,794	250,258	250,258	250,258	250,258	125,129	2,657,268
12 Utilities	32,669	-	-	12,769	-	32,669	-	12,769	-	-	107,211
13 Rent	-	-	-	-	-	-	-	-	-	-	-
14 Other / Misc.	1,000	11,000	1,000	1,000	6,295	2,000	2,000	2,000	2,000	1,000	28,295
15 Total Other Operating Expense	348,931	339,463	296,794	309,563	296,794	289,223	252,258	265,027	252,258	142,464	2,792,775
16 Total Operating Cash Outflows	1,306,477	508,913	1,131,503	354,013	1,246,503	327,783	1,081,077	303,587	1,081,077	284,244	7,625,178
17 Net Cash Flow from Operating Activities	(572,378)	396,901	(419,977)	355,916	(452,405)	432,217	(321,077)	456,413	(321,077)	123,756	(321,712)
18 Ch.11 Items											
19 Utilities Deposit	-	26,500	-	-	-	-	-	-	-	-	26,500
20 Professional Fees/Restructuring	529,526	-	-	-	-	70,061	-	-	-	280,339	879,926
20a Reserve for Pro Fees - Withheld and Unbilled	-	-	-	-	-	-	-	-	-	513,600	513,600
21 503(b)(9) Claims - ESTIMATE	-	-	-	-	-	-	-	-	-	300,000	300,000
22 Critical Vendors - ESTIMATE	-	160,000	-	-	160,000	-	-	-	-	-	320,000
23 Total Ch.11 Items	529,526	186,500	-	-	230,061	-	-	-	-	1,093,939	2,040,026
24 Net Cash Flow	(1,101,903)	210,401	(419,977)	355,916	(452,405)	202,156	(321,077)	456,413	(321,077)	(970,183)	(2,361,737)
25 Anticipated Financing Availability											
26 Revolver Balance	2,401,620	3,503,523	3,293,123	3,713,100	3,357,184	3,809,589	3,607,433	3,928,510	3,472,097	3,793,174	2,401,620
27 Less: Net Cash Flow	(1,101,903)	210,401	(419,977)	355,916	(452,405)	202,156	(321,077)	456,413	(321,077)	(970,183)	(2,361,737)
28 Ending Revolver Balance (1)	3,503,523	3,293,123	3,713,100	3,357,184	3,809,589	3,607,433	3,928,510	3,472,097	3,793,174	4,763,357	4,763,357
29 Estimated Availability (2)	4,190,000	4,190,000	4,190,000	4,190,000	4,190,000	4,190,000	4,190,000	4,190,000	4,190,000	4,190,000	4,190,000
30 Less: Block	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
31 Net Estimated Availability	2,190,000	2,190,000	2,190,000	2,190,000	2,190,000	2,190,000	2,190,000	2,190,000	2,190,000	2,190,000	2,190,000
32 Overadvance Availability	2,300,000	2,300,000	2,300,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
33 Carveout Reserve (3)	400,000	400,000	400,000	650,000	650,000	650,000	650,000	650,000	650,000	650,000	650,000
34 Net Estimated Availability after Carveout (1)	4,090,000	4,090,000	4,090,000	4,140,000	4,140,000	4,140,000	4,140,000	4,140,000	4,140,000	4,140,000	4,790,000
35 Ending Availability	\$ 586,477	\$ 796,877	\$ 376,900	\$ 782,816	\$ 330,411	\$ 532,567	\$ 211,490	\$ 667,903	\$ 346,826	\$ 26,643	\$ 26,643

Notes:

- (1) Advances are capped under the Interim DIP Order and Final DIP Order, as applicable
- (2) For this forecast, estimated gross availability under the Borrowing Base is assumed to remain unchanged for the forecast period. Notwithstanding this forecast assumption, gross availability will be adjusted periodically (including during the forecast period) for a variety of factors pursuant to the loan documents with HFC
- (3) Carveout reserve released at sale close