IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
RESTORA HEALTHCARE HOLDINGS, LLC, *et al.*,[1]	:	Case No. 14-10367 (____)
	:	(Joint Administration Requested)
Debtors.	:	

MOTION OF DEBTORS FOR ENTRY OF ORDERS (I) (A) APPROVING AUCTION AND BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS, (B) AUTHORIZING ENTRY INTO A STALKING HORSE AGREEMENT, SUBJECT TO HIGHER OR OTHERWISE BETTER OFFERS, (C) APPROVING PROCEDURES RELATED TO THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (D) SCHEDULING AUCTION AND SALE APPROVAL HEARING, (E) APPROVING THE FORM AND MANNER OF SALE NOTICE, AND (F) GRANTING RELATED RELIEF, AND (II) (A) AUTHORIZING AND APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS, (B) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (C) GRANTING RELATED RELIEF

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), by and through their proposed undersigned attorneys, hereby file this motion (the "Motion") pursuant to sections 105(a), 363, 365, 503 and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"), Rules 2002, 6004, 6006, and 9006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 6004-1 of the Local

[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.

Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), for entry of (i) an order, substantially in the form annexed hereto as Exhibit A (the "Bidding Procedures Order"), (a) approving certain auction and bidding procedures in connection with the sale of substantially all of the Debtors' assets, substantially in the form annexed hereto as Exhibit D (the "Bidding Procedures"), (b) authorizing the Debtors to enter into a stalking horse purchase agreement, subject to higher and better offers, (c) approving procedures relating to the assumption and assignment of executory contracts and unexpired leases, (d) scheduling an auction and sale approval hearing, (e) approving the form and manner of sale notice, and (f) granting related relief, and (ii) an order, substantially in the form annexed hereto as Exhibit B (the "Sale Order"), (a) authorizing and approving the sale of substantially all of the Debtors' assets free and clear of all liens, claims, encumbrances, and other interests, (b) authorizing the assumption and assignment of certain executory contracts and unexpired leases, and (c) granting related relief. In support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION

1. The Court has jurisdiction over the Debtors, their estates, and this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory bases for the relief requested in this Motion are sections 105(a), 363, 365, 503, and 507 of the Bankruptcy Code, Bankruptcy Rules 2002, 6004, 6006, and 9006, and Local Rule 6004-1.

BACKGROUND

A. General Background.

2. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition with this Court under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases, and no committees have been appointed or designated.

4. The Debtors operate two long-term acute care (LTAC) hospitals that provide high intensity acute level care to patients requiring longer hospitalizations—typically ranging from a few weeks to several months. The two hospitals are each 120-bed, licensed, freestanding hospitals located in the Greater Phoenix area. Restora Hospital of Mesa, LLC ("Restora Mesa") is located in Mesa, Arizona and Restora Hospital of Sun City, LLC ("Restora Sun City" and, together with Restora Mesa, "Restora") is located in Sun City, Arizona. Both hospitals are Medicare and Medicaid certified, and offer a continuum of services including specialty acute care and sub-acute care provided in an on-site transitional care unit (TCU).

5. Restora provides a wide variety of programs and services, including a pulmonary/ventilator program, wound care, low toleration rehabilitation services, and post-surgical care. Restora treats patients who require multiple concurrent care modalities such as ventilator case, intravenous therapy, nutritional support, tube feedings, antibiotic management, dialysis, and complex wound/skin care management.

6. Restora patients typically are critically ill and/or have multi-system failures that require extended acute care treatment after discharge from a traditional acute care hospital. Patients often come to the hospitals directly from an intensive care unit. Upon admission, each

patient is evaluated by an interdisciplinary team of professionals to develop an appropriate plan of action depending on the patient's particular needs, and the length of stay of patients will vary depending on the diagnosis, patient age, and acuity level.

7. Revenue is earned from fees for services rendered and is due from patients and third party payors, including both Medicare and Medicaid and various insurance companies. Net patient revenue at Restora Mesa for the period of January 2013 through September 2013 was $15,688,593, and net patient revenue at Restora Sun City for the same period was $13,014,048.

8. A more detailed description of the Debtors and their businesses, and the facts and circumstances supporting the Debtors' chapter 11 cases, are set forth in greater detail in the *Declaration of George D. Pillari in Support of Chapter 11 Petitions and First Day Motions* (the "Pillari Declaration"), filed contemporaneously herewith and incorporated herein by reference. Mr. Pillari is the Debtors' proposed chief restructuring officer.

B. The Prepetition Secured Indebtedness.

9. The Debtors are parties to a Revolving and Term Loan and Security Agreement, dated as of June 29, 2012 (as amended, modified, and supplemented from time to time, the "Prepetition Loan Agreement"), with Healthcare Finance Group, LLC ("HFG"), as revolving lender, term lender, and administrative agent (in its capacity as lender, the "Prepetition Secured Lender," and in its capacity as administrative agent, the "Prepetition Administrative Agent" and, collectively, the "Existing Lender Parties"). Pursuant to the Prepetition Loan Agreement, the Prepetition Secured Lender, in its capacity as term lender (the "Existing Term Lender" and, together with the Prepetition Administrative Agent as agent for the Existing Term Lender, the "Existing Term Lender Parties"), agreed to make a term loan to Restora in the initial principal amount of $3 million ("Term Loan A") and a separate term loan to Restora in the initial

principal amount of $2 million ("Term Loan B" and, together with Term Loan A, the "Term Loans"). Term Loan B was not advanced to Restora.

10. In addition, the Prepetition Loan Agreement provides for certain revolving advances (the "Revolving Commitment" and, together with the Term Loans, the "Prepetition Loans") to be made by the Prepetition Secured Lender to Restora subject to availability as requested from time to time by Restora. The Revolving Commitment is subject to a borrowing base based on the net value of Restora's receivables, certain reserves, and subject to a cap of $7 million.

11. The non-default interest rate per annum on the outstanding balance of the Term Loans is equal to LIBOR plus 6.0% and the non-default interest rate per annum on the outstanding balance of the obligations under the Revolving Commitment is equal to LIBOR plus 4.25%. The default rate of interest on all Prepetition Loans is equal to the otherwise applicable non-default rate of interest plus 4.0%. Restora's obligations to the Existing Lender Parties under the Prepetition Loan Agreement are guaranteed by debtor Restora Healthcare Holdings, LLC ("Restora Holdings") pursuant to a Parent Guaranty, dated as of June 29, 2012 (the "Parent Guaranty").

12. As security for Restora's obligations to the Existing Lender Parties under the Prepetition Loan Agreement and Restora Holdings' obligations to the Prepetition Secured Lender under the Parent Guaranty, each Debtor granted to the Prepetition Administrative Agent, as agent for the Prepetition Secured Lender, a security interest in substantially all of each Debtor's assets (collectively, the "Prepetition Collateral"). The liens and security interests in favor of the Prepetition Secured Lender, in its capacity as term lender, in and to certain Prepetition Collateral (including general intangibles, goods, inventory, contracts, leases,

instruments, investment property, securities, security entitlements, securities accounts, equity interests held by the Debtors, and records related to the foregoing) (such liens being the "Existing Term Loan Liens" and such collateral being the "Existing Term Loan Collateral") are senior to the liens and security interests in favor of the Prepetition Secured Lender, in its capacity as Revolving Commitment lender, in and to such Prepetition Collateral, and the liens and security interests in favor of the Prepetition Secured Lender, in its capacity as Revolving Commitment lender, in and to the remaining Prepetition Collateral (including receivables, deposit accounts, cash, and records related to the foregoing) are senior to the liens and security interests in favor of the Prepetition Secured Lender, in its capacity as Existing Term Lender, in and to such remaining Prepetition Collateral.

13. The Debtors are in default of their obligations under the Prepetition Loan Agreement and related documents. As of the Petition Date, the aggregate amount of the obligations outstanding under the Term Loans was approximately $2,600,000 (the "Existing Term Loan Debt") and the aggregate amount of the obligations outstanding under the Revolving Commitment was approximately $3,000,000 (the "Existing Revolving Debt").

14. As discussed in more detail in the Pillari Declaration, subject to the approval of this Court, HFG has also agreed to provide postpetition debtor in possession financing to the Debtors pursuant to a revolving credit facility in an amount not to exceed $7,000,000 at any one time outstanding (the "DIP Facility"), subject to a borrowing base and certain reserves.

C. Events Leading to the Chapter 11 Filings.

15. As discussed in more detail in the Pillari Declaration, Restora has experienced significant liquidity issues that have hindered its ability to pay obligations in the ordinary course of business. To address the liquidity issues, the Debtors sought to implement a number of restructuring initiatives over the last year, including making appropriate adjustments in

staffing, negotiating with vendors and suppliers, and seeking out additional sources of funding. In addition, in November 2013, the Debtors retained the services of Alvarez & Marsal Healthcare Industry Group to provide a Chief Restructuring Officer.

16. After careful consideration and consultation with their advisors, the Debtors ultimately determined that it was necessary to pursue a sale or other restructuring transaction with one or more potential purchasers or other strategic partners. The Debtors, together with their advisors, contacted a number of potential purchasers or strategic partners in connection with a potential sale or other restructuring transaction, and executed non-disclosure agreements with thirteen (13) such entities, all of which were granted access to a dataroom established by the Debtors' advisors to assist such entities in their due diligence efforts.

17. The Debtors and their advisors were in regular contact with these entities and facilitated such entities' due diligence efforts, including by coordinating on-site visits and management meetings. A number of parties expressed interest in a transaction with the Debtors, including through a chapter 11 plan, section 363 sale, and/or a management structure. The Debtors and their advisors negotiated with each of these parties regarding potential transaction structures and economic and other terms of a deal, but no such party, individually or together, was willing to enter into a binding agreement to consummate such a transaction.

18. Several parties with which the Debtors had been engaged in discussions, including several creditors of the Debtors, ultimately submitted to the Debtors a joint term sheet for a proposed transaction to acquire the Debtors' business operations. The parties submitting the term sheet were HFG, American Realty Capital and certain of its affiliates (collectively, the

"Landlord"), Acuity Healthcare, L.P. ("Acuity"),[2] HealthCap Partners, LLC ("HealthCap"), and Tutera & Co. ("Tutera" and, together with HFG, the Landlord, Acuity, and HealthCap, the "Transaction Parties"). The proposal provides for the formation of a new entity by HealthCap, Acuity, and Tutera, with each Transaction Party, other than HFG, contributing cash funding to the new entity, and HFG assigning to the new entity all of its rights, title, and interest as lender and agent in and to all prepetition and postpetition indebtedness owing to it by the Debtors in connection with the Prepetition Loan Agreement and related documents and the DIP Facility. The newly formed entity, PHX Hospital Partners, LLC (the "Stalking Horse Purchaser"), will serve as a stalking horse bidder in connection with a sale transaction pursuant to section 363 of the Bankruptcy Code involving substantially all of the Debtors' assets, subject to higher or otherwise better offers. The Debtors, together with their advisors, engaged in extensive negotiations with the Stalking Horse Purchaser,[3] while at the same time continuing discussions with other potentially interested parties.

19. Ultimately, the Debtors were able to reach an agreement with the Stalking Horse Purchaser regarding the terms of a stalking horse asset purchase agreement, a copy of which is attached hereto as Exhibit C (the "Stalking Horse Agreement"), involving a sale transaction pursuant to section 363 of the Bankruptcy Code, subject to higher or otherwise better offers. The consideration being provided under the Stalking Horse Agreement consists of (a) $5,000,000, payable by the Stalking Horse Purchaser in the form of a credit bid under section 363(k) of the Bankruptcy Code with respect to a portion of the aggregate secured

[2] Acuity currently provides financial management services, including billing and collection services, to Restora Mesa and Restora Sun City pursuant to the terms of a Financial Management Services Agreement.

[3] References to the Stalking Horse Purchaser shall hereafter include the Transaction Parties and the PHX Hospital Partners, LLC.

obligations owing by the Debtors under the Prepetition Loan Agreement and DIP Facility, (b) a waiver by the Landlord of certain cure costs with respect to the two real property leases between the Debtors and the Landlord for the hospital locations, including a waiver of certain past due basic rental obligations under the leases as of the closing of the sale transaction, and (c) the assumption by the Stalking Horse Purchaser of certain liabilities set forth in the Stalking Horse Agreement and the payment of all cure costs relating to executory contracts and unexpired leases to be assumed and assigned to the Stalking Horse Purchaser.

20. The Stalking Horse Agreement was negotiated in good faith and at arm's length, and the Debtors believe the terms thereof are fair and reasonable. In addition, the Debtors believe that the proposed post-petition marketing process described herein will provide sufficient time and opportunity for any other interested party to submit a higher or otherwise better offer for the Debtors' assets. Notably, the Debtors have already implemented an extensive marketing process prior to the Petition Date and have negotiated with a number of parties regarding a potential transaction. Accordingly, the Debtors believe it is likely that any other party that may submit a competing bid will have already conducted extensive diligence on the Debtors and their assets.

21. The Debtors, together with their advisors, carefully considered all options and determined in their business judgment that the commencement of these chapter 11 cases and the pursuit of a post-petition marketing and sale process as described herein will maximize the value of the Debtors' assets and is in the best interest of all constituencies, including the patients at the Debtors' hospitals and creditors of the Debtors. The Debtors did not have sufficient liquidity to continue operating outside of bankruptcy, and the pursuit of a sale transaction during these chapter 11 cases presents the best available option to (a) ensure the

continued operation of the Debtors' LTAC hospitals, (b) ensure the continued provision of proper patient care and support, and (c) maximize value for the Debtors' estates.

RELIEF REQUESTED

22. By this Motion, the Debtors request entry of the Bidding Procedures Order:

(i) approving Bidding Procedures, the form of which are attached hereto as Exhibit D, for (a) submitting bids for the purchase of the Acquired Assets (as defined below), and (b) conducting an auction for the Acquired Assets (the "Auction"), in the event that the Debtors receive two or more Qualified Bids (as defined below) for the Acquired Assets;

(ii) authorizing the Debtors to enter into the Stalking Horse Agreement with the Stalking Horse Purchaser, subject to higher or otherwise better, for the purpose of establishing a minimum acceptable bid for the Acquired Assets (the "Stalking Horse Bid");

(iii) approving procedures (the "Assumption and Assignment Procedures") for the assumption and assignment of the Designated Contracts (as defined below) in connection with the sale of the Acquired Assets and resolution of any objections thereto;

(iv) scheduling (a) a deadline to submit bids for the Acquired Assets of April 21, 2014 at 5:00 p.m. (prevailing Eastern Time), (b) the date of the Auction for April 23, 2014 at 10:00 a.m. (prevailing Eastern Time), and (c) the date of the hearing to consider approval of the proposed sale of the Acquired Assets (the "Sale Approval Hearing") for on or before April 25, 2014 at 10:00 a.m. (prevailing Eastern Time), subject to this Court's availability;

(v) approving the form and manner of notice of the deadline to submit bids for the Acquired Assets, the date and time of the Auction and the date and time of the Sale Approval Hearing; and

(vi) granting certain related relief.

23. In addition, at the Sale Approval Hearing, the Debtors will request entry of the Sale Order:

(i) approving the sale of the Acquired Assets in accordance with the terms of the asset purchase agreement executed by the Successful Bidder, which shall be free and clear of all liens, claims, encumbrances, and other interests, including rights or claims;

(ii) approving the assumption and assignment of certain executory contracts and unexpired leases related to the Acquired Assets; establishing the cure amount, if any; and approving the Successful Bidder's provision of adequate assurance of future performance; and

(iii) granting certain related relief.

Stalking Horse Bid

24. The Debtors, in their business judgment, believe that the terms of the Stalking Horse Agreement are fair and reasonable and will initiate a sale process that will maximize value for the Debtors' estates. Negotiations with the Stalking Horse Purchaser regarding the terms and conditions of the Stalking Horse Agreement were conducted in good faith and at arm's length, with all parties, including each individual Transaction Party, represented by separate counsel. A summary of certain principal terms of the Stalking Horse Agreement, including the terms required to be highlighted under Local Rule 6004-1(b)(iv), is as follows:[4]

Amount and Form of Consideration	The purchase price (the "Purchase Price") for the purchase, sale, assignment and conveyance of the Debtors' right, title and interest in, to and under the Acquired Assets (as defined below) shall consist of (a) $5,000,000, payable by the Stalking Horse Purchaser in the form of a credit bid under section 363(k) of the Bankruptcy Code with respect to a portion of the aggregate secured obligations owing under the Prepetition Loan Agreement and DIP Facility, (b) a waiver by the Landlord of certain cure costs with respect to the two real property leases between the Debtors and the Landlord for the hospital locations, including a waiver of certain past due basic rental obligations under the leases as of the closing of the sale transaction, and (c) the assumption by the Stalking Horse Purchaser of certain liabilities set forth in the Stalking Horse Agreement and the payment of cure

[4] This summary contains a description of only certain principal terms of the Stalking Horse Agreement. The Stalking Horse Agreement itself should be consulted for a full description of the terms thereof. To the extent that there are any inconsistencies between the terms set forth herein and in the actual terms set forth in the Stalking Horse Agreement, the terms of the Stalking Horse Agreement shall control. Capitalized terms used but not defined in this section shall have the meanings ascribed to them in the Stalking Horse Agreement.

	costs up to $450,000 relating to executory contracts and unexpired leases to be assumed and assigned to the Stalking Horse Purchaser (collectively, the "Designated Contracts").
Acquired Assets	The Stalking Horse Purchaser shall purchase substantially all of the operating assets of the Debtors (collectively, the "Acquired Assets"), other than Excluded Assets. The Acquired Assets include all tangible property, accounts, machinery, equipment, inventories, tenant improvements, goodwill, software and computer programs, hardware, intellectual property, prepaid expenses (other than prepaid insurance or prepaid other assets) and deposits, Designated Contracts, books and records (including all patient charts and records since January 1, 2010, patient lists and appointment books relating to patients treated by the Debtors to the extent transferable under applicable law), any policies and procedures relating to the Debtors' business, telephone and facsimile numbers, all licenses and permits to the extent transferable, and all benefits, proceeds and other amounts payable under any policy of insurance relating to the Debtors' business.
Excluded Assets	The following are not included in the Acquired Assets and are not being sold to the Stalking Horse Purchaser (collectively, the "Excluded Assets"): (i) cash, (ii) cash equivalents, (iii) income tax receivables, (iv) deferred tax assets, (v) employee advances, (vi) prepaid insurance including prepaid professional liability insurance, (vii) contracts and leases that are not Designated Contracts, (viii) the Purchase Price and all rights of the Debtors' under the Stalking Horse Agreement, (ix) any rights, claims or causes of action of any Debtor against third parties relating to assets, properties, losses, business or operations of any Debtor, including any actions under chapter 5 of the Bankruptcy Code, (x) all personnel records and other books, records, and files that the Debtors are required by law to retain in their possession, (xi) any patient records with respect to which the applicable patient(s) has objected to a transfer of such patient records to the Stalking Horse Purchaser, (xii) any claim, right or interest of any Debtor in or to any refund, rebate, abatement or other recovery for taxes, together with any interest due thereon or penalty rebate arising therefrom, (xiii) investments (including Restora Holdings' membership interests in Restora Mesa and Restora Sun

	City), (xiv) any other prepaid assets or properties expressly set forth on Schedule 1.2 to the Stalking Horse Agreement, and (xv) any books and records relating to any of the foregoing.
Assumed Liabilities	The Stalking Horse Purchaser shall, effective as of the Closing Date, assume those liabilities and obligations (i) under the Prepetition Loan Facility and DIP Facility and (ii) arising from events occurring on or after the Closing Date under any Designated Contracts. The Stalking Horse Purchaser also shall be responsible for payment of Cure Costs related to the Designated Contracts up to $450,000.
Excluded Liabilities	The Stalking Horse Purchaser shall not assume or be deemed to have assumed any liabilities of the Debtors other than the Assumed Liabilities.
Assumption and Assignment of Contracts and Leases	At the Closing, the Debtors shall assign to the Stalking Horse Purchaser each of the Designated Contracts. In connection with the assumption and assignment of the Designated Contracts the Stalking Horse Purchaser shall pay cure costs which the Bankruptcy Court, pursuant to a Final Order, orders to be paid in connection with the Debtors' assumption and assignment to Stalking Horse Purchaser of such Designated Contracts in accordance with section 365 of the Bankruptcy Code up to a maximum of $450,000 in the aggregate.
Representations, Warranties, and Covenants	The Stalking Horse Agreement contains usual and customary representations, warranties, and covenants for similar bankruptcy section 363 sale transactions, including representations and warranties by the Stalking Horse Purchaser that it has the requisite authority and has obtained the necessary consents to consummate the transactions contemplated by the Stalking Horse Agreement.
Regulatory Approvals	The Stalking Horse Purchaser and the Debtors will each use commercially reasonable efforts to obtain necessary regulatory approvals for the transaction, including but not limited to, any required approvals by the Arizona Department of Health Services and the Centers for

	Medicare and Medicaid Services. If any governmental approval is determined to be necessary and cannot be timely obtained, the parties agree to work in good faith to modify the terms of the transaction as necessary to ensure compliance with all federal, state, or other governmental laws, rules, and regulations while providing the same economic result to the Stalking Horse Purchaser.
Conditions to Closing **(Local Rule 6004-1(b)(iv)(E))**	The material conditions and contingencies for the Stalking Horse Purchaser's obligations to close include: (a) All representations and warranties made by the Debtors in the Stalking Horse Agreement and in any written statements delivered to the Stalking Horse Purchaser under the Stalking Horse Agreement shall be substantially true and correct as of the Effective Date and as of the Closing Date as though made on such dates. (b) The Debtors shall have performed, satisfied and complied in all material respects with all obligations and covenants required by the Stalking Horse Agreement to be performed or complied with by them on or prior to the Closing Date. (c) The Debtors shall have executed and delivered to the Stalking Horse Purchaser the Assignment and Assumption and Bill of Sale, dated and effective as of the Closing Date. (d) The Debtors shall have delivered to the Stalking Horse Purchaser all other documents required to be delivered by them under the Stalking Horse Agreement, and all such documents shall have been properly executed by each of them, if applicable. (e) The Stalking Horse Purchaser shall have received all Third Party Consents and Governmental Approvals, if any, in form and substance satisfactory to it, effective as of the Closing Date. (f) The Bankruptcy Court shall have entered an order authorizing the assumption and assignment of the Real Property Leases and approving any modifications to such leases in form and substance satisfactory to the Stalking Horse Purchaser and the lessors.

	(g) Delivery of all schedules and exhibits attached to the Stalking Horse Agreement. (h) The Bankruptcy Court shall have entered the Sale Order and the Sale Order shall have become final and non-appealable. (i) All of the Assigned Contracts and Assigned Personal Property Leases shall have been validly assumed and assigned under section 365 of the Bankruptcy Code to the Stalking Horse Purchaser pursuant to the Sale Order. (j) The Stalking Horse Purchaser has not received any notice or notices pursuant to Section 6.2 of the Stalking Horse Agreement that in the aggregate could be reasonably expected to be materially adverse to the condition (financial or otherwise), properties, assets, liabilities, businesses, operations, results of operations or prospects of the Practice or the Acquired Assets.
Break-Up Fee	The Stalking Horse Agreement does not provide for any break-up fee or expense reimbursement in favor of the Stalking Horse Purchaser.
As Is, Where Is	The Stalking Horse Purchaser is accepting the Acquired Assets at the Closing "as is, where is, and with all faults," and, except as otherwise expressly provided in the Stalking Horse Agreement, the Debtors are making no representations or warranties whatsoever, express or implied, with respect to any matter relating to the Acquired Assets.
Other Highlighted Terms Under Local Rule 6004-1(b)(iv)	• Local Rule 6004-1(b)(iv)(A). To the best of the Debtors' knowledge, the Stalking Horse Purchaser is not an insider within the meaning of section 101(31) of the Bankruptcy Code. HealthCap, however, which is one of the Transaction Parties, is an affiliate of HCCG, LLC, which holds an 81.63% membership interest in Restora Holdings. • Local Rule 6004-1(b)(iv)(B). The Debtors have not discussed or entered into agreements with management or key employees regarding compensation or future employment. • Local Rule 6004-1(b)(iv)(C). This Motion is not

	seeking a release in favor of any entity. • Local Rule 6004-1(b)(iv)(D). As discussed in more detail below, an auction is contemplated and the Debtors have not entered into any agreement to not solicit competing offers. • Local Rule 6004-1(b)(iv)(F). The Debtors are not requiring the Stalking Horse Purchaser to submit a good faith deposit due to the secured obligations owing by the Debtor to the Stalking Horse Purchaser. • Local Rule 6004-1(b)(iv)(G). The Debtors do not currently have any interim management or other agreement with the Stalking Horse Purchaser. One or more Debtors is a party to (i) a Financial Management Services Agreement with Acuity (one of the Transaction Parties), (ii) a Consulting Agreement with Acuity Healthcare Management, LLC (an affiliate of Acuity), and (iii) a Consulting and Accounts Receivable Collection Agreement with Tutera Senior Living & Healthcare, LLC (an affiliate of Tutera, which is one of the Transaction Parties). In the event the Debtors determine it is appropriate to enter into any other agreement with the Stalking Horse Purchaser or any Transaction Party that is outside the ordinary course of business, the Debtors will promptly notify the Court and any such agreement will be subject to Court approval. In addition, the Debtors will allow the Stalking Horse Purchaser, subject to applicable law and confidentiality, full access to management and operations during the pendency of the chapter 11 cases and prior to the closing of a sale, and the Stalking Horse Purchaser may designate a representative to be physically present at the Debtors' facilities during such time with access to the Debtors' employees and records. • Local Rule 6004-1(b)(iv)(H). The Debtors are not seeking to release any sale proceeds without further order of the Court. The Debtors do intend to agree with the Stalking Horse Purchaser on an allocation of the Purchase Price to the Acquired Assets, as set forth in Section 2.3 of the Stalking Horse Agreement. • Local Rule 6004-1(b)(iv)(I). The Debtors are not seeking to have the sale declared exempt from taxes under section 1146(a) of the Bankruptcy Code.

	• Local Rule 6004-1(b)(iv)(J). The Debtors are retaining or will have reasonable access to all books and records to enable them to administer these chapter 11 cases. • Local Rule 6004-1(b)(iv)(K). The Debtors are not seeking to sell any avoidance actions. • Local Rule 6004-1(b)(iv)(L). The Debtors are seeking to sell the Acquired Assets free and clear of successor liability claims, other than Permitted Encumbrances. • Local Rule 6004-1(b)(iv)(M). The Debtors are seeking to sell the Acquired Assets free and clear of liens, claims, and interests, other than Permitted Encumbrances, to the fullest extent permitted under section 363 of the Bankruptcy Code, but are not seeking to sell property free and clear of any possessory leasehold interest or license. • Local Rule 6004-1(b)(iv)(N). The Debtors are not seeking to disallow or restrict any party's right to credit bid its allowed secured claim under section 363(k) of the Bankruptcy Code, and are expressly permitting the Stalking Horse Purchaser to credit bid its secured claims in connection with the Prepetition Loan Agreement and DIP Facility. • Local Rule 6004-1(b)(iv)(O). As discussed in more detail below, the Debtors are seeking relief from the fourteen-day stay imposed by Bankruptcy Rule 6004(h).

25. As discussed herein, the Debtors believe these provisions are reasonable in light of the facts and circumstances of these chapter 11 cases and should be approved.

26. The Debtors believe that their entry into the Stalking Horse Agreement will provide substantial benefit to the estates and will help maximize value in any sale of the Acquired Assets. Specifically, the Stalking Horse Purchaser will establish a minimum bid for the Auction and a complete set of offer terms with respect to the Acquired Assets.

27. The Debtors believe that, unless a sale is consummated, there will be a deterioration in the value of their assets and businesses and it is likely that they will have to wind-down their businesses. Accordingly, a prompt sale will maximize the value of the Debtors' estates for the benefit of creditors and other interested parties, ensure the continuity of quality patient care and services, and preserve jobs for and business relationship with hundreds of employees, contract and lease counterparties, and vendors.

The Bidding and Auction Procedures

28. To obtain the highest or otherwise best bid for the Acquired Assets, the Debtors intend to implement the Bidding Procedures attached hereto as Exhibit D. The Bidding Procedures set forth, among other things, the availability of due diligence for potential bidders, the deadline and requirements for submitting a Qualified Bid (as defined below), the procedures for conducting the Auction, and the criteria for determining the highest or otherwise best Qualified Bid for the Acquired Assets (the "Successful Bid").

29. The following summary highlights the material terms of the Bidding Procedures, including those terms required to be highlighted under Local Rule 6004-1(c). All parties in interest are referred to the text of the attached Bidding Procedures for additional information regarding the proposed procedures.[5]

A. Bid Deadline.

30. A potential bidder that desires to make a bid shall deliver copies of its bid package by email to: (i) counsel to the Debtors, DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020 (Attn: Thomas R. Califano, Esq.

[5] Capitalized terms used but not defined in this section shall have the meanings ascribed to them in the Bidding Procedures. To the extent that there are any inconsistencies between the description of the Bidding Procedures contained herein and the actual Bidding Procedures attached hereto, the terms of the actual Bidding Procedures attached hereto control.

(thomas.califano@dlapiper.com) and Daniel G. Egan, Esq. (daniel.egan@dlapiper.com)), and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Attn: Stuart Brown, Esq. (stuart.brown@dlapiper.com)); (ii) the Debtors' Chief Restructuring Officer, Alvarez & Marsal Healthcare Industry Group, LLC, 100 Pine Street, Suite 900, San Francisco, CA 94111 (Attn: George D. Pillari (gpillari@alvarezandmarsal.com)); (iii) counsel to HealthCap, as agent for the Stalking Horse Purchaser for noticing purposes, Polsinelli P.C., 2501 N. Harwood, Suite 1900, Dallas, TX 75201 (Attn: James H. Billingsley, Esq. (jbillingsley@polsinelli.com)); (iv) counsel to the Debtors' secured lender, Kaye Scholer, LLP, 425 Park Avenue, New York, NY 10022 (Attn: Benjamin Mintz, Esq. (benjamin.mintz@kayescholer.com)); (v) counsel to the Landlord, Arent Fox LLP, 1675 Broadway, New York, NY 10019 (Attn: Andrew I. Silfen, Esq. (andrew.silfen@arentfox.com)); and (vi) counsel to any official committee of unsecured creditors appointed in these chapter 11 cases (the "Committee"), so as to be actually received on or before the date set by the Court as the deadline to submit Qualified Bids (the "Bid Deadline"). The Debtors propose **April 21, 2014 at 5:00 p.m. (prevailing Eastern Time)** as the Bid Deadline and seek authority in their business judgment to extend the Bid Deadline without further order of the Court. No bids submitted after the Bid Deadline shall be considered by the Debtors.

B. Due Diligence.

31. Subject to a potential bidder entering into a confidentiality agreement satisfactory to the Debtors in their business judgment, the Debtors may afford any potential bidder, whom the Debtors, in consultation with their advisors, believe has the wherewithal to close a sale transaction and operate the hospitals, the opportunity to conduct a reasonable due diligence review in the manner determined by the Debtors in their discretion. The Debtors shall not be obligated to furnish access to any due diligence information of any kind after the Bid

Deadline. The Debtors intend to use reasonable efforts to provide to all potential qualified bidders certain information in connection with the proposed sale and assumption and assignment of Designated Contracts, including, among other things, the proposed Bidding Procedures and the Stalking Horse Agreement, but the failure to deliver any such information to any potential bidders shall not affect the validity, effectiveness or finality of the Auction (as defined below) or the sale process. All diligence inquiries must be directed to Alvarez & Marsal Healthcare Industry Group, LLC; provided, however, potential bidders are encouraged to speak directly with representatives of HFG and the Landlord in connection with their due diligence in respect of the potential to assume HFG claims and liens through participation in the Auction and lease modifications with Landlord, respectively, notwithstanding their status as Transaction Parties.

