



ENTERED
07/29/2008

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:	§	
	§	
NORTH BAY GENERAL HOSPITAL, INC.,	§	CASE NO. 08-20368
	§	(CHAPTER 11)
DEBTOR.	§	

FINAL ORDER (1) AUTHORIZING DEBTOR-IN-POSSESSION TO OBTAIN FINANCING, GRANT SECURITY INTERESTS AND ACCORD SUPER ADMINISTRATIVE PRIORITY STATUS AND GRANTING A PRIMING LIEN PURSUANT TO SECTIONS 364(c), 364(d)(1)(B), 503(b) and 507(b) OF THE BANKRUPTCY CODE; AND (2) AFFORDING ADEQUATE PROTECTION

The Court has considered North Bay General Hospital, Inc. (“Debtor”)’s Emergency Motion of Debtor for Interim Order (1) Authorizing Debtor-in-Possession to Obtain Financing, Grant Security Interests and Accord Super Administrative Priority Status and Granting a Priming Lien Pursuant to Sections 364(c), 364(d)(1)(B), 503(b) and 507(b) of the Bankruptcy Code; (2) Affording Adequate Protection; and (3) Giving Notice of Final Hearing Pursuant to Bankruptcy Rule 4001(b)(2) and (c)(2) (“Emergency Motion”).

1. This Court previously held an initial hearing on the Emergency Motion on July 11, 2008 and signed an Interim Order. This Court has core jurisdiction over the Bankruptcy Case, the Emergency Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334.

2. Under the circumstances, the notice given by the Debtor of the Motion and Final Hearing constitutes due and sufficient notice thereof and complies with Bankruptcy Rule 4001(c).

3. The Debtor is hereby authorized to borrow pursuant to the DIP Financing Agreement as that term is defined in the Emergency Motion. Any and all advances by Northern Healthcare Corporation (“Northern”) under or in connection with the DIP Financing Agreement, specifically including but not limited to advances under Section 2.1, advances in excess of the permissible levels set forth therein, or advances pursuant to an increase in Facility Cap, shall be referred to herein as the “DIP Financing”. The Debtor is authorized and directed to do and perform all acts, to make, execute and deliver all instruments and documents, and to pay all fees, that may be reasonably required or necessary for the Debtor’s performance of the DIP Financing, including the execution, delivery and performance under the DIP Financing Agreement. The DIP Financing Agreement executed by Jay Stacy, President of the Debtor, shall constitute a valid and binding obligation of the Debtor, enforceable against the Debtor in accordance with the terms of the DIP Financing Agreement.

4. The Court finds that the Debtor is unable to obtain adequate unsecured credit allowable under Section 503(b)(1) of the Bankruptcy Code as an administrative expense, and a facility in an amount and on the terms provided by the DIP Financing is unavailable to the Debtor without the Debtor granting Northern the post-petition liens and the super priority claims. The terms of the DIP Financing are fair and reasonable, reflect the Debtor’s exercise of prudent business judgment consistent with their fiduciary duties and are supported by reasonably equivalent value and their consideration. The DIP Financing has been negotiated in good faith and arm’s length between the Debtor and Northern.

5. It appears that Northern has an aggregate pre-petition loan of approximately \$5,070,000.00, evidenced by three separate loans to the Debtor secured by, among other things, the Debtors’ pre-petition accounts receivable inventory and real estate. It appears that the Deed

of Trust has been filed of record in San Patricio County, Texas, and a UCC-1 financing statement has been filed with the Texas Secretary of State.

6. It appears, preliminarily, that MARCAP Corporation has a lien on certain furniture and fixtures of the Hospital and is owed approximately \$700,000.00.

7. It appears, preliminarily, that Hewlett-Packard Financial Services Co. ("H-P") has a secured claim in the amount of approximately \$114,000.00 which is secured by a judgment lien which has been abstracted by filing such lien in San Patricio County Texas; and H-P asserts that it is the owner of certain Compaq and Dell computer equipment and software as described in certain written base schedules (the "H-P Equipment"). The Debtor and Northern disagree with H-P's ownership assertion.



8. Based on the Emergency Motion and the Declaration of Jay Stacy, it appears that the value of the Hospital as a going concern is approximately \$10,600,000.00. Therefore, it appears that there is an equity cushion of approximately \$5,000,000.00.


9. The Court finds that the Debtor and Northern engaged in good faith, arms length negotiations regarding the terms of the DIP Financing Agreement.

10. The Court finds that Jay Stacy is the President of the Debtor, has the authority and is empowered to execute the DIP Financing Agreement on behalf of the Debtor and to bind the Debtor by his signature to the terms of the DIP Financing Agreement. Pursuant to the Court's interim order [Docket #21], the Debtor executed the DIP Financing Agreement, which was attached to the Emergency Motion as Exhibit A.

11. The Court finds that sufficient notice of the motion has been given and no other or further notice is necessary; it is therefore

ORDERED that Northern shall have a first priority security interest in the Debtor's post-petition accounts receivable and receive a priming lien in and to the Debtors pre-petition assets provided that the collateral securing the priming lien shall be used only in the event that the post-petition collateral accounts receivable are insufficient to satisfy the post-petition credit extended by Northern pursuant to the DIP Financing, it is further;

 ORDERED that the lien of Northern to secure the DIP Financing, together with all interest fees and other charges (including, without limitation, ^{reasonable} legal fees) at any time or times payable by the Debtor to Northern pursuant to the DIP Financing Agreement shall be secured by security interests in and liens in favor of Northern with respect to all the Debtors pre-petition and post-petition assets (real and personal), including, without limitation all of the Debtors' cash, accounts, inventory, equipment, fixtures, general intangibles, documents, instrument, chattel paper, deposit accounts, letter-of-credit rights, commercial tort claims, investment property, and books and records relating to any assets of the Debtor and all proceeds (including insurance proceeds) of the foregoing, whether now in existence or hereafter created, acquired or arising and wherever located (all such real and personal property, and the proceeds thereof, being collectively referred to as the "Collateral"); it is further 

ORDERED that the claim of Northern for its post-petition DIP Financing shall A) have priority over any and all other administrative expenses pursuant to Section 364(c)(1) of the Bankruptcy Code with priority over any and all administrative expenses of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims under Sections 105, 376, 328, 330, 331, 506(c), 507(a) or 726 of the Bankruptcy Code, subject only to the Carve Out. For purposes here, the "Carve Out" means i) all fees required to be paid to the Clerk of the Bankruptcy Court and to the U.S. Trustee under Section 1930(a) of title 28 of the U.S. Code; and ii) attorneys' fees for the Debtor's counsel as 

approved by the Bankruptcy Court in the amounts not to exceed the amounts set forth in the Budget; B) pursuant to 364(c)(2) of the Bankruptcy Code shall be deemed a perfected first priority senior security interest in and lien upon all Collateral that, as of the Petition Date, is not subject to valid, perfected and non-avoidable liens; and C) pursuant to Section 364(d)(1) of the Bankruptcy Code, Northern is hereby granted a perfected first priority senior priming security interest in and lien upon all pre and post petition property of the Debtor, whether now existing or here after required, that is subject to the existing liens presently securing the pre-petition Debt; it is further

ORDERED that pending further order of this Court granting final allowance of Northern's pre-petition secured claim as set forth herein, that Northern for adequate protection of its Pre-Petition Revolver may apply payments of pre-petition accounts receivable to the Pre-Petition Revolver. The Court finds that such application, pending further order of the Court finally approving same, benefits the Debtor's bankruptcy estate as it reduces the interest carry attributable to Northern's asserted over secured first lien position in the Debtor's pre-petition accounts receivable; it is further

ORDERED that as adequate protection for the pre-petition secured creditors – and only in the same priority as existed pre-petition among such pre-petition secured creditors – including but not limited to MARCAP, Hewlett-Packard and Northern and pursuant to section 364(d)(1) of the Bankruptcy Code – but only in the event that the post-petition receivables are insufficient to satisfy the post-petition credit extended by Northern pursuant to the DIP Financing – the pre-petition secured creditors are granted a super priority allowed claim pursuant to section 507(b) of the Bankruptcy Code, immediately junior to the claims under section 364(c) (1) of the Bankruptcy Code held by the Northern for their DIP Financing (subject and subordinate to the carve out and valid and perfected liens which are senior (after giving effect to the proposed Order) to the Liens granted to the DIP Lender pursuant to the proposed Order); and effective

upon the Filing Date and without the necessity of execution by the Debtor of, or filing or recordation by the pre-petition secured creditors of, mortgages, security agreements, pledge agreements, financing statements or otherwise, valid and perfected replacement security interests in, and liens upon all of the Collateral, having a priority immediately junior to the priming and other liens granted in favor of Northern for the DIP Financing hereunder (subject and subordinate to the carve out and valid and perfected liens which are senior (after giving effect to the Proposed Order) to the Liens granted to Northern pursuant to the Proposed Order);

ORDERED that notwithstanding anything contained in the Emergency Motion or this Order to the contrary, nothing herein shall affect the rights of Texas Health & Human Services Commission ("HHSC") and Texas Department of State Health ("DSHS"), the Center for Medicare and Medicaid Services ("CMS"), a part of the department of Health and Human Services, from exercising their rights of recoupment, but the Debtor In Possession or Trustee shall retain its right to exhaust administrative remedies to contest the dollar amount of any recoupment(s) effectuated or to contest said amounts before this Court, if this Court has jurisdiction thereof. HHSC, DSHS and CMS respectfully reserve the right to contest the exercise of this courts jurisdiction over any disputed recoupment amount and to argue in favor of having such matter(s) heard before the administrative tribunal(s) that regularly adjudicate such issues; it is further

ORDERED that notwithstanding any provision of the Emergency Motion or this Order, nothing in this Order shall preclude any subsequently appointed trustee from seeking to recover under 11 U.S.C. § 506(c) the reasonable and necessary costs of the orderly closing of the hospital including but not limited to matters pertaining to medical records retention, liquidation of the

hospital pharmacy, disposal of radioactive sources, disposal of hazardous medical waste. Northern's rights to contest such a 11 U.S.C. § 506(c) claim shall be fully preserved.

