EXECUTION VERSION

ASSET PURCHASE AGREEMENT

BY AND AMONG

SPECIALTY HOSPITALS OF AMERICA, LLC, SHA MANAGEMENT, LLC, SPECIALTY HOSPITAL OF WASHINGTON, LLC, SPECIALTY HOSPITAL OF WASHINGTON-NURSING CENTER, LLC, SPECIALTY HOSPITAL OF WASHINGTON-HADLEY, LLC, SHA HOLDINGS, INC., AND SHA HADLEY SNF, LLC

AND

DCA ACQUISITIONS, LLC

Dated as of August 15, 2014

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "**Agreement**") is made and entered into as of the 15th day of August, 2014 (the "**Effective Date**"), by and among **Specialty Hospitals of America, LLC**, **SHA Management, LLC**, **Specialty Hospital of Washington, LLC**, **Specialty Hospital of Washington-Nursing Center, LLC**, **Specialty Hospital of Washington-Hadley, LLC**, **SHA Holdings, Inc.** ("**SHA Holdings**"), and **SHA Hadley SNF, LLC** (the foregoing are herein jointly and severally referred to as "**Seller**"), and **DCA Acquisitions, LLC** ("**Buyer**").

R E C I T A L S

WHEREAS, 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 at the facilities located on Schedule 1.0 hereto (collectively, the "**Business**"), with the Seller's rights in and to the Business 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 attached hereto;

WHEREAS, Seller has consented to entry of an order for relief on an involuntary petition, and has filed other 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 Columbia (the "**Bankruptcy Court**"), commencing cases under chapter 11 of the Bankruptcy Code (collectively, the "**Bankruptcy Case**");

WHEREAS, Buyer, as lender, and DCA Finance, LLC, as agent, have agreed to provide post-petition debtor-in-possession financing to Seller in connection with the Bankruptcy Case, subject to Bankruptcy Court approval, consisting of a senior secured, superpriority priming credit facility to the Borrowers in the amount of up to $15,000,000 to fund the working capital requirements of the Borrowers and for other purposes permitted under this Agreement during the pendency of the Bankruptcy Case, subject to a borrowing base and applicable reserves, with all sums owing thereon to be credit-bid by Buyer at Closing pursuant to Bankruptcy Code section 363(k) (the "**DIP Facility**"), which DIP Facility will be secured by first priority security interests in substantially all of the Seller's assets as further described herein, subject to the Carveout;

WHEREAS, 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 Business (except for the Excluded Assets) free and clear of all Encumbrances 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 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;

WHEREAS, 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 Business; and

WHEREAS, capitalized terms used herein have the meanings set forth in the Table of Definitions attached hereto as Annex I.

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 Business, or otherwise for the benefit of the Business, whether tangible, intangible, real, personal or mixed, movable or fixed, and wherever located (collectively referred to hereinafter as the "**Acquired Assets**").

(b) With the exception of the Excluded Assets, the Acquired Assets include all tangible property, accounts (including accounts receivable), machinery, equipment, inventories, tenant improvements (regardless of whether they are accounted for as an asset on the books of Seller), goodwill of the Business, software and computer programs, hardware, Intellectual Property (including the names "Specialty Hospital" and "SHA" and all other trade names and acronyms under which Seller conducts the Business or by which Seller or the Business is commonly known), prepaid expenses (other than insurance or prepaid other assets) and deposits, Assigned Contracts, Assigned Personal Property Leases, books and records (including all patient charts and records, patient lists and appointment books relating to patients treated by the Business to the extent transferable under applicable law), any Seller policies and procedures relating to the Business, telephone and facsimile numbers, all Licenses and permits (including drug and nuclear licenses) to the extent transferable to Buyer, any federal, state, or local Medicare provider numbers and Certificates of Need ("**CON**") as listed on Schedule 1.1 hereto, in each case to the extent transferable or otherwise capable of being assumed, sold and assigned, the Regulatory Agreements, the Owned Real Property, all benefits, proceeds and other amounts payable under any Seller policy of insurance relating to the Business, and proceeds of all of the foregoing assets.

(c) The Acquired Assets shall include substantially all of the assets of Seller that are subject to the Liens securing the Prepetition Loan Facilities and the DIP Facility.

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) insurance, including professional liability insurance, listed on Schedule 1.2 hereto, (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 under the Bankruptcy Code, including under chapter 5 and including all proceeds thereof, (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, (xiv) any other prepaid assets or properties expressly set forth on Schedule 1.2 hereto, (xv) any Medicare and Medicaid provider numbers and CON set forth on Schedule 1.2 hereto, (xvi) federal, state, and local taxes, (xvii) the Seller's director and officer liability insurance policies or any other insurance policy covering claims based upon acts, events or occurrences arising prior to the Closing (whether or not the policy is an occurrence-based or claims-made policy); (xviii) any claims or causes of action against the Seller's directors, officers, members, managers, attorneys, accountants, brokers, professionals or advisors, claims against any person and entity having a fiduciary relationship to the Seller or their bankruptcy estates, claims against any person or entity for aiding and abetting breach of fiduciary duties, and, including with respect to any such claims, any insurance policy covering same and the proceeds thereof, (xix) any attorney-client privilege, work-produce protection, or other privilege, protection or immunity relating to any Excluded Assets or related books, records or documents, including electronically stored information ("**ESI**"); (xx) intercompany claims and accounts between or among the Seller entities; (xxi) those items listed on Schedule 1.2 hereto, and (xxii) any books and records relating to any of the foregoing (such assets being referred to collectively as the "**Excluded Assets**").

1.3. Assumed Liabilities. As of the Closing Date, Seller shall assign to Buyer and Buyer shall assume only Seller's obligations 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 4.17 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, with 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 pursuant to the final order (the "**Cure Costs**"), shall be paid on the Closing Date (except as otherwise agreed to by the applicable counterparty 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. 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 (5) business days prior to the Sale Hearing, and again updated and delivered to Buyer no less than two (2) 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 4.17 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 Business, 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 Business 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 Business is bound that is not, as of the Closing Date, listed as an Assigned Contract on Schedule 4.17 or any Personal Property Lease by which Seller or the Business 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 (including any collective bargaining agreements) with or on behalf of any employees or independent contractors providing professional medical or nursing services to the Business to which Seller is a party or by which Seller is bound from the period prior to the Closing Date; (d) arising out of Seller's obligation under the CBA or otherwise required under the National Labor Relations Act to engage in effects bargaining with the Union; (e) for, or relating to, any Employee Benefit Plan; (f) for any obligation for Taxes from the period prior to the Closing Date; (g) 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; (h) 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 Business or the operation of the Business prior to the Closing Date; (i) 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; (j) incurred by Seller or the Business for borrowed money from the period prior to the Closing Date or that otherwise constitute Indebtedness (including the Prepetition Loan Facilities); (k) for any accounts payable of Seller or any Affiliate of Seller from the period prior to the Closing Date; and (l) for amounts due or that may become due to Medicare, DCM 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, DCM 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. 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**.