C. Bid Requirements.

32. A bid submitted will be considered a qualified bid and the potential bidder will be considered a qualified bidder only if the bid is submitted by a bidder that in the Debtors' business judgment, in consultation with their advisors, complies with all of the following requirements (a "Qualified Bid" and "Qualified Bidder," respectively), any of which may be modified or waived by the Debtors, in consultation with their advisors, in their discretion at or prior to the Auction (as defined below):

a) it states that the potential qualified bidder offers to purchase, in cash, the Acquired Assets (or offers to purchase less than all of the Acquired Assets, including the exclusion of the Debtors' accounts receivable) upon the terms and conditions that the Debtors in their business judgment, in consultation with their advisors, reasonably determine are no less favorable to the Debtors than those set forth in the Stalking Horse Agreement;

b) it includes a signed writing that the potential qualified bidder's offer is irrevocable until the selection of the Successful Bidder, provided that if such potential qualified bidder is selected as (A) the Successful Bidder, its offer shall remain irrevocable until the earlier of (i) the outside date by which all regulatory

approvals and other conditions to closing shall have been satisfied or waived, (ii) the date the Sale Order is entered if the sale transaction with such potential qualified bidder is denied or (iii) the date that is thirty (30) days after the Sale Approval Hearing, or (B) the Next Best Bidder (as defined below) its offer shall remain irrevocable until the earlier of (i) the closing of the sale to the Successful Bidder, (ii) the date that is thirty (30) days after the earlier of (I) the outside date by which all regulatory approvals or other conditions to closing under the Successful Bidder's asset purchase agreement shall have been satisfied or waived, or (II) the date that is thirty (30) days after the Sale Approval Hearing;

c) that there are no conditions precedent to the potential qualified bidder's ability to enter into a definitive enforceable agreement and that all necessary internal and shareholder approvals have been obtained prior to the Bid Deadline;

d) it includes a duly authorized and executed copy of an asset purchase agreement (an "Asset Purchase Agreement"), including the purchase price for the Assets (the "Proposed Purchase Price"), together with all exhibits and schedules thereto, together with copies marked to show any amendments and modifications to the Stalking Horse Agreement and the proposed order to approve the sale by the Bankruptcy Court;

e) it includes written evidence of a firm, irrevocable commitment for debt or equity financing, or other evidence of ability to consummate the proposed sale transaction, that will allow the Debtors in their business judgment, in consultation with their advisors, to make a determination as to the bidder's financial, regulatory, and other capabilities to consummate the sale transaction contemplated by the Asset Purchase Agreement;

f) it has a cash value to the Debtors, in the Debtors' reasonable discretion, after consultation with their advisors, that is greater than or equal to $5,000,000, which is the amount of the credit bid being submitted by the Stalking Horse Purchaser, plus (ii) $100,000 (the "Initial Overbid");

g) it identifies with particularity which executory contracts and unexpired leases the potential qualified bidder designates to assume, and provides details of the potential qualified bidder's proposal for the payment (or treatment) of related cure costs with respect to the Designated Contracts;

h) it includes an acknowledgement and representation that the potential qualified bidder: (i) has had an opportunity to conduct any and all required due diligence regarding the Acquired Assets and Designated Contracts prior to making its bid; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Acquired Assets and Designated Contracts in making its bid; (iii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Acquired Assets and Designated Contracts or the completeness of any information provided in

connection therewith or with the Auction, except as expressly stated in the Asset Purchase Agreement; and (iv) is not entitled to and waives any right to assert a claim for any expense reimbursement, break-up fee, or similar type of payment in connection with its due diligence and bid;

i) it includes evidence, in form and substance reasonably satisfactory to the Debtors, of authorization and approval from the potential qualified bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Asset Purchase Agreement, and any amendments thereto negotiated or occasioned by its participation in the Auction;

j) it is accompanied by a good faith deposit in the form of a wire transfer (to a bank account specified by the Debtors), certified check or such other form acceptable to the Debtors, payable to the order of Restora Holdings (or such other party as the Debtors may determine) in an amount equal to ten percent (10%) of the Proposed Purchase Price (the "Good Faith Deposit");

k) it contains sufficient information concerning the potential qualified bidder's ability to provide adequate assurance of performance with respect to executory contracts and unexpired leases;

l) it commits to supplement the bid with other information reasonably requested by the Debtors before or after the Bid Deadline; and

m) it is received by the relevant parties set forth in the Bidding Procedures prior to the Bid Deadline.

33. The Debtors and their professionals will review each potential qualified bid received from a potential qualified bidder to ensure that both the bid and the bidder meet the requirements set forth above. A potential qualified bid received from a potential qualified bidder that the Debtors determine in their business judgment meets the above requirements, and subject to approval by the patient care ombudsman, if any, of the potential bidder as a Qualified Bidder, which approval shall not be unreasonably withheld or delayed, will be considered a "Qualified Bid" and each potential bidder that submits a Qualified Bid will be considered a "Qualified Bidder." The Debtors, in their business judgment, reserve the right to reject any bid, without limitation. Notwithstanding the foregoing, the Stalking Horse Agreement shall be a

Qualified Bid for all purposes and the Stalking Horse Purchaser is a Qualified Bidder for all purposes and requirements pursuant to the Bidding Procedures at all times.

D. Evaluation of Competing Bids.

34. The Debtors may value a Qualified Bid based upon any and all factors that the Debtors deem pertinent, including, among others, the following: (a) the Proposed Purchase Price of the Qualified Bid and the assumption of cure obligations respecting the assumption and assignment of executory contracts and unexpired leases; (b) the risks and timing associated with consummating a transaction with the Qualified Bidder, including, without limitation, all necessary regulatory approvals; (c) the risks associated with and extent of any non-cash consideration in any Qualified Bid; (d) any excluded assets or executory contracts or unexpired leases; (e) the Qualified Bidder's experience and ability in managing healthcare systems, including long-term acute care hospitals; and (f) any other factors that the Debtors may deem relevant to the proposed transaction.

E. No Qualified Bids.

35. If the Debtors do not receive any Qualified Bids other than from the Stalking Horse Purchaser, they will not hold an Auction and the Stalking Horse Purchaser will be named the Successful Bidder.

F. The Auction.

36. If more than one Qualified Bid has been received, the Debtors will conduct an auction (the "Auction") for the sale of the Acquired Assets. Prior to the Auction, the Debtors shall send a copy of all Qualified Bids to all Qualified Bidders. The Debtors propose that the Auction take place on **April 23, 2014 at 10:00 a.m. (prevailing Eastern Time)** at the offices of DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020, or such later time or such other place as the Debtors shall designate in a subsequent notice to all Qualified

Bidders. The Auction may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Auction. The Debtors reserve the right to cancel the Auction in their reasonable discretion.

37. The bidding at the Auction shall start at the amount offered in the highest or otherwise best Qualified Bid, as determined and announced by the Debtors in their business judgment, in consultation with their advisors, and will continue in increments of $100,000 (the "Overbid Increments") until the bidding ceases. The Stalking Horse Purchaser will have the right to credit bid additional indebtedness that may be owing under the Prepetition Loan Agreement and DIP Facility, as of the anticipated Closing Date, that is not already included in the Purchase Price under the Stalking Horse Agreement.

38. Notwithstanding anything contained in the Bidding Procedures, the Debtors may modify or waive any provisions of the Bidding Procedures at the Auction if, in their reasonable judgment, such modification or waiver will better promote the goals of the Auction, without providing any advance notice to the Stalking Horse Purchaser or any other party.

39. Immediately prior to the conclusion of the Auction, in consultation with their advisors, the Debtors will (a) review the last bid by each Qualified Bidder made at the Auction on the basis of financial and contractual terms and such factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the sale, (b) determine the Successful Bid for the Acquired Assets at the Auction, and (c) notify all Qualified Bidders at the Auction, prior to its conclusion, of the name of the Successful Bidder. Only Qualified Bidders may participate in the Auction. Each Qualified Bidder will be required to confirm at the commencement of and from time to time during the Auction that it has not engaged in any collusive behavior with respect to the bidding or the Auction. The Auction will

be conducted openly and all creditors will be permitted to attend and observe. Bidding at the Auction will be videotaped and/or transcribed.

40. After determining the Successful Bid, the Debtors may, in consultation with their advisors, determine which Qualified Bid is the next best bid (the "Next Best Bid"). If the Successful Bidder does not close the sale by the date set forth in the Successful Bid or otherwise agreed to by the Debtors and the Successful Bidder, then the Debtors shall be authorized to close with the party that submitted the Next Best Bid (the "Next Best Bidder"), without a further court order. The party that submits the Next Best Bid shall be required to close the sale by the date set forth in the Next Best Bid (excusing the time between the Auction and the date the Next Best Bidder is advised that the Debtors will seek to close under the Next Best Bid) or otherwise agreed to by the Debtors and the Next Best Bidder.

G. Return of Deposits.

41. The Good Faith Deposits of all potential qualified bidders who are determined not to be Qualified Bidders shall be returned promptly by the Debtors. The Good Faith Deposits of Qualified Bidders shall be held in escrow by the Debtors. The Good Faith Deposits of all Qualified Bidders, other than the Successful Bidder and the Next Best Bidder, shall be returned within two (2) business days after the conclusion of the Sale Approval Hearing. The Good Faith Deposit of the Next Best Bidder shall be returned within two (2) business days after the consummation of the sale transaction with the Successful Bidder, but in no event later than sixty (60) days after the Sale Approval Hearing.

H. Credit Bid.

42. On or before the Bid Deadline, parties holding a valid lien on some or all of the Acquired Assets that secures an allowed secured claim may submit a credit bid for some or all

of such Acquired Assets to the fullest extent permitted under section 363(k) of the Bankruptcy Code.

I. Reservation of Rights.

43. The Debtors may (a) determine, in their reasonable discretion, which bid or bids, if any, to present to the Bankruptcy Court as the highest or otherwise best offer for the Acquired Assets, (b) reject, at any time before entry of an order of the Bankruptcy Court approving any bid as the Successful Bid, any bid that, in the Debtors' reasonable discretion, is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code or the Bidding Procedures, or (iii) contrary to the best interests of the Debtors and their bankruptcy estates and creditors; provided, that the Stalking Horse Purchaser's bid and the Stalking Horse Agreement, after approval of the Bidding Procedures, may not be rejected under (i), (ii) or (iii) of this provision, (c) withdraw, in their business judgment, the Motion if pursuing approval of the Motion is determined to be contrary to the best interests of the Debtors and their bankruptcy estates and creditors, and (d) cancel, in their business judgment, the Auction and pursue an alternative transaction if such alternative transaction is determined to be in the best interests of the Debtors and their bankruptcy estates and creditors.

44. The Debtors may extend or alter any deadline contained in the Bidding Procedures that will better promote their receipt of higher or otherwise better offers for the Acquired Assets and Designated Contracts (the "Extension Right"). The Bidding Procedures are solely for the benefit of the Debtors and their bankruptcy estates. The Debtors may waive or modify the provisions in the Bidding Procedures or adopt additional procedures as they see fit in their business judgment (the "Modification Right").

J. As Is, Where Is.

45. The sale shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Debtors, their estates, or their agents or representatives. Except as otherwise expressly provided in the Bidding Procedures, the Stalking Horse Agreement, or any applicable Asset Purchase Agreement, each Potential Bidder that submits a bid shall be deemed to acknowledge and represent that it (a) has had an opportunity to conduct any and all reasonable due diligence regarding the Acquired Assets prior to making its bid, (b) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Acquired Assets in making its bid, and (c) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Acquired Assets, or the completeness of any information provided in connection therewith.

K. Sale Approval Hearing.

46. The sale of the Acquired Assets and applicable Asset Purchase Agreement shall be presented for authorization and approval by the Court at the Sale Approval Hearing, which the Debtors propose be held on or before **April 25, 2014 at 10:00 a.m. (prevailing Eastern Time)**, subject to the availability of the Court. The Sale Approval Hearing may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Approval Hearing.

Notice Procedures

47. The Debtors also request approval of the proposed form and manner of notice of the Bid Deadline, the Auction and the Sale Approval Hearing. Within two (2) business days after entry of the Bidding Procedures Order, the Debtors will serve notice of the Bid Deadline,

the Auction and the Sale Approval Hearing, substantially in the form attached hereto as Exhibit E (the "Sale Notice"), by first class mail on:

(i) counsel to Healthcare Finance Group, LLC;

(ii) counsel to the HealthCap Partners, LLC, as agent to the Stalking Horse Purchaser for noticing purposes;

(iii) counsel to the Landlord;

(iv) all applicable health regulatory agencies and taxing authorities;

(v) the Office of the United States Trustee for the District of Delaware;

(vi) the United States Attorney's Office for the District of Delaware;

(vii) any entity known or reasonably believed to have asserted a security interest in or lien against any of the Acquired Assets;

(viii) the Debtors' twenty (20) largest creditors on a consolidated basis or counsel for the Creditors' Committee, if one has been appointed;

(ix) any party that has filed a notice of appearance in these cases; and

(x) any party who has expressed an interest in purchasing the Acquired Assets, investing in the Debtors, or participating in a restructuring transaction, and who the Debtors reasonably believe could consummate a transaction, or who the Debtors or their professionals believe would have such an interest.

48. Within five (5) business days of the entry of the Bidding Procedures Order, the Debtors will publish a notice, in a form to be submitted to the Court (the "Publication Notice"), in *The New York Times (National Edition)* and/or such other publication(s) as the Debtors and their advisors deem appropriate.

Assumption and Assignment Procedures

49. To facilitate and consummate the sale of the Acquired Assets, the Debtors seek authority to assume and assign certain Designated Contracts to the Successful Bidder. Due to the nature of the bidding process, it is impossible for the Debtors currently to identify which Designated Contracts will be designated for assumption and assignment to the Successful

Bidder. As such, the Debtors further seek authority to establish the Assumption and Assignment Procedures described below.

50. Cure Notice. Within five (5) business days after entry of the Bidding Procedures Order and again after selection of the Successful Bid, to the extent required because of differences, the Debtors will file the Cure Notice, substantially in the form attached hereto as Exhibit F (the "Cure Notice"), with the Court and serve such Cure Notice on the non-Debtor counterparties to such Designated Contracts. The Cure Notice will include (a) the titles of the Designated Contracts to be assumed, (b) the names of the counterparties to such Designated Contract, (c) the amount, if any, determined by the Debtors to be necessary to be paid to cure any existing default under such Designated Contracts in accordance with sections 365(b) and (f)(2) of the Bankruptcy Code (the "Cure Amount"), (d) the proposed effective date of the assignment, and (e) the deadline by which any counterparties to such Designated Contracts must object. The Debtors reserve the right to supplement and modify the Cure Notice at any time, provided that to the extent that the Debtors add a Designated Contract to the Cure Notice or modifies the Cure Amount, the affected party shall receive a separate notice and an opportunity to object to such addition or modification.

51. Objection to Assumption and Assignment of Designated Contracts. Any objection to the assumption and assignment of any Designated Contract identified on the Cure Notice, including, without limitation, any objection to the Cure Amount set forth on the Cure Notice or to the ability of the Successful Bidder to provide adequate assurance of future performance under such Designated Contract, must (a) be in writing, (b) set forth the basis for the objection as well as any cure amount that the objector asserts to be due (in all cases with appropriate documentation in support thereof), and (c) be filed with the Clerk of the Court,

United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, Wilmington, Delaware 19801, and served on the following: (i) counsel to the Debtors, DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020 (Attn: Thomas R. Califano, Esq. and Daniel G. Egan, Esq.) and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Attn: Stuart Brown, Esq.); (ii) counsel to HealthCap, as agent for the Stalking Horse Purchaser for noticing purposes, Polsinelli P.C., 2501 N. Harwood, Suite 1900, Dallas, TX 75201 (Attn: James H. Billingsley, Esq.); (iii) counsel to Healthcare Finance Group, LLC, Kaye Scholer, LLP, 425 Park Avenue, New York, NY 10022 (Attn: Benjamin Mintz, Esq.); (iv) counsel to the Landlord, Arent Fox LLP, 1675 Broadway, New York, NY 10019 (Attn: Andrew I. Silfen, Esq.); (v) counsel to any statutory committee of unsecured creditors appointed in these cases; (vi) counsel to the Successful Bidder; and (vii) the Office of the United States Trustee, U.S. Trustee, 844 King Street, Suite 2207, Lockbox #35, Wilmington, Delaware, 19899 (Attn: Benjamin A. Hackman, Esq.), **so as to be actually received no later than 12:00 p.m. (prevailing Eastern Time) on the date that is fifteen (15) days after the filing of the Cure Notice** (the "Assignment and Cure Objection Deadline").

52. Requests for Adequate Assurance. Any request for adequate assurance information regarding the Successful Bidder (a "Request for Adequate Assurance") must include an email address, postal address and/or facsimile number to which a response to such request will be sent. Upon receiving a Request for Adequate Assurance, the Debtors shall promptly provide such party with any non-confidential information reasonably related to adequate assurance by email, facsimile or overnight delivery.

53. Resolution of Objections. If no objection to the proposed assumption and assignment of a Designated Contract is timely received by the Assignment and Cure Objection

Deadline, then the assumption and assignment is authorized and the respective Cure Amount set forth in the Cure Notice shall be binding upon the counterparty to the Designated Contract for all purposes and will constitute a final determination of total Cure Amount required to be paid by the Debtors or the Successful Bidder, as applicable, in connection with such assumption and assignment to the Successful Bidder.

54. To the extent that any entity does not timely object as set forth above, such entity shall be (a) forever barred from objecting to the assumption and assignment of its respective Designated Contracts identified on the Cure Notice, including, without limitation, asserting any additional cure payments or requesting additional adequate assurance of future performance, (b) deemed to have consented to the applicable Cure Amount, if any, and to the assumption and assignment of the applicable Designated Contract, (c) bound to such corresponding Cure Amount, if any, (d) deemed to have agreed that the Successful Bidder has provided adequate assurance of future performance within the meaning of section 365(b)(1)(C) of the Bankruptcy Code, (e) deemed to have agreed that all defaults under the applicable Designated Contract arising or continuing prior to the effective date of the assignment have been cured as a result or precondition of the assignment, such that the Successful Bidder or the Debtors shall have no liability or obligation with respect to any default occurring or continuing prior to the assignment, and from and after the date of the assignment the applicable Designated Contract shall remain in full force and effect for the benefit of the Successful Bidder and such entity in accordance with its terms, (f) deemed to have waived any right to terminate the applicable Designated Contract or designate an early termination date under the applicable Designated Contract as a result of any default that occurred and/or was continuing prior to the assignment date, (g) deemed to have agreed that the Debtors are not obligated under the Designated

Contracts following the effective date of the assumption and assignment, and (h) deemed to have agreed that the terms of the Sale Order shall apply to the assumption and assignment of the applicable Designated Contract.

55. If an objection is timely received and such objection cannot otherwise be resolved by the parties, the Court may hear such objection at a later date set by the Court. The pendency of a dispute relating to the Cure Amount will not prevent or delay the assumption and assignment of any Designated Contract or the sale of the Acquired Assets to the Successful Bidder. If an objection is filed only with respect to the cure amount listed on the Cure Notice, the Debtors may file a Certificate of No Objection as to assumption and assignment only and the dispute with respect to the cure amount will be resolved consensually, if possible, or, if the parties are unable to resolve their dispute, before the Court. The Debtors intend to cooperate with the counterparties to the Designated Contracts to be assumed and assigned by the Debtors to attempt to reconcile any difference in a particular Cure Amount.

56. Anti-Assignment Provisions in Contracts or Leases. The Debtors further request that the Court find that any anti-assignment provisions within the purview of Bankruptcy Code 365(f) included in, or otherwise purporting to affect, any Designated Contracts to be assumed and assigned by the Debtors are unenforceable under section 365(f) of the Bankruptcy Code.

BASIS FOR RELIEF REQUESTED

I. A Sale of the Acquired Assets Under Section 363 of the Bankruptcy Code is Warranted.

57. Ample justification exists for approval of the proposed sale of the Acquired Assets. Section 363 of the Bankruptcy Code provides that a debtor, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1).

58. The decision to sell assets outside of the ordinary course of business is based upon the sound business judgment of the debtor. See, e.g., Meyers v. Martin (In re Martin), 91 F.3d 289, 295 (3d Cir. 1996); In re Titusville Country Club, 128 BR. 396 (W.D. Pa. 1991); In re Delaware & Hudson Ry. Co., 124 BR. 169, 176 (D. Del. 1991); see also Official Committee of Unsecured Creditors v. The LTV Corp. (In re Chateaugay Corp.), 973 F.2d 141, 143 (2d Cir. 1992); Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1070 (2d Cir. 1983).

59. The paramount goal in any proposed sale of property of the estate is to maximize the value received by the estate. See, e.g., In re Food Barn Stores, Inc., 107 F.3d 558, 564–65 (8th Cir. 1997) (in bankruptcy sales, "a primary objective of the Code [is] to enhance the value of the estate at hand"); In re Integrated Res., Inc., 147 B.R. 650, 659 (Bankr. S.D.N.Y. 1992) ("It is a well-established principle of bankruptcy law that the. . . [trustee's] duty with respect to such sales is to obtain the highest price or greatest overall benefit possible for the estate.") (quoting In re Atlanta Packaging Prods., Inc., 99 BR. 124, 130 (Bankr. N.D. Ga. 1988)). As long as the sale appears to enhance a debtor's estate, court approval of a debtor in possession's or trustee's decision to sell should only be withheld if the debtor in possession's or trustee's judgment is clearly erroneous, too speculative, or contrary to the provisions of the Bankruptcy Code. See GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd., 331 B.R. 251, 255 (N.D. Tex. 2005); In re Lajijani, 325 B.R. 282, 289 (9th Cir. B.A.P. 2005); In re WPRV-TV, Inc., 143 B.R. 315, 319 (D. P.R. 1991) ("The trustee has ample discretion to administer the estate, including authority to conduct public or private sales of estate property. Courts have much discretion on whether to approve proposed sales, but the trustee's business judgment is subject to great judicial deference.").

60. A sound business purpose for the sale of a debtor's assets outside the ordinary course of business and not under a plan may be found where such a sale is necessary to preserve the value of assets for the estate, its creditors or interest holders. See, e.g., In re Abbotts Dairies of Pennsylvania, Inc., 788 F.2d 143 (3d Cir. 1986). Once "the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor's conduct." Committee of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.), 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986). There is a presumption that "in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the company." In re Integrated Res., 147 B.R. at 656 (quoting Smith v. Van Gorkom, 488 A.2d 858, 872 (Del. 1985)). Thus, if a debtor's actions satisfy the business judgment rule, then the transaction in question should be approved under section 363(b)(1). Indeed, when applying the "business judgment" standard, courts show great deference to a debtor's business decisions. See Pitt v. First Wellington Canyon Assocs. (In re First Wellington Canyon Assocs.), Case No. 89-C-593, 1989 WL 106838, at *3 (N.D. Ill. Sept. 8, 1989) ("Under this test, the debtor's business judgment . . . must be accorded deference unless shown that the bankrupt's decision was taken in bad faith or in gross abuse of the bankrupt's retained discretion.").

61. The Debtors submit that the proposed sale of the Acquired Assets and assumption and assignment of the Designated Contracts is within their sound business judgment. The Debtors were in active negotiations with a number of parties in the months leading up to the bankruptcy filings regarding a potential transaction, whether through a section 363 sale or chapter 11 plan. After considering all alternatives, including all transaction proposals from other

parties, the Debtors, with the assistance of their advisors, determined that the sale of the Acquired Assets through a consensual 363 sale process governed by the Bidding Procedures will maximize the value of the Debtors' estates and is in the best interests of their estates, creditors, and patients. The terms and conditions of the Stalking Horse Agreement, including the proposed purchase price, are fair and reasonable and were negotiated between the parties in good faith and at arm's length. The Debtors have limited funds available to them, making it imperative that they move forward expeditiously with a bidding process and consummation of a sale.

62. The proposed sale process provides the best mechanism to maximize value under the circumstances and is a valid exercise of the Debtors' business judgment. The Debtors' highest priority in these cases is to continue providing the highest levels of care to its patients while also preserving value. An expeditious sale process will further these goals as it will allow the ultimate purchaser and new operator of the Debtors' LTAC hospital operations to immediately focus on caring for and treating patients without the worries and distractions inherent in any liquidity crunch or bankruptcy case. Accordingly, the Debtors respectfully request that the sale of the Acquired Assets in accordance with the procedures set forth herein be approved.

II. The Sale of the Acquired Assets Should Be Free and Clear of Liens, Claims, and Encumbrances.

63. In the interest of attracting the best bids for the Acquired Assets, the Debtors submit that the sale of the Acquired Assets should be free and clear of any and all liens, claims, and encumbrances in accordance with section 363(f) of the Bankruptcy Code, with any such liens, claims and encumbrances attaching to the proceeds of such sale.

64. Pursuant to section 363(f) of the Bankruptcy Code, a debtor may sell property of the estate "free and clear of any interest in such property of an entity other than the estate" if any one of the following conditions is satisfied:

(1) applicable nonbankruptcy law permits sale of such property free and clear of such interest;

(2) such entity consents;

(3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;

(4) such interest is in bona fide dispute; or

(5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f)(1)-(5).

65. Because section 363(f) of the Bankruptcy Code is written in the disjunctive, satisfaction of any one of its five requirements will suffice to permit the sale of the assets "free and clear" of liens and interests. See In re Kellstrom Indus., Inc., 282 B.R. 787, 793 (Bankr. D. Del. 2002) ("Section 363(f) is written in the disjunctive, not the conjunctive, and if any of the five conditions is met, the debtor has the authority to conduct the sale free and clear of all liens.") (citing Citicorp Homeowners Servs., Inc. v. Elliot (In re Elliot), 94 B.R. 343, 345 (E.D. Pa. 1988)); In re Dundee Equity Corp., Case No. 89-B-10233, 1992 WL 53743, at *4 (Bankr. S.D.N.Y. Mar. 6, 1992) ("Section 363(f) is in the disjunctive, such that the sale free of the interest concerned may occur if any one of the conditions of § 363(f) have been met."); see also Michigan Employment Sec. Comm'n v. Wolverine Radio Co. (In re Wolverine Radio Co.), 930 F.2d 1132, 1147 n.24 (6th Cir. 1991) (holding that the court may approve the sale "free and clear" provided at least one of the subsections of Bankruptcy Code section 363(f) is met).

66. The Debtors submit that one or more of the conditions set forth in section 363(f) of the Bankruptcy Code will be satisfied with respect to the sale of the Acquired Assets. In particular, section 363(f)(2) will be met in connection with the transactions proposed because each of the parties holding liens, claims or encumbrances attaching to the Acquired Assets will

consent, or absent any objection to this Motion, will be deemed to have consented, to the sale. Further, any such lien, claim or encumbrance will be adequately protected by attachment to the net proceeds of the sale, subject to any claims and defenses the Debtors may possess with respect thereto.

67. The Debtors also submit that it is appropriate to sell the Acquired Assets free and clear of successor liability relating to the Debtors' businesses. Such a provision ensures that the Successful Bidder is protected from any claims or lawsuits premised on the theory that the Successful Bidder is a successor in interest to one or more of the Debtors. Courts have consistently held that a buyer of a debtor's assets pursuant to a Bankruptcy Code section 363 sale takes free and clear from successor liability relating to the debtor's business. See, e.g., In re Trans World Airlines, Inc., 322 F.3d 283, 288–90 (3d Cir. 2003) (sale of assets pursuant to section 363(f) barred successor liability claims for employment discrimination and rights under travel voucher program); In re Insilco Techs., Inc., 351 B.R. 313, 322 (Bankr. D. Del. 2006) (363 sale permits a buyer to take ownership of property without concern that a creditor will file suit based on a successor liability theory); see also In re General Motors Corp., 407 B.R. 463, 505–06 (Bankr. S.D.N.Y. 2009) ("[T]he law in this Circuit and District is clear: the Court will permit GM's assets to pass to the purchaser free and clear of successor liability claims, and in that connection, will issue the requested findings and associated injunction."); In re Chrysler LLC, 405 B.R. 84, 111 (Bankr. S.D.N.Y. 2009).

68. Accordingly, the Debtors request that the Acquired Assets be sold and transferred to the Successful Bidder free and clear of all liens, claims and encumbrances, including successor liability, pursuant to section 363(f) of the Bankruptcy Code.

III. The Successful Bidder Should Be Afforded All Protections Under Section 363(m) of the Bankruptcy Code as a Good Faith Purchaser.

69. Section 363(m) of the Bankruptcy Code protects a good-faith purchaser's interest in property purchased from the debtor notwithstanding that the sale conducted under section 363(b) is later reversed or modified on appeal. Specifically, section 363(m) states that:

> The reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

11 U.S.C. § 363(m).

70. Section 363(m) fosters the "policy of not only affording finality to the judgment of the bankruptcy court, but particularly to give finality to those orders and judgments upon which third parties rely." In re Abbotts Dairies of Penn., Inc., 788 F.2d at 147; see also Allstate Ins. Co. v. Hughes, 174 BR. 884, 888 (S.D.N.Y. 1994) ("Section 363(m) . . . provides that good faith transfers of property will not be affected by the reversal or modification on appeal of an unstayed order, whether or not the transferee knew of the pendency of the appeal.").

71. The Debtors submit, and will present evidence at the Sale Approval Hearing, if necessary, that the selection of the Successful Bidder shall be the product of arm's length, good faith negotiations in an anticipated competitive sale process. Accordingly, the Debtors request that the Court make a finding at the Sale Approval Hearing and in the Sale Order that the Successful Bidder has purchased the Acquired Assets in good faith and is entitled to the full protections of section 363(m) of the Bankruptcy Code.

IV. The Bidding Procedures are Reasonable and Appropriate.

72. Pursuant to Bankruptcy Rule 6004(f)(1), sales of property outside the ordinary course of business may be by private sale or public auction. The Debtors have determined that

the sale of the Acquired Assets by public auction, pursuant to the Bidding Procedures, will ensure that the bidding process with respect to the Acquired Assets is fair, transparent, and reasonable and will yield the maximum value for the Debtors' estates and their creditors.

73. Courts uniformly recognize that procedures intended to enhance competitive bidding are consistent with the goal of maximizing the value received by the estate and, therefore, are appropriate in the context of bankruptcy sales. See In re Montgomery Ward Holding Corp., Case No. 97-1409 (PJW) (Bankr. D. Del. Aug. 6, 1997) (D.I. 377); In re Fruehauf Trailer Corp., Case No. 96-01563 (PJW) (Bankr. D. Del. Jan. 31, 1997) (D.I. 439); In re Financial News Network, Inc., 126 B.R. 152, 156 (S.D.N.Y. 1991) ("court-imposed rules for the disposition of assets . . . [should] provide an adequate basis for comparison of offers, and [should] provide for a fair and efficient resolution of bankrupt estates.").

74. The Bidding Procedures set forth the schedule for conducting the Auction and the Sale Approval Hearing. A section 363 sale process that provides adequate time for marketing and solicitation of bids is the best mechanism to maximize value under the circumstances. The Bidding Procedures promote transparency and are fair and appropriate under the circumstances and are designed to facilitate orderly yet competitive bidding to maximize the net value realized from the sale of assets by the estates. In addition, the Debtors' extensive prepetition marketing efforts should only further facilitate a thorough process during these cases. Indeed, the Debtors believe that any party that may submit a competing bid for the Debtors' assets will have already conducted diligence prior to the commencement of these cases. Therefore, such parties will be familiar with the Debtors' assets and operations and will have limited need to conduct postpetition diligence.

75. The Bidding Procedures contemplate an open-auction process that provides potential bidding parties with sufficient time to perform due diligence and acquire the information necessary to submit a timely and well-informed bid and compete for the right to be selected the Successful Bidder during the Auction. At the same time, the Bidding Procedures provide the Debtors with an adequate opportunity to consider competing bids and select the highest or otherwise best offer. Accordingly, the Debtors request that the Court approve the Bidding Procedures.

V. The Notice Procedures are Reasonable and Appropriate.

76. Pursuant to Bankruptcy Rule 2002(a) and (c), the Debtors are required to notify creditors of the proposed sale of the Acquired Assets, including a disclosure of the time and place of the Auction, the terms and conditions of the proposed sale, and the deadline for filing objections. The Debtors submit that the notice procedures described above fully comply with Bankruptcy Rule 2002 and are reasonably calculated to provide timely and adequate notice of the proposed sale of the Acquired Assets, the Bidding Procedures, the Auction, the Cure Amount, and the Sale Approval Hearing to the Debtors' creditors and all other parties in interest that are entitled to notice, as well all those parties that have expressed a bona fide interest in acquiring the Acquired Assets. Based upon the foregoing, the Debtors respectfully request that the Court approve the notice procedures proposed herein, including the form and manner of service of the Sale Notice.

VI. Assumption and Assignment of Executory Contracts and Unexpired Leases Should Be Approved.

A. Assumption and Assignment Based on Debtors' Business Judgment.

77. As stated above, to facilitate and effectuate the sale of their assets, the Debtors also seek authority to assume and assign certain Designated Contracts to the Successful Bidder.

Section 365(a) and (b) of the Bankruptcy Code authorizes debtors in possession to assume executory contracts or unexpired leases subject to the Court's approval, and requires such debtors in possession to satisfy certain requirements at the time of assumption. Under section 365(a) of the Bankruptcy Code, a debtor, "subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor." 11 U.S.C. § 365(a). Section 365(b)(1) of the Bankruptcy Code, in turn, codifies the requirements for assuming an unexpired lease or executory contract of a debtor, providing in relevant part that:

> (b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the trustee may not assume such contract or lease unless, at the time of assumption of such contract or lease, the trustee—
>
> > (A) cures, or provides adequate assurance that the trustee will promptly cure, such default . . . ;
> >
> > (B) compensates, or provides adequate assurance that the trustee will promptly compensate, a party other than the debtor to such contract or lease, for any actual pecuniary loss to such party resulting from such default; and
> >
> > (C) provides adequate assurance of future performance under such contract or lease.

11 U.S.C. § 365(b)(1).

78. The standard that is applied by the Third Circuit in determining whether an executory contract or unexpired lease should be assumed is the debtor's "business judgment" that the assumption is in its economic best interests. See Sharon Steel Corp. v. Nat'l Fuel Gas Distrib. Corp., 872 F.2d 36, 40 (3d Cir. 1989); see also NLRB v. Bildisco & Bildisco, 465 U.S. 513, 523 (1984) (describing business judgment test as "traditional") (superseded in part by 11 U.S.C. § 1113); In re III Enters., Inc. V, 163 B.R. 453, 469 (Bankr. E.D. Pa. 1994) (citations omitted), aff'd, 169 B.R. 551 (E.D. Pa. 1994).

79. It is well established that courts should approve a debtor's motion to assume or reject an executory contract if the debtor's decision is based on its business judgment. See In re Decora Indus., Inc., Case No. 00-4459, 2002 WL 32332749, at *8 (D. Del. May 20, 2002); Official Comm. for Unsecured Creditors v. Aust (In re Network Access Solutions, Corp.), 330 B.R. 67, 75 (Bankr. D. Del. 2005) ("The standard for approving the assumption of an executory contract is the business judgment rule."); In re Exide Techs., 340 B.R. 222, 239 (Bankr. D. Del. 2006) ("The propriety of a decision to reject an executory contract is governed by the business judgment standard."); see also Phar Mor, Inc. v. Strouss Bldg. Assocs., 204 B.R. 948, 952 (N.D. Ohio 1997) ("Courts should generally defer to a debtor's decision whether to reject an executory contract.") (citation omitted).