ORDERED that H-P asserts that it owns the H-P Equipment, the Debtor and Northern reserve any and all rights, claims and defenses they may have regarding the H-P assertions, but agree that the H-P Equipment shall not be affected by Northern's priming lien; it is further

ORDER that in the event an official unsecured creditors' committee is appointed and the committee obtains approval to engage counsel and engages counsel, and/or the Court appoints a privacy or patient care ombudsman, the U.S. Trustee, Northern and the Debtor shall attempt to negotiate an adequate carve out for the payment of those fees; and if unsuccessful, the U.S. Trustee, Committee counsel or the ombudsman may file a motion seeking an appropriate carve out.

SIGNED THIS 29th day of July 2008.


JEFF BOHM
UNITED STATES BANKRUPTCY JUDGE

APPROVED AND ENTRY REQUESTED:

By: /s/ Michael J. Durrschmidt
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ATTORNEY FOR NORTH BAY
GENERAL HOSPITAL, L.P

CREDIT AND SECURITY AGREEMENT

between

**NORTH BAY GENERAL HOSPITAL, INC.,
Debtor-in-Possession**

as Borrower

and

NORTHERN HEALTHCARE CAPITAL, LLC

as Lender

**Dated as of
[], 2008**

CREDIT AND SECURITY AGREEMENT

Table of Contents

	Page
I. DEFINITIONS.....	1
1.1 General Terms	1
1.2 Specific Terms.....	1
II. ADVANCES, PAYMENT AND INTEREST.....	14
2.1 Advances	14
2.2 Evidence of Obligations; Maturity	15
2.3 Interest.....	16
2.4 Revolving Facility Disbursements; Requirement to Deliver Borrowing Certificate.....	16
2.5 Revolving Facility Collections; Repayment; Borrowing Availability and Lockbox	17
2.6 Promise to Pay; Manner of Payment.....	19
2.7 Repayment of Excess Advances.....	19
2.8 Payments by Lender	19
2.9 Grant of Security Interest; Collateral	20
2.10 Collateral Administration	20
2.11 Power of Attorney	22
III. FEES AND OTHER CHARGES.....	23
3.1 Facility Fee	23
3.2 [Intentionally Omitted].....	23
3.3 Collateral Management Fee.....	23
3.4 Intentionally Omitted]	23
3.5 [Intentionally Omitted].....	23
3.6 Computation of Fees; Lawful Limits	23
3.7 Default Rate of Interest	24
IV. CONDITIONS PRECEDENT	24
4.1 Conditions to Initial Advance and Closing	24
4.2 Conditions to Each Advance	26
V. REPRESENTATIONS AND WARRANTIES.....	27
5.1 Organization and Authority.....	27
5.2 Loan Documents.....	27
5.3 Subsidiaries, Capitalization and Ownership Interests	28
5.4 Properties.....	28
5.5 Other Agreements, Judgments	28

5.6	[Intentionally Omitted]	28
5.7	Hazardous Materials	28
5.8	Tax Returns, Governmental Reports	29
5.9	Financial Statements and Reports	29
5.10	Compliance with Law	29
5.11	Intellectual Property	30
5.12	Licenses and Permits; Labor	30
5.13	Disclosure	30
5.14	[Intentionally Omitted]	30
5.15	Agreements with Affiliates	30
5.16	Insurance	31
5.17	Names, Location of Offices, Records and Collateral	31
5.18	Non-Subordination	31
5.19	Accounts	31
5.20	Healthcare Law Compliance	32
5.21	Reliance on Representations; Survival	32
VI.	AFFIRMATIVE COVENANTS	32
6.1	Financial Statements, Reports and Other Information	33
6.2	Payment of Obligation	35
6.3	Conduct of Business and Maintenance of Existence and Assets	35
6.4	Compliance with Legal and Other Obligations	36
6.5	Insurance	36
6.6	True Books	36
6.7	Inspection; Period Audits	37
6.8	Further Assurances; Post Closing	37
6.9	Payment of Indebtedness	37
6.10	Lien Terminations	37
6.11	Use of Proceeds	37
6.12	Collateral Documents; Security Interest in Collateral	38
6.13	[Intentionally Omitted]	38
6.14	Taxes and Other Charges	38
6.15	Payroll Agent	39
6.16	Brokers and Finders	39
VII.	NEGATIVE COVENANTS	39
7.1	Financial Covenants	39
7.2	Permitted Indebtedness	40
7.3	Permitted Liens	40
7.4	Investments, New Facilities or Collateral; Subsidiaries	41
7.5	Dividends; Redemptions	41
7.6	Transactions with Affiliates	41
7.7	Charter Documents; Fiscal Year; Dissolution; Use of Proceeds	42
7.8	[Intentionally Omitted]	42
7.9	Management	42

7.10	Truth of Statements	42
7.11	IRS Form 8821	43
VIII.	EVENTS OF DEFAULT	43
IX.	RIGHTS AND REMEDIES AFTER DEFAULT.....	45
9.1	Rights and Remedies	45
9.2	Application of Proceeds	46
9.3	[Intentionally Omitted].....	47
9.4	Rights and Remedies not Exclusive	47
X.	WAIVERS AND JUDICIAL PROCEEDINGS	47
10.1	Waivers.....	47
10.2	Delay; No Waiver or Defaults.....	47
10.3	Jury Waiver	48
10.4	Cooperation in Discovery and Litigation	48
XI.	EFFECTIVE DATE AND TERMINATION	48
11.1	Effectiveness and Termination	48
11.2	Survival	49
XII.	MISCELLANEOUS	49
12.1	Governing Law; Jurisdiction; Service of Process; Venue.....	49
12.2	Successors and Assigns; Participants; New Lenders	49
12.3	Application of Payments	50
12.4	Indemnity.....	50
12.5	Notice	51
12.6	Severability; Captions; Counterparts; Facsimile Signatures	51
12.7	Expenses.....	51
12.8	Entire Agreement	52
12.9	Lender Approvals	52
12.10	[Intentionally Omitted].....	52
12.11	Release of Lender.....	52

ANNEX I
Financial Covenants

CREDIT AND SECURITY AGREEMENT

THIS CREDIT AND SECURITY AGREEMENT (the "Agreement") dated as of [], 2008, is entered into between NORTH BAY GENERAL HOSPITAL, INC., Debtor-in-possession, a Texas corporation (the "Borrower"), and NORTHERN HEALTHCARE CAPITAL, LLC, a New York limited liability company (the "Lender").

WHEREAS, Lender has previously loaned certain amounts to North Bay General Hospital, Inc. which are secured by North Bay General Hospital, Inc.'s personal and real property;

WHEREAS, North Bay General Hospital, Inc. has filed a petition under Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") in Case No. 08-20368 (the "Bankruptcy Case");

WHEREAS, Borrower has requested that Lender make available to Borrower a revolving credit facility (the "Revolving Facility") in the initial maximum principal amount at any time outstanding of up to One Million Dollars (\$1,000,000) (such amount, together with such increases as may be made pursuant to Section 2.1(c), the "Facility Cap"), the proceeds of which shall be used by Borrower to provide for its working capital needs; and

WHEREAS, Lender is willing to make the Revolving Facility available to Borrower upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which hereby are acknowledged, Borrower and Lender hereby agree as follows:

I. DEFINITIONS

1.1 General Terms

For purposes of this Agreement, in addition to the definitions above and elsewhere in this Agreement, the terms listed below shall have the meanings set forth. All capitalized terms used which are not specifically defined shall have meanings provided in Article 9 of the UCC to the extent the same are used or defined therein. Unless otherwise specified herein, any agreement or contract referred to herein shall mean such agreement as modified, amended or supplemented from time to time. Unless otherwise specified, as used in the Loan Documents or in any certificate, report, instrument or other document made or delivered pursuant to any of the Loan Documents, all accounting terms not defined elsewhere in this Agreement shall have the meanings given to such terms in and shall be interpreted in accordance with GAAP.