1.6. 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.

1.7. As Is, Where Is. Buyer is acquiring the Acquired Assets at the Closing "as is, where is" and, except as otherwise expressly provided in this Agreement, Buyer understands that Seller is making no representations or warranties whatsoever, express or implied, with respect to any matter relating to the Acquired Assets or the Business. Buyer acknowledges that it has conducted an independent inspection and investigation of the physical condition of all Acquired Assets and all such other matters relating to or affecting the Acquired Assets as Buyer deems necessary or appropriate and that in proceeding with its acquisition of the Acquired Assets, except for any representations and warranties expressly provided in this Agreement, Buyer is doing so based solely upon such independent inspections and investigations. Without limiting the foregoing, Seller hereby disclaims any warranty, express or implied, of merchantability or fitness for any particular purpose as to any portion of the Acquired Assets. Notwithstanding the foregoing, subject to the Sale Order, Buyer is acquiring the Acquired Assets free and clear of all Encumbrances, including CMS, DCM, DOJ, IRS, and any state or local taxing authority liabilities, whatsoever, and also free and clear of set-off rights, except to the extent that under applicable Law any of these persons retains recoupment rights, and subject, as to such persons, to mutually acceptable "caps" on any recoupment rights attributable to the delivery of healthcare services by Seller prior to Closing, to be set forth more particularly in the Regulatory Agreements between such persons and Buyer.

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 (the "**Purchase Price**") shall consist of: (i) the DIP Facility, with all sums owing thereon to be credit-bid by Buyer at Closing pursuant to Bankruptcy Code Section 363(k); plus (ii) the assumption by Buyer of the Assumed Liabilities, including the payment by Buyer of all Cure Costs to counterparties to the Assigned Contracts and Assigned Personal Property Leases; plus (iii) an amount required to conduct the orderly wind-down or dismissal of the Bankruptcy Case following the Closing, not to exceed $200,000 (or as otherwise approved by Buyer in its sole discretion); plus (iv) the Assumed Employee Amounts; and plus (v) an amount of Ten Million Dollars ($10,000,000) of the BB&T Debt to be credit-bid by Buyer at Closing pursuant to Bankruptcy Code Section 363(k); *provided*, that Buyer will not pursue collection or

enforcement actions against Seller for any amounts not used in Buyer's credit bid; and, *provided, further*, that nothing in this Agreement shall be construed to affect or prohibit Buyer's rights to pursue non-Seller guarantors with respect to the BB&T Debt purchased by Buyer for any amounts not used in Buyer's credit bid.

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

2.3. Allocation of Purchase Price. The Purchase Price and any liability or other amount that is properly included in the amount realized by Seller or the cost basis to Buyer with respect to the purchase and sale of the Acquired Assets will be allocated to the Acquired Assets in accordance with Treasury Regulations § 1.1060-1(c) as set forth in an allocation schedule that is provided by the Buyer to the Seller within ninety (90) days after the Closing Date (the "**Allocation**"). Buyer and Seller shall report the transactions contemplated by this Agreement for federal and state income tax purposes in accordance with the Allocation and shall not (and shall cause their respective Affiliates not to) take any position inconsistent with the 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.

2.4. Negotiated Value. The Purchase Price, and the Allocation determined pursuant to **Section 2.3** shall, reflect the fair value of the Business 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.

ARTICLE III
CLOSING

3.1. Closing. Subject to **Section 3.2**, the closing of the sale and purchase of the Acquired Assets (the "**Closing**") will take place no later than August 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 Buyer's counsel located in Washington, D.C., or by electronic or facsimile transmission and United States or overnight mail. Buyer and Seller shall proceed to the Closing 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. Eastern time on the day immediately following the Closing Date.

3.2. Extension Terms. If all other conditions to Closing except for the obtainment of the Regulatory Agreements have been satisfied and Seller and Buyer have reached agreement regarding the DIP Facility as contemplated by the last unnumbered paragraph of **Section** 8.1 Buyer, at its option, may by notice to Seller extend the Closing for up to two consecutive periods of (a) first, thirty (30) days, and (b) second, an additional thirty (30) days, for a maximum extension period of sixty (60) days (each individually, an "**Extension Term**").

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF SELLER

Each 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), and only with respect to itself, as follows:

4.1. Organization, Good Standing and Qualification. Except as set forth on Schedule 4.1, each Seller other than SHA Holdings 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. Except as set forth on Schedule 4.1, SHA Holdings is a Delaware corporation duly incorporated, 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 corporation. Except as set forth on Schedule 4.1, Seller has all requisite corporate power and authority to own and operate its properties and to carry on the Business as now conducted. Except as set forth on Schedule 4.1, 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. Except for the Regulatory Agreements, and 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 and the transfer of the Acquired Assets to Buyer (each, a "**Governmental Approval**").

(b) Third-Party Consents. Subject to Bankruptcy Court approval, and 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 Encumbrances 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) subject to the Sale Order, violate or contravene any law, statute, rule, regulation, order, judgment or decree to which Seller is subject, (c) subject to the Sale Order and except as set forth on Schedule 4.3(b), 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 Business or any interest of the Members therein; other than, as to clauses (b) and (c), such violations, conflicts, breach, default, fees, payments, increases, charges, modifications, terminations, cancellations, accelerations or losses that would not have, individually or in the aggregate, a Seller Material Adverse Effect.

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 Business (the "**Seller Licenses**"). Schedule 4.5 specifies the holder of each Seller License and whether or not such Seller License is transferable to Buyer.

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.

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 Business.

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 Business 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 Business 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. 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 terminated by Seller in its discretion and at its own expense (collectively, the "**Retained Personal Property Leases**").

4.9. Absence of Certain Events. Except as noted on Schedule 4.9 attached hereto, since December 31, 2013, with respect to the Business, to Seller's Knowledge there has not been:

(a) any material damage or destruction of any of the assets utilized in the Business by fire or other casualty, whether or not covered by insurance;

(b) 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; or

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

4.10. Legal Proceedings. Other than the Bankruptcy Case or as listed on Schedule 4.10, there is no action, suit, litigation, proceeding or investigation pending or, to Seller's Knowledge, threatened by or against Seller or any Member (but in the case of the Members, relating directly or, to Seller's Knowledge, indirectly to the Business 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 Business or the Acquired Assets. To Seller's Knowledge, neither Seller nor the Business 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.