80. To determine if the business judgment test is met, the court "is required to examine whether a reasonable business person would make a similar decision under similar circumstances." In re Exide Techs., 340 B.R. at 239 ("This is not a difficult standard to satisfy and requires only a showing that rejection will benefit the estate."). Specifically, a court should find that the assumption or rejection is elected on "an informed basis, in good faith, and with the honest belief that the assumption . . . [is] in the best interests of [the debtor] and the estate." Network Access Solutions, 330 B.R. at 75. Under this standard, a court should approve a debtor's business decision unless that decision is the product of bad faith or a gross abuse of discretion. See Computer Sales Int'l, Inc. v. Federal Mogul (In re Federal Mogul Global, Inc.), 293 B.R. 124, 126 (D. Del. 2003); Lubrizol Enters. v. Richmond Metal Finishers, 756 F.2d 1043, 1047 (4th Cir. 1985).

81. The procedures set forth herein for the Debtors' assumption and assignment of certain Designated Contracts to the Successful Bidder meets the business judgment standard and

satisfies the requirements of section 365 of the Bankruptcy Code. The assumption and assignment of Designated Contracts are necessary for any Successful Bidder to conduct business going forward, and since no purchaser would take the Acquired Assets without the Designated Contracts, the assumption and assignment of such Designated Contracts is essential to inducing the highest or otherwise best offer for the Acquired Assets. Further, upon consummation of the proposed sale of the Acquired Assets, the Debtors will no longer continue to operate their businesses and will, therefore, have no use for any of the Designated Contracts utilized in the businesses. Lastly, the proposed Assumption and Assignment Procedures ensure that all counterparties to Designated Contracts will receive the Cure Notice, providing them with ample notice of the proposed assumption and assignment and opportunity to contest any asserted Cure Amount, as well as the ability of the Successful Bidder to provide adequate assurance of future performance.

82. Consequently, the Debtors submit that the Assumption and Assignment Procedures are fair and reasonable and respectfully request that the Court approve the Assumption and Assignment Procedures and authorize the Debtors to assume and assign any Designated Contracts to the Successful Bidder.

B. Adequate Assurance of Future Performance.

83. A debtor in possession may assign an executory contract or unexpired lease of the debtor if it assumes the agreement in accordance with section 365(a), and provides adequate assurance of future performance by the assignee, whether or not there has been a default under the agreement. 11 U.S.C. § 365(f)(2).

84. The meaning of "adequate assurance of future performance" depends on the facts and circumstances of each case, but should be given a "practical, pragmatic construction." EBG Midtown S. Corp. v. McLaren/Hart Env. Eng'g Corp. (In re Sanshoe Worldwide Corp.), 139

B.R. 585, 592 (S.D.N.Y. 1992); In re Rachels Indus., Inc., 109 B.R. 797, 803 (Bankr. W.D. Tenn. 1990); see also In re Prime Motor Inns Inc., 166 B.R. 993, 997 (Bankr. S.D. Fla. 1994); Carlisle Homes, Inc. v. Azzari (In re Carlisle Homes, Inc.), 103 B.R. 524, 538 (Bankr. D.N.J. 1988) ("[a]though no single solution will satisfy every case, the required assurance will fall considerably short of an absolute guarantee of performance.").

85. Adequate assurance of future performance may be provided by demonstrating, among other things, the assignee's financial health and experience in managing the type of enterprise or property assigned. See, e.g., In re Bygaph, Inc., 56 B.R. 596, 605–06 (Bankr. S.D.N.Y. 1986) (stating that adequate assurance of future performance is present when the prospective assignee of lease from the debtor has financial resources and has expressed willingness to devote sufficient funding to the business in order to give it a strong likelihood of succeeding).

86. Pursuant to the Bidding Procedures, in order to submit a Qualified Bid for the Acquired Assets, all Qualified Bidders must provide evidence of such Qualified Bidder's ability to provide adequate assurance of future performance under the Designated Contracts to be assumed and assigned. Moreover, the Assumption and Assignment Procedures permit the non-Debtor counterparties to such Designated Contracts to request adequate assurance information regarding the Successful Bidder, and afford such counterparties the opportunity to evaluate the ability of the Successful Bidder to provide adequate assurance of future performance under such Designated Contracts. Accordingly, in this regard, the Assumption and Assignment Procedures are reasonable and appropriate and support approval of the assumption and assignment of Designated Contracts to the Successful Bidder.

C. Anti-Assignment Provisions Should be Deemed Unenforceable.

87. To facilitate the assumption, assignment, and sale of Designated Contracts, the Debtors also request that the Court enter an order providing that any anti-assignment or similar economic impairment provisions contained in, or otherwise purporting to affect, the Designated Contracts to be assumed and assigned shall not restrict, limit or prohibit the assumption, assignment and sale of such Designated Contracts, and that such provisions are deemed and found to be unenforceable within the meaning of section 365(f) of the Bankruptcy Code.

88. Section 365(f)(1), by operation of law, invalidates provisions that prohibit, restrict, or condition assignment of or impose an economic impairment to an executory contract or unexpired lease. See, e.g., Coleman Oil Co., Inc. v. Circle K Corp. (In re Circle K Corp.), 127 F. 3d 904, 910–11 (9th Cir. 1997) ("no principle of bankruptcy or contract law precludes us from permitting the Debtors here to extend their leases in a manner contrary to the leases' terms, when to do so will effectuate the purposes of section 365."), cert. denied, 522 U.S. 1148 (1998). Section 365(f)(3) goes beyond the scope of section 365(f)(1) by prohibiting enforcement of any clause creating a right to modify or terminate the contract or lease upon a proposed assumption or assignment thereof. See, e.g., In re Jamesway Corp., 201 B.R. 73 (Bankr. S.D.N.Y. 1996) (finding that section 365(f)(3) prohibits enforcement of any lease clause creating a right to a terminate lease because it is being assumed or assigned, thereby indirectly barring assignment by debtor; all lease provisions, not merely those entitled anti-assignment clauses, are subject to court's scrutiny regarding anti-assignment effect).

89. Other courts have recognized that provisions that have the effect of restricting assignments cannot be enforced. See In re Rickel Home Centers, Inc., 240 B.R. 826, 831 (D. Del. 1998) ("In interpreting Section 356(f) [sic], courts and commentators alike have construed the terms to not only render unenforceable lease provisions which prohibit assignment outright,

but also lease provisions that are so restrictive that they constitute de facto anti-assignment provisions."). Similarly, in In re Mr. Grocer, Inc., the court noted the following:

> [the] case law interpreting § 365(f)(1) of the Bankruptcy Code establishes that the court does retain some discretion in determining that lease provisions, which are not themselves ipso facto anti-assignment clauses, may still be refused enforcement in a bankruptcy context in which there is no substantial economic detriment to the landlord shown, and in which enforcement would preclude the bankruptcy estate from realizing the intrinsic value of its assets.

77 B.R. 349, 354 (Bankr. D.N.H. 1987).

90. Accordingly, the Debtors request that any anti-assignment and economic impairment provisions be deemed not to restrict, limit, or prohibit the assumption, assignment, and sale of any Designated Contracts to the Successful Bidder and be deemed and found to be unenforceable within the meaning of section 365(f) of the Bankruptcy Code.

VII. Relief Under Bankruptcy Rules 6004(h) and 6006(d) is Appropriate.

91. Bankruptcy Rule 6004(h) provides that "[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." Additionally, Bankruptcy Rule 6006(d) provides that "[a]n order authorizing the trustee to assign an executory contract or unexpired lease under § 365(f) is stayed until the expiration of fourteen (14) days after the entry of the order, unless the court orders otherwise." Here, an expeditious closing of a sale is necessary and appropriate to maximize value for the estates. Accordingly, the Debtors request that the Court waive the fourteen-day stay period under Bankruptcy Rules 6004(h) and 6006(d).

RESERVATION OF RIGHTS

92. The Debtors expressly reserve the right to amend, modify, and/or supplement the relief requested in this Motion in all respects, including, but not limited to, the proposed Bidding Procedures attached hereto, prior to or at the applicable hearing (and the Bidding Procedures

prior to or during the Auction) and reserves the right to withdraw this Motion, in whole or in part, prior to or at the applicable hearing.

NOTICE

93. No trustee, examiner, or creditors' committee has been appointed in these chapter 11 cases. The Debtors have served notice of this Motion on: (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 Debtors' postpetition lender; (e) counsel to HealthCap, as noticing agent for the Stalking Horse Purchaser; (f) counsel to the Landlord; (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) any entity known or reasonably believed to have asserted a security interest in or lien against any of the Acquired Assets; and (k) any party who has expressed an interest in purchasing the Acquired Assets within the past three (3) months (collectively, the "Notice Parties"). The Debtors submit that, in light of the nature of the relief requested, no other or further notice is necessary or required.

NO PRIOR REQUEST

94. No prior request for the relief sought herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully requests that the Court grant the relief requested herein and grant such other and further relief as this Court deems just and proper.

Dated: February 24, 2014
Wilmington, Delaware

DLA PIPER LLP (US)

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Proposed Attorneys for the Debtors and Debtors in Possession

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
RESTORA HEALTHCARE HOLDINGS, LLC, *et al.*,[1]	:	Case No. 14-10367 (____)
	:	(Joint Administration Requested)
Debtors.	:	

ORDER (I) APPROVING AUCTION AND BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS, (II) AUTHORIZING ENTRY INTO A STALKING HORSE AGREEMENT, SUBJECT TO HIGHER OR OTHERWISE BETTER OFFERS, (III) APPROVING PROCEDURES RELATED TO THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (IV) SCHEDULING AUCTION AND SALE APPROVAL HEARING, (V) APPROVING THE FORM AND MANNER OF SALE NOTICE, AND (VI) GRANTING RELATED RELIEF

Upon the Debtors' motion for, among other things, entry of an Order (i) Approving Auction and Bidding Procedures for the Sale of Substantially All of the Debtors' Assets, (ii) Authorizing Entry Into a Stalking Horse Agreement, Subject to Higher or Otherwise Better Offers, (iii) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases, (iv) Scheduling the Auction and Sale Approval Hearing; (v) Approving the Form and Manner of the Sale Notice, and (vi) Granting Related Relief (the "Motion"),[2] all as

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.

2 The Motion also seeks entry of an order approving and authorizing the Debtors to sell substantially all of their assets free and clear of claims and liens and related relief. This Order addresses only the procedural aspects of the Motion. The other aspects of the Motion will be addressed at the Sale Approval Hearing. All capitalized terms used but not otherwise defined on this Order shall have the meanings ascribed to them in the Motion.

more fully set forth in the Motion; and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. §157(b)(2); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409, and due and proper notice of the Motion having been provided to the necessary parties; and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Motion (the "Hearing"); and the appearances of all interested parties having been noted in the record of the Hearing; and upon the record of the Hearing; and the Court having determined that the procedural relief sought in the Motion is in the best interests of the Debtors, their creditors, and all parties in interest; and the Court having determined that the Debtors have demonstrated a compelling and sound business justification for the relief requested in the Motion, and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefore, it is hereby:

FOUND AND DETERMINED THAT

A. The Debtors have demonstrated a compelling and sound business justification for this Court to grant the relief requested in the Motion, including, without limitation, (i) approval of the Bidding Procedures, (ii) authorization to enter into the Stalking Horse Agreement with the Stalking Horse Purchaser, subject to higher or otherwise better offers, and (iii) approval of the Assignment and Assumption Procedures, under the circumstances described herein and the Motion.

B. The Bidding Procedures, attached to the Motion as Exhibit D and incorporated herein by reference as if fully set forth in this Order, are fair, reasonable and appropriate and

represent the best method for maximizing the value of the Debtors' estates.

C. Authorizing the Debtors to enter into the Stalking Horse Agreement, subject to higher or otherwise better offers, is in the best interests of the Debtors' estates and creditors and will provide a clear benefit to the Debtors' estates and creditors, among others, by establishing a floor for the value of the Debtors' going concern business.

D. The Initial Overbid and the Overbid Increments are fair, reasonable and appropriate and provide a benefit to the Debtors' estates and creditors.

E. The Sale Notice, substantially in the form attached to the Motion as Exhibit E, is appropriate and reasonably calculated to provide all interested parties with timely and proper notice of the sale of the Acquired Assets, the Bidding Procedures, the Auction and the Sale Approval Hearing, and no other or further such notice is required.

F. The Cure Notice, substantially in the form attached to the Motion as Exhibit F, is appropriate and reasonably calculated to provide all interested parties with timely and proper notice of the potential assumption and assignment of the Designated Contracts in connection with the sale of the Acquired Assets and the related Cure Amount, and no other or further such notice is required.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED THAT

1. The Motion is GRANTED with respect to the procedural relief requested therein, as set forth herein.

2. The Bidding Procedures, attached to the Motion as Exhibit D, are hereby approved, are incorporated herein by reference, and shall govern all bids and bid procedures relating to the Auction and Sale of the Acquired Assets. The Debtors are authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures.

3. The Debtors are authorized to enter into the Stalking Horse Agreement with the Stalking Horse Purchaser, subject to higher or otherwise better offers.

4. The Sale Notice attached to the Motion as Exhibit E is hereby approved.

5. The deadline for submitting a Qualified Bid in accordance with the Bidding Procedures shall be **April 21, 2014 at 5:00 p.m. (prevailing Eastern Time)** (the "Bid Deadline").

6. Subject to the provisions of the Bidding Procedures, the Debtors are authorized to solicit, initiate, encourage, facilitate or take any other action designed to facilitate any inquiries or proposals regarding any sale of assets, assumption of liabilities or similar transactions with third parties until the Bid Deadline.

7. Unless the Debtors receive an additional Qualified Bid, they will not hold an Auction, and the Stalking Horse Purchaser shall be named the Successful Bidder.

8. If the Debtors receive an additional Qualified Bid (meaning at least one Qualified Bid in addition to the Stalking Horse Purchaser's existing Qualified Bid), the Debtors shall conduct the Auction on **April 23, 2014 at 10:00 a.m. (prevailing Eastern Time)** at the offices of DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020, or such later time or such other place as the Debtors shall designate in a subsequent notice to all Qualified Bidders.

9. Only Qualified Bidders may participate in the Auction. Each such Qualified Bidder participating in the Auction will be required to confirm that it has not engaged in any collusion with respect to the bidding or the sale. No Qualified Bidder's discussions prior to or during the Auction with (a) HFG with respect to the assumption of HFG's claims and liens in connection with such Qualified Bidder's submission of bids at the Auction or (b) the Landlord

with respect to modifications to the real property leases, shall constitute collusion within the scope of section 363(n) of the Bankruptcy Code. The Auction will be conducted openly and all creditors will be permitted to attend and observe. The Auction will be videotaped and/or transcribed.

10. All bidders at the Auction shall be deemed to have consented to the Bidding Procedures and to the core jurisdiction of this Court, waived any right to a jury trial in connection with any disputes relating to the Auction, the sale and the construction and enforcement of the applicable Asset Purchase Agreement, and waived any claim for expense reimbursement or a break-up fee.

11. Within two (2) business days after entry of this Order, the Debtors shall serve notice of the Bid Deadline and the Auction, substantially in the form attached to the Motion as Exhibit E, by first class mail on the following persons:

i. counsel to Healthcare Financial Group, LLC;

ii. counsel to the HealthCap Partners, LLC, as agent to the Stalking Horse Purchaser for noticing purposes;

iii. counsel to the Landlord;

iv. all applicable health regulatory agencies and taxing authorities;

v. the Office of the United States Trustee for the District of Delaware;

vi. the United States Attorney's Office for the District of Delaware;

vii. any entity known or reasonably believed to have asserted a security interest in or lien against any of the Acquired Assets;

viii. the Debtors' twenty (20) largest creditors on a consolidated basis or counsel for the Creditors' Committee, if one has been appointed;

ix. any party that has filed a notice of appearance in these cases; and

x. any party who has expressed an interest in purchasing the Acquired Assets, investing in the Debtors, or participating in a restructuring transaction, and who the Debtors reasonably believe could consummate a

transaction, or who the Debtors or their professionals believe would have such an interest.

12. Within five (5) business days of the entry of this Order, the Debtors will publish a notice, in a form to be submitted to the Court (the "Publication Notice"), in *The New York Times (National Edition)* and/or such other publication(s) as the Debtors and their advisors deem appropriate.

13. As soon as practicable following the determination of the Successful Bid, the Debtors shall file a notice with the Court identifying the Successful Bidder and serve such notice by telecopy, electronic mail transmission, or overnight delivery upon the following entities: (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 or counsel for the Creditors' Committee, if one has been appointed; (c) counsel to HealthCap, as noticing agent for the Stalking Horse Purchaser; (d) counsel to the Landlord; (e) counsel to Healthcare Finance Group, LLC; (f) all applicable health regulatory agencies and taxing authorities; (g) the United States Attorney's Office for the District of Delaware; (h) all known parties that may be asserting a lien against the Acquired Assets; (i) all Qualified Bidders that have submitted a Qualified Bid; (j) all non-debtor counterparties to the Designated Contracts proposed to be assumed and assigned under the Successful Bid; and k) all parties that have requested notice pursuant to Bankruptcy Rule 2002.

14. The Assumption and Assignment Procedures are hereby approved.

15. Within five (5) business days after entry of this Order, the Debtors will file the Cure Notice, substantially in the form attached to the Motion as Exhibit F (the "Cure Notice") with the Court and serve such Cure Notice by first-class mail on the non-debtor counterparties to the Designated Contracts. The Cure Notice substantially in the form attached to the Motion as

Exhibit F is hereby approved. The Debtors reserve the right to amend, modify, or supplement the Cure Notice.

16. Any objection to the assumption and assignment of any Designated Contract identified on the Cure Notice, including, without limitation, any objection to the Cure Amount set forth on the Cure Notice or to the ability of the Successful Bidder to provide adequate assurance of future performance under such Designated Contract, must (a) be in writing, (b) set forth the basis for the objection as well as any cure amount that the objector asserts to be due (in all cases with appropriate documentation in support thereof), and (c) be filed with the Clerk of the Court, United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, Wilmington, Delaware 19801, and served on the following: (i) counsel to the Debtors, DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020 (Attn: Thomas R. Califano, Esq. and Daniel G. Egan, Esq.) and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Attn: Stuart Brown, Esq.); (ii) counsel to HealthCap, as agent for the Stalking Horse Purchaser for noticing purposes, Polsinelli P.C., 2501 N. Harwood, Suite 1900, Dallas, TX 75201 (Attn: James H. Billingsley, Esq.); (iii) counsel to Healthcare Finance Group, LLC, Kaye Scholer, LLP, 425 Park Avenue, New York, NY 10022 (Attn: Benjamin Mintz, Esq.); (iv) counsel to the Landlord, Arent Fox LLP, 1675 Broadway, New York, NY 10019 (Attn: Andrew I. Silfen, Esq.); (v) counsel to any statutory committee of unsecured creditors appointed in these cases; (vi) counsel to the Successful Bidder; and (vii) the Office of the United States Trustee, U.S. Trustee, 844 King Street, Suite 2207, Lockbox #35, Wilmington, Delaware, 19899 (Attn: Benjamin A. Hackman, Esq.), **so as to be actually received no later than 12:00 p.m. (prevailing Eastern Time) on the date that is fifteen (15) days after the filing of the Cure Notice** (the "Assignment and Cure Objection Deadline").

17. To the extent that any entity does not timely object as set forth above, such entity shall be (a) forever barred from objecting to the assumption and assignment of its respective Designated Contracts identified on the Cure Notice, including, without limitation, asserting any additional cure payments or requesting additional adequate assurance of future performance, (b) deemed to have consented to the applicable Cure Amount, if any, and to the assumption and assignment of the applicable Designated Contract, (c) bound to such corresponding Cure Amount, if any, (d) deemed to have agreed that the Successful Bidder has provided adequate assurance of future performance within the meaning of section 365(b)(1)(C) of the Bankruptcy Code, (e) deemed to have agreed that all defaults under the applicable Designated Contract arising or continuing prior to the effective date of the assignment have been cured as a result or precondition of the assignment, such that the Successful Bidder or the Debtors shall have no liability or obligation with respect to any default occurring or continuing prior to the assignment, and from and after the date of the assignment the applicable Designated Contract shall remain in full force and effect for the benefit of the Successful Bidder and such entity in accordance with its terms, (f) deemed to have waived any right to terminate the applicable Designated Contract or designate an early termination date under the applicable Designated Contract as a result of any default that occurred and/or was continuing prior to the assignment date, (g) deemed to have agreed that the Debtors are not obligated under the Designated Contracts following the effective date of the assumption and assignment, and (h) deemed to have agreed that the terms of the Sale Order shall apply to the assumption and assignment of the applicable Designated Contract.

18. If such an objection is received timely and such objection cannot otherwise be resolved by the parties, the Court may hear such objection at a later date set by the Court. The pendency of a dispute relating to the Cure Amount will not prevent or delay the assumption and

assignment of any Designated Contract or the sale of the Acquired Assets to the Successful Bidder. If an objection is filed with respect only to the cure amount listed on the Cure Notice, the dispute with respect to the Cure Amount will be resolved consensually, if possible, or, if the parties are unable to resolve their dispute, before the Court, and subject to the entry of the Sale Order the Debtors may consummate the sale of the Acquired Assets and assumption and assignment of the Designated Contracts and reserve from the cash sale proceeds an amount sufficient to pay the asserted cure amount.

19. The Sale Approval Hearing shall be held on **April 25, 2014 at 10:00 a.m. (prevailing Eastern Time)** at the United States Bankruptcy Court for the District of Delaware, Courtroom No. __, 824 N. Market Street, Wilmington, Delaware 19801. The Sale Approval Hearing may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Approval Hearing.

20. All other objections to approval of the sale of the Acquired Assets to the Successful Bidder shall (a) be in writing, (b) comply with the Bankruptcy Rules and the Local Rules, (c) set forth the name of the objector, (d) state with particularity the legal and factual bases for such objection, and (e) be filed with the Clerk of the Court, United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, Wilmington, Delaware 19801, together with proof of service thereof, and served on the following parties **so as to be actually received no later than 12:00 p.m. (prevailing Eastern Time) on April 24, 2014**: (a) counsel to the Debtors, DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020 (Attn: Thomas R. Califano, Esq. and Daniel G. Egan, Esq.) and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Attn: Stuart Brown, Esq.); (b) counsel to HealthCap, as agent for the Stalking Horse Purchaser for noticing purposes, Polsinelli P.C., 2501

N. Harwood, Suite 1900, Dallas, TX 75201 (Attn: James H. Billingsley, Esq.); (c) counsel to Healthcare Finance Group, LLC, Kaye Scholer, LLP, 425 Park Avenue, New York, NY 10022 (Attn: Benjamin Mintz, Esq.); (d) counsel to the Landlord, Arent Fox LLP, 1675 Broadway, New York, NY 10019 (Attn: Andrew I. Silfen, Esq.); (e) counsel to any statutory committee of unsecured creditors appointed in these cases; (f) counsel to the Successful Bidder; and (g) the Office of the United States Trustee, U.S. Trustee, 844 King Street, Suite 2207, Lockbox #35, Wilmington, Delaware, 19899 (Attn: Benjamin A. Hackman, Esq.).

21. All objections to entry of this Order that have not been withdrawn, waived, or settled as announced to the Court at the Hearing or by stipulation filed with the Court, and all reservations of rights included in such objections, are overruled.

22. In the event there is a conflict between this Order and the Motion or Stalking Horse Agreement, to the extent of such conflict this Order shall control and govern.

23. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, enforcement and/or interpretation of this Order.

24. This Order shall be effective immediately upon entry, and any stay of orders provided for in Bankruptcy Rules 6004 or 6006 or any other provision of the Bankruptcy Code or Bankruptcy Rules is expressly lifted. The Debtors are not subject to any stay in the implementation, enforcement or realization of the relief granted in this Order, and except as directed by the Court in this Order, may in their discretion and without further delay take any action and perform any act authorized under this Order.

25. The Debtor is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

Dated: _____, 2014
Wilmington, Delaware

_____

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
RESTORA HEALTHCARE HOLDINGS, LLC, *et al.*,[1]	:	Case No. 14-10367 (____)
	:	(Joint Administration Requested)
Debtors.	:	

ORDER (I) AUTHORIZING THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS, (II) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (III) GRANTING CERTAIN RELATED RELIEF

Upon consideration of the motion (the "Motion")[2] of the above-captioned debtors and debtors-in-possession (the "Debtors") for, among other things, entry of an order (the "Order") pursuant to sections 105, 363 and 365 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq*. (as amended, the "Bankruptcy Code"), Rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 6004-1 of the Local Rules for the United States Bankruptcy Court for the District of Delaware (the "Local Rule"), (i) authorizing and approving the sale (the "Sale Transaction") of substantially all of the Debtors' assets (the "Acquired Assets") free and clear of all liens, claims, encumbrances, and others interests (the "Encumbrances"), (ii) authorizing the assumption and assignment of certain executory contracts

[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.

[2] Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion or the Asset Purchase Agreement (as defined herein), as applicable.

and unexpired leases (the "Designated Contracts"), identified by the Debtors and more fully described in the Asset Purchase Agreement dated as of _____, 2014 (attached hereto as Exhibit A) by and between the Debtors and PHX Hospital Partners, LLC (the "Purchaser" or "Stalking Horse Purchaser") for the purchase of the Acquired Assets and the assumption of the Designated Contracts, and (iii) granting certain related relief, and the Court having held a hearing on [April 25, 2014] (the "Sale Approval Hearing") to approve the Sale Transaction; and the Court having reviewed and considered (x) the Motion, (y) the objections to the Motion, if any, and (z) the arguments of counsel made, and the evidence proffered or adduced at the Sale Approval Hearing; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates and creditors and other parties in interest; and upon the record of the Sale Approval Hearing and the chapter 11 cases; and after due deliberation thereon; and good cause appearing therefore, it is hereby

FOUND AND DETERMINED THAT[3]

A. **Jurisdiction and Venue**. The court has jurisdiction over the Motion pursuant to 28 U.S.C. § 157 and 1334, and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of these cases and the Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

B. **Statutory Predicates**. The statutory predicates for the relief sought in the Motion are sections 105, 363 and 365 of the Bankruptcy Code, and Bankruptcy Rules 2002, 6004, and 6006 and Local Rule 6004-1.

C. **Petition Date**. On February 24, 2014 (the "Petition Date"), the Debtors each commenced a case by filing a petition for relief under chapter 11 of the Bankruptcy Code.

[3] Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Fed. R. Bankr. P. 7052.

D. **Entry of Bidding Procedures Order**. On [•], 2014, this Court entered an order (the "Bidding Procedures Order") (i) approving bidding and auction procedures (the "Bidding Procedures"), (ii) authorizing the Debtors to enter into a Stalking Horse Agreement, (iii) authorizing and approving the Assumption and Assignment Procedures, including the notice of proposed cure amounts (the "Cure Amount"), (iv) approving the form and manner of notice of all procedures, schedules, and agreements, and (v) scheduling the Sale Approval Hearing.

E. **Compliance with Bidding Procedures Order**. As demonstrated by (i) the testimony and other evidence proffered or adduced at the Sale Approval Hearing, and (ii) the representations of counsel made on the record at the Sale Approval Hearing, the Debtors have marketed the Acquired Assets and conducted the sale process in compliance with the Bidding Procedures Order, and the Auction was duly noticed and conducted in a non-collusive, fair and good faith manner. The Debtors and their professionals have actively marketed the Acquired Assets and conducted the sale process in compliance with the Bidding Procedures Order, and have afforded potential purchasers a full and fair opportunity to make higher and better offers. The Purchaser and Existing Lender Parties (as defined in the Motion) acted in compliance with the terms of the Bidding Procedures. In accordance with the Bidding Procedures, the Debtors determined that the bid submitted by the Purchaser and memorialized by the Asset Purchase Agreement is the Successful Bid (as defined in the Bidding Procedures).

F. **Notice**. As evidenced by the affidavits of service and publication previously filed with the Court, and based on the representations of counsel at the Sale Approval Hearing, (i) proper, timely, adequate and sufficient notice of the Motion, the Sale Approval Hearing, the Sale Transaction, the Assumption and Assignment Procedures (including the objection deadline with respect to any Cure Amount) and the assumption and assignment of the Designated

Contracts and the Cure Amount has been provided in accordance with sections 102(1), 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004 and 6006 and in compliance with the Bidding Procedures Order, (ii) such notice was good and sufficient, and appropriate under the particular circumstances, and (iii) no other or further notice of the Motion, the Sale Approval Hearing, the Sale Transaction, or the assumption and assignment of the Designated Contracts or the Cure Amount is or shall be required. With respect to entities whose identities are not reasonably ascertained by the Debtors, publication of the Sale Notice (as defined in the Motion) in The New York Times (National Edition) on [•], 2014, was sufficient and reasonably calculated under the circumstances to reach such entities.

G. **Corporate Authority**. Each Debtor (i) has full corporate power and authority to execute the Asset Purchase Agreement and all other documents contemplated thereby, and the Sale of the Acquired Assets by the Debtors has been duly and validly authorized by all necessary corporate action of each of the Debtors, (ii) has all of the corporate power and authority necessary to consummate the transactions contemplated by the Asset Purchase Agreement, (iii) has taken all corporate action and formalities necessary to authorize and approve the Asset Purchase Agreement and the consummation by the Debtors of the transactions contemplated thereby, including, without limitation, as required by their respective organizational documents and (iv) no government, regulatory or other consents or approvals, other than those expressly provided for in the Asset Purchase Agreement, are required for the Debtors to enter into the Asset Purchase Agreement and consummate the Sale Transaction.

H. **Opportunity to Object**. A fair and reasonable opportunity to object or be heard with respect to the Motion and the relief requested therein has been afforded to all interested persons and entities, including the following entities:

i. counsel to Healthcare Financial Group, LLC;

ii. counsel to the HealthCap Partners, LLC, as noticing agent for the Stalking Horse Purchaser;

iii. counsel to the Landlord;

iv. all applicable health regulatory agencies and taxing authorities;

v. the Office of the United States Trustee for the District of Delaware;

vi. the United States Attorney's Office for the District of Delaware;

vii. any entity known or reasonably believed to have asserted a security interest in or lien against any of the Acquired Assets;

viii. the Debtors' twenty (20) largest creditors on a consolidated basis or counsel for the Creditors' Committee, if one has been appointed;

ix. any party that has filed a notice of appearance in these cases; and

x. any party who has expressed an interest in purchasing the Acquired Assets and who the Debtors reasonably believe could consummate a transaction, or who the Debtors or their professionals believe would have such an interest.

I. **Sale in Best Interest**. Consummation of the sale of the Acquired Assets at this time is in the best interests of the Debtors, their creditors, their estates and other parties in interest.

J. **Business Justification**. Sound business reasons exist for the Sale Transaction. Entry into the Asset Purchase Agreement, and the consummation of the transactions contemplated thereby, including the Sale Transaction and the assumption and assignment of the Designated Contracts, constitutes each Debtor's exercise of sound business judgment and such acts are in the best interests of each Debtor, its estate, and all parties in interest. The Court finds that each Debtor has articulated good and sufficient business reasons justifying the Sale Transaction. Such business reasons include, but are not limited to, the following: (i) the Asset Purchase Agreement constitutes the highest and best offer for the Acquired Assets; (ii) the Asset

Purchase Agreement and the closing thereon will present the best opportunity to realize the value of the Acquired Assets on a going-concern basis and avoid decline and devaluation of the Acquired Assets; (iii) unless the Sale Transaction and all of the other transactions contemplated by the Asset Purchase Agreement are concluded expeditiously, as provided for in the Motion and pursuant to the Asset Purchase Agreement, recoveries to creditors may be diminished; and (iv) any plan likely would not have yielded as favorable an economic result. The terms and conditions of the Asset Purchase Agreement, including, without limitation, the consideration to be realized by the Debtors, are fair and reasonable. Approval of the Motion, the Asset Purchase Agreement, and the transactions contemplated thereby, including, without limitation, the Sale Transaction and the assumption and assignment of the Designated Contracts, is in the best interests of the Debtors, their estates and creditors, and all other parties in interest.

K. **Arm's Length Sale**. The Asset Purchase Agreement was negotiated, proposed and entered into by the Debtors and the Purchaser without collusion, in good faith, and from arm's length bargaining positions. Neither the Debtors nor the Purchaser has engaged in any conduct that would cause or permit the Asset Purchase Agreement to be avoided under 11 U.S.C. § 363(n). Specifically, the Purchaser has not acted in a collusive manner with any person and the purchase price was not controlled by any agreement among bidders. The Purchaser is not an "insider" of the Debtors as defined in Bankruptcy Code section 101(31).

L. **Good Faith Purchaser**. The Purchaser is a good faith purchaser for value and, as such, is entitled to all of the protections afforded under 11 U.S.C. § 363(m) and any other applicable or similar bankruptcy and non-bankruptcy law. Specifically, (i) the Purchaser recognized that the Debtors were free to deal with any other party interested in purchasing the Acquired Assets, (ii) the Purchaser complied in all respects with the provisions in the Bidding

Procedures Order, (iii) the Purchaser agreed to subject its bid to the competitive bid procedures set forth in the Bidding Procedures Order, (iv) all payments to be made by the Purchaser in connection with the Sale Transaction have been disclosed, (v) no common identity of directors, officers or controlling stockholders exists among the Purchaser and the Debtors, (vi) the negotiation and execution of the Asset Purchase Agreement was at arm's length and in good faith, and at all times each of the Purchaser and the Debtors were represented by competent counsel of their choosing, (vii) the Purchaser did not in any way induce or cause the chapter 11 filing of the Debtors, and (viii) the Purchaser has not acted in a collusive manner with any person. The Purchaser will be acting in good faith within the meaning of 11 U.S.C. § 363(m) in closing the transactions contemplated by the Asset Purchase Agreement.

M. **Free and Clear**. The Debtors may sell the Acquired Assets free and clear of all obligations, liabilities and the Encumbrances because, with respect to each creditor asserting a lien, claim, encumbrance, or interest, one or more of the standards set forth in Bankruptcy Code § 363(f)(l)-(5) has been satisfied. Those holders of Encumbrances, who did not object or withdrew objections to the Sale Transaction, are deemed to have consented to the Sale Transaction pursuant to section 363(f)(2) of the Bankruptcy Code. Those holders of Encumbrances, who did object, fall within one or more of the other subsections of section 363(f) of the Bankruptcy Code.