1.2 Specific Terms

"Account Debtor" shall mean any Person who is obligated under an Account.

“Accounts” shall mean all of Borrower’s (i) accounts (as that term is defined in the UCC), (ii) payment intangibles (as that term is defined in the UCC), and (iii) all other rights of payment, collection or reimbursement (whether owed directly to Borrower or assigned to Borrower by a patient or other third party), whenever due, that arose out of, or will arise out of, the rendering whether before or after the date of this Agreement of Healthcare Services, and including, without limitation, all of Borrower’s rights of payment, collection or reimbursement with respect to such Healthcare Services from any insurer, federal or state government agency or other third party; whether billed on a fee for service, monthly per patient capitation charge or any other basis, whether or not the accounts, payment intangibles, or rights of payment, collection or reimbursement have been invoiced or billed, written off, partially paid, currently assigned to collection agencies or other third party service vendors. Without limiting the foregoing, Accounts shall also include all monies due or to become due to Borrower and obligations to Borrower in any form (whether arising in connection with contracts, contract rights, Instruments, or Chattel Paper) with respect to Healthcare Services, in each case whether or not earned by performance, now or hereafter in existence, and all documents of title or other documents representing any of the foregoing, and all collateral security and guaranties of any kind, now or hereafter in existence, given by any Person with respect to any of the foregoing.

“Advance” shall mean a borrowing under the Revolving Facility. Any amounts paid by Lender on behalf of Borrower under any Loan Document shall also be an Advance for purposes of this Agreement.

“Affiliate” shall mean, as to any Person, any other Person (a) that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person, (b) who is a director or officer (i) of such Person, (ii) of any Subsidiary of such Person, or (iii) of any Person described in clause (a) above with respect to such Person, or (c) which, directly or indirectly through one or more intermediaries, is the beneficial or record owner (as defined in Rule 13d-3 of the Securities Exchange Act of 1934, as amended, as the same is in effect on the date hereof) of ten percent (10%) or more of any class of the outstanding voting stock, securities or other equity or ownership interests of such Person. For purposes of this definition, the term “control” (and the correlative terms, “controlled by” and “under common control with”) shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the administrative management or policies (even without the power to direct or cause the direction of the clinical/medical management or policies), whether through ownership of securities or other interests, by contract or otherwise.

“Applicable Rate” shall mean the interest rate applicable from time to time to Advances under the Agreement.

“Availability” shall have the meaning assigned to such term in Section 2.1(a).

“Bankruptcy Court” shall have the meaning assigned to such term in the second “Whereas” clause of this Agreement.

“Billing Date” shall mean the date on which Borrower first submits a duly completed and supported claim or bill to a third party payor for payment and collection of an Account.

“Books and Records” shall mean Borrower’s books and records specifically relating to Accounts, including, but not limited to, ledgers, records indicating, summarizing, or evidencing Borrower’s Accounts and all computer programs, disc or tape files, printouts, runs, and other computer prepared information with respect to the foregoing and any software necessary to operate the same.

“Borrowing Base” shall mean, as of any date of determination, the net collectible value of Eligible Receivables, as determined with reference to the most recent Borrowing Certificate and otherwise in accordance with the Agreement; provided, however, that if as of such date the most recent Borrowing Certificate is of a date more than four (4) Business Days before or after such date, the Borrowing Base shall be determined by Lender in its sole discretion. For purposes hereof, “net collectible value” of Eligible Receivables means the amount that is reasonably expected to be collected with respect to Eligible Receivables from third-party payors within 150 days of the Billing Date taking into account historical collection rates, contractual limitations and other factors that affect the collectability of Eligible Receivables.

“Borrowing Certificate” shall mean a Borrowing Certificate substantially in the form of Exhibit A.

“Business Day” shall mean any day other than a Saturday, Sunday or other day on which the Federal Reserve or Lender is closed.

“Capital Expenditures” shall mean, for any period, the sum (without duplication) of all expenditures (whether paid in cash or accrued as liabilities) during such period that are or should be treated as capital expenditures under GAAP.

“Capital Lease” shall mean, as to any Person, a lease or any interest in any kind of property or asset by that Person as lessee that is, should be or should have been recorded as a “capital lease” in accordance with GAAP.

“Capitalized Lease Obligations” shall mean all obligations of any Person under Capital Leases, in each case, taken at the amount thereof accounted for as a liability in accordance with GAAP.

“Change of Control” shall mean any of the following: (a) the occurrence of a merger, consolidation, reorganization, recapitalization or share or interest exchange, sale or transfer or any other transaction or series of transactions as a result of which the current owners, directly or indirectly, of a majority of the Borrower’s voting stock or voting power cease to be entitled to elect or appoint at least a majority of the Borrower’s Board of Directors, or (b) the resignation, termination, replacement, death, disability or any other event the result of which is the failure of the existing senior management of Borrower ceasing to function in their current capacities, unless replacements reasonably acceptable to Lender in its sole discretion are identified and engaged by Borrower prior to

such resignation, termination or replacement or within 20 days following any such death or disability, or (c) the sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the Borrower's assets to, or a consolidation or merger with or into, any other Person, other than any such transaction where immediately thereafter the surviving Person is a direct or indirect subsidiary of the Borrower.

“Charter Documents” shall mean (i) a copy of the certificate of incorporation or formation (or other charter document) and a copy of the bylaws or similar organizational documents of Borrower certified as of a date satisfactory to Lender before the Closing Date by the corporate secretary or assistant secretary of the Borrower, and (ii) copies of the resolutions of the Board of Directors or managers (or other applicable governing body) and, if required, stockholders, members or other equity owners authorizing the execution, delivery and performance of the Loan Documents to which the Borrower is a party, certified by an authorized officer of Borrower as of the Closing Date.

“Closing” shall mean the consummation of the transactions contemplated hereby.

“Closing Date” shall mean the date the Closing occurs.

“Collateral” shall mean, collectively and each individually, all collateral and/or security granted to Lender by Borrower pursuant to the Loan Documents.

“Collateral Management Fee” shall have the meaning assigned to the term in Section 3.3.

“Concentration Account” shall have the meaning assigned to the term in Section 2.5.

“Debtor Relief Law” shall mean, collectively, the Bankruptcy Code of the United States of America and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor relief laws from time to time in effect affecting the rights of creditors generally, as amended from time to time.

“Default” shall mean any event, fact, circumstance or condition that, with the giving of applicable notice or passage of time or both, would constitute or be or result in an Event of Default.

“Default Rate” shall have the meaning assigned to the term in Section 3.7.

“Distribution” shall mean any fee, payment, bonus or other remuneration of any kind, and any repayment of or debt service on loans or other indebtedness.

“Eligible Billed Receivables” shall mean each Account (other than Eligible Unbilled Receivables) arising in the ordinary course of Borrower's business and billed by the Borrower to an Account Debtor after the commencement of its Bankruptcy Case, which meets the following additional criteria:

- a. it is subject to a valid perfected first priority security interest in favor of Lender, subject to no other Lien (other than Permitted Liens);
- b. it is evidenced by an invoice, statement, electronic submission or other documentary evidence satisfactory to Lender;
- c. any portion thereof that is payable by a beneficiary, recipient or subscriber individually and not directly by a Medicaid/Medicare Account Debtor or commercial medical insurance carrier acceptable to Lender shall not be included as an Eligible Receivable;
- d. it does not arise out of services rendered or a sale made to, or out of any other transactions between Borrower or any of its Subsidiaries and, one or more Affiliates of Borrower or any of its Subsidiaries;
- e. it is outstanding for less than 150 calendar days after the Billing Date of such Account;
- f. no covenant, agreement, representation or warranty contained in any Loan Document with respect to such Accounts has been breached and remains uncured;
- g. the Account Debtor for such Accounts has not commenced a voluntary case under any Debtor Relief Law and has not made an assignment for the benefit of creditors, and a decree or order for relief has not been entered by a court having jurisdiction in respect of such Account Debtor in an involuntary case under any Debtor Relief Law, and no other petition or application for relief under any Debtor Relief Law has been filed against such Account Debtor, and such Account Debtor has not failed, suspended business, ceased to be solvent, called a meeting of its creditors, and has not consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs;
- h. it arises from the sale of property or services rendered to one or more Account Debtors within the continental United States and the third party payor with respect thereto has its principal place of business or chief executive offices within the continental United States;
- i. it does not represent the sale of goods or rendering of services to an Account Debtor on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval, consignment or any other repurchase or return basis and is not evidenced by Chattel Paper or an Instrument of any kind and has not been reduced to judgment;
- j. the applicable Account Debtor for such Accounts is not a Governmental Authority, unless rights to payment of such Account have been assigned to Lender pursuant to the Assignment of Claims Act of 1940, as amended (31 U.S.C. Section 3727, et seq. and 41 U.S.C. Section 15, et seq.), or otherwise all applicable statutes or regulations respecting the assignment of government