4.11. Payment Programs.

(a) All Payment Programs in which Seller has participated at any time during the last three (3) years are listed on Schedule 4.11 attached hereto (the "**Seller Payment Programs**").

(b) Neither Seller, nor, to Seller's Knowledge, any of its respective officers, managers, directors or employees 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.

4.12. Compliance with Laws.

(a) Schedule 4.12 attached hereto lists all written claims and statements (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 material 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 Business; or (ii) any material 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 Business or any payment or reimbursement paid to Seller or the Business.

(b) Seller has not received any notice to the effect that, or otherwise been advised that, it or the Business is not in material compliance with any Laws, except as set forth on Schedule 4.12 attached hereto.

4.13. Employees.

(a) Seller has provided to Buyer a true and accurate list of each Seller Employee as of the Effective Date, together with such person's position, date of hire, current salary, and 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. Except as indicated on such list, no Seller Employee has an employment agreement with Seller.

(b) Except as set forth on Schedule 4.13(b), 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.

4.14. Benefit Plan. Schedule 4.14 attached hereto sets forth a list of each Employee Benefit Plan.

4.15. No Brokers. Except for Cain Brothers & Company, LLC, 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 Business.

4.16. 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.

4.17. Contracts.

(a) For purposes of this Agreement, "**Contracts**" means all agreements, contracts and commitments, written or oral, directly related to the Business, to which Seller is a party or by which Seller or the Acquired Assets or the Business 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 pursuant to which Seller receives any payment in excess of $10,000 per year (*e.g.*, any clinical study program). Schedule 4.17 contains a complete and correct list of Contracts, including a complete description for any oral Contracts. Each Contract is separately designated on Schedule 4.17 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) Seller has made no prepayments or deposits under any Contract except as set forth on Schedule 4.17.

4.18. Real Properties.

(a) Schedule 4.18(a) sets forth each parcel of real property owned by Seller and used in or necessary for the conduct of the Business as currently conducted (together with all buildings, fixtures, structures and improvements situated thereon and all easements, rights-of-way and other rights and privileges appurtenant thereto, collectively, the "**Owned Real Property**"), including with respect to each property, the address location and use. Seller has delivered to Buyer copies of the deeds and other instruments (as recorded) by which Seller acquired such parcel of Owned Real Property, and copies of all title insurance policies, opinions, abstracts and surveys in the possession of Seller with respect to such parcel. With respect to each parcel of Owned Real Property, except as set forth on Schedule 4.18(a):

(i) Seller has good and marketable fee simple title, free and clear of all Encumbrances;

(ii) Seller has not leased or otherwise granted to any Person the right to use or occupy such Owned Real Property or any portion thereof; and

(iii) there are no unrecorded outstanding options, rights of first offer or rights of first refusal to purchase such Owned Real Property or any portion thereof or interest therein.

(b) Schedule 4.18(b) sets forth each parcel of real property leased by Seller and used in the conduct of the Business as currently conducted (together with all rights, title and interest of Seller in and to leasehold improvements relating thereto, including security deposits, reserves or prepaid rents paid in connection therewith, collectively, the "**Leased Real Property**"), and a true and complete list of all leases, subleases, licenses, concessions and other agreements (whether written or oral), including all amendments, extensions renewals, guaranties

and other agreements with respect thereto, pursuant to which Seller holds any Leased Real Property (collectively, the "**Leases**"). Seller has delivered to Buyer a true and complete copy of each Lease. With respect to each Lease, except as set forth on Schedule 4.18(b):

(i) Seller has not subleased, assigned or otherwise granted to any Person the right to use or occupy such Leased Real Property or any portion thereof; and

(ii) Seller has not pledged, mortgaged or otherwise granted an Encumbrance on its leasehold interest in any Leased Real Property.

(c) Since January 1, 2014, Seller has not received any written notice of (i) material violations of building codes and/or zoning ordinances or other governmental or regulatory Laws affecting the Real Property, (ii) existing, pending or threatened condemnation proceedings affecting the Real Property, or (iii) existing, pending or threatened zoning, building code or other moratorium proceedings, or similar matters which could reasonably be expected to adversely affect the ability to operate the Real Property as currently operated. Neither the whole nor any material portion of any Real Property has been damaged or destroyed by fire or other casualty.

4.19. 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 4.19 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.

4.20. Insurance. Seller is, and will through the Closing Date be, insured with 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 4.20 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 4.20 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.

4.21. Intellectual Property. Schedule 4.21 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. Except as set forth on Schedule 4.21, Seller has not granted any person or entity any right or license to use any of the Intellectual Property for any purpose.

4.22. NO OTHER REPRESENTATIONS OR WARRANTIES. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE IV, NONE OF THE SELLERS NOR ANY OTHER PERSON ON BEHALF OF THE SELLERS MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WITH RESPECT TO ANY OF THE SELLERS OR WITH RESPECT TO ANY OTHER INFORMATION PROVIDED TO BUYER IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING AS TO THE PROBABLE SUCCESS OR

PROFITABILITY OF THE OWNERSHIP, USE OR OPERATION OF THE BUSINESS, AND THE ACQUIRED ASSETS FOLLOWING THE CLOSING.

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 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. Regulatory Compliance.

(a) 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.

(b) 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.

(c) Buyer will be, or will establish a "covered entity" as defined by HIPAA as of the Closing.

5.7. Confidentiality Practices. 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 Business 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 Business 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 Business with such of the patients, suppliers, physicians and other persons with which Seller has significant business relations so to preserve substantially intact the Business, 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 Business 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 Business, 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 Business 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;

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

(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 Seller's Knowledge, threatened against, relating to or involving or otherwise affecting Seller, the Business 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, Governmental Approvals, and Regulatory Agreements. If a Third-Party Consent, Governmental Approval, or Regulatory Agreement 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 work in good faith to modify the terms of this Agreement as may be necessary so that such Governmental Approval may be obtained or is no longer required in order to timely consummate a transaction (i) that will not constitute a change of ownership under Medicare laws and regulations; (ii) compliant with all applicable federal, state or other governmental laws, rules and regulations; and (iii) providing Buyer and Seller with the same economic result as contemplated by the terms of this Agreement.

6.4. 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 Business 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 thirty (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 (10) 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 Business 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 Business; *provided*, that, subject to the last two (2) 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 Business, 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 Business 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 thirty (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 (10) days following Buyer's delivery of such notice of intent.

(c) Notwithstanding anything in this Agreement to the contrary, Seller, Buyer, and any other persons in possession of any Acquired Assets shall not transfer, remove, destroy, alter or modify any books, records or documents, including ESI, that relate in any way to an Excluded Asset. Pursuant to the Sale Order, Seller and Buyer shall work cooperatively with the Committee to reach agreement concerning the scope of such retained records and how to preserve and store such retained records, and if the parties are unable to reach agreement they will seek a determination by the Bankruptcy Court.