N. The Purchaser would not have entered into the Asset Purchase Agreement and would not consummate the transactions contemplated hereby, including, without limitation, the Sale Transaction and the assumption and assignment of the Designated Contracts, (i) if the transfer of the Acquired Assets were not free and clear of all liens, claims, encumbrances, and other interests of any kind or nature whatsoever, including, without limitation, rights or claims

based on any taxes or successor or transferee liability or (ii) if the Purchaser would, or in the future could, be liable for any such liens, claims, encumbrances, and other interests, including, without limitation, rights or claims based on any taxes or successor or transferee liability. The Purchaser will not consummate the transactions contemplated by the Asset Purchase Agreement, including, without limitation, the Sale Transaction and the assumption and assignment of the Designated Contracts, unless this Court expressly orders that none of the Purchaser, its affiliates, its present or contemplated members or shareholders, or the Acquired Assets will have any liability whatsoever with respect to, or be required to satisfy in any manner, whether at law or equity, or by payment, setoff, or otherwise, directly or indirectly, any liens, claims, encumbrances, and other interests, including, without limitation, rights or claims based on any taxes, successor or transferee liability.

O. Not transferring the Acquired Assets free and clear of all liens, claims, encumbrances, and other interests of any kind or nature whatsoever including, without limitation, rights or claims based on any taxes, successor or transferee liability, would adversely impact the Debtors' efforts to maximize the value of their estates, and the transfer of the Acquired Assets other than pursuant to a transfer that is free and clear of all liens, claims, encumbrances, and other interests of any kind or nature whatsoever would be of substantially less benefit to the Debtors' estates.

P. Without limiting the generality of the foregoing, none of the Purchaser, its respective affiliates, their respective present or contemplated members or shareholders, or the Acquired Assets will have any liability whatsoever with respect to, or be required to satisfy in any manner, whether at law or equity, or by payment, setoff, or otherwise, directly or indirectly, any liens, claims, encumbrances, and other interests relating to any U.S. federal, state or local

income tax liabilities, that the Debtors incur in connection with the consummation of the transactions contemplated by the Asset Purchase Agreement, including, without limitation, the Sale Transaction and the assumption and assignment of the Designated Contracts.

Q. **Assumption of Executory Contracts and Unexpired Leases**. The (i) transfer of the Acquired Assets to the Purchaser and (ii) assignment to the Purchaser of the Designated Contracts, will not subject the Purchaser to any liability whatsoever prior to the Closing or by reason of such transfer under the laws of the United States, any state, territory, or possession thereof, or the District of Columbia, based, in whole or in part, directly or indirectly, on any theory of law or equity, including, without limitation, any theory of equitable law, including, without limitation, any theory of antitrust, successor or transferee liability. The Debtors have demonstrated that it is an exercise of their sound business judgment to assume and assign the Designated Contracts to the Purchaser in connection with the consummation of the Sale Transaction, and the assumption and assignment of the Designated Contracts is the best interests of the Debtors, their estates, and their creditors. The Designated Contracts being assigned to the Purchaser are an integral part of the Acquired Assets being purchased by the Purchaser and, accordingly, such assumption and assignment of Designated Contracts is reasonable, enhances the value of the Debtors' estates, and does not constitute unfair discrimination.

R. **Cure/Adequate Assurance**. The Purchaser has (i) cured, or has provided adequate assurance of cure, of any default existing prior to the date hereof under any of the Designated Contracts, within the meaning of section 365(b)(1)(A) of the Bankruptcy Code, and (ii) provided compensation or adequate assurance of compensation to any party for any actual pecuniary loss to such party resulting from a default prior to the date hereof under any of the Designated Contracts within the meaning of section 365(b)(1)(B) of the Bankruptcy Code. The

Purchaser has provided or will provide adequate assurance of future performance of and under the Designated Contracts within the meaning of section 365(b)(1)(C) of the Bankruptcy Code.

S. **Prompt Consummation**. The sale of the Acquired Assets must be approved and consummated promptly to preserve the value of the Acquired Assets. Therefore, time is of the essence in consummating the Sale Transaction, and the Debtors and the Purchaser intend to close the Sale Transaction as soon as reasonably practicable.

T. The Debtors have demonstrated compelling circumstances and a good, sufficient, and sound business purpose and justification for the immediate approval and consummation of the transaction contemplated by the Asset Purchase Agreement, including, without limitation, the Sale Transaction and the assumption and assignment of the Designated Contracts, prior to, and outside of, a chapter 11 plan of reorganization.

U. **No Fraudulent Transfer**. The Asset Purchase Agreement was not entered into for the purpose of hindering, delaying or defrauding creditors under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia. The Purchaser is not a mere continuation, and is not holding itself out as a mere continuation, of any of the Debtors or their respective estates and there is no continuity between the Purchaser and the Debtors. The Sale Transaction does not amount to a consolidation, merger or *de facto* merger of the Purchaser and any of the Debtors.

V. The consideration provided by the Purchaser for the Acquired Assets pursuant to the Asset Purchase Agreement (i) is fair and reasonable, (ii) is the highest and best offer for the Acquired Assets, (iii) will provide a greater recovery for the Debtors' creditors than would be provided by any other practical available alternative, and (iv) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States,

any state, territory, possession or the District of Columbia (including, without limitation, the Uniform Fraudulent Conveyance Act and the Uniform Fraudulent Transfer Act).

W. **Purchaser Not an Insider and No Successor Liability**. Immediately prior to the Closing, the Purchaser was not an "insider" or "affiliate" of the Debtors, as those terms are defined in the Bankruptcy Code, and no common identity of incorporators, directors or stockholders existed between the Purchaser and the Debtors. The transfer of the Acquired Assets and the assumption of the Assumed Liabilities (including any individual elements of the Sale Transaction) to the Purchaser, except as otherwise set forth in the Asset Purchase Agreement, does not, and will not, subject the Purchaser to any liability whatsoever, with respect to the operation of the Debtors' businesses prior to the closing of the Sale Transaction or by reason of such transfer under the laws of the United States, any state, territory, or possession thereof, or the District of Columbia, based, in whole or in part, directly or indirectly, in any theory of law or equity including, without limitation, any laws affecting antitrust, successor, transferee or vicarious liability. Pursuant to the Asset Purchase Agreement, the Purchaser is not purchasing all of the Debtors' assets in that the Purchaser is not purchasing any of the Excluded Assets or assuming the Excluded Liabilities, and the Purchaser is not holding itself out to the public as a continuation of the Debtors. The Sale does not amount to a consolidation, merger or *de facto* merger of the Purchaser and the Debtors and/or the Debtors' estates. There is not substantial continuity between the Purchaser and the Debtors, and there is no continuity of enterprise between the Debtors and the Purchaser. The Purchaser is not a mere continuation of the Debtors or the Debtors' estates, and the Purchaser does not constitute a successor to the Debtors or the Debtors' estates.

X. **Legal, Valid Transfer**. The transfer of the Acquired Assets to the Purchaser will be a legal, valid, and effective transfer of the Acquired Assets, and will vest the Purchaser with all right, title, and interest of the Debtors to the Acquired Assets free and clear of all Encumbrances, as set forth in the Asset Purchase Agreement. The Acquired Assets constitute property of the Debtors' estates and good title is vested in the Debtors' estate within the meaning of section 541(a) of the Bankruptcy Code. The Debtors are the sole and rightful owners of the Acquired Assets, and no other person has any ownership right, title, or interests therein.

Y. **Asset Purchase Agreement Not Modified**. The terms of the Asset Purchase Agreement, including any amendments, supplements, and modifications thereto, are fair and reasonable in all respects and the terms of the Order shall not modify the terms of the Asset Purchase Agreement.

Z. **Not a Sub Rosa Plan**. The Sale does not constitute a *sub rosa* chapter 11 plan for which approval has been sought without the protections that a disclosure statement would afford. The Sale neither impermissibly restructures the rights of the Debtors' creditors, nor impermissibly dictates a liquidating plan of reorganization for the Debtors.

AA. **Legal and Factual Bases**. The legal and factual bases set forth in the Motion and at the Sale Approval Hearing establish just cause for the relief granted herein.

It is therefore ORDERED, ADJUDGED, AND DECREED THAT

General Provisions

1. The Motion is GRANTED and APPROVED in all respects.

2. All objections to the Motion or the relief requested therein that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are overruled on the merits and denied with prejudice.

Approval of the Sale of the Acquired Assets

3. The Asset Purchase Agreement, including any amendments, supplements and modifications thereto, and all of the terms and conditions therein, is hereby approved,

4. Pursuant to section 363(b) of the Bankruptcy Code, the sale of the Acquired Assets to the Purchaser free and clear of all obligations, liabilities and Encumbrances, and the transactions contemplated thereby is approved in all respects.

Sale and Transfer of Acquired Assets

5. Pursuant to section 363(b) of the Bankruptcy Code, the Debtors are hereby authorized and directed to sell the Acquired Assets to the Purchaser and consummate the Sale Transaction in accordance with, and subject to the terms and conditions of, the Asset Purchase Agreement, and to transfer and assign all right, title and interest (including common law rights) to all property, licenses and rights to be conveyed in accordance with and subject to the terms and conditions of the Asset Purchase Agreement, and are further authorized and directed to execute and deliver, and are empowered to perform under, consummate and implement, the Asset Purchase Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Asset Purchase Agreement, including, without limitation, the related documents, exhibits and schedules, and to take all further actions as may be reasonably requested by the Purchaser for the purposes of assigning, transferring, granting, conveying and conferring to the Purchaser or reducing to possession, the Acquired Assets, or as may be necessary or appropriate to the performance of the Debtors' obligations as contemplated by the Asset Purchase Agreement.

6. Pursuant to section 363 (b) and (f) of the Bankruptcy Code, the Acquired Assets shall be transferred to the Purchaser upon consummation of the Asset Purchase Agreement at the

Closing free and clear of all obligations, liabilities and Encumbrances of any kind or nature whatsoever, including without limitation, rights or claims (for purposes of this Order, the term "claim" shall have the meaning ascribed to such term in section 101(5) of the Bankruptcy Code) based on any taxes or successor or transferee liability, including, without limitation all claims arising in any way in connection with any agreements, acts, or failures to act, of any of the Debtors or any of the Debtors' predecessors or affiliates, whether known or unknown, contingent or otherwise, whether arising before or subsequent to the commencement of these chapter 11 cases, and whether imposed by agreement, understanding, law, equity or otherwise, including, without limitation, claims otherwise arising under federal or state tax laws or doctrines of successor or transferee liability.

7. Following the Closing, the Debtors or the Purchaser are authorized and directed to execute and file a certified copy of this Order, which, once filed, registered or otherwise recorded, shall constitute conclusive evidence of the release of all obligations, liabilities and Encumbrances in the Acquired Assets of any kind or nature whatsoever. On the Closing, this Order will be construed, and constitute for any and all purposes, a full and complete general assignment, conveyance and transfer of the Acquired Assets or a bill of sale transferring good and marketable title in such Acquired Assets to the Purchaser. On the Closing, this Order also shall be construed, and constitute for any and all purposes, a complete and general assignment of all right, title and interest of the Debtors and each bankruptcy estate to the Purchaser in the Designated Contracts. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Asset Purchase Agreement.

8. All entities which are presently, or on the Closing may be, in possession of some or all of the Acquired Assets are hereby directed to surrender possession of the Acquired Assets to the Purchaser on the Closing.

9. All persons and entities are prohibited and enjoined from taking any action to adversely affect or interfere with the ability of the Debtors to transfer the Acquired Assets to the Purchaser in accordance with the Asset Purchase Agreement and this Order; provided, however, that the foregoing restriction shall not prevent any party from appealing this Order in accordance with applicable law or opposing any appeal of this Order.

10. Except as expressly permitted by the Asset Purchase Agreement or this Order, all persons and entities, including, but not limited to, all debt security holders, equity security holders, governmental, tax, and regulatory authorities, lenders, trade creditors, dealers, employees, litigation claimants, and other creditors, holding liens, claims encumbrances, and other interests of any kind or nature whatsoever, including, without limitation, rights or claims based on any taxes or successor or transferee liability, against or in a Debtor or the Acquired Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or noncontingent, senior or subordinated), arising under or out of, in connection with, or in any way relating to, the Debtors, the Acquired Assets or the operation of the Acquired Assets before the Closing, or the transactions contemplated by the Asset Purchase Agreement, including, without limitation, the Sale Transaction and the assumption and assignment of the Designated Contracts, are forever barred, estopped, and permanently enjoined from asserting against the Purchaser, its respective successors and assigns, their respective property and the Acquired Assets, such persons' or entities' liens, claims, encumbrances, or other interests, including, without limitation, rights or claims based on any taxes or successor or transferee liability.

11. On the Closing of the Sale Transaction, each of the Debtors' creditors is authorized and directed to execute such documents and take all other actions as may be necessary to release its Encumbrances on the Acquired Assets, if any, as such Encumbrances may have been recorded or otherwise exist.

12. To the extent provided by section 525 of the Bankruptcy Code, no governmental unit may deny, revoke, suspend, or refuse to renew any permit, license or similar grant relating to the operation of the Acquired Assets on account of the filing or pendency of the chapter 11 cases or the consummation of the transactions contemplated by the Asset Purchase Agreement, including, without limitation, the Sale Transaction and the assumption and assignment of the Designated Contracts.

13. Subject to the terms and conditions of this Order, the transfer of the Acquired Assets to the Purchaser pursuant to the Asset Purchase Agreement constitutes a legal, valid, and effective transfer of the Acquired Assets, and shall vest the Purchaser with all right, title, and interest of the Debtors in and to the Acquired Assets free and clear of all Encumbrances of any kind or nature whatsoever.

No Successor Liability

14. The Purchaser is not a "successor" to the Debtors or their estates by reason of any theory of law or equity, and the Purchaser shall not assume, or be deemed to assume, or in any way be responsible for any liability or obligation of any of the Debtors and/or their estates, other than the Assumed Liabilities, with respect to the Acquired Assets or otherwise, including, but not limited to, under any bulk sales law, doctrine or theory of successor liability, or similar theory or basis of liability except for the assumption of the Asset Purchase Agreement and any documents related thereto. Except to the extent the Purchaser assumes Assumed Liabilities and is ultimately

permitted to assume the Designated Contracts pursuant to the Asset Purchase Agreement, neither the purchase of the Acquired Assets by the Purchaser nor the fact that the Purchaser is using any of the Acquired Assets previously operated by the Debtors will cause the Purchaser to be deemed a successor in any respect to the Debtors' businesses or incur any liability derived therefrom within the meaning of any foreign, federal, state or local revenue, pension, ERISA, tax, labor, employment, environmental, or other law, rule or regulation (including, without limitation, filing requirements under any such laws, rules or regulations), or under any products liability law or doctrine with respect to the Debtors' liability under such law, rule or regulation or doctrine.

15. The Purchaser has given substantial consideration under the Asset Purchase Agreement, which consideration shall constitute valid and valuable consideration for the releases of any potential claims of successor liability of the Purchaser and which shall be deemed to have been given in favor of the Purchaser by all holders of Encumbrances and liabilities in or against the Debtors, or the Acquired Assets. Upon consummation of the Sale Transaction, the Purchaser shall not be deemed to (a) be the successor to the Debtors, (b) have, *de facto* or otherwise, merged with or into the Debtors, or (c) be a mere continuation, alter ego or substantial continuation of the Debtors.

16. Except to the extent the Purchaser or otherwise specifically agreed in the Asset Purchase Agreement or this Order, the Purchaser shall not have any liability, responsibility or obligation for any claims, liabilities or other obligations of the Debtors or their estates, including without limitation, any claims, liabilities or other obligations related to the Acquired Assets prior to Closing. Under no circumstances shall the Purchaser be deemed a successor of or to the Debtors for any Encumbrances and liabilities against, in or to the Debtors or the Acquired

Assets. For the purposes of paragraphs 14 through 16 of this Order, all references to the Purchaser shall include the Purchaser's affiliates, subsidiaries and shareholders.

Good Faith

17. The transactions contemplated by the Asset Purchase Agreement are undertaken by the Purchaser in good faith, as that term is used in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein by this Order to consummate the Sale Transaction shall not affect the validity of the sale of the Acquired Assets to the Purchaser. The Purchaser is a purchaser in good faith of the Acquired Assets, and is entitled to all of the protections afforded by section 363(m) of the Bankruptcy Code.

18. As a good faith purchaser of the Acquired Assets, the Purchaser has not entered into an agreement with any other potential bidders at the Auction, and has not colluded with any of the other bidders, potential bidders or any other parties interested in the Acquired Assets, and, therefore, neither the Debtors nor any successor in interest to the Debtors' estates shall be entitled to bring an action against the Purchaser, and the Sale Transaction may not be avoided pursuant to section 363(n) of the Bankruptcy Code.

Assumption and Assignment of Designated Contracts

19. Pursuant to sections 105(a) and 365 of the Bankruptcy Code, and subject to and conditioned upon the closing of the Sale Transaction, the Debtors' assumption and assignment to the Purchaser, and the Purchaser's assumption on the terms set forth in the Asset Purchase Agreement, of the Designated Contracts is hereby approved, and the requirements of section 365(b)(1) of the Bankruptcy Code with respect thereto are hereby deemed satisfied.

20. The Debtors are hereby authorized and directed in accordance with sections 105(a), 363 and 365 of the Bankruptcy Code to (a) assume and assign to the Purchaser, effective upon the Closing of the Sale Transaction, the Designated Contracts free and clear of all Encumbrances of any kind or nature whatsoever and (b) execute and deliver to the Purchaser such documents or other instruments as may be necessary to assign and transfer the Designated Contracts to the Purchaser.

21. The Designated Contracts shall be transferred to, and remain in full force and effect for the benefit of, the Purchaser in accordance with their respective terms, notwithstanding any provision in any such Assigned Contract (including those of the type described in section 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer and, pursuant to 11 U.S.C. § 365(k), the Debtors shall be relieved from any further liability with respect to the Designated Contracts after such assignment to and assumption by the Purchaser, except as provided in the Asset Purchase Agreement.

22. All defaults or other obligations of the Debtors under the Designated Contracts arising or accruing prior to the date of this Order (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code) shall be cured by the Purchaser at the Closing or as soon thereafter as reasonably practicable, and the Purchaser shall have no liability or obligation arising or accruing prior to the Closing, except as otherwise expressly provided in the Asset Purchase Agreement. The Purchaser may elect to take assignment of certain contracts and leases previously omitted from [Schedules 4.8 and 4.19] of the Asset Purchase Agreement (the "Previously Omitted Contracts") after the Closing. Upon designation of such Previously Omitted Contracts as "Assumed" by the Purchaser, the Debtors shall serve a notice on the counterparties to such Previously Omitted

Contracts that identifies the Purchaser of the Acquired Assets and provides notice that the Debtors are assuming and assigning the Previously Omitted Contract to the Purchaser. The counterparties will have fifteen (15) Business Days (as defined in the Asset Purchase Agreement) to object to the Cure Amount or the assumption. If the counterparties, the Debtors and the Purchaser are unable to reach a consensual resolution with respect to an objection to the Cure Amount or assumption of a Previously Omitted Contract, the Debtors will seek an expedited hearing before Bankruptcy Court to determine the Cure Costs and approve the assumption. If there is no objection, then the Debtors will obtain an order of this Court fixing the Cure Amount and approving the assumption of the Previously Omitted Contract.

23. Each non-Debtor party to an Assigned Contract hereby is forever barred, estopped, and permanently enjoined from raising or asserting against the Debtors or the Purchaser, or the property of either of them, any assignment fee, default, breach or claim of pecuniary loss, or condition to assignment, arising under or related to the Designated Contracts, existing as of the date of the Sale Approval Hearing, or arising by reason of the consummation of transactions contemplated by the Asset Purchase Agreement, including, without limitation, the Sale Transaction and the assumption and assignment of the Designated Contracts. Any party that may have had the right to consent to the assignment of an Assigned Contract is deemed to have consented to such assignment for purposes of section 365(e)(2)(A)(ii) of the Bankruptcy Code and otherwise if such party failed to object to the assumption and assignment of such Assigned Contract.

24. To the extent a counterparty to an Assigned Contract failed to object timely to a Cure Amount, such Cure Amount shall be deemed to be finally determined and any such counterparty shall be prohibited from challenging, objecting to or denying the validity and

finality of the Cure Amount at any time, and such Cure Amount, when paid, shall completely revive any Assigned Contract to which it relates.

Additional Provisions

25. The consideration provided by the Purchaser for the Acquired Assets under the Asset Purchase Agreement shall be deemed to constitute reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia.

26. Each and every federal, state, and local governmental agency, court or department is directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Asset Purchase Agreement. On the Closing, the Debtors and the Purchaser are authorized to take such actions as may be necessary to obtain a release of any and all obligations, liabilities and Encumbrances in the Acquired Assets, if any, and to the extent contemplated hereby and by the Asset Purchase Agreement. This Order (a) shall be effective as a determination that, on the Closing, all Encumbrances of any kind or nature whatsoever existing as to the Acquired Assets prior to the Closing have been unconditionally released, discharged and terminated, and that the conveyances described herein have been effected, and (b) shall be binding upon and shall govern the acts of all entities including without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Acquired

Assets. Each and every federal, state and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Asset Purchase Agreement. The Purchaser and the Debtors shall take such further steps and execute such further documents, assignments, instruments and papers as shall be reasonably requested by the other to implement and effectuate the transactions contemplated in this paragraph. All interests of record as of the date of this Order shall be forthwith deemed removed and stricken as against the Acquired Assets. All entities described in this paragraph are authorized and specifically directed to strike all such recorded liens, claims, rights, interests and encumbrances against the Acquired Assets from their records, official and otherwise.

27. If any person or entity that has filed statements or other documents or agreements evidencing claims, liens, encumbrances, or interests in any of the Acquired Assets does not deliver to the Debtors or the Purchaser prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of liens and easements, and any other documents necessary for the purpose of documenting the release of all interests and other interests that the person or entity has or may assert with respect to any of the Acquired Assets, the Debtors and/or the Purchaser are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of such persons or entity with respect to any of the Acquired Assets.

28. The Debtors will cooperate with the Purchaser and the Purchaser will cooperate with the Debtors, in each case to ensure that the transaction contemplated in the Asset Purchase Agreement is consummated, and the Debtors will make such modifications or supplements to any bill of sale or other document executed in connection with the closing to facilitate such

consummation as contemplated by the Asset Purchase Agreement (including, without limitation, adding such specific assets to such documents as may be reasonably requested by the Purchaser pursuant to the terms of the Asset Purchase Agreement).

29. The Purchaser shall have no liability or responsibility for any liability or other obligation of the Debtors arising under or related to the Acquired Assets other than for the Assumed Liabilities. Without limiting the generality of the foregoing, and except as otherwise specifically provided in the Asset Purchase Agreement, the Purchaser shall not be liable for any claims against the Debtors or any of their predecessors or affiliates, and the Purchaser shall have no successor or vicarious liabilities of any kind or character whether known or unknown as of the Closing, now existing or hereinafter arising, whether fixed or contingent, with respect to the Debtors, the Acquired Assets or any obligations of the Debtors arising prior to the Closing, including, but not limited to, liabilities on account of any taxes arising, accruing, or payable under, out of, or in connection with, or in any way relating to the operation of the business prior to the Closing.

30. Under no circumstances shall the Purchaser be deemed a successor of or to the Debtors for any Encumbrance against or in the Debtors or the Acquired Assets of any kind or nature whatsoever. The sale, transfer, assignment and delivery of the Acquired Assets and the Designated Contracts shall not be subject to any Encumbrance and Encumbrances of any kind or nature whatsoever shall remain with, and continue to be obligations of, the Debtors. All persons holding Encumbrances against, on, or in the Debtors or the Acquired Assets of any kind or nature whatsoever shall be, and hereby are, forever barred, estopped, and permanently enjoined from asserting, prosecuting, or otherwise pursuing such Encumbrances of any kind or nature whatsoever against the Purchaser, its officers, directors, shareholders and professionals, its

property, its successors and assigns, or the Acquired Assets with respect to any Encumbrance of any kind or nature whatsoever such person or entity had, has, or may have against or in the Debtors, their estates, officers, directors, shareholders, or the Acquired Assets. Following the Closing, no holder of an Encumbrance in the Debtors shall interfere with the Purchaser's title to or use and enjoyment of the Acquired Assets and the Designated Contracts based on or related to such Encumbrance, or any actions that the Debtors may take in their chapter 11 cases.

31. The terms and provisions of the Asset Purchase Agreement and this Order shall be binding in all respects upon, and shall inure to the benefit of, the Debtors and their respective affiliates, successors and assigns, their estates, and their creditors, the Purchaser, and its respective affiliates, successors and assigns, and any affected third parties including, but not limited to, all persons asserting Encumbrances on the Acquired Assets to be sold to the Purchaser pursuant to the Asset Purchase Agreement, notwithstanding any subsequent appointment of any trustee(s) under any chapter of the Bankruptcy Code, as to which trustee(s) such terms and provisions likewise shall be binding.

32. The failure specifically to include any particular provisions of the Asset Purchase Agreement in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Asset Purchase Agreement be authorized and approved in its entirety.

33. The Asset Purchase Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto, in a writing signed by both parties, and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates. To the extent that any provision of the Asset Purchase

Agreement conflicts with or is, in any way, inconsistent with any provision of this Order, this Order shall govern and control.

34. Nothing contained in any plan of reorganization or liquidation confirmed in these chapter 11 cases or any order of this Court confirming such plans or in any other order in these chapter 11 cases, including any order entered after any conversion of these chapter 11 cases to a case under chapter 7 of the Bankruptcy Code, shall alter, conflict with, or derogate from, the provisions of the Asset Purchase Agreement or the terms of this Order. The provisions of this Order and the Asset Purchase Agreement and any actions taken pursuant hereto or thereto shall survive entry of any order which may be entered confirming or consummating any plan of reorganization of the Debtors, or which may be entered converting these chapter 11 cases from chapter 11 to chapter 7 of the Bankruptcy Code, and the terms and provisions of the Asset Purchase Agreement as well as the rights and interests granted pursuant to this Order and the Asset Purchase Agreement shall continue in these chapter 11 cases or any superseding case and shall be specifically performable and enforceable against and binding upon the Debtors, their estates and the Purchaser and their respective successors and permitted assigns, including any trustee, responsible officer or other fiduciary hereafter appointed as a legal representative of the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code.

35. The provisions of this Order are nonseverable and mutually dependent.

36. To the extent applicable, the automatic stay pursuant to section 362 of the Bankruptcy Code is hereby lifted with respect to the Debtors to the extent necessary, without further order of the Court (a) to allow the Purchaser to give the Debtors any notice provided for in the Asset Purchase Agreement, and (b) to allow the Purchaser to take any and all actions permitted by the Asset Purchase Agreement.

37. There are no brokers involved in consummating the Sale Transaction and no brokers' commissions are due.

38. Compliance with the legal requirements relating to bulk sales and transfers is not necessary or appropriate under the circumstances.

39. The Debtors and each other person having duties or responsibilities under the Asset Purchase Agreement or this Order, and their respective agents, representatives, and attorneys, are authorized and empowered to carry out all of the provisions of the Asset Purchase Agreement, to issue, execute, deliver, file and record, as appropriate, the Asset Purchase Agreement, and any related agreements, and to take any action contemplated by the Asset Purchase Agreement or this Order, and to issue, execute, deliver, file and record, as appropriate, such other contracts, instruments, releases, deeds, bills of sale, assignments, or other agreements, and to perform such other acts as are consistent with, and necessary or appropriate to, implement, effectuate and consummate the Asset Purchase Agreement and this Order and the transactions contemplated thereby and hereby, all without further application to, or order of, the Court. Without limiting the generality of the foregoing, this Order shall constitute all approvals and consents, if any, required by applicable business corporation, trust and other laws of applicable governmental units with respect to the implementation and consummation of the Asset Purchase Agreement and this Order and the transactions contemplated thereby and hereby.

40. This Court shall retain exclusive jurisdiction to enforce and implement the terms and provisions of the Asset Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed in connections therewith in all respects, including, but not limited to, retaining jurisdiction to (a) compel delivery of the Acquired Assets to the Purchaser free and clear of Encumbrances, or compel the performance of

other obligations owed by the Debtors, (b) compel delivery of the purchase price or performance of other obligations owed to the Debtors, (c) resolve any disputes arising under or related to the Asset Purchase Agreement, except as otherwise provided therein, (d) interpret, implement, and enforce the provisions of this Order, and (e) protect the Purchaser against (i) any claims of successor or vicarious liability related to the Acquired Assets or Designated Contracts, or (ii) any claims of Encumbrances asserted on or in the Debtors or the Acquired Assets, of any kind or nature whatsoever.

41. To the extent that any provision of this Order conflicts with the Asset Purchase Agreement, this Order shall control.

Date: _____, 2014
Wilmington, Delaware

_____
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT C

Execution Version

ASSET PURCHASE AGREEMENT

BY AND AMONG

RESTORA HEALTHCARE HOLDINGS, LLC, RESTORA HOSPITAL OF MESA, LLC AND RESTORA HOSPITAL OF SUN CITY, LLC

AND

PHX HOSPITAL PARTNERS, LLC

Dated as of February 24, 2014

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "**Agreement**") is made and entered into as of the 24th day of February, 2014 (the "**Effective Date**"), by and among **Restora Healthcare Holdings, LLC** ("**Restora Holdings**"), **Restora Hospital of Mesa, LLC** ("**Restora Mesa**"), and **Restora Hospital of Sun City, LLC** ("**Restora Sun City**") (Restora Holdings, Restora Mesa and Restora Sun City are herein jointly and severally referred to as "**Seller**"), and **PHX Hospital Partners, LLC** ("**Buyer**").

R E C I T A L S

A. Seller is engaged in the business of providing long term acute care services, specialty acute care services and sub-acute care services and related ancillary services through healthcare professionals at the facilities located at 215 S. Power Road, Mesa, AZ 85206 and 13818 N. Thunderbird Blvd. Sun City, AZ 85351 (collectively, the "**Practice**"), with the Seller's rights in and to the Practice locations and licenses being transferred (to the extent same can be transferred or assigned by Law) to Buyer being further described on **Schedule 1.0-A** attached hereto.

B. Restora Mesa and Restora Sun City are each wholly owned subsidiaries of Restora Holdings. Rod Laughlin, George Dunaway, Greg Sassman, John Watkins, and HealthCap Partners/HCCG, LLC (collectively, the "**Members**") own all of the issued and outstanding membership interests of Restora Holdings.

C. Seller intends to file voluntary petitions for relief under title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"), commencing cases under chapter 11 of the Bankruptcy Code (collectively, the "**Bankruptcy Case**").

D. Seller is party to a Revolving and Term Loan and Security Agreement, dated as of June 29, 2012, with Healthcare Finance Group, LLC ("**HFG**"), as lender and administrative agent (in such capacities, the "**Existing Lender Parties**"), pursuant to which the Existing Lender Parties made certain revolving and terms loans to the Seller (the "**Prepetition Loan Facility**"), which loans are secured by first priority security interests in substantially all of the Seller's assets. As of the date hereof, an aggregate amount of approximately $3,000,000 was outstanding in connection with the revolving loan under the Prepetition Loan Facility (the "**Existing Revolver Debt**") and approximately $2,600,000 was outstanding in connection with the term loan under the Prepetition Loan Facility (the "**Existing Term Debt**").

E. HFG, as agent and lender (in such capacities, the "**DIP Lender Parties**"), has agreed to provide postpetition debtor in possession financing to Seller in connection with the Bankruptcy Case, subject to Bankruptcy Court approval, consisting of a senior secured revolving credit facility not to exceed $7,000,000 at any one time outstanding, subject to a borrowing base and applicable reserves (the "**DIP Facility**"), which DIP Facility will be secured by first priority security interests in substantially all of the Seller's assets, subject to the security interests with respect to the Existing Term Debt and a carve-out for fees and expenses incurred by

professionals and certain other parties in the Bankruptcy Case. The Existing Revolver Debt will be assumed by the Seller and become a part of the DIP Facility.

F. Subject to certain conditions agreed to among Buyer, the Existing Lender Parties and the DIP Lender Parties, the Existing Lender Parties and the DIP Lender Parties have agreed to assign to Buyer all of their rights, interests, and obligations in, to, and under the Prepetition Loan Facility, DIP Facility, and all documents and agreements relating thereto.

G. Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, all of the assets, properties and rights of Seller relating to the Practice (except for the Excluded Assets) free and clear of liens, claims, interests, and encumbrances (except for Permitted Encumbrances including certain liens and claims assigned to Buyer relating to the Prepetition Loan Facility and the DIP Facility) pursuant to section 363(f) of the Bankruptcy Code as provided in a final order of the Bankruptcy Court approving such sale under section 363 of the Bankruptcy Code to be entered in the Bankruptcy Case, and to assume only certain specified liabilities of Seller related thereto, all on the terms and subject to the conditions set forth in this Agreement and in accordance with sections 105, 363, 365 and other applicable provisions of the Bankruptcy Code.

H. As additional consideration, and as a material inducement to Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, Seller desires to make certain representations, warranties, indemnities, covenants and agreements relating to the sale of the Practice.

I. Capitalized terms used herein have the meanings set forth in the Table of Definitions attached hereto as **Schedule 1.0-F**.