Accounts have been complied with (for example, with respect to all Accounts payable directly by Medicaid/Medicare Account Debtors);

- k. any portion thereof that is subject to any offset, credit (including any resource or other income credit or offset), deduction, defense, discount, chargeback, freight claim, allowance, adjustment, dispute or counterclaim, or is contingent in any respect or for any reason shall not be included as an Eligible Billed Receivable;
- l. there is no agreement with an Account Debtor for any deduction from such Accounts, except for discounts or allowances made in the ordinary course of business for prompt payment, all of which discounts or allowances are reflected in the calculation of the face value of each invoice relate thereto, such that only the discounted amount of such Accounts after giving effect to such discounts and allowances shall be considered an Eligible Billed Receivable;
- m. no return, rejection or repossession of goods or services related to it has occurred;
- n. it is payable to Borrower;
- o. Borrower has not agreed to accept and has not accepted any non-cash payment for such Account;
- p. with respect to any Accounts arising from the sale of goods, the goods have been shipped to the Account Debtor or its designee;
- q. with respect to any Accounts arising from the performance of Healthcare Services, the Healthcare Services have been actually performed and the Healthcare Services were not undertaken in violation of any law; and
- r. such Account meets such specifications and requirements other than as set forth above, which may from time to time be established by Lender, in Lender's sole discretion, by written notice to the Borrower.

Notwithstanding the foregoing, no Accounts owed by a particular Account Debtor and/or its Affiliates (except Medicaid/Medicare Account Debtors) shall be deemed Eligible Billed Receivables if any of the following conditions apply:

- a. more than fifty percent (50%) of the aggregate balance of all Healthcare Receivables owing from such Account Debtor and/or its Affiliates remain unpaid for longer than 150 calendar days after the Billing Date (which percentage may, in Lender's sole discretion, be increased or decreased);
- b. twenty five percent (25%) or more of all Healthcare Receivables owing from such Account Debtor and/or its Affiliates are not deemed Eligible Receivables for any reason hereunder (which percentage may, in Lender's sole discretion, be increased or decreased); or

- c. Healthcare Receivables owing from such Account Debtor and/or its Affiliates exceed thirty percent (30%) of the net collectible dollar value of all Eligible Billed Receivables at any one time, including Healthcare Receivables from Medicaid/Medicare Account Debtors (which percentage may, in Lender's sole discretion, be increased or decreased).

“Eligible Receivables” shall mean Eligible Billed Receivables and Eligible Unbilled Receivables.

“Eligible Unbilled Receivables” shall mean each Account meeting all of the criteria of Eligible Billed Receivable and otherwise acceptable to Lender in Lender's sole discretion, except:

- a. clause (b) shall not apply;
- b. clause (e) shall be restated as follows: “does not remain unbilled for longer than the fifteenth (15th) day of the month following the month in which the services were rendered, unless Borrower notifies Lender that there exists special circumstances with respect to such Account which necessitate a longer period, in which case such Account shall be ineligible to the extent it remains unbilled for longer than the end of the month following the month in which the services were rendered;”
- c. clause (b) of the “Notwithstanding” paragraph at the end of the definition of “Eligible Billed Receivable” shall be restated as follows: “more than 15% of the aggregate balance of all Accounts owing from such Account Debtor or its Affiliates (which percentage may, in Lender's sole discretion, be increased or decreased) remains unbilled for longer than the fifteenth (15th) day of the month following the month in which the services were rendered, unless Borrower notifies Lender that there exists special circumstances with respect to such Accounts which necessitate a longer period, in which case such Accounts shall be ineligible to the extent they remain unbilled for longer than the end of the month following the month in which the services were rendered;” and
- d. the eligible unbilled portion of any such Accounts shall include, with respect to each Government Contract, revenue earned on each day prior to issuance of any invoice in an amount equal to the amount of revenue under such Government Contract in the month most recently closed on Borrower's accounting system or, in the case of a Government Contract that is in the first month of its term, the estimated amount of revenue for such month, in each case divided by 30, provided that, Lender in its Permitted Discretion may from time to time determine the liquidity factors and reserves applicable to Advances made on any such Accounts.

“Environmental Laws” shall mean, collectively and each individually, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendment and Reauthorization Act of 1986, the Resource Conservation and

Recovery Act, the Toxic Substances Control Act, the Clean Air Act, the Clean Water Act, any other “Superfund” or “Superlien” law and all other federal, state and local and foreign environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances, in each case, as amended, and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of Governmental Authorities with respect thereto.

“**ERISA**” shall mean the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

“**Event of Default**” shall mean the occurrence of any event set forth in Article VIII.

“**Facility Cap**” shall have the meaning set forth in the recitals to this Agreement.

“**Facility Fee**” shall have the meaning set forth in Section 3.1.

“**Fair Valuation**” shall mean the determination of the value of the consolidated assets of a Person on the basis of the amount which may be realized by a willing seller within a reasonable time through collection or sale of such assets at market value on a ongoing concern basis to an interested buyer who is willing to purchase under ordinary selling conditions in an arm’s length transaction.

“**GAAP**” shall mean generally accepted accounting principles in the United States of America in effect from time to time as applied by nationally recognized accounting firms.

“**Government Account**” shall be defined to mean all Accounts arising out of or with respect to any Government Contract.

“**Government Contract**” shall be defined to mean all contracts with the United States government or with any agency thereof, and all amendments thereto.

“**Governmental Authority**” shall mean any federal, state, municipal, national, local or other governmental department, court, commission, board, bureau, agency or instrumentally or political subdivision thereof, or any entity or officer exercising executive, legislative or judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case, whether of the United States or a state, territory or possession thereof, a foreign sovereign entity or country or jurisdiction or the District of Columbia.

“**Government Receivable**” means any Account which is the obligation of the United States of America, or any State or Territory of the United States of America, and the District of Columbia, or any of their respective agencies, whether under the Medicaid or Medicare program established pursuant to the Social Security Act or any other federal healthcare program, including, without limitation, TRICARE (formerly known as CHAMPUS) and CHAMPVA and whether or not the Account is the primary obligation of such government or agency.

“Hazardous Substances” shall mean, without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials as defined in or subject to any applicable Environmental Law.

“Healthcare Laws” shall mean all applicable statutes, laws, ordinances, rules and regulations of any Governmental Authority with respect to regulatory matters primarily relating to patient healthcare, healthcare providers and healthcare services (including without limitation Section 1128(b) of the Social Security Act, as amended, 42 U.S.C. Section 1320a-7(b) (Criminal Penalties Involving Medicare or State Health Care Programs), commonly referred to as the “Federal Anti-Kickback Statute,” and the Social Security Act, as amended, Section 1877, 42 U.S.C. Section 1395nn (Prohibition Against Certain Referrals), commonly referred to as “Stark Statute”).

“Healthcare Services” shall mean medical and healthcare services provided by any Person, including, but not limited to, services of physicians, nurses, therapists, dentists, or other licensed or unlicensed healthcare personnel, hospital services, skilled nursing facility services, comprehensive outpatient rehabilitation services, home healthcare services, residential and out-patient behavioral healthcare services, the provision of room, board and daily living assistance at licensed healthcare facilities, home care services, transportation to or from healthcare facilities, or the sale, assignment, lease or license whether before or after the date of this Agreement of healthcare related equipment, prosthetics, pharmaceuticals or other goods and any other medical and healthcare goods and services which are covered by a policy of insurance issued by an Insurer or by Medicare, Medicaid or any other federal healthcare program, including, without limitation, TRICARE (formerly known as CHAMPUS) and CHAMPVA.

“Indebtedness” of any Person shall mean, without duplication, (a) indebtedness for borrowed money and Capitalized Lease Obligations, (b) all indebtedness secured by any mortgage, pledge, security, Lien or conditional sale or other title retention agreement to which any property or asset owned or held by such Person is subject, whether or not the indebtedness secured thereby shall have been assumed, (c) all indebtedness of others which such Person has directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), discounted or sold with recourse or agreed (contingently or otherwise) to purchase or repurchase or otherwise acquire, or in respect of which such Person has agreed to supply or advance funds (whether by way of loan, stock, equity or other ownership interest purchase, capital contribution or otherwise) or otherwise to become directly or indirectly liable.

“Indemnified Persons” shall have the meaning assigned to the term in Section 12.4.

“Initial Advance” shall have the meaning assigned to the term in Section 4.1.

“Insurer” shall mean a Person that insures another Person against any costs incurred in the receipt by such other Person or Healthcare Services, or that has an agreement with any Borrower to compensate it for providing Healthcare Services to such Person.