6.5. 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 (subject to any limitation imposed by Law), Contracts and other documents and data related to the Business; (b) furnish Buyer and its

representatives with such financial, operating and other data and information related to the Business 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 Business. Any investigation pursuant to this **Section 6.5** shall be conducted in such manner as not to interfere unreasonably with the conduct of the Business 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.

6.6. Regulatory Agreements. Buyer shall have negotiated the Regulatory Agreements on terms acceptable to Buyer, and Buyer and Seller will have obtained all necessary Governmental Approvals, including but not limited to, any approvals required by the CMS, DCM, DOJ, and IRS, and any federal, state, or local healthcare or other agency or entity whose regulatory approval is required in order to consummate the transactions contemplated by this Agreement. Notwithstanding anything to the contrary in this Agreement, the Medicare provider agreements, provider numbers and CLIA certificates shall only be transferred to Buyer pursuant and subject to the requirements of section 365 of the Bankruptcy Code, by motion, or if appropriate or applicable, by Regulatory Agreement, and not as Assigned Contracts or Discovered Contracts, in accordance with and subject to the Sale Order.

6.7. Employment Matters.

(a) Effective as of the Closing Date, Buyer or an Affiliate of Buyer shall offer employment to (i) at least the minimum number of Seller Employees at each Business location as specified on Schedule 6.7 attached hereto and who are not represented by the 1199 SEIU United Healthcare Workers East (the "**Union**"), and (ii) each of the Seller Employees who are represented by the Union, on the terms and conditions of that certain Collective Bargaining Agreement by and between The Specialty Hospital of Washington-Hadley and SHW Hadley SNF and the Union, effective May 13, 2012 through April 30, 2015 (the "**CBA**"). Buyer has no obligation to offer employment to all Seller Employees other than those represented by the Union; *provided*, that, effective as of the Closing Date, Buyer or an Affiliate of Buyer shall provide comparable offers of employment to a sufficient number of Seller Employees at each of Seller's locations to avoid any mass layoff or plant closing under the federal WARN Act or applicable state laws requiring notice of mass layoffs or plant closings.

(b) To be eligible for hire by Buyer, Seller Employees must (i) to the extent permitted by Law, consent to the release of his or her employment files to Buyer or its Affiliate prior to Closing, (ii) pass a pre-employment drug test, background check, and physical exam, and (iii) have the unrestricted ability to provide federally reimbursed services. Subject to its obligations under this **Section 6.7**, 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 hereinafter referred to as "**Transferring Employees**". All compensation, benefits and corresponding Taxes accrued up to the Closing Date with respect to Transferring Employees shall constitute an Excluded Liability; *provided*, that Buyer shall assume liability for any wages, accrued vacation, sick and personal

days to which the Transferring Employees are entitled as of the Closing Date solely to the extent required by the Sale Order, subject to applicable statutory "caps", and only to the extent that such amounts have not previously been paid by Sellers as of the Closing Date pursuant to the Sale Order, the Bidding Procedures Order, or any other order of the Bankruptcy Court relating thereto (the "**Assumed Employee Amounts**"). Buyer and Seller shall agree on a schedule of the Assumed Employee Amounts, to be delivered at Closing.

(c) All Transferring Employees, other than those represented by the Union, 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 6.7** 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.

(d) 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 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 such time that Seller and its ERISA Affiliates no longer retain any employees.

(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) At least five (5) business days prior to the Closing, Buyer shall, and shall cause Buyer's designated management company (if any) to, execute an assumption agreement with the Union pursuant to Article 29(c) of the CBA, assuming the CBA as of the Closing. Effective as of the Closing, Buyer shall, and shall cause Buyer's designated management company (if any) to, assume and continue in full force and effect the CBA, and Buyer shall have sole responsibility for all obligations and liabilities arising under the CBA on or at any time after the Closing Date.

6.8. Discovered Contracts. At any time and from time to time after Closing and prior to the conversion or dismissal of the Bankruptcy Case, Buyer may designate one or more Discovered Contracts as an Assigned Contract upon written notice to the counterparty to such Discovered Contract, the Committee, and the United States. 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, and shall reimburse Seller or its successor for doing so. The counterparty, the Committee and the United States will have fifteen (15) Business Days' to object to either the proposed cure amount or the assumption. If the counterparties, the Committee (if it has objected), the United States (if it has objected), Seller and Buyer are unable to reach a consensual

resolution with respect to an objection to the cure amount or assumption of a Discovered Contract, Seller shall seek an expedited hearing before the Bankruptcy Court to determine the cure amount and approve the assumption; provided, however, that all costs, including legal fees, shall be paid by Buyer. If there is no objection, than Seller shall obtain an order from the Bankruptcy Court fixing the cure amount and approving the assumption of the Discovered Contract.

6.9. Good Standing. Each of SHA Management and SHA Holdings shall take all steps necessary to reinstate itself in good standing under the provisions of the laws of the State of Delaware prior to Closing.

6.10. Cooperation. Seller shall cooperate with Buyer and Buyer shall cooperate with Seller, in each case to ensure that the transaction contemplated in this Agreement is consummated, and the Seller shall make such modifications or supplements to the Assignment and Assumption Agreement and Bill of Sale or other document executed in connection with Closing to facilitate such consummation as contemplated in this Agreement (including, without limitation, adding, pursuant to the terms of this Agreement, such specific assets to such documents as may be reasonably requested by Buyer).

ARTICLE VII
CONFIDENTIALITY

7.1. Confidentiality.

(a) All information not disclosed to the public by Seller regarding the Business and the medical information of any patient currently receiving treatment or having previously received treatment at the Business 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 Business 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 (i) the Assignment and Assumption and Bill of Sale in the form attached hereto as **Exhibit A**, and (ii) the Release in the form attached hereto as **Exhibit B**, in each case 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 all Third-Party Consents, Governmental Approvals, and Regulatory Agreements in form and substance satisfactory to Buyer, effective as of the Closing Date.

(f) Buyer shall have entered into new or modified contracts, acceptable to Buyer in its sole discretion, to be effective as of the Closing, with those persons identified on Schedule 8.1(f) (including critical vendors and suppliers and applicable labor unions).

(g) 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.

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

(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 shall not have received any notice or notices pursuant to **Section 6.2** of this Agreement, and no event shall have occurred, that, individually or 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 Business or the Acquired Assets.

(k) Any and all liabilities of Seller to any of the CMS, DCM, IRS, DOJ, or the District of Columbia for (i) unpaid Taxes, (ii) qui tam liability, (iii) overpayments arising under any Payment Program, or (iv) any other obligations or liabilities, in each case arising prior to Closing, shall be capped, together with any recoupment and/or setoff rights of each and any of the foregoing governmental entities following Closing, at $4,520,000 (unless otherwise agreed to in writing by Buyer).