A G R E E M E N T

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I
ASSETS AND LIABILITIES

1.1. Acquired Assets.

(a) Subject to the terms and the conditions set forth in this Agreement and on the basis of the representations and warranties herein, Seller shall sell, convey, transfer, assign and deliver to Buyer and Buyer shall purchase, receive and accept from Seller all rights, title and interest in and to the assets and properties of every kind, character and description (other than property and rights specifically excluded in this Agreement), owned or leased by Seller and used in the operation and management of the Practice, or otherwise for the benefit of the Practice, whether tangible, intangible, real, personal or mixed, movable or fixed, and wherever located (collectively referred to hereinafter as the "**Acquired Assets**"), including, without limitation, the assets set forth on **Schedule 1.1** attached hereto, but excluding the Excluded Assets.

(b) With the exception of the Excluded Assets, the Acquired Assets include all tangible property, accounts, machinery, equipment, inventories, tenant improvements (regardless of whether they are accounted for as an asset on the books of Seller, goodwill of the Practice, software and computer programs, hardware, Intellectual Property (including the name "*Restora*" and all other trade names and acronyms under which Seller conducts the Practice or by which Seller or the Practice is commonly known), prepaid expenses (other than prepaid insurance or prepaid other assets) and deposits, Assigned Contracts, Assigned Personal Property Leases, books and records (including all patient charts and records since January 1, 2010, patient lists and appointment books relating to patients treated by the Practice to the extent transferable under applicable law), any Seller policies and procedures relating to the Practice, telephone and facsimile numbers, all Licenses and permits to the extent transferable to Buyer, and all benefits, proceeds and other amounts payable under any Seller policy of insurance relating to the Practice.

1.2. Excluded Assets. Notwithstanding anything contained in Section 1.1 above, Buyer is not purchasing Seller's (i) cash, (ii) cash equivalents, (iii) income tax receivables, (iv) deferred tax assets, (v) employee advances, (vi) prepaid insurance including prepaid professional liability insurance, (vii) contracts and leases that are not Assigned Contracts or Assigned Personal Property Leases, (viii) the Purchase Price and all rights of the Seller under this Agreement, (ix) any rights, claims or causes of action of any Seller against third parties relating to assets, properties, losses, business or operations of any Seller, including any actions under chapter 5 of the Bankruptcy Code, (x) all personnel records and other books, records, and files that the Seller is required by law to retain in its possession, (xi) any patient records with respect to which the applicable patient(s) has objected to a transfer of such patient records to the Buyer, (xii) any claim, right or interest of any Seller in or to any refund, rebate, abatement or other recovery for taxes, together with any interest due thereon or penalty rebate arising therefrom, (xiii) investments (including Restora Holdings' membership interests in Restora Mesa and Restora Sun City), (xiv) any other prepaid assets or properties expressly set forth on **Schedule 1.2** hereto, and (xv) any books and records relating to any of the foregoing (such assets being referred to as the "**Excluded Assets**" and such **Schedule 1.2** being referred to herein as the "**Excluded Assets Schedule**").

1.3. Assumed Liabilities. As of the Closing Date, Seller shall assign to Buyer and Buyer shall assume only Seller's obligations (i) under the Prepetition Loan Facility and the DIP Facility and (ii) arising from events occurring on or after the Closing Date under those agreements and contracts designated specifically on **Schedule 4.8** attached hereto as "**Assigned Personal Property Leases**" and on **Schedule 4.19** attached hereto as "**Assigned Contracts**," except to the extent that any such executory obligations result from, arise out of, relate to, or are caused by, any one or more of the following: (a) a breach of any of the Assigned Personal Property Leases or Assigned Contracts occurring prior to the Closing Date; (b) a breach of warranty, infringement or violation of law occurring prior to the Closing Date; or (c) an event or condition occurring or existing prior to the Closing Date that, through the passage of time or the giving of notice or both, would constitute a breach or default by Seller under any of the Assigned Personal Property Leases or Assigned Contracts (collectively, the "**Assumed Liabilities**"). The Assigned Contracts include the Real Property Leases as modified in form and substance consistent with the lease terms agreed to by Buyer and the counterparties thereto. At or prior to the Sale Hearing, Seller shall seek authorization to assume and assign to Buyer the Assigned Contracts and the Assigned Personal Property Leases. The amounts, if any required to cure all

defaults under the Assigned Contracts and the Assigned Personal Property Leases, as required under the Bankruptcy Code or determined by the Bankruptcy Court (the "**Cure Costs**"), up to $450,000 (the "**Cap**") shall be paid on the Closing Date (except as otherwise agreed to by the other party to any Assigned Contract or Assigned Personal Property Lease) by the Buyer directly to the applicable counterparties to the Assigned Contracts and the Assigned Personal Property Leases, and Seller shall be liable only for any such Cure Costs exceeding the Cap. Attached hereto as **Schedule 1.3** is a listing of Seller's good faith estimate of the Cure Costs delivered prior to the Effective Date of this Agreement, which **Schedule 1.3** shall be updated and delivered to Buyer not less than five business days prior to the Sale Hearing, and again updated and delivered to Buyer no less than two business days prior to the Closing Date. Buyer may remove any Assigned Contract or any Assigned Personal Property Lease set forth on **Schedule 4.8** and **Schedule 4.19** at any time up to, and including, the Closing Date.

1.4. Excluded Liabilities. Except as expressly set forth in this Agreement, Buyer does not assume and will not be liable for any of the direct or indirect debts, Claims, Interests, Encumbrances, obligations or liabilities of Seller, any Affiliate of Seller, the Practice, or any Member, whenever arising and of whatever type or nature. In particular, but without limiting the foregoing, Buyer will not assume, and will not be deemed by anything contained in this Agreement (other than to the extent expressly provided in Section 1.3 above) to have assumed and will not be liable for any debts, obligations or liabilities of Seller, any Affiliate of Seller or the Practice whether known or unknown, contingent, absolute or otherwise and whether or not they would be included or disclosed in financial statements prepared in accordance with GAAP (the "**Excluded Liabilities**"). Without limitation of the foregoing, the Excluded Liabilities include debts, Claims, Interests, Encumbrances, liabilities and obligations: (a) under any real estate lease or any contract or agreement to which Seller is a party or by which Seller or the Practice is bound that is not, as of the Closing Date, listed as an Assigned Contract on **Schedule 4.19** or any Personal Property Lease by which Seller or the Practice is bound that has not been listed as an Assigned Personal Property Lease on **Schedule 4.8**; (b) with respect to any Assigned Contract or Assigned Personal Property Lease, arising from the period prior to the Closing Date; (c) arising out of any arrangements, agreements, understandings or commitments with any employees or independent contractors providing professional medical or nursing services to the Practice to which Seller is a party or by which Seller is bound from the period prior to the Closing Date; (d) for, or relating to, any Employee Benefit Plan; (e) for any obligation for Taxes from the period prior to the Closing Date; (f) for any liability for local or state sales, use or transfer tax and taxes that may be imposed upon the sale or assignment of the Acquired Assets pursuant to this Agreement and the Assignment and Assumption and Bill of Sale from the period prior to the Closing Date; (g) for any damages or injuries to persons or property or for any malpractice, tort or strict liability arising from events, actions or inactions in the Practice or the operation of the Practice prior to the Closing Date; (h) arising out of any litigation arising with respect to the period prior to the Closing Date, whether or not threatened or pending on or before the Closing Date; (i) incurred by Seller or the Practice for borrowed money from the period prior to the Closing Date; (j) for any accounts payable of Seller or any Affiliate of Seller from the period prior to the Closing Date; (k) for amounts due or that may become due to Medicare, AHCCCS or any other health care reimbursement or payment intermediary, or other third party payor on account of any payment adjustments attributable to any period prior to the Closing Date, or any other form of Medicare or other health care reimbursement recapture, adjustment or known overpayment whatsoever, or any violation of any Law by Seller relating to Medicare,

AHCCCS or any other payor program, including fines and penalties, with respect to any period prior to the Closing Date. The intent and objective of Buyer and Seller is that, except for liabilities explicitly assumed by Buyer hereunder, Buyer does not assume, and no transferee liability will attach to Buyer pertaining to, any of the Excluded Liabilities.

1.5. Employees.

(a) Employees. Effective as of the Closing Date, Buyer or an Affiliate of Buyer shall offer employment to certain employees of Seller actively employed at the Practice immediately prior to Closing (collectively, the "**Seller Employees**") in sufficient numbers to avoid triggering notice obligations under the WARN Act or similar state laws. Buyer has no obligation to offer employment to all Seller Employees. To be eligible for hire by Buyer, Seller Employees must (A) be listed on **Schedule 1.5(a)** attached hereto, (B) consent to the release of his or her employment files to Buyer or its Affiliate prior to Closing, (C) to the extent permitted by Law, pass a pre-employment drug test, background check, and physical exam, and (D) have the unrestricted ability to provide federally reimbursed services. Buyer, in its sole and absolute discretion, will identify the Seller Employees to whom Buyer will offer employment and the terms of those offers. Effective as of the Closing Date, Seller will terminate the employment of the Seller Employees who accept Buyer's or its Affiliate's offer of employment. Those Seller Employees who accept Buyer's or its Affiliate's offer of employment as of the Closing Date shall be designated on **Schedule 1.5(a)** as "**Transferring Employees**" and referred to hereinafter as such. All compensation, benefits and corresponding taxes accrued up to the Closing Date with respect to Transferring Employees shall constitute an Excluded Liability.

(b) **Schedule 1.5(a)** sets forth with respect to each of the Seller Employees such person's position, date of hire, current salary and amount of any other accrued benefits to which such person may be entitled or for which such person has made either written or oral claim to Seller. Seller shall provide an updated **Schedule 1.5(a)** at Closing. All Transferring Employees shall be employees at will, subject to Buyer's or its Affiliate's employment policies. Nothing herein shall obligate Buyer or an Affiliate of Buyer to employ the Transferring Employees for any specific time period. Nothing in this Section 1.5 shall be construed to grant any employee any rights as a third party beneficiary. Seller shall retain all liabilities with respect to any and all Seller Employees who are not Transferring Employees.

(c) Seller shall retain all liability with respect to any individual currently receiving health care under the Consolidated Omnibus Budget Reconciliation Act, as amended ("**COBRA**"), including, but not limited to, those individuals receiving such benefits whose last employment with Seller or any of its predecessors or ERISA Affiliates was associated with the Acquired Assets. To that end, Seller shall maintain a group health plan until the earlier of such time that none of the above individuals remains eligible for any such benefits or such time that Seller and its ERISA Affiliates no longer retain any employees. Should Buyer become obligated to provide any such COBRA benefits to any such individuals, Seller shall fully indemnify Buyer within thirty (30) days of any such demand by Buyer for the full costs of COBRA compliance incurred by Buyer and its group health plans (as determined under COBRA) through the date of each such demand by Buyer.

1.6. Instruments of Transfer. The sale of the Acquired Assets and the assumption of the Assumed Liabilities as herein provided shall be effected at Closing by the "**Assignment and Assumption and Bill of Sale**" in the form attached hereto as **Exhibit A**.

1.7. Payment of Sales Taxes. Seller shall pay any and all sales, use or other transfer taxes payable by reason of the transfer and conveyance of the Acquired Assets hereunder. Seller will prepare, deliver and if necessary file at or before Closing all transfer tax returns and other filings necessary to vest in Buyer full right, title and interest in the Acquired Assets.

ARTICLE II
PURCHASE PRICE

2.1. Consideration / Purchase Price. In reliance on Seller's representations, warranties and covenants, the purchase price to be paid by Buyer to Seller for the Acquired Assets and the other rights set forth herein shall be **$5,000,000** (the "**Purchase Price**"), payable by the Buyer in the form of a credit bid under section 363(k) of the Bankruptcy Code with respect to a portion of the aggregate secured obligations owing under the Prepetition Loan Facility and DIP Facility. As additional consideration, the Buyer will assume all Assumed Liabilities and pay all Cure Costs up to the Cap to counterparties to the Assigned Contracts and Assigned Personal Property Leases.

2.2. Pro-Rations. All business expenses incurred by Seller in the ordinary course with respect to the Practice, such as utilities, will be pro-rated as of the Closing Date, such that Buyer is responsible for amounts incurred with respect to periods on or after the Closing Date and Seller is responsible for amounts incurred with respect to periods prior to the Closing Date.

2.3. Allocation of Purchase Price. The Purchase Price will be allocated to the Acquired Assets in accordance with **Schedule 2.3** attached hereto. Buyer and Seller shall report the transactions contemplated by this Agreement for federal and state income tax purposes in accordance with such allocation. The parties shall execute all forms required to be filed for tax purposes with any taxing authority in a manner consistent with the allocation on **Schedule 2.3**.

2.4. Negotiated Value. The Purchase Price and the Purchase Price allocation set forth on **Schedule 2.3** reflect the fair value of the Practice and the fair values of the Acquired Assets, respectively, agreed to by the parties hereto as a result of arms' length negotiations. No consideration is or will be paid for the value of any patient referrals (direct or indirect) to or from Buyer, Seller, the Members or any of their respective Affiliates.

2.5. [Intentionally Omitted].

ARTICLE III
CLOSING AND POST-CLOSING

3.1. Closing. The closing of the sale and purchase of the Acquired Assets (the "**Closing**") will take place no later than May 15, 2014, so long as all of the conditions to closing set forth in Article VIII below are fully satisfied, or on such other date as the parties may mutually agree (the "**Closing Date**") at the offices of Seller's counsel located in New York, New York, or by facsimile transmission and United States or overnight mail. Buyer and Seller shall

use their respective good faith efforts to close this transaction as promptly as possible after the Sale Order becomes a final non-appealable order. Closing will be deemed to have occurred at 12:01 a.m. local time at the location of the Practice on the day immediately following the Closing Date.

3.2. [Intentionally Omitted].

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer, as of the Effective Date and as of the Closing Date (except for those representations and warranties that are made as of the Closing Date only, which are true and correct as of the Closing Date), as follows:

4.1. Organization, Good Standing and Qualification. Each Seller is a Delaware limited liability company duly organized, validly existing and in good standing under the provisions of the laws of the State of Delaware, and is qualified and licensed to do business in every other jurisdiction in which it conducts business or in which the nature of its business and operations would require qualification as a foreign limited liability company. Seller has all requisite corporate power and authority to own and operate its properties and to carry on the Practice as now conducted. Seller has all corporate power and authority to enter into all of the Acquisition Agreements to which Seller is a party and to carry out and perform its obligations under the Acquisition Agreements.

4.2. Authorization; Binding Obligation. Subject to Bankruptcy Court approval, Seller has full legal corporate right, power and authority to execute and deliver the Acquisition Agreements to which Seller is a party, and to carry out the transactions contemplated thereby. Subject to Bankruptcy Court approval, the execution and delivery by Seller of the Acquisition Agreements and all of the documents and instruments required thereby and the consummation of the transactions contemplated thereby have been duly authorized by all requisite action on the part of Seller and the Members. The Acquisition Agreements to which Seller is a party and each of the other documents and instruments required thereby or delivered in connection therewith have been duly executed and delivered by Seller, and constitute the legal, valid and binding obligations of Seller, enforceable against them in accordance with their respective terms, subject to Bankruptcy Court approval.

4.3. Consents and Approvals.

(a) Governmental Consents and Approvals. Subject to Bankruptcy Court approval, and except as set forth on **Schedule 4.3(a)** attached hereto, no notice, registration or filing with, or consent or approval of, or other action by, any federal, state or other governmental agency or instrumentality is or will be necessary for the valid execution, delivery and performance of this Agreement by Seller, the transfer of the Acquired Assets to Buyer, the operation of the Practice by Buyer after Closing and Buyer's receipt of continued reimbursement for the Practice without change, including reimbursement under the Medicare long term care hospital prospective payment system, following Closing (each, a "**Governmental Approval**"); provided that if any such Governmental Approval cannot be timely obtained due to Seller's

average length of stay not satisfying regulatory requirements, the parties agree to work in good faith to modify the terms of this transaction as necessary to ensure compliance with all federal, state or other governmental laws, rules and regulations while providing the same economic result to Buyer and while intending to meet the target closing date of May 15, 2014.

(b) Third Party Consents. Except as set forth on **Schedule 4.3(b)** attached hereto, no notice to, consent, approval or authorization of, any non-governmental third party is required to consummate the transactions or perform the related covenants and agreements contemplated hereby or to vest full right, title and interest in the Acquired Assets free and clear of any Lien upon Buyer, all without any change in the Acquired Assets and all rights therein after Closing (each, a "**Third Party Consent**").

4.4. No Violation. The execution, delivery, compliance with and performance by Seller of the Acquisition Agreements and each of the other documents and instruments delivered in connection therewith do not and will not (a) violate or contravene the organizational certificates, documents and agreements, as amended to date, of Seller or the Members, (b) violate or contravene any law, statute, rule, regulation, order, judgment or decree to which Seller is subject, (c) conflict with or result in a breach of or constitute a default by any party under any contract, agreement, instrument or other document to which Seller or any Member is a party or by which Seller or any of its assets or properties are bound or subject or to which any entity in which Seller has an interest, is a party, or by which any such entity is bound, or (d) result in the creation of any Lien upon the Acquired Assets or the Practice or any interest of the Members therein.

4.5. Licenses and Permits. **Schedule 4.5** attached hereto contains a true, correct and complete list and summary description of all Licenses that have been issued to Seller in connection with the Acquired Assets or the Practice (the "**Seller Licenses**"). To Seller's Knowledge, each License is valid, in good standing and in full force and effect as of the date hereof, no Seller License is subject to any Lien, limitation, restriction, probation or other qualification and there is no default under any Seller License or any basis for the assertion of any default thereunder. **Schedule 4.5** specifies the holder of each Seller License and whether or not such Seller License is transferable to Buyer. Except for the Bankruptcy Case, to Seller's Knowledge, there is no investigation, proceeding or other action, threatened or pending, that could result in the termination, revocation, limitation, suspension, restriction or impairment of any Seller License or the imposition of any fine, penalty or other sanctions for violation of any legal or regulatory requirements relating to any Seller License or, to Seller's Knowledge, any basis therefore, except as listed on **Schedule 4.5**. Seller has, and has had at all relevant times, all Licenses that are or were necessary to enable Seller to own the Acquired Assets and conduct and be reimbursed for the Practice. All fees and charges with respect to the Seller Licenses have been paid in full.

4.6. Ownership; No Subsidiaries. All of Seller's owners, whether direct or indirect and including the Members, are listed on **Schedule 4.6** attached hereto. Seller does not own and has not owned, either directly or indirectly, any interest or investment (whether debt or equity) in or been a member of any corporation, partnership, joint venture, business trust or other entity during the previous twelve (12) month period, except as set forth on **Schedule 4.6**.

4.7. Acquired Assets. Seller is the sole and exclusive legal and equitable owner of all right, title and interest in, and has good, clear, indefeasible, insurable and marketable title to, all of the Acquired Assets free of all Liens, except for those capital leases and other indebtedness set forth on **Schedule 4.7** attached hereto. The Acquired Assets together with the Excluded Assets include all assets, properties and rights used or found useful by Seller in connection with the Practice and that are necessary for Buyer to continue the Practice as historically and currently conducted following Closing.

4.8. Leases of Personal Property. For purposes of this Agreement, "**Personal Property Leases**" means any lease, conditional or installment sale contract, Lien or similar arrangement to which any tangible personal property used by Seller in connection with the operation of the Practice is subject. Except as set forth on **Schedule 4.8** attached hereto, none of the tangible personal property used by Seller in connection with the operation of the Practice is subject to a Personal Property Lease. Seller has delivered to Buyer a complete and correct copy of each Personal Property Lease listed on **Schedule 4.8**. Except as set forth on **Schedule 4.8** attached hereto, all of such Personal Property Leases are valid, binding and enforceable in accordance with their respective terms and are in full force and effect. No Member is a party to any Personal Property Lease. Except as set forth on **Schedule 4.8** attached hereto, Seller is not in default under any of such Personal Property Leases and there has not been asserted, either by or against Seller under any of such Personal Property Leases, any notice of default, set-off or claim of default, except as listed on **Schedule 4.8**, and except for payment defaults in payment of scheduled rents. The parties to such Personal Property Leases other than Seller are not in default of their respective obligations under any of such Personal Property Leases. There has not occurred any event that, with the passage of time or giving of notice (or both), would constitute such a default or breach under any of such Personal Property Leases by any party thereto except as listed on **Schedule 4.8**, and except for payment defaults in payment of scheduled rents. Each Personal Property Lease is separately designated on **Schedule 4.8** as either a Personal Property Lease that Seller has agreed to assign and that Buyer has agreed to assume (each, an "**Assigned Personal Property Lease**") or as a Personal Property Lease that shall be retained or rejected by Seller (each, a "**Terminated Personal Property Lease**").

4.9. [Intentionally Omitted].

4.10. Absence of Certain Events. Except as noted on **Schedule 4.10** attached hereto, since December 31, 2013, with respect to the Practice, except as noted on **Schedule 4.10**, to Seller's Knowledge there has not been:

(a) any material damage or destruction of any of the assets utilized in the Practice by fire or other casualty, whether or not covered by insurance, except as listed on Schedule 4.23;

(b) except in the ordinary course of business, any termination of any provider agreement or other contract pursuant to which Seller receives compensation or reimbursement for patient care services in connection with the Practice;

(c) except in the ordinary course of business, or otherwise as necessary to comply with any applicable minimum wage law, any increase in the salary or other

compensation of any employee engaged in the Practice, or any increase in or any addition to other benefits to which any such employee may be entitled;

(d) any extraordinary compensation, bonus or distribution to Seller, the Members or to any Affiliate of Seller or of any Member;

(e) any change in any of the accounting principles adopted by Seller, or any change in Seller's policies, procedures, or methods with respect to applying such principles;

(f) any dividends or distributions paid to the Members or any other Affiliates of Seller; or

(g) any action that if taken after the Effective Date would constitute a breach of any of the covenants in Section 6.1 below.

4.11. Legal Proceedings. Other than the Bankruptcy Case or as listed on **Schedule 4.11**, there is no action, suit, litigation, proceeding or investigation pending or threatened by or against Seller or any Member (but in the case of the Members, relating directly or indirectly to the Practice or the Acquired Assets), and Seller has not received any written or oral claim, complaint, incident, report, threat or notice of any such proceeding or claim and there is no basis therefore, except for payment defaults and demands for payment. There are no outstanding orders, writs, judgments, injunctions or decrees of any court, governmental agency or arbitration tribunal against, involving or affecting Seller, the Practice or the Acquired Assets, and there are no facts or circumstances that may result in the institution of any such action, suit, claim or legal, administrative or arbitration proceeding or investigation against, involving or affecting Seller, the Practice, the Acquired Assets or the transactions contemplated hereby, except as listed on **Schedule 4.11**. To Seller's Knowledge, neither Seller nor the Practice is in default with respect to any order, writ, injunction or decree known to or served upon it from any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.

4.12. Payment Programs.

(a) All Payment Programs in which Seller has participated at any time during the last three years are listed on **Schedule 4.12** attached hereto (the "**Seller Payment Programs**"). Seller is in compliance with, and a participating provider, in good standing, in, each Seller Payment Program. There is no threatened or pending or concluded investigation, or civil, administrative or criminal proceeding relating to Seller's participation in any Payment Program. Seller is not subject to, nor has it been subjected to, any pre-payment utilization review or other utilization review by any Payment Program. No Payment Program has requested or threatened any audit, recoupment, refund, adjustment or set-off from Seller and there is no basis therefor. No Payment Program has imposed a fine, penalty or other sanction on Seller. Neither Seller nor any Member has been excluded from participation in any Payment Program. Seller has not submitted to any Payment Program any false or fraudulent claim for payment, nor has Seller at any time violated in any material respect any condition for participation, or any rule, regulation, policy or standard of, any Payment Program.

(b) To Seller's Knowledge, neither Seller nor any of Seller's Affiliates, directors, managers, officers, employees or agents has, directly or indirectly: (i) offered to pay to or solicited any remuneration from, in cash, property or in kind, or made any financial arrangements with, any past or present patient or customer, past or present medical director, physician, other health care provider, supplier, contractor, third party, or Payment Program to induce or directly or indirectly obtain business or payments from such person, including any item or service for which payment may be made in whole or in part under any federal, state or private health care program, or for purchasing, leasing, ordering or arranging for or recommending, purchasing, leasing, or ordering any good, facility, service or item for which payment may be made in whole or in part under any federal, state or private health care program; (ii) given or received, or agreed to give or receive, or is aware that there has been made or that there is any agreement to make or receive, any gift or gratuitous payment or benefit of any kind, nature or description (including in money, property or services) to any past, present or potential patient or customer, medical director, physician, other health care provider supplier or potential supplier, contractor, Payment Program or any other person; (iii) made or agreed to make, or is aware that there has been made or received or that there is any agreement to make, any contribution, payment or gift of funds or property to, or for the private use of, any governmental official, employee or agent where either the contribution, payment or gift or the purpose of such contribution, payment or gift is or was illegal under the laws of the United States or under the laws of any state thereof or any other jurisdiction in which such payment, contribution or gift was made; (iv) established or maintained any unrecorded fund or asset for any purpose or made any false or artificial entries on any of its books or records for any reason; or (v) made or received or agreed to make or receive, or is aware that there has been made or received or that there has been any intention to make or receive, any payment to any person with the intention or understanding that any part of such payment would be used for any purpose other than that described in the documents supporting such payment. To Seller's Knowledge, all billing practices of the Practice, Seller and all predecessors in interest thereof with respect to all Payment Programs have been true, fair and correct and in compliance with all applicable Laws, and all regulations and policies of all such Payment Programs, and to Seller's Knowledge, Seller has not billed for or received any payment or reimbursement in excess of amounts permitted by law or the rules and regulations of Payment Programs or contracts therewith.

(c) Neither Seller, nor any of its respective officers, managers, directors or employees: (i) has been or is currently suspended, excluded or debarred from contracting with any governmental authority or from participating in any Payment Program or has been or is subject to any fine, penalty, or sanction by any governmental authority or pending or threatened investigation, audit or proceeding by any governmental authority that could result in such suspension, exclusion, or debarment; (ii) has been assessed a civil monetary penalty under the Civil Monetary Penalties Law (42 U.S.C. § 1320a-7a) or any regulation promulgated thereunder; (iii) is or has been a party to a corporate integrity agreement or settlement with the Office of the Inspector General of the U.S. Department of Health and Human Services or the Department of Justice; (iv) has been convicted of any criminal offense relating, directly or indirectly, to the delivery of any item or service reimbursable under any federal or state health care program; or (v) has contracted with any person that has been or is currently suspended, excluded or debarred from contracting with any governmental authority or from participating in any Payment Program.

4.13. Compliance with Laws.

(a) To Seller's Knowledge, **Schedule 4.13** attached hereto lists all claims, statements, and other matters (including all correspondence or communications with governmental agencies, contractors, intermediaries or carriers) concerning or relating to any federal or state government funded health care program that involves, relates to or alleges: (i) any violation of any applicable rule, regulation, policy or requirement of any such program or any irregularity with respect to any activity, practice or policy of Seller or the Practice; or (ii) any violation of any applicable rule, regulation, policy or requirement of any such program or any irregularity with respect to any claim for payment or reimbursement made by Seller or the Practice or any payment or reimbursement paid to Seller or the Practice. Except as set forth on **Schedule 4.13**, there are no such violations or irregularities nor are there any grounds to anticipate the commencement of any investigation or inquiry, or the assertion of any claim or demand by any government agency, contractor, intermediary or carrier with respect to any of the activities, practices, policies or claims of Seller or the Practice, or any payments or reimbursements claimed by Seller. Seller is not currently subject to any outstanding audit by any such government agency, contractor, intermediary or carrier, and there are no grounds to anticipate any such audit in the foreseeable future.

(b) To Seller's Knowledge, Seller has not received any notice to the effect that, or otherwise been advised that, it or the Practice is not in material compliance with any Laws, except as set forth on Schedule 4.13 attached hereto.

(c) Seller has not submitted any claim to any Payment Program in connection with any referrals that violated any applicable self-referral Law, including the Federal Ethics in Patient Referrals Act, 42 U.S.C. § 1395nn (known as the "**Stark Law**"), or any applicable state self-referral Law.

(d) Seller has complied with all disclosure requirements of all applicable self-referral Laws, including the Stark Law and any applicable state self-referral Law.

(e) To Seller's Knowledge, neither Seller nor any Affiliate of Seller has knowingly or willfully solicited, received, paid or offered to pay any remuneration, directly or indirectly, overtly or covertly, in cash or kind for the purpose of making or receiving any referral that violated any applicable anti-kickback Law, including the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b) (known as the "**Anti-Kickback Statute**"), or any applicable state anti-kickback Law.

(f) To Seller's Knowledge, Seller has not knowingly submitted any claim for payment to any Payment Program in violation of any Laws relating to false claim or fraud, including the Federal False Claim Act, 31 U.S.C. § 3729 et seq., the Federal False Claims Law, 42 U.S.C. § 1320a-7b(a), or any applicable state false claim or fraud Law.

(g) To Seller's Knowledge, Seller has complied in all respects with all Environmental Laws and Seller has not received any notice alleging any violation of any Environmental Laws with respect to the Practice or the Acquired Assets. Any past noncompliance with Environmental Laws by or with respect to the Practice is identified by Seller

on **Schedule 4.13** attached hereto, and has been resolved without any pending, ongoing or future obligation, cost or liability. There has been no release of Hazardous Materials in violation of any Environmental Law on the Premises. There is no asbestos or asbestos-containing material on the Premises. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will require any notice to or consent of any governmental authority or third party pursuant to any applicable Environmental Law.

(h) To Seller's Knowledge, Seller has complied with all applicable requirements of the Occupational Safety and Health Act and all applicable state equivalents, and with all applicable regulations promulgated under any such legislation, and with all orders, judgments, and decrees of any tribunal under such legislation, that apply to the Practice, the Acquired Assets or the Premises, and, except as set forth on **Schedule 4.13**, Seller has not received any notice alleging any material violation thereof.

(i) To Seller's Knowledge, Seller has complied with all applicable security and privacy standards regarding protected health information under the Health Insurance Portability and Accountability Act of 1996, as amended ("**HIPAA**"), and all applicable state privacy Laws.

(j) To Seller's Knowledge, Seller has cared for its past and present patients in accordance with all standards pertaining to long term acute care facilities, skilled nursing facilities and applicable Laws. There are have been no complaints or claims relating to the patient care provided by Seller.

4.14. Employment Matters.

(a) **Schedule 1.5(a)** contains a true and accurate list of each Seller Employee, together with such person's position, date of hire, current salary, accrued paid time off, and amount of any other accrued benefits to which such person may be entitled or for which such person has made either written or oral claim to Seller, whether or not such Seller Employee is designated as a Transferring Employee. Seller has paid or made provision for the payment of all accrued benefits and wages for all Seller Employees through the Closing Date.

(b) Except as indicated on **Schedule 1.5(a)**, no Transferring Employee (i) has an employment agreement with Seller, whether written or oral, or (ii) has indicated that he or she intends to terminate his or her employment with Seller or seek a material change in his or her duties or status. Each Seller Employee, including each Transferring Employee, who is required to be licensed by applicable law is so licensed, and copies of such Licenses are attached to **Schedules 1.5(a)**.

(c) Seller has adequate levels of employee staffing to conduct the Practice. The Transferring Employees constitute sufficient personnel to continue in all material respects the operations of the Practice uninterrupted following the Closing Date.

(d) (i) Seller is not a party to any collective bargaining contracts or any other contracts, agreements or understandings with any labor unions or other representatives of the Seller Employees (a "**Labor Contract**"); (ii) Seller is not subject to any union organizing activities; (iii) Seller has not breached or otherwise failed to comply in any material respect with

any provision of any Labor Contract, and there are no grievances outstanding against Seller under any Labor Contract; (iv) there are no unfair labor practice complaints pending against Seller with respect to the Seller Employees before the National Labor Relations Board or any current union representation questions involving the Seller Employees; and (v) there is no strike, slowdown, work stoppage or lockout or, to Seller's Knowledge, threat thereof, by or with respect to the Seller Employees. The consent of any labor union that is a party to any Labor Contract is not required to consummate the transactions contemplated by this Agreement.

(e) Buyer will not assume any liability or responsibility for any benefit or other obligations arising out of or under any Employee Benefit Plan to which any Transferring Employee, or any Seller Employee who is not a Transferring Employee, is or may be entitled to without regard to whether such obligation or responsibility arises under the terms of such Employee Benefit Plan or applicable Law. Seller shall retain all liability and responsibility for benefits, administration and compliance with the terms of any and all Employee Benefit Plans and applicable Laws with regard to any and all Employee Benefit Plans.

(f) No person employed by or affiliated with Seller has employed or proposes to employ any trade secret or any information or documentation proprietary to any former employer and, no person employed by or affiliated with Seller has violated any confidential relationship that such person may have had with any third party while working on behalf of Seller, and Seller has no reason to believe that any such event could occur.

4.15. Benefit Plan Compliance. Except as described in **Schedule 4.15** attached hereto, Seller or its ERISA Affiliates does not maintain or contribute to, nor has any liability or responsibility with respect to any Employee Benefit Plan. Seller has not incurred any liability or obligation (other than normal claims for benefits under its welfare plans) under any provision of ERISA or other applicable Law relating to any Employee Benefit Plan. Each Employee Benefit Plan has been established, maintained and administered in all material respects in compliance with its terms and complies, both in form and operation, with the applicable provisions of ERISA (including the funding and prohibited transactions provisions thereof), the Code, and all other state and federal applicable Laws. No Employee Benefit Plan is funded through a trust intended to be exempt from tax pursuant to section 501 of the Code. Neither Seller nor any ERISA Affiliate has ever maintained or contributed to any plan or arrangement subject to Title IV of ERISA or section 412 of the Code, a multiemployer plan as described in section 3(37) of ERISA or a "*multiple employer plan*" as described in section 3(40) of ERISA or section 413(c) of the Code, and Seller has never had any liability with respect to any such plan sponsored or maintained by an ERISA Affiliate. No Employee Benefit Plan provides benefits, including death or medical benefits (through insurance or otherwise) with respect to employees or former employees beyond their retirement or other termination of service other than coverage mandated by applicable Law. No Employee Benefit Plan that is a group health plan, as described in section 5000(b)(1) of the Code is self-insured. No Employee Benefit Plan liability, contingent or otherwise, shall affect any of the Acquired Assets, including subjecting such Acquired Assets to attachment, forfeiture, seizure liquidation or use as collateral. All contributions (including all employer contributions and employee salary reduction contributions), premiums and other payments required to have been made under any of the Employee Benefit Plans in which employees participate to any funds or trusts established thereunder or in connection therewith have been made by the due date thereof and with respect to any such contributions, premiums or

other payments required that are not yet due, to the extent required by GAAP, adequate reserves are reflected on the financial statements of the Seller or liability therefor was incurred in the ordinary course of business consistent with past practice.