“Landlord Waiver and Consent” shall mean a waiver/consent in form and substance reasonably satisfactory to Lender from the owner/lessor of any premises not owned by Borrower at which any of the Collateral is now or hereafter located for the purpose of providing Lender access to such Collateral, in each case as such may be modified, amended or supplemented from time to time.

“Liability Event” shall mean any event, fact, condition or circumstance or series thereof (i) in or for which any Borrower becomes liable or otherwise responsible for any amount owed or owing to any Medicaid or Medicare program by a provider under common ownership with such Borrower or any provider owned by such Borrower pursuant to any applicable law, ordinance, rule, decree, order or regulation of any Governmental Authority after the failure of any such provider to pay any such amount when owed or owing, (ii) in which Medicaid or Medicare payments to any Borrower are lawfully set-off against payments to such or any other Borrower to satisfy any liability of or for any amounts owed or owing to any Medicaid or Medicare program by a provider, under common ownership with such Borrower or any provider owned by such Borrower pursuant to any applicable law, ordinance, rule, decree, order or regulation of any Governmental Authority, or (iii) any of the foregoing under clauses (i) or (ii) in each case pursuant to statutory or regulatory provisions that are similar to any applicable law, ordinance, rule, decree, order or regulation of any Governmental Authority referenced in clauses (i) and (ii) above or successor provisions thereto. Notwithstanding the foregoing, a “Liability Event” shall not exist unless it would reasonably be expected to have a Material Adverse Effect.

“Lien” shall mean any mortgage, pledge, security interest, encumbrance, restriction, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof), or any other arrangement pursuant to which title to the property is retained by or vested in some other Person for security purposes.

“Loan” or **“Loans”** shall mean, individually and collectively, all Advances under the Revolving Facility.

“Loan Documents” shall mean, collectively and each individually, this Agreement, the Revolving Notes, the Security Documents, the Guaranties and any documents evidencing a security interest in assets as collateral for the Guaranties, the Lockbox Agreements, the Uniform Commercial Code Financing Statements, the Subordination Agreements, the Landlord Waiver and Consents, the Borrowing Certificates, and all other agreements, documents, instruments and certificates heretofore or hereafter executed or delivered to Lender in connection with any of the foregoing or the Loans, as the same may be amended, modified or supplemented from time to time; all of which shall be in form and substance acceptable to Lender in its sole discretion.

“Lockbox Accounts” shall mean the accounts maintained by Borrower at the Lockbox Banks into which all collections or payments on their Accounts and Collateral are paid.

“Lockbox Agreement” shall have the meaning assigned to the term in Section 2.5.

“Lockbox Bank” shall have the meaning assigned to the term in Section 2.5.

“Management Agreement” shall mean any agreement between the Borrower and an Affiliate of the Borrower pursuant to which such Affiliate is compensated for providing any management services of any nature to Borrower.

“Material Adverse Effect” or **“Material Adverse Change”** shall mean any event, condition or circumstance or set of events, conditions or circumstances or any change(s) which (i) has been or is material and adverse to the value of any of the Collateral or to the business, operations, properties, assets, liabilities or condition of Borrower, taken as a whole, or (ii) did or does materially impair the ability of any Borrower to pay the Obligations or to consummate the transactions under the Loan Documents executed by such Person. The fact that the Borrower had filed the current petition for relief with the Bankruptcy Court shall not be deemed to be a Material Adverse Change and not have caused a Material Adverse Effect.

“Maturity Date” shall have the meaning assigned to such term in Section 2.2(c).

“Medicaid/Medicare Account Debtor” shall mean any Account Debtor which is (i) the United States of America acting under the Medicaid or Medicare program established pursuant to the Social Security Act or any other federal healthcare program, including, without limitation, TRICARE and CHAMPVA, (ii) any state or the District of Columbia acting pursuant to a health plan adopted pursuant to Title XIX of the Social Security Act or any other state healthcare program, or (iii) any agent, carrier, administrator or intermediary for any of the foregoing.

“Minimum Termination Fee” shall mean (for the time period indicated) the amount equal to two percent (2%) of the Facility Cap. The Minimum Termination Fee is an “Obligation,” as that term is defined herein. The Minimum Termination Fee shall not apply in the event of a Revolving Facility Termination due to a sale of the Borrower’s healthcare facility pursuant to an order of the court in the Borrower’s Bankruptcy Case or the adoption of a plan of reorganization or plan of liquidation in the Borrower’s Bankruptcy Case.

“Obligations” shall mean all present and future obligations, Indebtedness and liabilities of Borrower to Lender at any time and from time to time of every kind, nature and description, direct or indirect, secured or unsecured, joint and several, absolute and contingent due or to become due, matured or unmatured, now existing or hereafter arising, contractual or tortious, liquidated or unliquidated, under any of the Loan Documents or otherwise, including, without limitation, all applicable fees, charges and expenses and/or all amounts paid or advanced by Lender on behalf of or for the benefit of any Borrower for any reason at any time.

“Payment Office” shall mean initially the address set forth beneath Lender’s name on the signature page of the Agreement, and thereafter, such other office of Lender, if any, which it may designate by notice to Borrower to be the Payment Office.

“Permit” shall mean collectively all licenses, leases, powers, permits, franchises, certificates, authorizations, approvals, certificates of need, provider numbers and other rights.

“Permitted Discretion” shall mean a determination or judgment made by Lender in good faith in the exercise of its business judgment.

“Permitted Indebtedness” shall have the meaning assigned to the term in Section 7.2.

“Permitted Liens” shall have the meaning assigned in Section 7.3.

“Person” shall mean an individual, a partnership, a corporation, a limited liability company, a business trust, a joint stock company, a trust, an unincorporated association, a joint venture, a Governmental Authority or any other entity of whatever nature.

“Prime Rate” shall mean a fluctuating interest rate per annum equal at all times to the rate of interest announced publicly from time to time by JPMorgan Chase Bank, N.A. as its base rate, but in no event shall the Prime Rate be lower than such rate as in effect as of the date hereof; provided, that such rate is not necessarily the best rate offered to its customers, and, should Lender be unable to determine such rate, such other indication of the prevailing prime rate of interest as may reasonably be chosen by Lender; provided, that each change in the fluctuating interest rate shall take effect simultaneously with the corresponding change in the Prime Rate.

“Receipt” shall have the meaning assigned in Section 12.5.

“Related Property” shall mean, with respect to each Account, the following: (i) all records of any nature evidencing or related to the Account, including contracts, invoices, charges slips, credit memoranda, notes and other instruments and other documents, books, records and other information (including, without limitation, computer data) (ii) all security interests or liens and property subject thereto from time to time purporting to secure payment of such Account, whether pursuant to the contract related to such Account or otherwise, including all rights of stoppage in transit, replevin, reclamation, supporting obligations and letter of credit rights (as such terms are defined in the Uniform Commercial Code), and all claims of lien filed or held by the Borrower on personal property; (iii) all rights to any goods whose sale gave rise to such Account, including returned or repossessed goods; (iv) all instruments, documents, chattel paper and general intangibles (each as defined in the Uniform Commercial Code) arising from, related to or evidencing such Account; (v) all UCC financing statements covering any collateral securing payment of such Account; (vi) all guaranties and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Account whether pursuant to the contract related to such Account or otherwise; and (vii) all proceeds and amounts received or receivable arising from any of the foregoing.

“Revolving Facility Termination” shall mean any of the following:

- (i) A termination of the Revolving Facility by the Borrower under Section 11.1 hereof,

- (ii) any other voluntary or involuntary prepayment of the Revolving Facility and/or Obligations relating to the Revolving Facility by Borrower or any other Person occurs (other than reductions to zero of the outstanding balance of the Revolving Facility resulting from the ordinary course operation of the provisions of Section 2.5), whether by virtue of Lender's exercising its right of set-off or otherwise,
- (iii) Lender demands or Borrower is otherwise required to make payment in full of the Revolving Facility and/or Obligations relating to the Revolving Facility upon the occurrence of an Event of Default,
- (iv) there shall occur any of the following events to the extent that either (a) any such event results in the payments in full of the Obligations (other than indemnity obligations with respect to which no claim has been made) and, as a result thereof, Lender is not the primary Lender of Borrower or any successor entity or (b) Lender opts not to continue as Lender under this Agreement as a result of such event:
 - (x) a Change of Control,
 - (y) a direct or indirect sale, transfer or other conveyance or disposition, in any single transaction or series of transactions, of greater than 50% of the value of Borrower's assets taken as a whole as reflected in Borrower's most recent financial statements delivered to Lender in accordance with this Agreement, or
 - (z) any "change in/of control" or "sale" or "disposition" or similar event as defined in any document governing indebtedness of Borrower which gives the holder of such indebtedness the right to accelerate or otherwise require payment of such indebtedness prior to the maturity date thereof,
- (v) Lender accelerates the Revolving Note or makes any demand on the Revolving Note, or
- (vi) any payment reduction or reduction of the outstanding balance of the Revolving Note and/or the Revolving Facility is made during a bankruptcy, reorganization or other proceeding or is made pursuant to any plan of reorganization or liquidation or any Debtor Relief Law.