(l) The landlord under the Capitol Hill Lease shall be in full compliance with the terms of the Sale Support Agreement, including having addressed any deficiencies with respect to the Leased Real Property which have resulted in, or are reasonably likely to result in, a material adverse change in the conditions, liabilities, or operations of the Leased Real Property.

(m) The Capitol Hill Lease shall have been entered into between Buyer and the applicable landlord, to be effective as of the Closing, in accordance with the Sale Order.

(n) Buyer shall have received all consents and contract modifications as it may require in its sole discretion, with all Bankruptcy Court approvals required for the same, including leases of key medical equipment, beds, food service contracts, and utility contracts.

(o) There shall not have occurred any Event of Default under the DIP Facility.

If, following the entry of the Sale Order, all conditions in this **Section 8.1** have been satisfied except for the requirement in **Section 8.1(e)** that all Regulatory Agreements have been received, and if the period for Seller to satisfy this condition is extended for any Extension Term as contemplated in **Section** 3.2 above, then Buyer will fund such amounts as may be called for under the DIP Facility and in accordance with the Approved Budget (as defined therein), which

will address any additional Professional Fees incurred during such Extension Term; *provided*, that, if Buyer determines in good faith that either (i) the Regulatory Agreements required under **Section 8.1(e)** or (ii) the new or amended and restated Capitol Hill Lease required under **Section 8.1(m)** are not reasonably likely to be obtained, Buyer may deem the applicable closing conditions not capable of being satisfied and may declare an Event of Default under the DIP Facility, and any further obligation to fund additional advances shall immediately cease and be of no further force or effect.

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 (i) the Assignment and Assumption and Bill of Sale in the form attached hereto as **Exhibit A**, and (ii) the Release in the form attached hereto as **Exhibit B**, in each case dated and effective as of the Closing Date.

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
MISCELLANEOUS

9.1. 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 or Seller at any time after twenty-five (25) days following the entry of the Bidding Procedures Order, if the Sale Order has not been entered on or before such date; *provided* that, if all other conditions except for the obtainment of the Regulatory

Agreements have been satisfied, such date may be extended by Buyer, at its option, in accordance with the terms of this Agreement;

(c) 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;

(d) Subject to any extension rights of Buyer as expressly set forth herein under **Section 8.1** or otherwise, by either Buyer or Seller, if Closing has not occurred on or before the target Closing Date as the same may be extended in accordance with the terms of this Agreement;

(e) 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;

(f) By Buyer, upon a breach of, or failure to perform in any material respect, 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;

(g) By Buyer, upon the occurrence of an Event of Default by Seller under the DIP Facility; and

(h) 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 thirty (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.

9.2. Notice of Termination; Effect of Termination. If this Agreement is terminated by either Buyer or Seller pursuant to **Section 9.1(b)**, **Section 9.1(c)**, **Section 9.1(d)**, **Section 9.1(f)**, **Section 9.1(g)**, or **Section 9.1(h)** above, the terminating party will give prompt written notice thereof to the non-terminating party. Except as set forth in **Section 9.3** below, in the event of a termination pursuant to **Section 9.1**, 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.

9.3. Break Fee; Expense Reimbursement. If this Agreement is terminated pursuant to **Section 9.1(f)** or **Section 9.1(g)** above, then Seller shall pay to Buyer the amount of $1,500,000 (the "**Breakup Fee**") plus reimbursement of all reasonable expenses incurred in connection with Buyer's efforts to negotiate and consummate the purchase and sale of the Acquired Assets contemplated by this Agreement, up to $1,300,000 (the "**Expense Reimbursement**"); *provided*, that, if Buyer elects to seek specific performance pursuant to **Section 9.17** of this Agreement, then Buyer shall not be entitled to the Breakup Fee or the Expense Reimbursement. If this Agreement is terminated pursuant to **Section 9.1(c)**, then the Breakup Fee and Expense Reimbursement shall be payable from the proceeds of the replacement DIP financing or from the proceeds of an alternative transaction whereby the assets contemplated to be sold to Buyer are instead sold to a third party. The Breakup Fee and Expense Reimbursement shall constitute

administrative expense claims pursuant to section 503(b) of the Bankruptcy Code and shall have priority over all other administrative expense claims, subject to the Carveout. Notwithstanding any provision to the contrary in this Agreement, the Breakup Fee and Expense Reimbursement payable to Buyer shall not be recovered from the proceeds of chapter 5 claims or other estate litigation.

9.4. Survival of Representations and Warranties; Survival of Post-Closing Covenants. The parties hereto agree that the representations and warranties contained in this Agreement shall expire automatically and immediately upon the closing or earlier termination of this Agreement, and shall have no further force and effect after such time. The parties hereto agree that the covenants contained in this Agreement to be performed at or after the Closing shall survive in accordance with the terms of the particular covenant or until fully performed.

9.5. 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.

9.6. 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. Notwithstanding the foregoing, to the extent of any inconsistency between the terms of the Sale Order and the terms of this Agreement, the Sale Order shall prevail and terms of this Agreement shall be deemed modified by the Sale Order.

9.7. 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.

9.8. Counterparts. This Agreement may be executed in 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.

9.9. Law Governing Agreement; Bankruptcy Court Jurisdiction. This Agreement shall be construed and interpreted according to the internal laws of Delaware 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 f*orum 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.

9.10. 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.

9.11. 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.

9.12. Notices. All notices or other communications required or permitted hereunder must be in writing and will be deemed properly given three (3) business days after being sent by registered or certified mail, postage prepaid, to the parties at the address listed below:

If to Seller:

Specialty Hospital of Washington, LLC
700 Constitution Avenue NE
Washington, DC 20002-6058
Attn: Susan P. Bailey, Regional Chief Executive Officer

-with a copy (which shall not constitute notice) to-

Pillsbury Winthrop Shaw Pittman LLP
Four Embarcadero Center, 22nd Floor
San Francisco, California 94111-5998
Attn: Gerry Hinkley

and

Pillsbury Winthrop Shaw Pittman LLP
1540 Broadway

New York, New York 10036-4039
Attn: Andrew M. Troop

If to Buyer: DCA ACQUISITIONS, LLC
c/o Silver Point Capital, L.P.
Two Greenwich Plaza
Greenwich, Connecticut 06830
Attn: Thomas Banks

-with a copy (which shall not constitute notice) to-

Squire Patton Boggs (US) LLP
1 East Washington Street, Suite 2700
Phoenix, Arizona 85004
Attn: Craig D. Hansen or Christopher D. Johnson

9.13. 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.