4.16. [Intentionally Omitted].

4.17. No Brokers. Neither Seller nor any Affiliate of Seller has employed, either directly or indirectly, or incurred any liability to, any broker, finder or other agent in connection with the transactions contemplated by this Agreement. Seller and its Affiliates shall indemnify and hold harmless Buyer from any claims brought by any broker, finder or other agent claiming to have acted on behalf of Seller or an Affiliate of Seller in connection with the purchase and sale of the Acquired Assets or the Practice.

4.18. Taxes. Seller has filed, or has caused to be filed, on a timely basis and subject to all permitted extensions, all Tax Returns with the appropriate governmental agencies in all jurisdictions in which such Tax Returns are required to be filed, and all such Tax Returns were correct and complete in all material respects. All Taxes that are shown as due on such Tax Returns have been timely paid, or delinquencies cured with payment of any applicable penalties and interest, as of the Closing Date. Except for Permitted Encumbrances, there are no Liens for Taxes on any Acquired Assets of Seller, no basis exists for the imposition of any Liens and the consummation of the transactions contemplated by this Agreement will not give rise to any Liens for Taxes on any Acquired Assets. No adjustment of or deficiency of any Tax or claim for additional Taxes has been proposed, asserted, assessed or threatened against Seller or any member of any affiliated or combined group of which Seller is or was a member or for which Seller could be liable, and there is no basis therefor. Seller has no dispute with any taxing authority as to Taxes of any nature. There are no audits or other examinations being conducted or threatened, and there is no deficiency or refund litigation or controversy in progress or threatened with respect to any Taxes previously paid by Seller or with respect to any returns previously filed by Seller or on behalf of Seller. Seller has not made any extension or waiver of any statute of limitations relating to the assessment or collection of Taxes. There are in effect no powers of attorney or other authorizations to any persons or representatives of Seller with respect to any Tax. Buyer will have no liability for any Taxes related to the ownership or operation of the Acquired Assets or the Practice for the periods prior to the Closing Date.

4.19. List of Contracts.

(a) For purposes of this Agreement, "**Contracts**" means all agreements, contracts and commitments, written or oral, directly related to the Practice, to which Seller is a party or by which Seller or the Acquired Assets or the Practice is bound including: (i) notes, loans, credit agreements, mortgages, indentures, security agreements, operating leases, capital leases and other agreements and instruments relating to the borrowing of money or extension of credit and any contract of suretyship or guaranty; (ii) all employment and consulting agreements and arrangements (including agreements for medical director services), and all bonus, compensation, pension, insurance, retirement, deferred compensation and other plans, agreements, trusts, funds and other arrangements for the benefit of employees; (iii) agreements with health care providers, including visiting nurses associations, health maintenance organizations, hospitals and long-term care facilities; (iv) agreements, orders or commitments for

the purchase by Seller of inventories and supplies that involve annual purchases exceeding $10,000; (v) agreements, orders or commitments for the sale or lease to customers of goods or services that involve annual sales exceeding $10,000; (vi) licenses of patents, copyrights, trademarks and other intangible property rights; (vii) agreements or commitments for capital expenditures in excess of $10,000 for any single project; (viii) provider and supplier agreements with Payment Programs; (ix) any joint venture, partnership or other agreement involving a share of profits or losses; (x) any contract, agreement or arrangements with any Affiliate; (xi) any agreement restricting competition or the business activities of any person or entity; (xii) any agreement for the purchase or sale of any Acquired Asset; (xiii) all leases of real property; and (xiv) any other agreements or obligations material to the Practice or the Acquired Assets, including any agreement pursuant to which Seller receives any payment in excess of $10,000 per year (*e.g.*, any clinical study program). **Schedule 4.19** contains a complete and correct list of Contracts, including a complete description for any oral Contracts. Each Contract is separately designated on **Schedule 4.19** as either a Contract that Seller has agreed to assign and that Buyer has agreed to assume (each, an "**Assigned Contract**") or as a Contract that will be retained or terminated by Seller, in its discretion and at its own expense (each, a "**Retained Contract**").

(b) [Intentionally Omitted].

(c) Seller has made no prepayments or deposits under any Contract except as set forth on **Schedule 4.19**.

(d) To Seller's Knowledge, the Contracts are valid and binding obligations and in full force and effect and have been entered into in the ordinary course of business, consistent with past practice. Seller has not received any notice from any other party to a Contract of the termination or threatened termination thereof, nor any claim, dispute or controversy thereon, and Seller has no Knowledge of the occurrence of any event that would allow any other party to accelerate, modify or terminate any Contract, nor has Seller received notice of any asserted claim of default, breach or violation of, any Contract and there is no basis therefor, except for payment defaults or as otherwise set forth on Schedule 4.19(d) attached hereto. Complete and correct copies of each Contract have been made available to Buyer.

(e) Consummation of the transactions contemplated by this Agreement will not constitute a default under any Contract (including the Assigned Contracts) nor will it trigger any other provision in a Contract that would result in a change in such Contract, including the requirement for a transfer fee or new deposit, or termination thereof.

(f) At any time and from time to time on or before earliest to occur of (i) the ninetieth (90th) day after Closing, (ii) dismissal of the Bankruptcy Case, (iii) conversion of the Bankruptcy Case to a case under chapter 7 of the Bankruptcy Code, and (iv) entry of an order confirming a chapter 11 plan in the Bankruptcy Case, Buyer may designate one or more Discovered Contracts as an Assigned Contract upon ten (10) days' notice to the counterparty to such Discovered Contract. In the event that such counterparty objects to the assumption and assignment of the Discovered Contract, Buyer shall direct Seller or its successor to file the appropriate motion with the Bankruptcy Court for the assumption of such Discovered Contract.

4.20. Real Properties. **Schedule 4.20** attached hereto sets forth a true and complete description of all real property used in connection with the Practice (the "**Premises**"). Seller has the right to use those Premises that it leases from third parties, and the Premises are sufficient to conduct the Practice as currently conducted. Seller leases the Premises free and clear of all claims or rights of any third parties and, except as set forth on **Schedule 4.20**, the possession of the Premises by Seller has not been disturbed and no claim has been asserted against Seller adverse to its rights in such Premises. All improvements, fixtures and all structures on the Premises and the current uses of the Premises conform to all applicable federal, state and local laws, building, health and safety and other ordinances, laws, rules and regulations. Applicable zoning laws permit the presently existing improvements and the conduct and continuation of the Practice as being conducted on the Premises. Seller owns no real property.

4.21. Financing Statements. There are no financing statements under the Uniform Commercial Code that name Seller as debtor or lessee filed in any state, except as set forth on **Schedule 4.21** attached hereto. Except for those no longer in effect, Seller has not signed any financing statement or any security agreement under which a secured party thereunder may file any such financing statement.

4.22. Transactions With Affiliates. No Member, director, officer or employee of Seller or member of the family of any such person, or any corporation, partnership, trust or other entity in which any such person, or any member of the family of any such person, has a substantial interest or is an officer, director, trustee, partner or holder of any equity interest, is a party to any transaction with Seller with respect to the Practice or any of the Acquired Assets, including any contract, agreement or other arrangement providing for the employment of, furnishing of goods or services by, rental of real or personal property from or to or otherwise requiring payments or involving other obligations to any such person or firm, and which will survive the Closing, except as listed on S**chedule 4.22**.

4.23. Insurance. Seller is, and will through the Closing Date be, insured with responsible insurers (including general liability insurance coverage of the Acquired Assets and Premises and professional liability coverage) against risks normally insured against by similar businesses under similar circumstances. **Schedule 4.23** attached hereto correctly describes, by type, carrier, policy number, limits, premium and expiration date, the insurance coverage carried by Seller, which insurance will remain in full force and effect in accordance with policy terms, with respect to all events occurring prior to the Closing Date. **Schedule 4.23** also states whether each such policy is carried on a "*claims made*" or "*occurrence*" basis. All such insurance policies are owned by and payable solely to Seller. Seller has not failed to give any notice or present any claim under any such policy or binder in due and timely fashion, has not received notice of cancellation or non-renewal of any such policy or binder and is not aware of any threatened or proposed cancellation or non-renewal of any such policy or binder. Except as set forth on **Schedule 4.23**, there are no outstanding claims under any such policy that have gone unpaid for more than 30-days, or as to which the insurer has disclaimed liability. All premiums due on such policies have either been paid or, if not yet due, accrued.

4.24. Inventory. Seller has maintained sufficient medical supplies and office inventory for the Practice consisting of items of a quality and quantity usable or saleable in the ordinary course of business at levels consistent with those maintained by medical practices of similar size

and providing similar services as the Practice. All of Seller's inventory is in good condition in all material respects, and is suitable and usable for the purposes for which it is intended.

4.25. Intellectual Property. **Schedule 4.25** attached hereto sets forth a list of Intellectual Property owned, controlled or used by Seller, together in each case with a brief description of the nature of such right. All Seller-owned fictitious or assumed business names, patents, copyrights and trademarks listed in **Schedule 4.25** are valid and in full force and all applications listed therein as pending have been prosecuted in good faith as required by law and are in good standing. There has been no infringement by Seller or any of its Affiliates with respect to any Intellectual Property rights of others. Seller owns or possesses adequate licenses or other rights to use all Intellectual Property necessary or desirable to conduct the Practice as conducted, none of which rights will be impaired by the consummation of the transactions contemplated by this Agreement, and all of the rights of Seller thereunder will be enforceable by Buyer immediately after Closing without the consent or agreement of any other party. None of the Intellectual Property listed in **Schedule 4.25** is involved in any interference or opposition proceeding, and there has been no written notice received by Seller or any other indication that any such proceeding will hereafter be commenced. Except as set forth on **Schedule 4.25**, Seller has not granted any person or entity any right or license to use any of the Intellectual Property for any purpose.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents, warrants and covenants to Seller, as of the Effective Date and as of the Closing Date, as follows:

5.1. Organization, Good Standing and Qualification. Buyer is or prior to Closing will be a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Buyer has all requisite corporate power and authority to enter into this Agreement and to carry out and perform its obligations under the Acquisition Agreements to which Buyer is a party.

5.2. Authorization; Binding Agreement. Buyer has the corporate power and authority to execute and deliver this Agreement, and to carry out the transactions contemplated hereby. The execution and delivery by Buyer of the Acquisition Agreements to which Buyer is a party and all of the documents and instruments required thereby and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite company action on the part of Buyer. The Acquisition Agreements to which Buyer is a party and each of the other documents and instruments required hereby have been duly executed and delivered by Buyer and constitute the valid and binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms.

5.3. Legal Proceedings. There are no actions, suits, litigation, or proceedings pending or, to Buyer's knowledge without inquiry, threatened against Buyer that could materially adversely affect Buyer's ability to perform its obligations under this Agreement or the consummation of the transactions contemplated by this Agreement.

5.4. No Brokers. Buyer has not employed, either directly or indirectly, or incurred any liability to, any broker, finder or other agent in connection with the transactions contemplated by this Agreement. Buyer shall indemnify Seller for any claims brought by any broker, finder or other agent claiming to have acted on behalf of Buyer in connection with this sale.

5.5. No Violation. The execution, delivery, compliance with and performance by Buyer of the Acquisition Agreements to which Buyer is a party and each of the other documents and instruments delivered in connection therewith do not and will not (a) violate or contravene the articles of organization or operating agreement, as amended to date, of Buyer, (b) to Buyer's knowledge without inquiry, violate or contravene any law, statute, rule, regulation, order, judgment or decree to which Buyer is subject, or (c) conflict with or result in a breach of or constitute a default under any contract, agreement, instrument or other document or contract to which Buyer is a party or by which Buyer or any of its assets or properties are bound or to which Buyer or any of its assets or properties are subject.

5.6. Neither Buyer, nor, to Buyer's knowledge without inquiry, any of its respective officers, directors, managers or employees: (i) has been or is currently suspended, excluded or debarred from contracting with any governmental authority or from participating in any governmental program or is subject to any pending or threatened investigation, audit or proceeding by any governmental authority that could result in such suspension, exclusion, or debarment, (ii) has been assessed a civil monetary penalty under the Federal Civil Monetary Penalties Law (42 U.S.C. § 1320a-7a) or any regulation promulgated thereunder; (iii) is or has been a party to a corporate integrity agreement or settlement with the Office of the Inspector General of the U.S. Department of Health and Human Services or the DOJ; or (iv) has been convicted of any criminal offense relating, directly or indirectly, to the delivery of any item or service reimbursable under any federal or state health care program.

5.7. Neither Buyer nor, to Buyer's knowledge without inquiry, any of its respective directors, managers, officers or employees or any of its subsidiaries, directly or indirectly, has made or offered to make, or solicited or received, any contribution, gift, bribe, rebate, payoff, influence payment, kickback or inducement to any person or entered into any financial arrangement, regardless of form: (i) in violation of the federal Anti-Kickback Statute (42 U.S.C. §1320a-7b), the federal Physician Self-Referral (Stark) Law (42 U.S.C. §1395nn), the Federal Civil Monetary Penalties Law (42 U.S.C. § 1320a-7a), or any analogous state laws; or (ii) to obtain or maintain favorable treatment in securing business in violation of any applicable Law.

5.8. Buyer's policies with respect to maintaining the confidentiality and nondisclosure of consumer personal identification information and patient records are at least as protective of consumers' and patients' rights and information as the Seller's policies or, if Buyer does not have such policies in place as of the Closing Date, Buyer shall adopt Seller's policies.

ARTICLE VI
COVENANTS

6.1. Conduct of the Practice Pending Closing. Between the Effective Date and the Closing Date, and subject to any limitations and restrictions created by the lack of available funds or the provisions of the Bankruptcy Case, unless Buyer consents in writing, (i) Seller shall

conduct the Practice only in, and Seller shall not take any action except in, the ordinary course of business consistent with past practice, (ii) Seller shall use commercially reasonable efforts to keep available the services of Seller Employees and to preserve the current relationships of the Practice with such of the patients, suppliers, physicians and other persons with which Seller has significant business relations so to preserve substantially intact the Practice, and (iii) Seller shall use commercially reasonable efforts to preserve intact the Acquired Assets. By way of amplification and not limitation, between the Effective Date and the Closing Date, the Seller shall not, and shall neither cause nor permit any of Seller's Affiliates, Members, officers, directors, managers, employees and agents to, directly or indirectly, do, or agree to do, any of the following with respect to the Practice or the Acquired Assets, without the prior written consent of Buyer, except as permitted by an order of the Bankruptcy Court:

(a) Sell, pledge, dispose of, grant, transfer, lease, license, guarantee, encumber, or authorize the sale, pledge, disposition, grant, transfer, lease, license, guarantee or encumbrance of the Practice, or any membership interests of Seller (including any membership interests held by any Member), or any of the Acquired Assets except in the ordinary course of business and in a manner consistent with past practice, *provided* that the aggregate amount of any such sale or disposition (other than a sale or disposition of products or other inventory in the ordinary course of business consistent with past practice, as to which there will be no restriction on the aggregate amount), or pledge, grant, transfer, lease, license, guarantee or encumbrance of such property or assets will not exceed $10,000;

(b) Acquire (including by merger, consolidation or acquisition of stock or assets) for or in connection with the Practice any interest in any corporation, partnership, other business organization, person or any division thereof or any assets, other than (i) acquisitions of assets in the ordinary course of business consistent with past practice that are not, in the aggregate, in excess of $10,000, or (ii) purchases of inventory for resale or consumption (whether for cash or pursuant to an exchange) in the ordinary course of business and consistent with past practice;

(c) Enter into, amend, terminate, cancel or make any material change in any Contract or Personal Property Lease;

(d) Make or authorize any capital expenditure, dividends or distributions;

(e) Increase the compensation payable or to become payable to any Seller Employee, except for increases in the ordinary course of business in accordance with past practices in salaries or wages of such employees, or grant any rights to severance or termination pay to, or enter into any employment or severance agreement with, any Seller Employee, or establish, adopt, enter into or amend any collective bargaining, bonus, profit sharing, thrift, compensation, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any Seller Employee;

(f) Modify any material accounting policies, procedures or methods; or

(g) Take any action that could result in the representations and warranties set forth in Article IV above becoming false or inaccurate;

(h) Take any action or fail to take any action that could result in a Seller Material Adverse Effect.

6.2. Notice by Seller of Certain Events. Seller shall give prompt written notice to Buyer of (a) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the consummation of the transactions contemplated by this Agreement; (b) any notice or other communication from any governmental entity in connection with the transactions contemplated by this Agreement; (c) any actions, suits, claims, investigations or proceedings commenced or, to the best of Seller's knowledge, threatened against, relating to or involving or otherwise affecting Seller, the Practice or the Acquired Assets or the transactions contemplated by this Agreement; (d) the occurrence of a breach or default or event that, with notice or lapse of time or both, could become a breach or default under this Agreement or any Contract or Personal Property Lease; (e) any Seller Material Adverse Effect, event or circumstance that is likely to delay or impede the ability of Seller to consummate the transactions contemplated by this Agreement or to fulfill its obligations set forth herein; (f) any incurrence of indebtedness for borrowed money or any issuance of any guarantee for any debt; or (g) any waiver, release, settlement or compromise of any claims or litigation. Buyer's receipt of information pursuant to this Section 6.2 shall not operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Seller in this Agreement and shall not be deemed to amend or supplement the Schedules hereto.

6.3. Consents and Approvals.

(a) Consents. Unless otherwise agreed to in writing by Buyer, Seller shall obtain prior to the Closing Date all Third Party Consents and Governmental Approvals. If a Third Party Consent or Governmental Approval is not obtained and delivered at Closing and Buyer waives in writing such requirement, (i) neither this Agreement nor any action taken hereunder will be deemed to constitute an assignment of any Acquired Asset or any Contract if such assignment or attempted assignment would constitute a breach, or cause a violation, of any License or Contract or result in the loss or diminution of any rights thereunder or acceleration of any obligations thereunder, and (ii) Seller shall cooperate with Buyer in any reasonable arrangement proposed by Buyer designed to provide Buyer with the benefits of the Acquired Asset and Contract as to which such Third Party Consent relates, including enforcement by Seller, for the account and benefit of Buyer, of any and all rights of Seller against any other person arising out of the breach or cancellation of any such License or Contract by such other person or otherwise; provided that if the Sale Order approves the assignment of an Acquired Asset or Contract without regards to any Third Party Consent, any such Third Party Consent need not be delivered by Seller.

(b) Cooperation. Buyer and Seller shall each use commercially reasonable efforts after the Closing Date to pursue the Third Party Consents and Governmental Approvals to the extent not previously obtained in connection with the consummation of the transactions contemplated hereunder. Each of the parties hereto shall, from time to time after the Closing Date, upon the reasonable request of any other party hereto and at the expense of such requesting

party, duly execute, acknowledge and deliver all such further instruments and documents reasonably required to further effectuate the interests and purposes of this Agreement.

(c) In the event any Governmental Approval cannot be timely obtained due to Seller's average length of stay not satisfying regulatory requirements, then the parties hereby agree to modify the terms of this Agreement prior to the Closing as may be necessary so that such Governmental Approval may be obtained or is no longer required in order to timely consummate a transaction (a) that will not constitute a change of ownership under Medicare laws and regulations, (b) compliant with all applicable federal, state or other governmental laws, rules and regulations and (c) providing Buyer and Seller with the same economic result as contemplated by the terms of this Agreement.

6.4. Seller shall prepare and deliver to Buyer as soon as reasonably practicable, but in no event later than twenty (20) days prior to the bid deadline established in the Bidding Procedures Order, copies of the proposed Schedules. Seller hereby agrees that the Acquired Assets shall include substantially all of the assets of the Company that are subject to the Liens securing the Prepetition Loan Facility and the DIP Facility (none of which shall be Excluded Assets other than the excluded assets enumerated in Section 1.2 clauses (i) thru (xiii) and (xv)). Buyer shall have three (3) business days after delivery of such proposed Schedules to respond with any comments and to acknowledge its approval thereof (which approval will not be unreasonably withheld). Any Schedules to which Buyer does not object to with a timely response shall be deemed accepted by Buyer. Seller shall file on the docket of the Bankruptcy Case copies of the completed Schedules on or before the date that is fifteen (15) days prior to the bid deadline established in the Bidding Procedures Order. Seller and Buyer agree to work in good faith to resolve any issues relating to the Schedules.

6.5. [Intentionally Omitted].

6.6. Preservation of and Access to Information and Records.

(a) After the Closing, Buyer shall keep and preserve all medical records and other books and records relating to the Practice and/or the Acquired Assets existing as of the Closing and that are delivered to Buyer by Seller, *provided* that, subject to the last two sentences of this sub-section, Buyer may dispose of such records in accordance with Buyer's records retention and disposition policies from time to time in effect. Upon reasonable notice, subject to patient confidentiality and during regular business hours and at mutually agreeable times, Buyer will afford the representatives of Seller, including its counsel and accountants, full and complete access to, and copies of (at the sole cost and expense of Seller), the patient medical records and other books and records transferred to Buyer at Closing. Notwithstanding the foregoing, should Buyer wish to destroy such records or any portion thereof, Buyer shall first notify Seller of its intent and Seller will have 30-days following its receipt of such notice to notify Buyer of its intent to reclaim any such records in whole or in part. Seller shall take possession of such records no later than ten days following Seller's delivery of such notice of intent.

(b) After the Closing, Seller shall keep and preserve all medical records and other records of the Practice as of Closing that are not delivered to Buyer by Seller and that are required to be kept and preserved by applicable Law or in connection with any claim or

controversy pending at Closing involving the Practice; *provided*, that, subject to the last two sentences of this sub-section, Seller may dispose of such records in accordance with Seller's records retention and disposition policies from time to time in effect. From and after the Closing Date, for such period as is required by Law or in connection with any claim or controversy pending at Closing involving the Practice, Buyer and Seller shall retain and make available to representatives of Seller or Buyer, respectively, including its counsel and accountants, upon reasonable notice, subject to patient confidentiality and during regular business hours and at mutually agreeable times, full and complete access to, and copies of (at the sole cost and expense of Buyer), any such records of the Practice or relating to the Acquired Assets prior to the Closing Date and access to personnel as may be reasonably necessary to comply with applicable Law, prepare tax returns, or to resolve any such pending dispute. Notwithstanding the foregoing, should Seller wish to destroy such records or any portion thereof, Seller shall first notify Buyer of its intent and Buyer will have 30-days following its receipt of such notice to notify Seller of its intent to reclaim any such records in whole or in part. Buyer shall take possession of such records no later than ten days following Buyer's delivery of such notice of intent.

6.7. [Intentionally Omitted].

6.8. Access to Information. From the date hereof until the Closing, Seller shall (a) afford Buyer and its representatives full and free access to and the right to inspect all of the real property, properties, assets, premises, books and records, Contracts and other documents and data related to the Practice; (b) furnish Buyer and its representatives with such financial, operating and other data and information related to the Practice as Buyer or any of its representatives may reasonably request; and (c) instruct the representatives of Seller to cooperate with Buyer in its investigation of the Practice. Any investigation pursuant to this Section 6.8 shall be conducted in such manner as not to interfere unreasonably with the conduct of the Practice or any other businesses of Seller. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Seller in this Agreement.

ARTICLE VII
CONFIDENTIALITY

7.1. Confidentiality.

(a) All information not disclosed to the public by Seller regarding the Practice and the medical information of any patient currently receiving treatment or having previously received treatment at the Practice that is compiled by, obtained by, or furnished to Buyer or any of its agents or employees in the course of its due diligence review of the Practice is acknowledged to be confidential information, trade secrets and the exclusive property of Seller through the Closing Date, and of Buyer thereafter, and all information not disclosed to the public by Buyer regarding Buyer's business or operations is acknowledged to be confidential information, trade secrets and the exclusive property of Buyer (collectively, "**Confidential Information**").

(b) Each of the parties shall not divulge, directly or indirectly, any Confidential Information of the other party in any manner contrary to the interests of such party,

use or cause or suffer to be used any Confidential Information in competition with such party, or use Confidential Information in violation of the patients' confidentiality rights under HIPAA or any applicable state Law. Each of the parties acknowledges that the breach or threatened breach of the provisions of this Section 7.1 would cause irreparable injury to the other party that could not be adequately compensated by money damages. Accordingly, a party may obtain a restraining order and/or injunction prohibiting a breach or threatened breach of the provisions of this Section 7.1, in addition to any other legal or equitable remedies that may be available. If requested by legal process to disclose any Confidential Information of another party, the party in receipt of such request shall promptly give notice thereof to the other party so that such party may, at its own cost and expense, seek an appropriate protective order or, in the alternative, waive compliance to the extent necessary to comply with such request if a protective order is not obtained. If a protective order or waiver is granted, the party subject to such legal process may disclose the Confidential Information to the extent required by such court order or as may be permitted by such waiver. Notwithstanding any part of the foregoing, Buyer may disclose Confidential Information for the purpose of complying with government filing requirements and for the purpose of issuing a press release about the transaction following the Closing Date.

(c) The term "*Confidential Information*" does not include information that (i) is at the time of disclosure or later becomes generally known to the public or within the industry or segment of the industry to which such information relates without violation by a party of any of its obligations hereunder and not through any action by any of its directors, managers, officers, employees or agents which, if committed by such party, would have constituted a violation by it of any of its obligations hereunder; (ii) at the time of disclosure to the other party was already known by such other party; or (iii) after the time of the disclosure to the other party, is received by such party from a third party which, to such party's best knowledge, is under no confidentiality obligation with respect thereto.

ARTICLE VIII
CONDITIONS PRECEDENT TO BUYER'S PERFORMANCE AND TO SELLER'S PERFORMANCE

8.1. Conditions to Buyer's Obligations. The obligations of Buyer under this Agreement are subject to the satisfaction of the following conditions on or prior to the Closing Date, all or any of which may be waived in writing by Buyer:

(a) All representations and warranties made by Seller in this Agreement and in any written statements delivered to Buyer under this Agreement shall be true and correct as of the Effective Date and as of the Closing Date as though made on such dates, except for any failures of the representations or warranties to be so true and correct that, taken together, do not result in or constitute (and are not reasonably likely to result in or constitute) a Seller Material Adverse Effect.

(b) Seller shall have performed, satisfied and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by them on or prior to the Closing Date.

(c) Seller shall have executed and delivered to Buyer the Assignment and Assumption and Bill of Sale in the form attached hereto as **Exhibit A**, dated and effective as of the Closing Date.

(d) Seller shall have delivered to Buyer all other documents required to be delivered by them hereunder, and all such documents shall have been properly executed by each of them, if applicable.

(e) Subject to Section 6.3(c), Buyer shall have received from Seller all Third Party Consents and Governmental Approvals in form and substance satisfactory to Buyer, effective as of the Closing Date, if any, unless such Third Party Consent is not required pursuant to the Sale Order, provided that the Closing may be extended by Seller, at its option, for up to an additional 30 days if necessary and if all of the other conditions in Article VIII have been satisfied in order for this Section 8.1(e) to be satisfied.

(f) The Bankruptcy Court shall have entered an order authorizing the assumption and assignment of the Real Property Leases and approving any modification to the Real Property Leases in form and substance satisfactory to Buyer and lessors of the Real Property Leases.

(g) All schedules and exhibits attached to this Agreement are delivered to Buyer by Seller pursuant to this Agreement.

(h) The Bankruptcy Court shall have entered the Sale Order in accordance with Section 11 below and the Sale Order shall have become final and non-appealable; *provided* that the Closing may be extended by Seller, at its option, for up to an additional 30 days to the extent necessary for this condition to be satisfied.

(i) All of the Assigned Contracts and Assigned Personal Property Leases shall have been validly assumed and assigned under Section 365 of the Bankruptcy Code to Buyer pursuant to the Sale Order.

(j) Buyer has not received any notice or notices pursuant to Section 6.2 of this Agreement which in the aggregate could be reasonably expected to be materially adverse to the condition (financial or otherwise), properties, assets, liabilities, businesses, operations, results of operations or prospects of the Practice or the Acquired Assets.

8.2. Conditions to Seller's Obligations. The obligations of Seller under this Agreement are subject to the satisfaction of the following conditions, on or prior to the Closing Date, all or any of which may be waived in writing by Seller:

(a) All representations and warranties made by Buyer in this Agreement and in any written statements delivered to Seller under this Agreement shall be true and correct in all material respects as of the Effective Date and as of the Closing Date as though made on such date.

(b) Buyer shall have performed, satisfied and complied in all material respects with all obligations and covenants of Buyer required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) Buyer shall have delivered to Seller all documents required to be delivered by Buyer hereunder, and all such documents shall have been properly executed by Buyer, if applicable.

(d) Buyer shall have executed and delivered to Seller the Assignment and Assumption and Bill of Sale in the form attached hereto as **Exhibit A**, dated and effective as of the Closing Date.

(e) The Bankruptcy Court shall have entered the Bidding Procedures Order and the Sale Order in accordance with Section 11 below and the Sale Order shall have become final.

8.3. No Injunction or Action. The obligations of both Buyer and Seller under this Agreement are conditioned upon there being, as of the Closing Date, no preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental agency concerning this Agreement that would make illegal or otherwise prevent consummation of this Agreement in accordance with its terms, and no proceeding or action brought by any governmental authority seeking the foregoing shall be pending.

ARTICLE IX
[INTENTIONALLY OMITTED]

ARTICLE X
MISCELLANEOUS

10.1. Termination. This Agreement may be terminated and the transaction contemplated hereby may be abandoned at any time prior to the Closing Date as follows:

(a) By mutual written consent of Buyer and Seller;

(b) By Buyer at any time after 15 business days following the date hereof, if Seller has not filed the Sale Motion with the Bankruptcy Court on or before such date;

(c) By Buyer or Seller at any time after 30 days following the date hereof, if the Bidding Procedures Order is not entered on or before such date;

(d) By Buyer or Seller at any time after 45 days following the entry of the Bidding Procedures Order, if the Sale Order has not been entered on or before such date;

(e) By Seller upon or after the entry of a Sale Order approving a transaction with another party that has submitted a Competing Bid that has been accepted by Seller in accordance with Section 11.3 hereof;

(f) Subject to any extension rights of Seller as expressly set forth herein under Section 8.1 or otherwise, by either Buyer or Seller, if Closing has not occurred on or before May 15, 2014, *provided* that the right to terminate this Agreement under this Section 10.1(e) will not be available to the party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of Closing to occur on or before such date;

(g) Subject to Section 4.3(a) hereof, by either Buyer or Seller, if any order or other legal restraint or prohibition preventing the consummation of the transaction contemplated by this Agreement has been issued by any governmental authority or any Law has been enacted or adopted that enjoins, prohibits or makes illegal consummation of the transaction;

(h) By Buyer, upon a breach of, or failure to perform in any material respect (which breach or failure cannot be or has not been cured within 30 days after the giving of notice of such breach or failure), any representation, warranty, covenant or agreement on the part of Seller set forth in this Agreement, such that a condition set forth in Section 8.1 above would not be satisfied; or

(i) By Seller, upon a breach of, or failure to perform in any material respect (which breach or failure cannot be or has not been cured within 30 days after the giving of notice of such breach or failure), any representation, warranty, covenant or agreement on the part of Buyer set forth in this Agreement, such that a condition set forth in Section 8.2 above would not be satisfied.

10.2. Notice of Termination; Effect of Termination. If this Agreement is terminated by either Buyer or Seller pursuant to Section 10.1(b), Section 10.1(c), Section 10.1(d), Section 10.1(e), Section 10.1(f), Section 10.1(g), or Section 10.1(h) above, the terminating party will give prompt written notice thereof to the non-terminating party. If this Agreement is terminated pursuant to Section 10.1 above, this Agreement will be of no further effect, there will be no liability under this Agreement on the part of either Buyer or Seller and all rights and obligations of each party hereto will cease.

10.3. Expenses. Except as otherwise specified herein, each of the parties hereto shall pay its own fees, costs and expenses incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

10.4. Entire Agreement; Amendment. The Acquisition Agreements, together with their Schedules and Exhibits and all ancillary agreements and exhibits and schedules thereto to be delivered at Closing, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements, either oral or written. This Agreement may not be amended, or any term or condition waived, unless signed by the party to be charged or making the waiver. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any other party, or by anyone acting on behalf of any other party, that are not embodied herein, and that no other agreement, statement or promise not contained in this Agreement will be valid or binding.

10.5. Assignment. No party hereto shall assign or otherwise transfer this Agreement or any of its rights hereunder, or delegate any of its obligations hereunder without the prior written consent of the other party, *provided* that Buyer will be permitted, without the consent of Seller, to assign or otherwise transfer this Agreement or any of its rights hereunder to any Affiliate of Buyer so long as Buyer shall guarantee payment of the Purchase Price (which Purchase Price shall be paid in immediately available funds via wire transfer in the event Affiliate is not permitted to credit bid any indebtedness under section 363(k) of the Bankruptcy Code) and the performance by such Affiliate of its obligations under the Assigned Personal Property Leases and the Assigned Contracts. Subject to the foregoing, this Agreement and the rights and obligations set forth herein will inure to the benefit of, and be binding upon the parties hereto, and each of their respective successors, heirs and assigns, without novation.