"Revolving Note" shall mean, collectively and each individually, the promissory note(s) payable to the order of Lender executed by Borrower evidencing the Revolving Facility, as the same may be modified, amended or supplemented from time to time.

"Security Documents" shall mean the Revolving Note, this Agreement, the Lockbox Agreements, Uniform Commercial Code Financing Statements and all other documents or instruments necessary to create or perfected the Liens in the Collateral, as such may be modified, amended or supplemented from time to time.

“Subordination Agreement” shall mean, collectively and each individually, any subordination agreements to which Lender and other service providers or creditors of the Borrower are a party.

“Subsidiary” shall mean (i) as to Borrower, any Person in which more than 50% of all equity, membership, partnership or other ownership interests is owned directly or indirectly by Borrower or one or more of its Subsidiaries, and (ii) as to any other Person, any Person in which more than 50% of all equity, membership, partnership or other ownership interests is owned directly or indirectly by such Person or by one or more of such Person’s Subsidiaries.

“Term” shall mean the period commencing on the date set forth on the first page hereof and ending one year later.

“Termination Date” shall have the meaning assigned to the term in Section 11.1.

“UCC” shall mean the Uniform Commercial Code.

II. ADVANCES, PAYMENT AND INTEREST

2.1 Advances

(a) Subject to the provisions of this Agreement, Lender shall make Advances to Borrower under the Revolving Facility from time to time during the Term, provided that, notwithstanding any other provision of this Agreement, the aggregate amount of all Advances at any one time outstanding under the Revolving Facility shall not exceed the lesser of (a) the Facility Cap, and (b) the Availability. The Revolving Facility is a revolving credit facility, which may be drawn, repaid and redrawn, from time to time as permitted under this Agreement. Any determination as to whether there is availability within the Borrowing Base for Advances shall be made by Lender in its Permitted Discretion and is final and binding upon Borrower. Unless otherwise permitted by Lender, each Advance shall be in an amount of at least \$1,000. Subject to the provisions of this Agreement, Borrower may request Advances under the Revolving Facility up to and including the value, in U.S. Dollars, of eighty five percent (85%) of the Borrowing Base minus (i) amounts then outstanding under the Revolving Facility, and (ii) amounts reserved pursuant to this Agreement, if applicable (such calculated amount being referred to herein as the “Availability”). Advances under the Revolving Facility automatically may, in the discretion of the Lender, be made for the payment of interest on the Revolving Note and other Obligations on the date when due to the extent available and as provided for herein. In the event outstanding Advances under the Revolving Facility exceed the Availability, Lender may charge an over-advance fee of 10% of the amount by which such outstanding Advances exceed the Availability. Such over-advance fee shall be in addition to any other fees, charges or other provisions that may increase the Applicable Rate of interest hereunder and the assessment or collection of such over-advance fee shall not, unless Lender specifically agrees in writing to the

contrary, prevent Lender from considering any such over-advance from being a Default or an Event of Default. The over-advance fee shall be paid on the first Business Day of each week if the amount outstanding hereunder is in excess of the Facility Cap at any time during the immediately preceding week. Notwithstanding the foregoing, Lender may make Advances in excess of the limitations set forth herein if such advances are requested by Borrower and approved by Lender in its sole discretion.

(b) Lender has established the above-referenced advance rate for Availability and, in its Permitted Discretion, may further adjust the Availability and such advance rate by applying percentages (known as “liquidity factors”) to Eligible Receivables by payor class based upon Borrower’s actual recent collection history for each such payor class (i.e., Medicare, Medicaid, commercial insurance, etc.), reduced, to the extent necessary, to reflect the entitled reimbursement pursuant to any contract or other arrangement between the Borrower and the applicable Account Debtor(s), in a manner consistent with the Lender’s underwriting practices and procedures, including without limitation Lender’s review and analysis of, among other things, Borrower’s historical returns, rebates, discounts, credits and allowances (collectively, the “Dilution Items”). Such liquidity factors and the advance rate for Availability may be adjusted by Lender throughout the Term as warranted by Lender’s underwriting practices and procedures in the Permitted Discretion based upon Lender’s due diligence and audits. Also, Lender shall have the right to establish and readjust from time to time, in its Permitted Discretion, reserves (without duplication of other reserves) against the Borrowing Base, which reserves shall have the effect of reducing the amounts otherwise eligible to be disbursed to Borrower under the Revolving Facility pursuant to this Agreement.

(c) The Facility Cap may be, in the Lender’s sole discretion, increased in increments of \$250,000 at such time as the outstanding principal balance hereunder equals or exceeds 95% of the then-existing Facility Cap. In the event that the Facility Cap is increased, Borrower shall pay to Lender a Facility Fee in an amount equal to two percent (2%) of the amount by which the Facility Cap is increased.

2.2 Evidence of Obligations; Maturity

(a) Lender shall maintain, in accordance with its usual practice, electronic or written records evidencing the outstanding Obligations to Lender, including, without limitation, the amounts of principal, interest, fees and other amounts payable and paid to such Lender from time to time under this Agreement.

(b) The entries made in the electronic or written records maintained pursuant to subsection (a) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Lender to maintain such records or any error therein shall not in any manner affect the obligations of the Borrower to repay the Obligations in

accordance with their terms. Subject to the foregoing, Advances under the Revolving Facility may also be evidenced by the Revolving Note, payable to the order of Lender, duly executed and delivered by Borrower and dated as of the date hereof, evidencing the aggregate indebtedness of Borrower to Lender resulting from Advances under the Revolving Facility, from time to time. Lender hereby is authorized, but is not obligated, to enter the amount of each Advance under the Revolving Facility and the amount of each payment or prepayment principal or interest thereon in the appropriate spaces on the reverse of or on an attachment to the Revolving Note. Lender may account to Borrower from time to time with a statement of Advances under the Revolving Facility, the amounts outstanding hereunder, and charges and payments made pursuant to this Agreement, and in the absence of manifest error, such accounting rendered by Lender shall be deemed final, binding and conclusive unless Lender is notified by Borrower in writing to the contrary within 30 calendar days of Receipt of each accounting, which notice shall be deemed an objection only to items specifically objected to therein.

(c) All amounts outstanding hereunder and other Obligations shall be due and payable in full, if not earlier in accordance with this Agreement, on the earlier of (i) the occurrence of an Event of Default if required pursuant hereto or Lender's demand upon an Event of Default, and (ii) the last day of the Term (such earlier date being the "Maturity Date").

2.3 Interest

Interest on the Revolving Facility shall be payable by Borrower monthly in arrears on the first day of each calendar month, commencing *August 1, 2008*, at an amount equal to 0.038% per day on the Obligation outstanding; provided, however, in the event the Prime Rate in effect at any time during the Term is higher than it is as of the date hereof, the per diem interest rate hereunder shall be increased by an amount equal to (a) the then-current Prime Rate minus the Prime Rate in effect as of the date hereof, divided by (b) 365.

Interest payments may, at the discretion of the Lender, be made (i) by application of funds in the Concentration Account as set forth in Section 2.5, (ii) by an Advance on the Revolving Facility, as set forth in Section 2.1, without any further action by Borrower, or (iii) directly by Borrower. Interest shall continue until the later of the expiration of the Term, the irrevocable payment in full in cash of the Obligations and termination of this Agreement. Any accrued but unpaid interest shall be added to the principal amount outstanding under the Revolving Note on the first Business Day of each month.

2.4 Revolving Facility Disbursements; Requirement to Deliver Borrowing Certificate

So long as no Default or Event of Default shall have occurred and be continuing, Borrower may give Lender irrevocable written notice requesting an Advance under the Revolving Facility by delivering to Lender not later than 11:00 a.m. (New York City time) at least two but not more than four Business Days before the proposed borrowing date of such

requested Advance (the "Borrowing Date"), a completed Borrowing Certificate and relevant supporting documentation satisfactory to Lender in its Permitted Discretion, which shall (i) specify the proposed Borrowing Date of such Advance which shall be a Business Day, (ii) specify the principal amount of such requested Advance, (iii) certify the matters contained in Section 4.2, and (iv) specify the amount of any Medicare or Medicaid recoupments and/or recoupments of any third-party payor being sought, requested or claimed, or, to Borrower's knowledge, threatened against Borrower or Borrower's Affiliates. Each time a request for an Advance is made, and, in any event and regardless of whether an Advance is being requested, on Tuesday of each week during the Term (and more frequently if Lender shall so request) until the Obligations are indefeasibly paid in cash in full and this Agreement is terminated, Borrower shall deliver to Lender a Borrowing Certificate accompanied by a separate detailed aging and categorizing of Borrower's accounts receivable and such other supporting documentation with respect to the figures and information in the Borrowing Certificate as Lender shall reasonably request from a credit or security perspective or otherwise. On each Borrowing Date, Borrower irrevocably authorizes Lender to disburse the proceeds of the requested Advance to the Borrower's account(s) as set forth on Schedule 2.4, in all cases for credit by the recipient of such proceeds to the Borrower (or to such other account as to which the Borrower shall instruct Lender) via Federal funds wire transfer no later than 4:00 p.m. (New York City time); provided, however, if any amounts are then due to Lender on account of any fees or expense reimbursements due under the Loan Documents at the time such Advance is requested, Lender is authorized (but not required) to reduce the proceeds to Borrower with respect to such Advance by the amount of such fees or expense reimbursements and to retain such amounts as payment of such fees or expense reimbursements. Lender shall charge a processing fee of \$150.00 for the first Advance each calendar week and \$450.00 for each subsequent Advance during such calendar week.