9.14. 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.

9.15. 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.

9.16. 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.

9.17. Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that Buyer shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

ARTICLE X
BANKRUPTCY MATTERS AND CONDUCT OF AUCTION

10.1. Seller's Motions in Bankruptcy Court.

(a) Buyer acknowledges that Seller has filed and served a motion (the "**Sale Motion**") requesting that the Bankruptcy Court (i) schedule a final hearing to consider the Sale Motion ("**Sale Hearing**"), and (ii) enter the Sale Order on a date no later than twenty-five (25) days after entry of the Bidding Procedures Order. The Sale Motion requested that the sale of the Acquired Assets be free and clear of all Encumbrances to the fullest extent permitted under section 363(f) of the Bankruptcy Code.

(b) Seller agrees not to withdraw, amend, or otherwise unwind the Sale Motion without the consent of Buyer.

10.2. Bidding Procedures Order. Buyer acknowledges the entry of an order dated June 2, 2014 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:

(a) Scheduled the Sale Hearing for June 25, 2014;

(b) Scheduled an auction, if necessary, for June 23, 2014 (the "**Auction**");

(c) Approved payment of the Breakup Fee and the Expense Reimbursement;

(d) Provided 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;

(e) Provided 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 the Purchase Price, plus the Breakup Fee, plus the Expense Reimbursement, plus $100,000, (ii) a good faith deposit by wire transfer, certified or cashier's check, in the amount of ten percent (10%) of the initial bid to be held in escrow, (iii) an executed asset purchase agreement and a marked version showing any changes from this Agreement, and (iv) 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;

(f) Provided 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; and

(g) Provided 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 DIP Facility.

Buyer further acknowledges that Seller filed with the Bankruptcy Court a notice with respect to Cure Costs and served such notice on all necessary persons on or by June 6, 2014, and such notice 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.

10.3. Sale Order. Buyer acknowledges the entry of an order dated June 30, 2014 in the Bankruptcy Case approving the transactions contemplated hereunder under section 363 of the Bankruptcy Code (the "**Sale Order**"), and that such Sale Order is final and non-appealable.

10.4. 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 (to the extent only of its financial resources available therefor), 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 Agreement to be executed by their duly authorized representatives, as of the date first written above.

BUYER:

DCA ACQUISITIONS, LLC, a Delaware limited liability company

By: _____
Name: Michael Gatto
Title: Authorized Signatory

SELLER:

SPECIALTY HOSPITALS OF AMERICA, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SHA MANAGEMENT, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SPECIALTY HOSPITAL OF WASHINGTON-HADLEY, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SPECIALTY HOSPITAL OF WASHINGTON, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SPECIALTY HOSPITAL OF WASHINGTON-NURSING CENTER, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SHA HADLEY SNF, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SHA HOLDINGS, INC., a Delaware corporation

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

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 as of the [●] day of [●], 2014 (the "**Effective Date**"), by and among **Specialty Hospitals of America, LLC**, **SHA Management, LLC**, **Specialty Hospitals of Washington, LLC**, **Specialty Hospitals of Washington-Nursing Center, LLC**, **Specialty Hospital of Washington-Hadley, LLC**, **SHA Holdings, Inc.** ("**SHA Holdings**"), and **SHA Hadley SNF, LLC** (the foregoing are herein jointly and severally referred to as "**Seller**"), and **DCA Acquisitions, LLC** ("**Buyer**").

R E C I T A L S

WHEREAS, Seller and Buyer are parties to an Asset Purchase Agreement effective as of August 15, 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 (as 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 "**Discovered Contract**"), and Buyer follows the notice provision set forth in Section 6.8 of the Purchase Agreement, then, absent any objections, such Discovered Contract will be deemed assigned by Seller to Buyer and become 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 Delaware 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:

DCA ACQUISITIONS, LLC, a Delaware limited liability company

By: _____
Name: Michael Gatto
Title: Authorized Signatory

SELLER:

SPECIALTY HOSPITALS OF AMERICA, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SHA MANAGEMENT, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SPECIALTY HOSPITAL OF WASHINGTON-HADLEY, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SPECIALTY HOSPITAL OF WASHINGTON, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SPECIALTY HOSPITAL OF WASHINGTON-NURSING CENTER, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SHA HADLEY SNF, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SHA HOLDINGS, INC., a Delaware corporation

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

EXHIBIT B

RELEASE

THIS RELEASE is being entered into as of this [__] day of [_____], 2014, by Specialty Hospitals of America, LLC, SHA Management, LLC, Specialty Hospital of Washington, LLC, Specialty Hospital of Washington-Nursing Center, LLC, Specialty Hospital of Washington-Hadley, LLC, SHA Holdings, Inc., and SHA Hadley SNF, LLC (collectively, "**Sellers**") and DCA Acquisitions, LLC, a Delaware limited liability company ("**Buyer**"), in connection with that certain Asset Purchase Agreement, dated as of August 15, 2014 (as amended, modified or supplemented from time to time, the "**Purchase Agreement**"), by and among Buyer and Sellers, pursuant to which, among other things: (a) Sellers will sell, convey, assign, transfer and deliver to Buyer, and Buyer will purchase and acquire from Sellers, free and clear of any Encumbrances, the Acquired Assets; and (b) Buyer will assume the Assumed Liabilities. Unless the context otherwise requires, terms used in this Release that are capitalized and not otherwise defined herein will have the meanings given to them in the Purchase Agreement. Delivery of an executed signature page to this Release by facsimile or other electronic transmission (including in Adobe PDF format) will be as effective as delivery of a manually executed signature page to this Release.

1. The undersigned hereby acknowledge that the delivery of this Release is a condition to the consummation of the transactions contemplated by the Purchase Agreement.

2. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged:

(a) **Release by Sellers**. Sellers, on their own behalf, and on behalf of their respective heirs, beneficiaries, legal and personal representatives, successors, assigns and affiliates (collectively, the "**SHA Parties**"), hereby fully release, remise, acquit and discharge forever, irrevocably and unconditionally, Buyer and each of its parents, subsidiaries, divisions, affiliates, predecessors, successors and assigns, and their respective present and former directors, officers, shareholders, members, partners, employees, agents, attorneys, representatives, insurers, successors, beneficiaries, heirs and assigns (collectively, the "**Buyer Releasees**") from, against and with respect to any and all actions, accounts, agreements, causes of action, complaints, charges, claims, covenants, contracts, costs, damages, demands, debts, defenses, duties, expenses, executions, fees, injuries, interest, judgments, settlements, liabilities, losses, obligations, penalties, promises, reimbursements, remedies, suits, sums of money, and torts of any kind and nature whatsoever, whether in law, equity or otherwise, direct or indirect, fixed or contingent, foreseeable or unforeseeable, liquidated or unliquidated, known or unknown, matured or unmatured, absolute or contingent, determined or determinable (collectively, the "**Claims**" and each individually, a "**Claim**"), which the Sellers, any of the SHA Parties, their respective successors, affiliates and assigns, or anyone claiming through or under Sellers or any of the SHA Parties, ever had or now has, against the Buyer Releasees for or by reason of any matter, cause or thing whatsoever arising out of, or relating to, the Acquired Assets or the Business; except, that, this Release will not be construed to release the Buyer Releasees from any of their respective obligations under the Purchase Agreement or any of the other Acquisition Agreements, or from any rights,

claims or objections the Sellers or their bankruptcy estates may possess as against the Buyer solely as they relate to the BB&T Debt, and only to the extent of any willful misconduct related to the BB&T Debt after the purchase thereof.