10.6. Counterparts. This Agreement may be executed in two or more counterparts, any one of which need not contain the signatures of all parties, but all of which counterparts when taken together will constitute one and the same agreement. Facsimile copies of signatures will be deemed originals for all purposes hereof and a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder. This Agreement, and any executed counterpart of a signature page to this Agreement, may be transmitted by fax or e-mail, and delivery of an executed counterpart of a signature page to this Agreement by fax or e-mail will be effective as delivery of a manually executed counterpart of this Agreement.

10.7. Law Governing Agreement; Bankruptcy Court Jurisdiction. This Agreement shall be construed and interpreted according to the internal laws of the State of New York without regard to any conflicts of law provisions. The parties agree that the Bankruptcy Court shall retain jurisdiction to enforce the provisions of this Agreement, the Bidding Procedures Order, and the Sale Order. With respect to the above jurisdiction, the parties expressly and irrevocably (a) consent and submit to the personal jurisdiction of such court in any such action or proceeding, (b) waive any claim or defense in any such action or proceeding based on any alleged lack of personal jurisdiction, improper venue, or *forum non conveniens* or any similar basis, and (c) waive all rights, if any, to trial by jury with respect to any such action or proceeding.

10.8. Schedules and Exhibits. The Schedules and Exhibits attached hereto are an integral part of this Agreement. All exhibits and schedules attached to this Agreement are incorporated herein by this reference and all references herein to this "Agreement" mean this Asset Purchase Agreement together with all such exhibits and schedules, and all ancillary agreements and exhibits and schedules thereto to be delivered at Closing.

10.9. Severability. Any provision hereof that is held to be prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be adjusted rather than avoided, if possible, to achieve the intent of the parties to this Agreement to the extent possible without in any manner invalidating the remaining provisions hereof.

10.10. Notices. All notices or other communications required or permitted hereunder must be in writing and will be deemed properly given three business days after being sent by registered or certified mail, postage prepaid, to the parties at the address listed below:

If to Seller:	Restora Healthcare Holdings, LLC c/o Alvarez & Marsal Healthcare Industry Group, LLC 100 Pine Street, Suite 900 San Francisco, California 94111 Attn: George D. Pillari
	-with a copy to-
	DLA Piper LLP (US) 1251 Avenue of the Americas New York, New York 10020 Attn: Thomas R. Califano, Esq.
If to Buyer:	PHX Hospital Partners, LLC c/o Polsinelli P.C. 2501 N. Harwood, Suite 1900 Dallas, Texas 75201 Attn: James H. Billingsley, Esq.

10.11. Representation by Counsel. Each party hereto acknowledges that it has been advised by legal and any other counsel retained by such party in its sole discretion. Each party acknowledges that such party has had a full opportunity to review this Agreement and all related exhibits, schedules and ancillary agreements and to negotiate any and all such documents in its sole discretion, without any undue influence by any other party hereto or any third party.

10.12. Construction. The parties have participated jointly in the negotiations and drafting of this Agreement and if any ambiguity or question of intent or interpretation arises, no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

10.13. Certain References. As used in this Agreement, and unless the context requires otherwise: references to "*include*" or "*including*" mean including without limitation and are intended to be illustrative and not restrictive of the word or phrase to which they refer; references to "*partners*" mean general and limited partners of partnerships and members of limited liability companies; references to "*partnerships*" mean general and limited partnerships, joint ventures and limited liability companies; references to any document are references to that document as amended, consolidated, supplemented, novated or replaced by the parties thereto; references to laws generally or to any law specifically are references to that law as amended, supplemented or replaced, and all rules and regulations promulgated thereunder; the gender of all words includes the masculine, feminine and neuter, and the number of all words includes the singular and plural; references to articles or sections are references to articles or sections of this Agreement, unless otherwise expressly stated; and the table of contents, the division of this Agreement into articles and sections, and the use of captions and headings in connection therewith are solely for convenience and have no legal effect in construing this Agreement.

10.14. Waivers. No waiver by any party, whether express or implied, of its rights under any provision of this Agreement will constitute a waiver of the party's rights under such

provisions at any other time or a waiver of the party's rights under any other provision of this Agreement. No failure by any party to take any action against any breach of this Agreement or default by another party will constitute a waiver of the former party's right to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by the other party. To be effective any waiver must be in writing and signed by the waiving party.

ARTICLE XI
BANKRUPTCY MATTERS AND CONDUCT OF AUCTION

11.1. Seller's Motions in Bankruptcy Court.

(a) Within one business day of the filing of Bankruptcy Case, Seller will serve and file a motion (the "**Sale Motion**") requesting that the Bankruptcy Court (i) schedule the Bidding Procedures Hearing (as defined in Section 11.2 below) on a date no later than 30 days after the date of the Sale Motion, (ii) enter the Bidding Procedures Order (as defined in Section 11.2 below) no later than 30 days after the date of the Sale Motion, (iii) schedule a final hearing to consider the Sale Motion ("**Sale Hearing**"), and (iv) enter the Sale Order on a date no later than 45 days after entry of the Bidding Procedures Order.

(b) Seller will provide Buyer with a reasonable opportunity to review and comment upon the Sale Motion, the Bidding Procedures Order, the Sale Order and any other pleading pertaining in any way to the transaction contemplated by this Agreement prepared by Seller (including forms of orders and notices to interested parties) prior to the filing thereof with the Bankruptcy Court, each of which shall be in a final form acceptable to Buyer in its reasonable discretion.

(c) Notice of the sale of the Acquired Assets and the Practice, the Sale Motion and of the transactions contemplated in this Agreement shall be in a form acceptable to Buyer in its reasonable discretion and be served in accordance with applicable law (including, to the extent applicable, Bankruptcy Rules 2002, 3016, 3017 and 6004 and any local rules or orders of the Bankruptcy Court) on all persons required to receive notices under applicable law.

(d) The Sale Motion shall request that the sale of the Acquired Assets be free and clear of all liens, claims, and encumbrances to the fullest extent permitted under section 363(f) of the Bankruptcy Code.

11.2. Bidding Procedures Order. Buyer acknowledges that in connection with the sale of the Acquired Assets, Seller shall have advertised as shall be directed by the Bankruptcy Court following a hearing (the "**Bidding Procedures Hearing**") and the entry of an order in the Bankruptcy Case approving procedures for solicitation and consideration by the Bankruptcy Court of bids from third parties for the Acquired Assets (the "**Bidding Procedures Order**"), which Bidding Procedures Order shall be in form and substance reasonably satisfactory to Seller and Buyer, and in any event shall:

(a) Schedule the Sale Hearing;

(b) Schedule an auction prior to the Sale Hearing (the "**Auction**");

(c) Provide that any party wishing to qualify as a buyer must provide to Seller adequate financial assurance of capability to close and perform post-Closing under the Assigned Contracts and Assigned Personal Property Leases on or before the bid deadline established in the Bidding Procedures Order;

(d) Provide that any party desiring to participate in the Auction must, prior to the Auction, submit to Seller the information required by the Bidding Procedures Order, including (i) an initial bid of not less than $5,000,000 (*i.e.*, the cash equivalent of the Purchase Price), subject to adjustment for each such party's exclusion of assets to be acquired, plus $100,000, (ii) a good faith deposit by wire transfer, certified or cashier's check, in the amount of ten percent of the initial bid to be held in escrow, (iii) an executed confidentiality agreement, (iv) an executed asset purchase agreement and a marked version showing any changes from this Agreement, and (v) written evidence of a commitment for financing or other evidence of the party's ability to consummate the transaction and payment of the purchase price in cash at the Closing;

(e) Provide that any subsequent offer or bid for any of the Acquired Assets at the Auction (a "**Competing Bid**") must be at least $100,000 greater than the preceding bid;

(f) Provide that, if Buyer elects to participate in bidding at the Auction, Buyer may credit bid, to the fullest extent permissible under section 363(k) of the Bankruptcy Code, any additional indebtedness that may be owing in connection with the Prepetition Loan Facility and DIP Facility that is not already included in the Purchase Price under this Agreement as of the Closing Date; and

(g) Provide that, within five (5) business days after entry of the Bidding Procedures Order, Seller shall file with the Bankruptcy Court a notice with respect to Cure Costs and serve such notice on all necessary persons. The notice shall set forth, (i) with specificity, the amount of the Cure Cost for each particular Assigned Contract and Assigned Personal Property Lease, if any, (ii) the intent to assume and assign to Buyer such Assigned Contract or Assigned Personal Property Lease at the Closing Date, and (iii) the deadline for responses or objections to the assumption or assignment of such Assigned Contract or Assigned Personal Property Lease or to the Cure Cost related to same.

11.3. Acceptance of Competing Bid. If the highest or best offer is submitted at the Auction by a party other than Buyer (the "**Successful Bidder**"), then Seller shall be entitled to terminate this Agreement and close a sale pursuant to such other offer (or, if such other offer does not close, then pursuant to the next highest or best offer). In addition, Seller may select the second highest or otherwise best competing bid in the Auction and seek approval to consummate the transactions contemplated by such competing bid in the event the Successful Bidder fails to close.

11.4. Defense of Orders. If, following the Closing, the Bidding Procedures Order, the Sale Order, or any other order of the Bankruptcy Court relating to this Agreement shall be appealed (or a petition for certiorari or motion for rehearing or reargument shall be filed with respect thereto), Seller, at Seller's expense, shall take all commercially reasonable steps as may be appropriate to defend against such appeal, petition or motion, and Buyer agrees to cooperate

in such efforts, and each party hereto shall endeavor to obtain an expedited resolution of such appeal.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have executed, or caused this Assignment and Assumption and Bill of Sale to be executed by their duly authorized representatives, as of the date first written above.

BUYER:

PHX Hospital Partners, LLC

By:_____
Title: Manager

SELLER:

Restora Healthcare Holdings, LLC

By:_____
Title:_____

Restora Hospital of Mesa, LLC

By:_____
Title:_____

Restora Hospital of Sun City, LLC

By:_____
Title:_____

IN WITNESS WHEREOF, the parties hereto have executed, or caused this Agreement to be executed by their duly authorized representatives, as of the date first written above.

BUYER:

PHX Hospital Partners, LLC

By:_____
Title:_____

SELLER:

Restora Healthcare Holdings, LLC

By:_____
Title: CRO

Restora Hospital of Mesa, LLC

By:_____
Title: CRO

Restora Hospital of Sun City, LLC

By:_____
Title: CRO

[*Signature Page to Asset Purchase Agreement*]

TABLE OF EXHIBITS AND SCHEDULES

EXHIBIT A

ASSIGNMENT AND ASSUMPTION AND BILL OF SALE

This Assignment and Assumption and Bill of Sale (the "**Agreement**"), is made and entered into this ____ day of _____, 2014 by and among **PHX Hospital Partners, LLC** ("**Buyer**") and **Restora Healthcare Holdings, LLC ("Restora Holdings"), Restora Hospital of Mesa, LLC ("Restora Mesa"),** and **Restora Hospital of Sun City, LLC ("Restora Sun City"),** (each of Restora Holdings, Restora Mesa and Restora Sun City are herein jointly and severally "**Seller**").

R E C I T A L S

WHEREAS, Seller and Buyer are parties to an Asset Purchase Agreement effective as of _____, 2014 (the "**Purchase Agreement**"), whereby (i) Seller has agreed to sell, convey, transfer, assign and deliver to Buyer the Acquired Assets (as defined in the Purchase Agreement) and (ii) Seller has agreed to assign and Buyer has agreed to assume, the Assumed Liabilities (as defined in the Purchase Agreement); and

WHEREAS, all capitalized terms not defined herein will have the meanings ascribed to such terms in the Purchase Agreement.

NOW, THEREFORE, pursuant to the Purchase Agreement, and in consideration of the mutual promises, covenants and agreements therein and hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Bill of Sale.

(a) Except for Excluded Assets and subject to Permitted Encumbrances (each of which are defined in the Purchase Agreement), Seller hereby sells, conveys, transfers, assigns and delivers to Buyer, its successors and assigns, free and clear of any pledge, lien, option, security interest, mortgage or other encumbrance, and Buyer does hereby acquire from Seller, all right, title and interest in, to and under the Acquired Assets. The Acquired Assets will include all rights, privileges, hereditaments and appurtenances belonging, incident or appertaining to the Acquired Assets.

(b) Notwithstanding anything contained herein, Buyer is not purchasing from Seller any Excluded Assets.

(c) It is understood by both Seller and Buyer that, contemporaneously with the execution and delivery of this Agreement, Seller may be executing and delivering to Buyer certain further assignments and other instruments of transfer that in particular cover certain of the property and assets described herein or in the Purchase Agreement, the purpose of which is to supplement, facilitate and otherwise implement the transfer intended hereby.

(d) Seller does hereby irrevocably constitute and appoint Buyer, its successors and assigns, its true and lawful attorney, with full power of substitution, in its name or otherwise, and on behalf of Seller, or for its own use, to claim, demand, collect and receive at any time and from time to time any and all Acquired Assets, properties, claims, accounts and other rights, tangible or intangible, hereby sold, transferred, conveyed, assigned and delivered, or intended so to be, and to prosecute the same at law or in equity and, upon discharge thereof, to complete, execute and deliver any and all necessary instruments of satisfaction and release.

2. Assignment and Assumption of Assumed Liabilities.

(a) Seller hereby assigns to Buyer, its successors and assigns, and Buyer hereby assumes, in accordance with the terms and conditions of the Purchase Agreement, the Assumed Liabilities. Notwithstanding anything in this Agreement to the contrary, except as specifically set forth in the Purchase Agreement, Buyer will not assume nor be deemed to have assumed any debt, claim, obligation or other liability of Seller or any Affiliate of Seller, whether known or unknown, accrued or unaccrued, fixed or contingent, natural or unnatural, whether arising out of occurrences, events or actions prior to, at or after the Closing Date.

(b) If Seller and/or Buyer determines after execution of this Agreement that one or more contracts or agreements between Seller and any third party necessary to operate the Acquired Assets was not designated as an Assigned Contract or an Assigned Personal Property Lease (each an "**Omitted Agreement**"), and the parties consent in writing to the assignment and assumption of such Omitted Agreement, which consent shall not be unreasonably withheld, then, such Omitted Agreement will be deemed assigned by Seller to Buyer as of 12:01 a.m. on the Closing Date and such Omitted Agreement shall be deemed an Assigned Contract or Assigned Personal Property Lease, as applicable.

(c) Seller hereby authorizes and directs all obligors under any Assigned Contracts and Assigned Personal Property Leases included in the Assumed Liabilities, to deliver any warrants, checks, drafts or payments to be issued or paid to Seller pursuant to the Assigned Contracts or the Assigned Personal Property Leases to Buyer; and Seller further authorizes Buyer to receive such warrants, checks, drafts or payments from such obligors and to endorse Seller's name on them and to collect all funds due or to become due under the Assigned Contracts and the Assigned Personal Property Leases.

(d) Any payment that may be received by Seller to which Buyer is entitled by reason of this Agreement or the Purchase Agreement will be received by Seller as trustee for Buyer, and will be immediately delivered to Buyer without commingling with any other funds of Seller.

(e) Notice of the assignment under this Agreement may be given at the option of either party to all parties to the Assigned Contracts and the Assigned Personal Property Leases (other than Seller) or to such parties' duly authorized agents.

(f) The assumption by Buyer of any Assumed Liabilities will not enlarge the rights of any third party with respect to any Assumed Liabilities, nor will it prevent Buyer, with respect to any party other than Seller, from contesting or disputing any Assumed Liability.

(g) Seller hereby appoints Buyer, its successors and assigns, as the true and lawful attorney-in-fact of Seller, with full power of substitution, having full right and authority, in the name of Seller, to collect or enforce for the account of Buyer, liabilities and obligations of third parties under the Assumed Liabilities; to institute and prosecute all proceedings they may deem proper to enforce any claim to obligations owed under the Assumed Liabilities, to defend and compromise any and all actions, suits or proceedings in respect of the Assumed Liabilities, and to do all such acts in relation to the Assumed Liabilities that Buyer may deem advisable. The above-stated powers are coupled with an interest and will be irrevocable by Seller.

3. Consummation of Purchase Agreement. This Agreement is intended to evidence the consummation of the assignment by Seller and assumption by Buyer of the Assumed Liabilities and the sale by Seller and the purchase by Buyer of the Acquired Assets contemplated by the Purchase Agreement. Except as set forth herein, Buyer and Seller by their execution of this Agreement each hereby acknowledges that neither the representations and warranties nor the rights and remedies of any party under the Purchase Agreement will be deemed to be enlarged, modified or altered in any way by this Agreement. Any inconsistencies or ambiguities between this Agreement and the Purchase Agreement will be resolved in favor of the Purchase Agreement.

4. Binding Effect. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and assigns.

5. Further Assurances. After the Closing Date, each party will from time to time, at the other party's request and without further cost to the party receiving the request, execute and deliver to the requesting party such other instruments and take such other action as the requesting party may reasonably request so as to enable it to exercise and enforce its rights under and fully enjoy the benefits and privileges with respect to this Agreement and to carry out the provisions and purposes hereof.

6. Governing Law. This Agreement is governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in that State without giving effect to conflicts of law principles.

7. Counterparts. This Agreement may be signed in any number of counterparts and all such counterparts will be read together and construed as one and the same document. Facsimile copies of signatures will be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder. This Agreement, and any executed counterpart of a signature page to this Agreement, may be transmitted by fax or e-mail, and delivery of an executed counterpart of a signature page to this Agreement by fax or e-mail will be effective as delivery of a manually executed counterpart of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed, or caused this Assignment and Assumption and Bill of Sale to be executed by their duly authorized representatives, as of the date first written above.

BUYER:

PHX Hospital Partners, LLC

By:_____
Title:_____

SELLER:

Restora Healthcare Holdings, LLC

By:_____
Title:_____

Restora Hospital of Mesa, LLC

By:_____
Title:_____

Restora Hospital of Sun City, LLC

By:_____
Title:_____

Schedule 1.0-A

PRACTICE SITE LOCATIONS BEING TRANSFERRED TO BUYER

Facility	Property Location	Landlord	Sq. Ft.	Initial Lease Date
Mesa	215 South Power Road Mesa, AZ 85206	ARHC RHMESAZ01, LLC c/o American Realty Capital 405 Park Avenue, 15th Floor New York, NY 10022	48,000	June 6, 2012
Sun City	13818 N Thunderbird Blvd Sun City, AZ 85351	ARHC RHSUNAZ01, LLC c/o American Realty Capital 405 Park Avenue, 15th Floor New York, NY 10022	48,000	June 6, 2012

Schedule 1.0-F

TABLE OF DEFINITIONS

"**Acquired Assets**" has the meaning set forth in Section 1.1 of this Agreement.

"**Acquisition Agreements**" means this Agreement, the Assignment and Assumption and Bill of Sale, and all other agreements executed in connection with this Agreement and in connection with Closing.

"**Affiliates**" means, as to the Person in question, any Person that directly or indirectly controls, is controlled by, or is under common control with, the Person in question and any successors or assigns of such Person; and the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person whether through ownership of voting securities, by contract or otherwise.

"**Agreement**" has the meaning set forth in the first sentence of this Agreement.

"**Assumed Liabilities**" has the meaning set forth in Section 1.3 of this Agreement.

"**Auction**" has the meaning set forth in Section 11.2(b) of this Agreement.

"**Bankruptcy Case**" has the meaning set forth in the recitals of this Agreement.

"**Bankruptcy Code**" has the meaning set forth in the recitals of this Agreement.

"**Bankruptcy Court**" has the meaning set forth in the recitals of this Agreement.

"**Bidding Procedures Hearing**" has the meaning set forth in Section 11.2 of this Agreement.

"**Bidding Procedures Order**" has the meaning set forth in Section 11.2 of this Agreement.

"**Buyer**" has the meaning set forth in the preamble to this Agreement.

"**Claim**" has the meaning given that term in Section 101(5) of the Bankruptcy Code and includes, without limitation, all rights, claims, causes of action, chose in action, Taxes, defenses, debts, demands, damages, offset rights, setoff rights, recoupment rights, obligations, and liabilities of any kind or nature under contract, at law or in equity, known or unknown, contingent or matured, liquidated or unliquidated, and all rights and remedies with respect thereto.

"**Closing**" has the meaning set forth in the first sentence of Article III of this Agreement.

"**Closing Date**" has the meaning set forth in Article III of this Agreement.

"**COBRA**" has the meaning set forth in Section 1.5(c) of the Agreement.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Competing Bid**" has the meaning set forth in Section 11.2(e) of this Agreement.

"**Confidential Information**" has the meaning set forth in Section 7.1 of this Agreement.

"**Contract**," "**Assigned Contract**" and "**Retained Contract**" have the meanings set forth in Section 4.19 of this Agreement.

"**Cure Costs**" has the meaning set forth in Section 1.3 of the Agreement.

"**Discovered Contracts**" means any Contract of Seller identified following the Closing that was not previously disclosed to Buyer.

"**DIP Facility**" has the meaning set forth in the recitals of this Agreement.

"**DIP Lender Parties**" has the meaning set forth in the recitals of this Agreement.

"**Effective Date**" has the meaning set forth in the preamble to this Agreement.

"**Employee Benefit Plans**" means any "employee benefit plan" as defined in Section 3(3) of ERISA (whether or not subject to ERISA) and all bonus, stock or other security option, stock or other security purchase, stock or other security appreciation rights, incentive, deferred compensation, pension, retirement or supplemental retirement, severance, golden parachute, vacation, cafeteria, dependent care, medical care, employee assistance program, education or tuition assistance programs, insurance and other similar fringe or employee benefit plans, programs or arrangements, and any current or former employment or executive compensation or severance agreements or any other plan or arrangement to provide compensation or benefits to an individual, written or otherwise, that either: (i) has ever been sponsored or maintained, contributed to or entered into for the benefit of, or relating to, Seller or any ERISA Affiliate, and determined without regard to whether such individual is a Seller Employee or a Transferring Employee; or (ii) with respect to which Seller or any ERISA Affiliate has any liability or obligation, whether known or unknown, absolute, accrued, contingent or otherwise.

"**Encumbrance**" means any and all Liens (statutory or otherwise), mortgages, pledges, security interests, options, warrants, purchase rights, easements, rights of way, deed restrictions, defects or imperfections of title, covenants, restrictions, and charges of any kind.

"**Environmental Laws**" means all Laws relating to hazardous waste, infectious medical and radioactive waste, and other environmental matters, including the Resource Conservation and Recovery Act, the Clean Air Act and the Comprehensive Environmental Response Compensation and Liability Act, and any regulations issued thereunder.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Affiliate**" means any entity (whether or not incorporated) that together with Seller is (or has been) a member of: (i) a controlled group of corporations within the meaning of Section 414(b) of the Code; (ii) a group of trades or business under common control within the meaning of Section 414(c) of the Code; (iii) an affiliated service group within the meaning of Section

414(m) of the Code; or (iv) any other person or entity treated as an Affiliate of Seller under Section 414(o) of the Code.

"**Excluded Assets**" has the meaning set forth in Section 1.2 of this Agreement.

"**Excluded Liabilities**" has the meaning set forth in Section 1.4 of this Agreement.

"**Existing Lender Parties**" has the meaning set forth in the recitals of this Agreement.

"**Existing Revolver Debt**" has the meaning set forth in the recitals of this Agreement.

"**Existing Term Debt**" has the meaning set forth in the recitals of this Agreement.

"**GAAP**" means accounting principles generally accepted in the United States of America, consistently applied.

"**Governmental Approval**" has the meaning set forth in Section 4.3(a) of this Agreement.

"**Hazardous Material**" means (i) petroleum and petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials and polychlorinated biphenyls; (ii) infectious medical waste; and (iii) any other chemical, material or substance, all of which are defined or regulated as toxic or hazardous or as a pollutant, contaminant or waste under any applicable Environmental Law.

"**HFG**" has the meaning set forth in the recitals of this Agreement.

"**HIPAA**" has the meaning set forth in Section 4.13(i) of this Agreement.

"**Intellectual Property**" means all recipes, patents, inventions, know-how, show-how, designs, trade secrets, copyrights, trademarks, trade names, service marks, fictitious and assumed business names, Internet domain names, manufacturing processes, software, formulae, trade secrets, technology or the like, and all applications for any of the foregoing.

"**Interest**" has the meaning ascribed to such term under Section 363(f) of the Bankruptcy Code.

"**Knowledge of Seller or Seller's Knowledge"** or any other similar knowledge qualification, means the knowledge of George Pillari, in his capacity as Chief Restructuring Officer of Seller, after due inquiry.

"**Labor Contract**" has the meaning set forth in Section 4.14(d) of this Agreement.

"**Law**" or "**Laws**" means any and all federal, state, and local statutes, codes, licensing requirements, ordinances, laws, rules, regulations, decrees or orders of any foreign, federal, state or local government and any other governmental department or agency, and any judgment, decision, decree or order of any court or governmental agency, department or authority, , if applicable to the parties.

"**Licenses**" means licenses, permits, consents, approvals, authorizations, registrations, qualifications and certifications of any governmental or administrative agency or authority

(whether federal, state or local), including any Medicare, AHCCCS and other provider numbers, certificates or determinations of need, CLIA and DEA certifications, if applicable.

"**Liens**" means any lien, claim, security interest, mortgage, pledge, restriction, covenant, charge or encumbrance of any kind or character, direct or indirect, whether accrued, absolute, contingent or otherwise, including without limitation, any lien or claim granted by the Bankruptcy Court pursuant to section 364 of the Bankruptcy Code or otherwise granted by the Bankruptcy Court to a lender to loan funds to Seller after the initiation of the Bankruptcy Case.

"**Members**" has the meaning set forth in the recitals to this Agreement.

"**Payment Programs**" means Medicare, TRICARE, AHCCCS, Worker's Compensation, Blue Cross/Blue Shield programs, and all other health maintenance organizations, preferred provider organizations, health benefit plans, health insurance plans, and other third party reimbursement and payment programs including the Seller Payment Programs.

"**Permitted Encumbrance**" means all Liens securing the Prepetition Loan Facility and the DIP Facility and any Lien, encumbrance, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, easement, servitude, proxy, voting trust or agreement and transfer restrictions set forth in Schedule 4.18 hereto.

"**Personal Property Leases**," "**Assigned Personal Property Leases**" and "**Terminated Personal Property Leases**" have the meanings set forth in Section 4.8 of this Agreement.

"**Practice**" has the meaning set forth in the first recital to this Agreement.

"**Premises**" means all real property used by Seller in connection with the Practice, as described on **Schedule 4.20** to this Agreement.

"**Prepetition Loan Facility**" has the meaning set forth in the recitals of this Agreement.

"**Purchase Price**" has the meaning set forth in Section 2.1 of this Agreement.

"**Real Property Leases**" means (a) that certain Lease, dated June 6, 2012, by and between of ARHC RHMESAZ01, LLC, as successor-in-interest to Mesa City LL East, LLC, as landlord, and Restora Mesa, as tenant, with respect to the real property located at 215 S. Power Road, Mesa, Arizona 85206, and (b) that certain Lease, dated June 6, 2012, by and between ARHC RHSUNAZ01, LLC, as successor-in-interest to Mesa City LL West, LLC, as landlord, and Restora Sun City, as tenant, with respect to the real property located at 13818 N. Thunderbird Blvd., Sun City, Arizona 85351.

"**Restora Holdings**" has the meaning set forth in the preamble of this Agreement.

"**Restora Mesa**" has the meaning set forth in the preamble of this Agreement.

"**Restora Sun City**" has the meaning set forth in the preamble of this Agreement.

"**Sale Hearing**" has the meaning set forth in Section 11.1(a) of this Agreement.

"**Sale Motion**" has the meaning set forth in Section 11.1(a) of this Agreement.

"**Sale Order**" means the final order of the Bankruptcy Court, in form and substance satisfactory to Buyer in its sole discretion, entered pursuant to sections 363 and 365 of the Bankruptcy Code (A) approving this Agreement and the transactions contemplated hereby; (B) approving the sale of the Acquired Assets to Buyer free and clear of all Claims, Interests, and Encumbrances pursuant to section 363(f) of the Bankruptcy Code, (C) approving the assumption and assignment to Buyer of the Assigned Personal Property Leases and Assigned Contracts; (D) transferring and assigning the Assigned Personal Property Leases and Assigned Contracts such that they will be in full force and effect from and after the Closing with non-debtor parties being barred and enjoined from asserting against Buyer, among other things, defaults, breaches or claims of pecuniary losses existing as of the Closing Date or by reason of such closing of the transactions contemplated in this Agreement; (E) finding that Buyer is a good-faith purchaser entitled to the protections of section 363(m) of the Bankruptcy Code; (F) confirming that Buyer is acquiring the Acquired Assets free and clear of the Excluded Assets and the Excluded Liabilities and providing for a release of Buyer with respect to the Excluded Assets and the Excluded Liabilities and permanently enjoining each and every holder of an Excluded Liability or Excluded Asset from commencing, continuing or otherwise pursuing or enforcing any remedy, Claim (which shall have the meaning set forth in section 101(5) of the Bankruptcy Code), cause of action or encumbrance against Buyer or the Acquired Assets related thereto; and (G) providing that the provisions of Rules 6004(g) and 6006(d) of the Federal Rules of Bankruptcy Procedure are waived and there will be no stay of execution of the Bankruptcy Sale Order under Rule 62(a) of the Federal Rules of Civil Procedure.

"**Seller**" has the meaning set forth in the preamble to this Agreement.

"**Seller Employees**" has the meaning set forth in Section 1.5(a) of this Agreement.

"**Seller Licenses**" has the meaning set forth in Section 4.5 of this Agreement.

"**Seller Material Adverse Effect**" means any event, circumstance, change or effect that individually or in the aggregate with all other events, circumstances, changes or effects, is, or could reasonably expected to be, materially adverse to the condition (financial or otherwise), properties, assets, liabilities, businesses, or operations of the Practice or the Acquired Assets or to Seller's ability to perform its obligations as contemplated in this Agreement. A Seller Material Adverse Effect shall not include any event that is reasonably foreseeable as a result of the Seller's Bankruptcy Case or the circumstances surrounding the bankruptcy filing or Bankruptcy Case; *provided* that in no event shall any event, circumstance, change or effect ("**Change**") arising out of, relating to or resulting from any of the following, alone or in combination, be construed to constitute or be taken into account in determining whether there has been a Seller Material Adverse Effect: (a) Changes in any Law or GAAP, (b) Changes in the international or national, regional or local financial, credit, banking, commodities or securities markets or general economic, political or social conditions in such locations, except to the extent of any disproportionate impact on the Seller's business as compared to similarly situated businesses, (c) Changes generally affecting the industries in which the Seller's business is operated, except to the extent of any disproportionate impact on Seller's business as compared to similarly situated businesses in such industry, (d) acts of war, sabotage, terrorism or escalations

of hostilities, natural disasters or acts of God, (e) the execution, announcement, pendency, performance or consummation of the transactions contemplated in this Agreement (including the announcement of this Agreement or the identities of the Buyer or its Affiliates), (f) any unintentional failure by Seller to meet any internal or published budgets, projections, forecasts or predictions of financial performance for any period with respect to Seller's business (it being understood that the facts and circumstances giving rise or contributing to such failure may be taken into account in determining whether there has been a Seller Material Adverse Effect, unless otherwise excluded by any of clauses (a) – (j)), (g) any action taken (or omitted to be taken) as required by this Agreement or at the written request or with the written consent of Buyer, (h) any adverse Change that is cured on or prior to the Closing Date, or (i) the commencement of the Chapter 11 Cases or events that would typically result from the commencement of cases such as the Chapter 11 Cases.

"**Seller Payment Programs**" has the meaning set forth in Section 4.12(a) of this Agreement.

"**Taxes**" means all taxes of any type or nature whatsoever, including income, gross receipts, excise, franchise, property, value added, import duties, employment, payroll, sales and use taxes and any additions to tax and any interest or penalties thereon.

"**Tax Returns**" means any and all returns, declarations, reports, claims for refunds and information returns or statements relating to Taxes, required to be filed by Seller for itself and for the Employee Benefit Plans of Seller, including all schedules or attachments thereto and including any amendment thereof.

"**Third Party Consent**" has the meaning set forth in Section 4.3(b) of this Agreement.

"**Transferring Employee**" has the meaning set forth in Section 1.5(a) of this Agreement.

SCHEDULE 1.1

Acquired Assets

[To be provided]

SCHEDULE 1.2

Excluded Assets

1. For the avoidance of doubt, certain equipment and related assets located in Room _____ at _____ which assets have an estimated collective value of less than _____ Dollars ($_____) (including, without limitation, those assets described on the schedule attached hereto) are the property of _____, and as such shall not be among the Acquired Assets transferred by Seller to Buyer pursuant to the Agreement.