2.5 Revolving Facility Collections; Repayment; Borrowing Availability and Lockbox

Prior to the consummation of the transactions contemplated by this Agreement, the Borrower shall establish and maintain at the Borrower's expense (A) an account (the "Governmental Lockbox Account") with a depository institution satisfactory to the Lender into which all collections in respect of Governmental Receivables shall be deposited and (B) an account (the "Commercial Lockbox Account") with a depository institution satisfactory to the Lender into which all Collections in respect of all other Accounts and Collateral shall be deposited, pursuant to one or more agreements acceptable to Lender in its sole discretion (collectively, the "Lockbox Agreement"). (The Governmental Lockbox Account and the Commercial Lockbox Account are referred to collectively in this Agreement as the "Lockbox Account" and the depository institution(s) in which the Lockbox Account is maintained are referred to as the "Lockbox Bank".) The Borrower hereby agrees to direct each payor of an Account to remit all payments with respect to such Account for deposit in the Commercial Lockbox Account (other than Medicaid/Medicare Account Debtors which shall be directed to remit all payments with respect to such Receivables for deposit in the Governmental Lockbox Account) by (A) delivering to each such payor a notice containing such instructions and (B) identifying the Commercial Lockbox Account as the "pay to" address on all bills sent to payors of all Accounts other than Governmental Receivables. The Borrower further agrees not to change such directive to payors without the prior written consent of the Lender. The Borrower

agrees not to terminate the Commercial Lockbox Account. The Borrower agrees not to terminate the Governmental Lockbox Account without first providing the Lender with written notice at least 30 days prior to the effective date of such termination. The Lockbox Agreement shall provide that the Lockbox Bank immediately will transfer all funds paid into the Lockbox Accounts into a depository account or accounts owned and maintained by Lender or an Affiliate of Lender at such bank as Lender may communicate to the Lockbox Bank from time to time (the "Concentration Account"). Such instructions with respect to the Commercial Lockbox Account shall be irrevocable. Such instructions with respect to the Governmental Lockbox Account shall be irrevocable except on 30 days prior written notice to Lender and the Borrower hereby agrees not to change or direct the custodian thereof to modify such sweep order nor to provide any other or additional instructions to the custodian thereof. In the event the Borrower terminates the Governmental Lockbox Account, changes the sweep order with respect to the Governmental Lockbox Account or the payors receive any instruction whatsoever from or on behalf of the Borrower indicating that Collections with respect to the Accounts should be sent to any location other than the respective Lockbox Account, the Borrower hereby acknowledges and agrees that such actions would be an express violation of this Agreement, would cause irreparable harm to the Lender for which there would be no adequate remedy at law, and agrees and consents to entry of an order by a court of competent jurisdiction granting the Lender specific performance of the terms and provisions of this Agreement as to the Borrower.

To the extent that any Accounts collections of Borrower or any other cash payments received by Borrower are not sent directly to the appropriate Lockbox Account but are received by Borrower or any of its Affiliates, such collections and proceeds shall be held in trust for the benefit of the Lender and immediately remitted (and in any event within one (1) Business Day), in the form received (or, with respect to cash, by check or wire transfer), to the appropriate Lockbox Account for immediate transfer to the Concentration Account; provided, however, that so long as there is no Event of Default, the Borrower may use the cash payments received from self-pay receivables in the Borrower's operations. Borrower acknowledges and agrees that compliance with the terms of this Section 2.5 is an essential term of this Agreement, and that, in addition to and notwithstanding any other rights Lender may have hereunder under any other Loan Document, under applicable law or equity, upon each and every failure by any Borrower or any of the Affiliates to cause collections with respect to Accounts or any other cash payments to Borrower to be deposited into the appropriate Lockbox Account as set forth in this Section 2.5, Lender shall be entitled to assess Borrower with a non-compliance fee in an amount equal to ten percent (10%) of the amount of such collections or other cash payments; provided that such non-compliance fee shall be in addition to any other fees, charges or other provisions that may increase the Applicable Rate of interest hereunder and the assessment or collection of such non-compliance fee shall not, unless Lender specifically agrees in writing to the contrary, prevent Lender from considering any such non-compliance to be a Default or an Event of Default. All funds transferred to the Concentration Account for application to the Obligations shall be applied each Friday (unless Friday is not a Business Day, in which event such application shall occur on the next Business Day) to reduce the Obligations hereunder in the following order of priority: (i) payment of any fees and expense reimbursements due to Lender under the Loan Documents, (ii) any other Obligations of Borrower not included in items (iii) and (iv) below, (iii) to any interest then due and owing on the Revolving Note, and (iv) to the principal amount outstanding under the Revolving Note. If as the result of collections of Accounts and/or any other cash payments received by Borrower pursuant to this Section 2.5 there is a positive balance in the Concentration

Account, such positive balance shall not accrue interest in favor of Borrower, but shall be available to Borrower in accordance with the terms of this Agreement. If applicable, at any time prior to the execution of all or any of the Lockbox Agreements and operation of all or any of the Lockbox Accounts, Borrower and its Affiliates shall direct all collections or proceeds it receives on Accounts or from other Collateral to the account(s) and in the manner specified by Lender in its Permitted Discretion so long as any amounts are outstanding under the Revolving Facility.

2.6 Promise to Pay; Manner of Payment

Borrower promises to pay principal, interest and all other amounts payable hereunder, or under any other Loan Document, without any right of rescission and without any deduction whatsoever, including any deduction for any setoff, counterclaim or recoupments, and notwithstanding any damage to, defects in or destruction of the Collateral or any other event, including obsolescence of any property or improvements. All payments made by Borrower (other than payments automatically paid through Advances under the Revolving Facility as provided herein), shall be made only by wire transfer on the date when due, without offset or deduction for counterclaim, in U.S. Dollars, in immediately available funds to such account as may be indicated in writing by Lender to Borrower from time to time. Any such payment received after 4:00 p.m. (New York City time) on the date when due shall be deemed received on the following Business Day. Whenever any payment hereunder shall be stated to be due or shall become due and payable on a day other than a Business Day, the due date thereof shall be extended to, and such payment shall be made on, the next succeeding Business Day, and such extension of time in such case shall be included in the computation of payment of any interest (at the interest rate then in effect during such extension) and/or fees, as the case may be.

2.7 Repayment of Excess Advances

Any balance of Advances under the Revolving Facility outstanding at any time in excess of the lesser of the Facility Cap or the Availability shall be immediately (or, if such overadvance was created as a result of Lender's adjustment of the advance rates for Availability or eligibility criteria, then within five (5) Business Days, unless such adjustment by Lender was the result of any misrepresentation or fraud of the Borrower, in which as there shall be no grace period and any such overadvance shall be immediately due and payable) due and payable by Borrower upon demand, at the Payment Office, whether or not a Default or Event of Default has occurred or is continuing and shall be paid in the manner specified in Section 2.6.

2.8 Payments by Lender

Should any amount required to be paid under any Loan Document remain unpaid after it is due and payable and after the expiration of any cure period, if applicable, such amount may be paid by Lender, which payment shall be deemed a request for an Advance under the Revolving Facility as of the date such payment is due, and Borrower irrevocably authorizes disbursements of any such funds to Lender by way of direct payment of the relevant amount, interest or Obligations. No payment or prepayment of any amount by Lender or any other Person shall entitle any Person to be subrogated to the rights of Lender under any Loan Document unless and until the Obligations have been fully performed and paid irrevocably in cash and this Agreement has been terminated. Any sums expended by Lender as a result of any

Borrower's failure to pay, perform or comply with any Loan Document or any of the Obligations may be charged to Borrower's account as an Advance under the Revolving Facility and added to the Obligations.