(b) **Release by Buyer**. Buyer, on its own behalf, and on behalf of its respective heirs, beneficiaries, legal and personal representatives, successors, assigns and affiliates (collectively, the "**DCA Parties**"), hereby fully releases, remises, acquits and discharges forever, irrevocably and unconditionally, Sellers and each of their parents, subsidiaries, divisions, affiliates, predecessors, successors and assigns, and their respective present and former directors, officers, shareholders, members, partners, employees, agents, attorneys, representatives, insurers, successors, beneficiaries, heirs and assigns (collectively, the "**Seller Releasees**") from, against and with respect to any and all Claims which Buyer, any of the DCA Parties, their respective successors, affiliates and assigns, or anyone claiming through or under Buyer or any of the DCA Parties, ever had or now has, against the Seller Releasees for or by reason of any matter, cause or thing whatsoever arising out of, or relating to, the Acquired Assets or the Business; except, that, this Release will not be construed to release the Seller Releasees from (i) any of their respective obligations under the Purchase Agreement or any of the other Acquisition Agreements, (ii) any of their respective obligations with respect to the BB&T Debt, except to the extent that Buyer credit-bids some or all of the amounts thereunder in connection with the sale process contemplated by the Purchase Agreement, and further provided that the BB&T Debt will be subordinated to allowed general unsecured claims in the Seller's Bankruptcy Case, and (iii) any of their respective obligations as guarantors with respect to the BB&T Debt purchased by Buyer, except to the extent that Buyer credit-bids some or all of the amounts related thereto.

3. Sellers and Buyer represent and warrant that none of them has assigned, subrogated or transferred any of the Claims and that there are no additional entities or persons affiliated with the respective releasing parties that are necessary to effectuate the release and extinguishment contemplated herein. The releasing parties agree to indemnify, defend, and hold harmless each released party from any such assignment, subrogation, or transfer of Claims.

4. Sellers and Buyer agree that neither this Release, nor the furnishing of the consideration for this Release will be deemed or construed at any time to be an admission by any of them of any improper or unlawful conduct.

5. Sellers and the SHA Parties, on their own behalf, and Buyer and the DCA Parties, on their own behalf, hereby irrevocably covenant to refrain from, directly or indirectly, asserting any Claim, or commencing, instituting or causing to be commenced, any proceeding of any kind against any released party, based upon any matter purported to be released by this Release.

6. This Release may be pleaded by the applicable released parties as a full and complete defense and may be used as the basis for an injunction against any action at law or equity instituted or maintained against them in violation of this Release. If any Claim is brought or maintained by any releasing party against a released party in violation of this Release, then the releasing party will be responsible for all costs and expenses, including, without limitation, attorneys' fees, incurred by the released parties in defending same.

7. The parties acknowledge that any of the Sellers or Buyer may hereafter discover facts different from or in addition to those now known, or believed to be true, regarding the subject matter of this Release and further acknowledges that this Release will remain in full force and effect, notwithstanding the existence of any different or additional facts.

8. This Release is to be governed by and construed and interpreted in accordance with the laws of the State of Delaware without regard to any conflicts of law doctrine.

9. This Release has been negotiated by Sellers and Buyer, and their respective legal counsel, and legal or equitable principles that might require the construction of this Release or any provision hereof against the party drafting this Release will not apply in any construction or interpretation of this Release. The provisions of this Release will be interpreted in a reasonable manner to effect the intentions of the parties and beneficiaries hereto and of this Release.

10. The Sellers and Buyer, on their and its respective own behalf, represent and warrant that, in executing this Release, each of them does so with full knowledge of any and all rights that they may have with respect to the matters set forth and the Claims released in this Release, that they have received independent legal advice with respect to the matters set forth and the Claims released in this Release and with respect to the rights and asserted rights arising out of such matters, and that each of them is entering into this Release of their own free will.

11. Whenever possible, each provision of this Release will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Release will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. The remedies provided herein are cumulative and not exclusive of any remedies provided by applicable law.

12. Each of the provisions of this Release will be binding upon and inure to the benefit of the released parties and their respective heirs, beneficiaries, legal and personal representatives, successors and assigns. This Release supersedes all prior agreements, if any, whether oral or written, pertaining to all or any portion of the terms hereof. This Release may not be changed, modified, altered, interlineated, or supplemented, nor may any covenant, representation, warranty, or other provision hereof be waived, except by agreement in writing signed by the party or beneficiary against whom enforcement of the change, modification, alteration, interlineation, supplementation, or waiver is sought.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the Sellers and Buyer, each in their respective capacities as releasing parties, have signed and delivered this Release as of the day and year first written above.

BUYER:

DCA ACQUISITIONS, LLC,
a Delaware limited liability company

By:_____
Name: Michael Gatto
Title: Authorized Signatory

SELLER:

SPECIALTY HOSPITALS OF AMERICA, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SHA MANAGEMENT, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SPECIALTY HOSPITAL OF WASHINGTON-HADLEY, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SPECIALTY HOSPITAL OF WASHINGTON, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SPECIALTY HOSPITAL OF WASHINGTON-NURSING CENTER, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SHA HADLEY SNF, LLC, a Delaware limited liability company

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

SHA HOLDINGS, INC., a Delaware corporation

By: _____
Name: Edwin Clark
Title: Senior Vice President and Chief Financial Officer

Annex I

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, the Release, 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.

"**Allocation**" has the meaning set forth in the **Section 2.3** of this Agreement.

"**Assigned Contract**" has the meaning set forth in **Section 4.17** of this Agreement.

"**Assigned Personal Property Leases**" has the meaning set forth in **Section 4.8** of this Agreement.

"**Assumed Employee Amounts**" has the meaning set forth in **Section 6.7(b)** 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 10.2(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.

"**BB&T**" means Branch Banking and Trust Company, together with its Affiliates.