2. Membership Interest in Restora Healthcare Holdings, LLC

3. Membership Interest in Restora Hospital of Sun City, LLC

4. Membership Interest in Restora Hospital of Mesa, LLC

SCHEDULE 1.3

Cure Costs

[To be provided]

SCHEDULE 1.5(a)

Seller Employees/Transferring Employees

[To be provided]

SCHEDULE 2.3

Allocation of Purchase Price

SCHEDULE 4.3(a)

Governmental Approvals

[To be provided]

SCHEDULE 4.3(b)

Third Party Consents

[To be provided]

SCHEDULE 4.5

Licenses and Permits

[To be provided]

SCHEDULE 4.6

Seller's Members

1. Rod Laughlin (member of Restora Healthcare Holdings, LLC)
2. George Dunaway (member of Restora Healthcare Holdings, LLC)
3. Greg Sassman (member of Restora Healthcare Holdings, LLC)
4. John Watkins (member of Restora Healthcare Holdings, LLC)
5. HealthCap Partners/HCCG, LLC (member of Restora Healthcare Holdings, LLC)
6. Restora Healthcare Holdings, LLC (sole member of Restora Hospital of Mesa, LLC and Restora Hospital of Sun City, LLC)

SCHEDULE 4.7

Assets Not Presently Owned but to be Conveyed at Closing

[To be provided]

SCHEDULE 4.8

Personal Property Leases

[To be provided]

SCHEDULE 4.10

Absence of Certain Events

[To be provided]

SCHEDULE 4.11

Legal Proceedings

[To be provided]

SCHEDULE 4.12

Payment Programs

[To be provided]

SCHEDULE 4.13

Compliance With Laws

[To be provided]

SCHEDULE 4.15

Benefit Plan Compliance

[To be provided]

SCHEDULE 4.19

Contracts

Assigned Contracts:

[To be provided]

Retained Contracts:

[To be provided]

SCHEDULE 4.20

Real Property

[To be provided]

SCHEDULE 4.21

Financing Statements

[To be provided]

SCHEDULE 4.22

Transactions with Affiliates

[To be provided]

SCHEDULE 4.23

Insurance

[To be provided]

SCHEDULE 4.25

Intellectual Property

[To be provided]

EXHIBIT D

IN RE RESTORA HEALTHCARE HOLDINGS, *et al.*
BIDDING PROCEDURES

Set forth below are the bidding procedures (the "Bidding Procedures") to be employed in connection with the sale (the "Transaction") of substantially all of the assets (collectively, the "Acquired Assets") of Restora Healthcare Holdings, LLC, Restora Hospital of Mesa, LLC and Restora Hospital of Sun City, LLC (collectively, the "Debtors"), as debtors and debtors in possession in the chapter 11 cases (collectively, the "Chapter 11 Cases") pending in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Acquired Assets to be sold and the terms and conditions upon which the Debtors contemplate consummating a sale are further described in the stalking horse asset purchase agreement (the "Stalking Horse Agreement") by and between the Debtors and PHX Hospital Partners, LLC, a Delaware limited liability company (the "Stalking Horse Purchaser"), a copy of which is attached as Exhibit C to the motion filed with Bankruptcy Court seeking approval of, among other things, these Bidding Procedures (the "Motion").

The sale of the Acquired Assets is subject to competitive bidding as set forth herein and approval by the Bankruptcy Court pursuant to sections 363 and 365 of title 11 of the United States Code (the "Bankruptcy Code") and Rules 6004 and 6006 of the Federal Rules of Bankruptcy Procedure. The Transaction shall also include the assumption and assignment of certain designated executory contracts and unexpired leases (collectively, the "Designated Contracts") under sections 363 and 365 of the Bankruptcy Code according to the process outlined below.

A. MARKETING BY THE DEBTORS.

The Debtors shall (a) coordinate the efforts of potential bidders in conducting their respective due diligence, (b) evaluate bids from potential bidders, (c) negotiate any bid made to acquire the Acquired Assets and assume Designated Contracts, (d) conduct an auction (the "Auction") if one Qualified Bid is received other than the Stalking Horse Agreement, and (e) make such other determinations as are provided in these Bidding Procedures. Neither the Debtors nor their representatives shall be obligated to furnish any information of any kind whatsoever relating to the Acquired Assets, or any portion thereof, to any person who is not, in the Debtors' reasonable judgment, in consultation with their advisors, a potential qualified bidder.

B. BID DEADLINE.

A potential bidder that desires to make a bid shall deliver copies of its bid package by email to (collectively, the "Notice Parties") (i) counsel to the Debtors, DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020 (Attn: Thomas R. Califano, Esq. (thomas.califano@dlapiper.com) and Daniel G. Egan, Esq. (daniel.egan@dlapiper.com)), and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Attn: Stuart Brown, Esq. (stuart.brown@dlapiper.com)); (ii) the Debtors' Chief Restructuring Officer, Alvarez & Marsal Healthcare Industry Group, LLC, 100 Pine Street, Suite 900, San Francisco, CA 94111 (Attn: George D. Pillari (gpillari@alvarezandmarsal.com)); (iii) counsel to HealthCap Partners, LLC, as agent for the Stalking Horse Purchaser for noticing purposes, Polsinelli P.C.,

2501 N. Harwood, Suite 1900, Dallas, TX 75201 (Attn: James H. Billingsley, Esq. (jbillingsley@polsinelli.com)); (iv) counsel to the Debtors' secured lender, Kaye Scholer, LLP, 425 Park Avenue, New York, NY 10022 (Attn: Benjamin Mintz, Esq. (benjamin.mintz@kayescholer.com)); (v) counsel to the Landlord, Arent Fox LLP, 1675 Broadway, New York, NY 10019 (Attn: Andrew I. Silfen, Esq. (Andrew.silfen@arentfox.com)); and (vi) counsel to any official committee of unsecured creditors appointed in the Chapter 11 Cases (the "Committee"), so as to be actually received on or before **April 21, 2014 at 5:00 p.m. (prevailing Eastern Time)** (the "Bid Deadline"), which deadline prior to the Bid Deadline may be extended by the Debtors. No bids submitted after the Bid Deadline shall be considered by the Debtors.

C. DUE DILIGENCE.

Subject to a potential bidder entering into a confidentiality agreement satisfactory to the Debtors in their business judgment, the Debtors may afford any potential bidder, whom the Debtors, in consultation with their advisors, believe has the wherewithal to close the Transaction and operate the hospitals, the opportunity to conduct a reasonable due diligence review in the manner determined by the Debtors in their discretion. The Debtors shall not be obligated to furnish access to any due diligence information of any kind after the Bid Deadline. The Debtors intend to use reasonable efforts to provide to all potential qualified bidders certain information in connection with the proposed sale and assumption and assignment of Designated Contracts, including, among other things, these proposed Bidding Procedures and the Stalking Horse Agreement, but the failure to deliver any such information to any potential bidders shall not affect the validity, effectiveness or finality of the Auction or the sale process. All diligence inquiries must be directed to Alvarez & Marsal Healthcare Industry Group, LLC; provided, however, potential qualified bidders are encouraged to speak directly with representatives of HFG and the Landlord in connection with their due diligence in respect of the potential to assume HFG claims and liens through participation in the Auction and lease modifications with Landlord, respectively, notwithstanding their participation in the Stalking Horse Purchaser.

D. BID REQUIREMENTS.

A bid submitted will be considered a qualified bid and the potential bidder will be considered a qualified bidder only if the bid is submitted by a bidder that in the Debtors' business judgment, in consultation with their advisors, complies with all of the following requirements (a "Qualified Bid" and "Qualified Bidder," respectively), any of which may be modified or waived by the Debtors, in consultation with their advisors, in their discretion at or prior to the Auction (as defined below):

a. it states that the potential qualified bidder offers to purchase, including the form of consideration thereof, the Acquired Assets (or offers to purchase less than all of the Acquired Assets, including the exclusion of Debtors' accounts receivable) upon the terms and conditions that the Debtors in their business judgment, in consultation with their advisors, reasonably determine are no less favorable to the Debtors than those set forth in the Stalking Horse Agreement;

b. it includes a signed writing that the potential qualified bidder's offer is irrevocable until the selection of the Successful Bidder, provided that if such potential qualified bidder is selected as (A) the Successful Bidder, its offer shall remain irrevocable until the earlier of (i) the outside date by which all regulatory approvals and other conditions to closing shall have been satisfied or waived, (ii) the date the Sale Order is entered if the Transaction with such potential qualified bidder is denied or (iii) the date that is thirty (30) days after the Sale Approval Hearing, or (B) the Next Best Bidder (as defined below) its offer shall remain irrevocable until the earlier of (i) the closing of the sale to the Successful Bidder, (ii) the date that is thirty (30) days after the earlier of (I) the outside date by which all regulatory approvals or other conditions to closing under the Successful Bidder's Asset Purchase Agreement shall have been satisfied or waived, or (II) the date that is thirty (30) days after the Sale Approval Hearing;

c. that there are no conditions precedent to the potential qualified bidder's ability to enter into a definitive enforceable agreement and that all necessary internal and shareholder approvals have been obtained prior to the Bid Deadline; and there are no conditions precedent (due diligence, financing, or otherwise) to the closing of the Transaction, other than conditions precedent consistent with those set forth in the Stalking Horse Agreement;

d. it includes a duly authorized and executed copy of an asset purchase agreement (an "Asset Purchase Agreement"), including the purchase price for the Acquired Assets (the "Proposed Purchase Price"), together with all exhibits and schedules thereto, together with copies marked to show any amendments and modifications to the Stalking Horse Agreement and the proposed order to approve the sale by the Bankruptcy Court;

e. it includes written evidence of a firm, irrevocable commitment for debt or equity financing, or other evidence of ability to consummate the proposed Transaction, that will allow the Debtors in their business judgment, in consultation with their advisors, to make a determination as to the bidder's financial, regulatory and other capabilities to consummate the Transaction contemplated by the Asset Purchase Agreement;

f. it has a cash value to the Debtors, in the Debtors' reasonable discretion, after consultation with their advisors, that is greater than or equal to (i) $5,000,000, which is the amount of the credit bid being submitted by the Stalking Horse Purchaser, plus (ii) $100,000 (the "Initial Overbid");

g. it identifies with particularity which executory contracts and unexpired leases the potential qualified bidder designates to assume, and provides details of the potential qualified bidder's proposal for the payment (or treatment) of related cure costs with respect to the Designated Contracts;

h. it includes an acknowledgement and representation that the potential qualified bidder: (i) has had an opportunity to conduct any and all required due diligence regarding the Acquired Assets and Designated Contracts prior to making its bid; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Acquired Assets and Designated Contracts in making its bid; (iii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Acquired Assets and Designated Contracts or the completeness of any information provided in connection therewith or with the Auction, except as expressly stated in the Asset Purchase Agreement; and (iv) is not entitled to and waives any right to assert a claim for any expense reimbursement, break-up fee, or similar type of payment in connection with its due diligence and bid;

i. it includes evidence, in form and substance reasonably satisfactory to the Debtors, of authorization and approval from the potential qualified bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Asset Purchase Agreement, and any amendments thereto negotiated or occasioned by its participation in the Auction;

j. it is accompanied by a good faith deposit in the form of a wire transfer (to a bank account specified by the Debtors), certified check or such other form acceptable to the Debtors, payable to the order of Restora Holdings (or such other party as the Debtors may determine) in an amount equal to ten percent (10%) of the Proposed Purchase Price (the "Good Faith Deposit");

k. it contains sufficient information concerning the potential qualified bidder's ability to provide adequate assurance of performance with respect to the Designated Contracts;

l. it commits to supplement the bid with other information reasonably requested by the Debtors before or after the Bid Deadline; and

m. it is received by the Notice Parties prior to the Bid Deadline.

The Debtors and their professionals will review each potential qualified bid received from a potential qualified bidder to ensure that both the bid and the bidder meet the requirements set forth above. A potential qualified bid received from a potential qualified bidder that the Debtors determine in their business judgment meets the above requirements will be considered a "Qualified Bid" and each potential bidder, subject to the reasonable approval of the patient care ombudsman, if one is appointed in the Chapter 11 Cases, which approval shall not be unreasonably withheld or delayed, that submits a Qualified Bid will be considered a "Qualified Bidder." The Debtors, in their business judgment reserve the right to reject any bid, without limitation. The Stalking Horse Agreement is a Qualified Bid for all purposes and the Stalking Horse Purchaser is a Qualified Bidder for all purposes and requirements pursuant to these

Bidding Procedures at all times. The Debtors may value a Qualified Bid based upon any and all factors that the Debtors deem pertinent, including, among others: (a) the Proposed Purchase Price of the Qualified Bid and the assumption of cure obligations respecting the assumption and assignment of Designated Contracts; (b) the risks and timing associated with consummating the Transaction with the Qualified Bidder, including, without limitation, all necessary regulatory approvals; (c) the risks associated with and extent of any non-cash consideration in any Qualified Bid; (d) any assets, contracts, or leases excluded from the Transaction; (e) the Qualified Bidder's experience and ability in managing healthcare assets, including long term acute care hospitals; and (f) any other factors that the Debtors may deem relevant to the proposed Transaction.

The Good Faith Deposits of all Qualified Bidders shall be held by an escrow agent in a separate account for the Debtors' benefit. If a Successful Bidder fails to consummate an approved Transaction because of a breach or failure to perform on the part of such Successful Bidder, such Successful Bidder's Good Faith Deposit will be forfeited to the Debtors. Any disputes with respect to the transfer of the Good Faith Deposits shall be resolved by the Bankruptcy Court.

Unless otherwise ordered by the Court for cause shown, only the Stalking Horse Purchaser and Qualified Bidders will be eligible to participate at the Auction described below; provided that the Auction will be conducted openly and all creditors will be permitted to attend and observe. If the Debtors do not receive any Qualified Bids other than from the Stalking Horse Purchaser, they will not hold an Auction and the Stalking Horse Purchaser will be named the Successful Bidder, subject to entry of the Sale Order.

E. CREDIT BID.

On or before the Bid Deadline, parties holding a valid lien on some or all of the Acquired Assets that secures an allowed secured claim may submit a credit bid for some or all of such Acquired Assets to the fullest extent permitted under section 363(k) of the Bankruptcy Code.

F. MODIFICATIONS / RESERVATION OF RIGHTS.

The Debtors may (i) determine, in their reasonable discretion, which Qualified Bid or Qualified Bids, if any, to present to the Bankruptcy Court as the highest or otherwise best offer for the Acquired Assets, (ii) reject, at any time before entry of an order of the Bankruptcy Court approving any Qualified Bid as the Successful Bid, any bid that, in the Debtors' reasonable discretion, is (a) inadequate or insufficient, (b) not in conformity with the requirements of the Bankruptcy Code or these Bidding Procedures, or (c) contrary to the best interests of the Debtors and their bankruptcy estates and creditors; provided, that the Stalking Horse Purchaser's bid and the Stalking Horse Agreement, after approval of these Bidding Procedures, may not be rejected under (a), (b), or (c) of this provision, (iii) withdraw, in their business judgment, the Motion if pursuing approval of the Motion is determined to be contrary to the best interests of the Debtors and their bankruptcy estates and creditors, and (iv) cancel, in their business judgment, the Auction and pursue an alternative transaction if such alternative transaction is determined to be in the best interests of the Debtors and their bankruptcy estates and creditors.

The Debtors may extend or alter any deadline contained in these Bidding Procedures that will better promote their receipt of higher or otherwise better offers for the Acquired Assets and Designated Contracts (the "Extension Right"). These Bidding Procedures are solely for the benefit of the Debtors and their bankruptcy estates. The Debtors may waive or modify the provisions in these Bidding Procedures or adopt additional procedures as they see fit in their business judgment (the "Modification Right").

G. AUCTION.

If more than one Qualified Bid has been received, the Debtors will conduct an Auction for the sale of the Acquired Assets. Prior to the Auction, the Debtors shall send a copy of all Qualified Bids to all Qualified Bidders. The Auction shall take place on **April 23, 2014 at 10:00 a.m. (prevailing Eastern Time)** at the offices of DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020, or such later time or such other place as the Debtors shall designate in a subsequent notice to all Qualified Bidders and Notice Parties. The Auction may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Auction. The Debtors reserve the right to cancel the Auction in their reasonable discretion. The bidding shall start at the amount offered in the highest or otherwise best Qualified Bid, as determined and announced by the Debtors in their business judgment, after consultation with their advisors, and will continue in increments of $100,000 (the "Overbid Increments") until the bidding ceases. The Stalking Horse Purchaser will have the right to credit bid additional indebtedness that may be owing under the Prepetition Loan Agreement and DIP Facility, as of the anticipated Closing Date, that is not already included in the Purchase Price under the Stalking Horse Agreement. Notwithstanding anything contained in these Bidding Procedures, the Debtors may modify or waive any provisions of these Bidding Procedures at the Auction if, in their reasonable judgment, such modification or waiver will better promote the goals of the Auction, without providing any advance notice to the Stalking Horse Purchaser or any other party. Immediately prior to the conclusion of the Auction, the Debtors, in consultation with their advisors, will (a) review the last bid by each of the Qualified Bidders made at the Auction on the basis of financial and contractual terms and such factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the sale, (b) determine the highest or otherwise best bid or combination of bids for the Acquired Assets and Designated Contracts at the Auction (the "Successful Bid"), and (c) notify all Qualified Bidders at the Auction, prior to its conclusion, of the name of the Successful Bidder.

After determining the Successful Bid, the Debtors, in consultation with their advisors, may determine which Qualified Bid is the next best bid (the "Next Best Bid"). If the Successful Bidder does not close the Transaction by the date set forth in the Successful Bid or otherwise agreed to by the Debtors and the Successful Bidder, then the Debtors shall be authorized to close with the party that submitted the Next Best Bid (the "Next Best Bidder"), without a further court order. The party that submits the Next Best Bid shall be required to close the Transaction by the date set forth in the Next Best Bid (excusing the time between the Auction and the date the Next Best Bidder is advised that the Debtors will seek to close under the Next Best Bid), or otherwise agreed to by the Debtors and the Next Best Bidder.

Each Qualified Bidder shall be required to confirm at the commencement of and from time to time during the Auction that it has not engaged in any collusive behavior with respect to

the sale of the Acquired Assets, the bidding or the Auction. The Auction will be conducted openly and all creditors will be permitted to attend and observe. Bidding at the Auction will be videotaped and/or transcribed.

All bidders at the Auction shall be deemed to have consented to these Bidding Procedures and to the core jurisdiction of the Bankruptcy Court and waived any right to a jury trial in connection with any disputes relating to the Auction, the sale and the construction and enforcement of the applicable Asset Purchase Agreement.

H. NO ENTITLEMENT TO FEES FOR POTENTIAL BIDDERS OR QUALIFIED BIDDERS.

The performance of due diligence, the tendering of a bid, the determination that a bid is a Qualified Bid or the participation of a Qualified Bidder at the Auction shall not entitle a potential qualified bidder or Qualified Bidder to any breakup, termination or similar fee or reimbursement of expenses and all potential qualified bidders and Qualified Bidders waive any right to seek a claim for substantial contribution.

I. RETURN OF THE GOOD FAITH DEPOSIT.

The Good Faith Deposits of all potential qualified bidders that are determined not to be Qualified Bidders shall be returned promptly by the Escrow Agent. The Good Faith Deposits of Qualified Bidders shall be held in escrow by the Escrow Agent. The Good Faith Deposits of all Qualified Bidders, other than the Successful Bidder and the Next Best Bidder, shall be returned within two (2) business days after the conclusion of the Sale Approval Hearing (as defined below). The Good Faith Deposit of the Next Best Bidder shall be returned within two (2) business days after the consummation of the Transaction with the Successful Bidder, but in no event later than sixty (60) days after the Sale Approval Hearing.

J. AS IS, WHERE IS.

The Transaction shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Debtors, their estates, or their agents or representatives. Except as otherwise expressly provided in these Bidding Procedures, the Stalking Horse Agreement, or any applicable Asset Purchase Agreement, each Qualified Bidder shall be deemed to acknowledge and represent that it (i) has had an opportunity to conduct any and all reasonable due diligence regarding the Acquired Assets and Designated Contracts prior to making its bid, (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Acquired Assets and Designated Contracts in making its bid, and (iii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Acquired Assets and Designated Contracts, or the completeness of any information provided in connection therewith.

K. SALE HEARING.

The Debtors will seek entry of an order from the Bankruptcy Court at a hearing (the "Sale Approval Hearing") to begin on **April 25, 2014 at 10:00 a.m. (prevailing Eastern Time)**, subject to the availability of the Bankruptcy Court, to approve and authorize the Transaction with the Successful Bidder and conditionally approve the Transaction with the Next Best Bidder. The Sale Approval Hearing may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Approval Hearing.

EXHIBIT E

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
RESTORA HEALTHCARE HOLDINGS, LLC, *et al.*,[1]	:	Case No. 14-10367 (____)
	:	(Joint Administration Requested)
Debtors.	:	

NOTICE OF BID DEADLINE, AUCTION AND SALE APPROVAL HEARING IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS, AND ENCUMBRANCES

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. Restora Healthcare Holdings, LLC, Restora Hospital of Mesa, LLC, and Restora Hospital of Sun City, LLC (collectively, the "Debtors"), seek to sell substantially all of their assets (the "Assets") free and clear of any and all liens, claims, and encumbrances.

2. On February 24, 2014, the Debtors filed a motion (the "Sale Motion") with the United States Bankruptcy Court for the District of Delaware (the "Court") seeking, among other things, entry of an order (the "Bidding Procedures Order") (i) approving certain auction and bidding procedures in connection with the sale of substantially all of the Debtors' assets (the "Bidding Procedures"), (ii) authorizing the Debtors to enter into a stalking horse purchase agreement, subject to higher or otherwise better offers, (iii) approving procedures relating to the assumption and assignment of executory contracts and unexpired leases ("Assumption and Assignment Procedures"), (iv) scheduling an auction (the "Auction") and sale approval hearing (the "Sale Approval Hearing"), (v) approving the form and manner of sale notice, and (vi) granting related relief.[2]

3. On _____, 2014, the Court entered the Bidding Procedures Order. All interested parties are invited to make offers to purchase the Acquired Assets in accordance with the Bidding Procedures and the Bidding Procedures Order. Copies of the Bidding Procedures and Bidding Procedures Order may be obtained by: (a) written request to the

[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.

[2] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Sale Motion.

Debtors' counsel, DLA Piper LLP (US), 1251 Avenue of the Americas, New York, New York 10020 (Attn: Thomas R. Califano, Esq. and Daniel G. Egan, Esq.) and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Attn: Stuart Brown, Esq.); (b) accessing the Court's website at http://www.deb.uscourts.gov (please note that a PACER password is needed to access documents on the court's website); (c) viewing the docket of these cases at the Clerk of the Court, United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801; or (d) accessing the Debtors' restructuring website, available at http://omnimgt.com/RestoraHealthcare. **All interested parties should carefully read the Bidding Procedures.**

4. The deadline to submit offers to purchase the Acquired Assets is **April 21, 2014 at 5:00 p.m. (prevailing Eastern Time)** (the "Bid Deadline"). Pursuant to the Bidding Procedures and Bidding Procedures Order, if two or more Qualified Bids (as defined in the Bidding Procedures) are received on or before the Bid Deadline, the Debtors will conduct the Auction commencing on **April 23, 2014 at 10:00 a.m. (prevailing Eastern Time)**, at the offices of DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020, or such later time or such other place as the Debtors shall designate in a subsequent notice to all Qualified Bidders and Notice Parties (as defined in the Bidding Procedures), to determine the highest or otherwise best bid for the Acquired Assets (the "Successful Bid"). Only an entity that has submitted a Qualified Bid (a "Qualified Bidder") in accordance with the Bidding Procedures to (a) counsel to the Debtors: DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020 (Attn: Thomas R. Califano, Esq. and Daniel G. Egan, Esq.) and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Attn: Stuart Brown, Esq.); (b) the Debtors' Chief Restructuring Officer, Alvarez & Marsal Healthcare Industry Group, LLC, 100 Pine Street, Suite 900, San Francisco, CA 94111 (Attn: George D. Pillari); (c) counsel to HealthCap Partners, LLC, as agent for the Stalking Horse Purchaser for noticing purposes, Polsinelli P.C., 2501 N. Harwood, Suite 1900, Dallas, TX 75201 (Attn: James H. Billingsley, Esq.); (d) counsel to Healthcare Finance Group, LLC: Kaye Scholer, LLP, 425 Park Avenue, New York, NY 10022 (Attn: Benjamin Mintz, Esq.); (e) counsel to the Landlord, Arent Fox LLP, 1675 Broadway, New York, NY 10019 (Attn: Andrew I. Silfen, Esq.); and (f) counsel to any statutory committee of unsecured creditors appointed in these cases, is eligible to participate in the Auction.

5. The sale of the Acquired Assets to the Successful Bidder shall be presented for authorization and approval by the Court at the Sale Approval Hearing, which is currently scheduled to be held on **April 25, 2014 at 10:00 a.m. (prevailing Eastern Time)** at the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, ___ Floor, Courtroom ___,Wilmington, Delaware 19801, before the Honorable _____, United States Bankruptcy Judge. The Sale Approval Hearing may be adjourned or rescheduled without further notice by announcing the adjourned date at the Sale Approval Hearing.

6. Objections, if any, to approval of the sale of the Acquired Assets to the Successful Bidder shall (i) be in writing, (ii) comply with the Bankruptcy Rules and the Local Rules, (iii) set forth the name of the objector, (iv) state with particularity the legal and factual bases for such objection, and (v) be filed with the Clerk of the Court, United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801, together with proof of service thereof, and served on the following parties **so as to be actually received no later than 12:00 p.m. (prevailing Eastern Time) on April 24, 2014**: (a) counsel to the

Debtors, DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020 (Attn: Thomas R. Califano, Esq. and Daniel G. Egan, Esq.) and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Attn: Stuart Brown, Esq.); (b) counsel to HealthCap, as agent for the Stalking Horse Purchaser for noticing purposes, Polsinelli P.C., 2501 N. Harwood, Suite 1900, Dallas, TX 75201 (Attn: James H. Billingsley, Esq.); (c) counsel to Healthcare Finance Group, LLC, Kaye Scholer, LLP, 425 Park Avenue, New York, NY 10022 (Attn: Benjamin Mintz, Esq.); (d) counsel to the Landlord, Arent Fox LLP, 1675 Broadway, New York, NY 10019 (Attn: Andrew I. Silfen, Esq.); (e) counsel to any statutory committee of unsecured creditors appointed in these cases; (f) counsel to the Successful Bidder; and (g) the Office of the United States Trustee, 844 King Street, Suite 2207, Lockbox #35, Wilmington, Delaware, 19899 (Attn: Benjamin A. Hackman, Esq.).

7. Failure of any entity to file an objection on or before the Objection Deadline shall be deemed to constitute consent to the sale of the Acquired Assets to the Successful Bidder and other relief requested in the Sale Motion, and be a bar to the assertion, at the Sale Approval Hearing or thereafter, of any objection to the Sale Motion, the Auction, the sale of the Acquired Assets, or the Debtors' consummation and performance of the terms of the asset purchase agreement entered into with the Successful Bidder, if authorized by the Court.

8. After determining the Successful Bid, the Debtors may determine which Qualified Bid is the next best bid (the "Next Best Bid"). If the Successful Bidder does not close the sale by the date agreed to by the Debtors and the Successful Bidder, then the Debtors shall be authorized to close with the party that submitted the Next Best Bid (the "Next Best Bidder"), without a further court order. The party that submits the Next Best Bid shall be required to close the sale with the Debtors to the extent the Successful Bid fails to close.

9. This notice is subject to the full terms and conditions of the Sale Motion, the Bidding Procedures, and the Bidding Procedures Order, and the Debtors encourage any interested parties to review such documents in their entirety. To the extent that this notice is inconsistent with the Bidding Procedures Order, the terms of the Bidding Procedures Order shall govern.

[*Text Continues on the Next Page*]

Dated: _____, 2014
Wilmington, Delaware

DLA PIPER LLP (US)

/s/ Stuart M. Brown

Stuart M. Brown (DE 4050)
Daniel N. Brogan (DE 5723)
1201 N. Market Street, Suite 2100
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-and-

Thomas R. Califano (*pro hac vice* admission pending)
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Proposed Attorneys for the Debtors and Debtors in Possession

EXHIBIT F

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
RESTORA HEALTHCARE HOLDINGS, LLC, *et al.*,[1]	:	Case No. 14-10367 (____)
	:	(Joint Administration Requested)
Debtors.	:	

NOTICE OF POTENTIAL ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On _____, 2014, the United States Bankruptcy Court for the District of Delaware (the "Court") entered an order (the "Bidding Procedures Order") in the chapter 11 cases of the above-captioned debtors and debtors in possession (the "Debtors") approving, among other things, certain procedures related to the assumption and assignment of executory contracts and unexpired leases (the "Designated Contracts") listed on Exhibit 1 annexed to this Notice in connection with the sale of substantially all of the Debtors' assets (the "Acquired Assets"). The Debtors may assume and assign the Designated Contracts to the successful bidder for the Acquired Assets (the "Successful Bidder") under the bidding procedures (the "Bidding Procedures") approved by the Bankruptcy Court in connection with the Bidding Procedures Order.

2. The Debtors believe that any and all defaults (other than the filing of this chapter 11 case) and actual pecuniary losses under the Designated Contracts can be cured by the payment of the cure amounts (the "Cure Amounts") listed on Exhibit 1 annexed to this Notice (the "Assignment Schedule"). The Debtors reserve the right to delete items from, supplement, and modify the Assignment Schedule at any time, provided that to the extent that the Debtors add a Designated Contract to the Assignment Schedule or modify the Cure Amount, the affected party shall receive separate notice and an opportunity to objection to such addition or modification.

3. Any objection to the assumption and assignment of any Designated Contract, including, without limitation, any objection to the Cure Amount or the ability of the Successful

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.

Bidder to provide adequate assurance of future performance under such Designated Contract, must (i) be in writing, (ii) set forth the basis for the objection as well as any cure amount that the objector asserts to be due (in all cases with appropriate documentation in support thereof), and (iii) be filed with the Clerk of the Court, United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801, and served on (a) counsel to the Debtors: DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020 (Attn: Thomas R. Califano, Esq. and Daniel G. Egan, Esq.) and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Attn: Stuart Brown, Esq.); (b) counsel to HealthCap Partners, LLC, as agent for the Stalking Horse Purchaser for noticing purposes, Polsinelli P.C., 2501 N. Harwood, Suite 1900, Dallas, TX 75201 (Attn: James H. Billingsley, Esq.); (c) counsel to Healthcare Finance Group, LLC: Kaye Scholer, LLP, 425 Park Avenue, New York, NY 10022 (Attn: Benjamin Mintz, Esq.); (d) counsel to the Landlord, Arent Fox LLP, 1675 Broadway, New York, NY 10019 (Attn: Andrew I. Silfen, Esq.); (e) counsel to any statutory committee of unsecured creditors appointed in these cases; (f) counsel to the Successful Bidder; and (g) the Office of the United States Trustee: U.S. Trustee, 844 King Street, Suite 2207, Lockbox #35, Wilmington, Delaware, 19899 (Attn: Benjamin A. Hackman, Esq.), **so as to be actually received no later than 12:00 p.m. (prevailing Eastern Time) on the date that is fifteen (15) days after the filing of this Cure Notice** (the "Assignment and Cure Objection Deadline").

4. To the extent that any entity does not timely object as set forth above, such entity shall be (i) forever barred from objecting to the assumption and assignment of its respective Designated Contracts identified on the Assignment Schedule, including, without limitation, asserting any additional cure payments or requesting additional adequate assurance of future performance, (ii) deemed to have consented to the applicable Cure Amount, if any, and to the assumption and assignment of the applicable Designated Contract, (iii) bound to such corresponding Cure Amount, if any, (iv) deemed to have agreed that the Successful Bidder has provided adequate assurance of future performance within the meaning of section 365(b)(1)(C) of the Bankruptcy Code, (v) deemed to have agreed that all defaults under the applicable Designated Contract arising or continuing prior to the effective date of the assignment have been cured as a result or precondition of the assignment, such that the Successful Bidder or the Debtors shall have no liability or obligation with respect to any default occurring or continuing prior to the assignment, and from and after the date of the assignment the applicable Designated Contract shall remain in full force and effect for the benefit of the Successful Bidder and such entity in accordance with its terms, (vi) deemed to have waived any right to terminate the applicable Designated Contract or designate an early termination date under the applicable Designated Contract as a result of any default that occurred and/or was continuing prior to the assignment date, (vii) deemed to have agreed that the Debtors are not obligated under the Designated Contracts following the effective date of the assumption and assignment, and (viii) deemed to have agreed that the terms of the Sale Order shall apply to the assumption and assignment of the applicable Designated Contract.

5. If an objection is timely received and such objection cannot otherwise be resolved by the parties, the Court may hear such objection at a later date set by the Court. The pendency of a dispute relating to the Cure Amount will not prevent or delay the assumption and assignment of any Designated Contract or the sale of the Acquired Assets to the Successful Bidder. If an objection is filed only with respect to the cure amount listed on the Cure Notice, the dispute with

respect to the cure amount will be resolved consensually, if possible, or, if the parties are unable to resolve their dispute, before the Court.

6. The Debtors' decision to assume and assign to the Successful Bidder a Designated Contract is subject to Court approval and the sale closing. Accordingly, absent such approval and closing, any of the Designated Contracts shall not be deemed to be assumed and assigned, and shall in all respects be subject to further administration under the Bankruptcy Code. The inclusion of any document on the Assignment Schedule shall not constitute or be deemed a determination or admission by the Debtors or the Successful Bidder that the document is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code (all rights with respect thereto being expressly reserved).

7. Any anti-assignment provisions contained in, or otherwise purporting to affect, the Designated Contracts shall not restrict, limit or prohibit the assumption, assignment and sale of such Designated Contracts, and such provisions are deemed unenforceable anti-assignment provisions within the meaning of section 365(f) of the Bankruptcy Code.

8. Copies of the Bidding Procedures Order and other relevant documents may be obtained by: (i) written request to the Debtors' counsel, DLA Piper LLP (US), 1251 Avenue of the Americas, New York, New York 10020 (Attn: Thomas R. Califano, Esq. and Daniel G. Egan, Esq.) and DLA Piper LLP (US), 1201 North Market Street, Suite 2100, Wilmington, DE 19801 (Attn: Stuart Brown, Esq.); (ii) accessing the Court's website at http://www.deb.uscourts.gov (please note that a PACER password is needed to access documents on the court's website); (iii) viewing the docket of these cases at the Clerk of the Court, United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801; or (iv) accessing the Debtors' restructuring website, available at http://omnimgt.com/RestoraHealthcare.

[*Text Continues on the Next Page*]

Dated: _____, 2014
Wilmington, Delaware

DLA PIPER LLP (US)

/s/ Stuart M. Brown

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-and-

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Proposed Attorneys for the Debtors and Debtors in Possession

Exhibit 1

Assignment Schedule