"**BB&T Debt**" means the amount of debt originally owing to BB&T pursuant to the BB&T Loan Facility in the approximate face amount of $40.1 million, which debt was purchased by and assigned to Buyer on May 30, 2014.

"**BB&T Loan Facility**" means the Business Loan and Security Agreements, dated as of March, 2008, by and between Seller and BB&T, originally as lender, pursuant to which BB&T made certain revolving and term loans to Seller, secured by security interest in substantially all of Seller's assets.

"**Bidding Procedures Order**" has the meaning set forth in **Section 10.2** of this Agreement.

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

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

"**Capitol Hill Lease**" means the amended and restated lease agreement between Buyer and the landlord for the Leased Real Property, in form and substance satisfactory to Buyer in is sole discretion.

"**Carveout**" means (i) the payment of U.S. Trustee fees, (ii) the payment of all court-approved fees and expenses of professionals retained by the Borrowers, professionals retained by the Committee, and the patient care ombudsman appointed in the Bankruptcy Case (collectively, the "**Professional Fees**") incurred during the Bankruptcy Case in accordance with the Approved Budget prior to the occurrence of an Event of Default by Seller under the DIP Facility, but that remain unpaid as of such date, in an amount not to exceed the aggregate amount set forth in the Approved Budget (without regard to any permitted variance under the Approved Budget) for the time period up to the date of an Event of Default and (iii) an amount up to $250,000 for the payment of Professional Fees incurred from and after the occurrence of an Event of Default by Seller under the DIP Facility following entry of the final order approving it. Capitalized terms used in this definition but not otherwise defined in this Agreement have the meanings given them in the interim DIP order filed in the Bankruptcy Court on June 2, 2014.

"**CBA**" has the meaning set forth in **Section 6.7(a)** of this Agreement.

"**Claim**" has the meaning given that term in Section 101(5) of the Bankruptcy Code and includes 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.

"**CMS**" means the Centers for Medicare and Medicaid Services.

"**COBRA**" has the meaning set forth in **Section 6.7(d)** of this Agreement.

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

"**Committee**" means the official committee of unsecured creditors in the Bankruptcy Case.

"**Competing Bid**" has the meaning set forth in **Section 10.2(f)** of this Agreement.

"**CON**" means a certificate of need issued by a governmental or quasi-governmental authority.

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

"**Contract**" has the meaning set forth in **Section 4.17** of this Agreement.

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

"**DCM**" means the Medicaid programs administered by the District of Columbia Department of Healthcare Finance.

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

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

"**DOJ**" means the United States Department of Justice.

"**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), conditions, equitable interests, security interests, community property interests, mortgages, pledges, options, warrants, purchase rights, easements, encroachments, rights of way, deed restrictions, defects or imperfections of title, covenants, restrictions, charges or claims of any kind, rights of first refusal, rights of set-off, or restrictions of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

"**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(n) of the Code; or (iv) any other person or entity treated as an Affiliate of Seller under Section 4l4(o)of the Code.

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

"**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.

"**Extension Term**" has the meaning set forth in **Section 8.1(e)** 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.

"**HIPAA**" has means the Health Insurance Portability and Accountability Act of 1996, as amended.

"**Intellectual Property**" means all recipes, patents, inventions, 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.

"**IRS**" means the United States Internal Revenue Service.

- "**JWR**" means JWR Realty, LLC.

- "**JWR Loan Facility**" means, collectively, the Senior Subordinated Note Agreement and the Security Agreement, both dated as of November 28, 2005, by and between Seller and JWR, as lender, pursuant to which JWR made term loans to Seller. The JWR Loan Facility is secured by security interests, junior to those in favor of BB&T and NCB, in substantially all of Seller's assets.

"**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 and, in the case of Seller, that are material to the Business.

"**Leased Real Property**" has the meaning set forth in **Section 4.18(b)**.

"**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, Medicaid, 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 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**" means the members of Specialty Hospitals of America, LLC as set forth on Schedule 4.6.

"**NCB**" means National Capitol Bank of Washington.

"**NCB Loan Facility**" means, collectively, the Promissory Note, Commercial Security Agreement, and Security Agreement-Pledge, each dated as of March 12, 2013, by and between Seller and NCB, as lender, pursuant to which NCB made term loans to Seller. The NCB Loan Facility is secured by security interests, junior to those in favor of BB&T, in substantially all of Seller's assets.

"**Owned Real Property**" has the meaning set forth in **Section 4.18(a)**.

"**Payment Programs**" means Medicare, Medicaid, TRICARE, DCM, 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.

"**Person**" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

"**Personal Property Leases**" has the meaning set forth in **Section 4.8** of this Agreement.

"**Premises**" means all real property used by Seller in connection with the Business, as described on Schedule 4.18 to this Agreement.

"**Prepetition Loan Facilities**" means, collectively, the BB&T Loan Facility, the NCB Loan Facility, and the JWR Loan Facility.

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

"**Real Property**" means, collectively, the Owned Real Property and Leased Real Property.

"**Real Property Leases**" means the real property leases set forth on Schedule 4.18(b) of this Agreement.

"**Regulatory Agreements**" means the approvals and agreements, in form and substance satisfactory to Buyer in its sole discretion, with each of the CMS, DCM (including the obtainment of a new provider number and provider agreement), the DOJ, and the IRS.

"**Retained Contract**" has the meaning set forth in **Section 4.17** of this Agreement.

"**Retained Personal Property Leases**" has the meaning set forth in **Section 4.8** of this Agreement.

"**Sale Hearing**" has the meaning set forth in **Section 10.1(a)** of this Agreement.

"**Sale Motion**" has the meaning set forth in **Section 10.1(a)** of this Agreement.

"**Sale Order**" has the meaning set forth in **Section 10.3** of this Agreement.

"**Sale Support Agreement**" means that certain Landlord Sale Support Agreement Term Sheet between Buyer and Capitol Hill Group, a California non-profit mutual benefit corporation (as landlord of the Leased Real Property), as provided in the Sale Order.

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

"**Seller Employees**" means the individuals employed by Seller primarily in connection with the operation of the Business immediately prior to the date hereof or the Closing, including in each case all such individuals on leave of absence, vacation, sick leave, short-term disability, military leave, jury duty or bereavement leave.

"**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 Business 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 4.11(a)** of this Agreement.

"**Seller's Knowledge**" means the actual or constructive knowledge of James W. Rappaport, Robert E. Rummler, Sr., and Frank J. Wilich, Jr.

"**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.

"**Taxes**" means all taxes of any type or nature whatsoever assessed by any federal, state, local, or other taxing authority, 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.

"**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 6.7(b)** of this Agreement.

"**Union**" has the meaning set forth in **Section 6.7(a)** of this Agreement.