2.9 Grant of Security Interest; Collateral

(a) To secure the payment and performance of the Obligations, the Borrower hereby grants to Lender a continuing security interest in and Lien upon, and pledges to Lender, all of its right, title and interest in and to the following, whether now owned or hereafter acquired (collectively and each individually, the "Collateral"):

(a) all of the Borrower's present and future Accounts, including all Related Property of the Accounts and all contracts, Documents, Instruments, and Chattel Paper relating to or arising out of any of the foregoing;

(b) all of Borrower's deposit accounts, including the Governmental Lockbox Account;

(c) all Books and Records;

(d) all other personal property and fixtures of Borrower, including all inventory, equipment, furniture, general intangibles (including, without limitation, payment intangibles and software), chattel paper, supporting obligations, investment property, instruments, securities, contract rights, stock in direct and indirect subsidiaries, machinery, deposit accounts, letter-of-credit rights, intellectual property, copyrights, trademarks, patents, and tradestyles;

(e) all real estate owned by the Borrower; and

(f) any and all additions to any of the foregoing, and any and all replacements and proceeds (including insurance proceeds) of any of the foregoing.

(b) Upon the execution and delivery of this Agreement, and upon the proper filing of the necessary financing statements without any further action, Lender will have a good, valid and perfected first priority Lien and security interest in the Collateral, subject to no transfer or other restrictions or Liens of any kind in favor of any other Person except for Permitted Liens.

2.10 Collateral Administration

(a) All Collateral (except Lockbox Accounts) will at all times be kept by Borrower at the locations set forth on Schedule 5.18B hereto and shall not, without concurrent written notice to Lender, be moved therefrom and in any case shall not be moved outside the continental United States.

(b) Borrower shall keep accurate and complete records of its Accounts and all payments and collections thereon and shall submit such records to Lender on such periodic basis as Lender may request. After the occurrence and during the continuance of an Event of Default, and upon Lender's request, Borrower shall execute and deliver to Lender formal written assignments of all of its Accounts weekly or daily as Lender may request, including all Accounts created since the date of the last assignment, together with copies of claims, invoices and/or other information related thereto. To the extent that collections from such assigned accounts exceed the amount of the Obligations, such excess amount shall not accrue interest in favor of Borrower, but shall be available to Borrower upon Borrower's written request.

(c) Any of Lender's officers, employees, representatives or agents shall have the right, at any time during normal business hours upon reasonable prior notice to Borrower, to verify the validity, amount or any other matter relating to any Accounts of Borrower. Borrower shall cooperate fully with Lender in an effort to facilitate and promptly conclude such verification.

(d) Lender shall have the right at all times after the occurrence and during the continuance of an Event of Default to notify (i) Account Debtors owing Accounts to Borrower other than Medicaid/Medicare Account Debtors that their Accounts have been assigned to Lender and to collect such Accounts directly in its own name and to charge collection costs and expenses, including reasonable attorneys' fees, to Borrower, and (ii) Medicaid/Medicare Account Debtors that Borrower has waived any and all defenses and counterclaims it may have or could interpose in any action or procedure brought by Lender to obtain a court order recognizing the collateral assignment or security interest and lien of Lender in and to any Account or other Collateral and that Lender is seeking or may seek to obtain a court order recognizing the collateral assignment or security interest and lien of Lender in and to any Account or Collateral and that Lender is seeking or may seek to obtain a court order recognizing the collateral assignment or security interest and lien of Lender in and to all Accounts and other Collateral payable by Medicaid/Medicare Account Debtors.

(e) As and when determined by Lender in its Permitted Discretion, Lender shall have the right to perform the searches described in clauses (i) and (ii) below against Borrower (the results of which are to be consistent with Borrower's representations and warranties under this Agreement), on a quarterly basis at Borrower's reasonable expense, unless an Event of Default has occurred and is continuing in which case such searches shall be conducted as often as Lender deems appropriate, at Borrower's expense: (i) UCC searches with the Secretary of State and local filing offices of each jurisdiction where Borrower maintains their respective executive offices, a place of business or assets or in which they are organized; and (ii) judgment, federal tax lien and corporate and partnership tax lien searches, in each jurisdiction searched under clause (i) above.

(f) Borrower (i) shall provide prompt written notice to its current bank to transfer all items, collections and remittances to the Concentration Account, (ii) shall provide prompt written notice to each Account Debtor that Lender has been granted a lien and security interest in, upon and to all Accounts applicable to such Account Debtor and shall direct each Account Debtor to make payments to the appropriate Lockbox Account, and Borrower hereby authorizes Lender, upon any failure to send such notices and directions within ten (10) calendar days after the date of this Agreement (or ten (10) calendar days after the Person becomes an Account Debtor), to send any and all similar notices and directions to such Account Debtors, and (iii) shall do anything further that may be lawfully required by Lender to secure Lender and effectuate the intentions of the Loan Documents. At Lender's request, Borrower shall immediately deliver to Lender all items for which Lender must receive possession or control to obtain a perfected security interest and all notes, certificates, and documents of title, Chattel Paper, warehouse receipts, Instruments, and any other similar instruments constituting Collateral.

2.11 Power of Attorney

Lender is hereby irrevocably made, constituted and appointed the true and lawful attorney-in-fact for Borrower (without requiring Lender to act as such) with full power of substitution to do the following: (i) upon the occurrence and during the continuance of an Event of Default, endorse the name of the Borrower upon any and all checks, drafts, money orders, and other instruments for the payment of money that are payable to Borrower and constitute collections on its Accounts; (ii) upon the occurrence and during the continuance of Event of Default, execute in the name of Borrower any financing statements, schedules, assignments, instruments, documents, and statements that it is obligated to give Lender under any of the Loan Documents; (iii) upon the occurrence and during the continuance of an Event of Default, do such other and further acts and deeds in the name of Borrower that Lender may reasonably deem necessary or desirable to enforce any Account or other Collateral including, without limitation, (a) demand, collect, receive for and give renewals, extensions, discharges and releases of any Account, (b) take possession of and liquidate any Account, (c) institute and prosecute legal and equitable proceedings to realize upon any Account, and (d) settle, compromise, compound or adjust claims in respect of any Account or any legal proceedings brought in respect thereof; (iv) upon the occurrence and during the continuance of an Event of Default, in the name of Borrower, to notify the Post Office authorities to change the address for the delivery of mail addressed to Borrower to such address as Lender may designate (notwithstanding the foregoing, for the purposes of notice and service of process to or upon Borrower as set forth in this Agreement, Lender's rights to change the address for the delivery of mail shall not give Lender the right to change the address for notice and service of process to or upon Borrower in this Agreement); (v) to perfect Lender's security interest or lien in any Collateral, and (vi) sign IRS Forms W-9 on behalf of Borrower reflecting Borrower's address as the address of the Lockboxes established pursuant to Section 2.5 and deliver such Forms to third party payors on the Borrower's Accounts. In addition, if Borrower breaches its obligation hereunder to direct payments of Accounts or the proceeds of any other Collateral to the appropriate Lockbox Account, Lender, as the irrevocably made, constituted and appointed true and lawful attorney for Borrower pursuant to this paragraph, may by the signature or other act of any of Lender's officers or authorized

signatories (without requiring any of them to do so), direct any federal, state or private payor or fiscal intermediary to pay proceeds of Accounts or any other Collateral to the appropriate Lockbox Account. The appointment of Lender as attorney-in-fact for Borrower is coupled with an interest and is irrevocable.

III. FEES AND OTHER CHARGES

3.1 Facility Fee

On or before the Closing Date, Borrower shall pay to Lender two percent (2.0%) of the Facility Cap as a nonrefundable fee. The fee payable pursuant to this Section 3.1 and the fee payable pursuant to the last sentence of Section 2.1(c) are herein collectively referred to as the "Facility Fee".

3.2 [Intentionally Omitted]

3.3 Collateral Management Fee

Borrower shall also pay Lender a monthly collateral management fee (the "Collateral Management Fee") for monitoring and servicing the Revolving Facility, equal to Five Thousand Five Hundred Dollars (\$5,000) per month. The Collateral Management Fee shall be payable monthly in arrears on the first day of each successive calendar month (starting with (starting with July 1, 2008).

3.4 Intentionally Omitted]

3.5 [Intentionally Omitted]

3.6 Computation of Fees; Lawful Limits

All fees hereunder shall be computed on the basis of a year of 360 days and for the actual number of days elapsed in each calculation period, as applicable. In no contingency or event whatsoever, whether by reason of acceleration or otherwise, shall the interest and other charges paid or agreed to be paid to Lender for the use, forbearance or detention of money hereunder exceed the maximum rate permissible under applicable law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. If, due to any circumstance whatsoever, fulfillment of any provision hereof, at the time performance of such provision shall be due, shall exceed any such limit, then, the obligation to be so fulfilled shall be reduced to such lawful limit, and, if Lender shall have received interest or any other charges of any kind which might be deemed to be interest under applicable law in excess of the maximum lawful rate, then such excess shall be applied first to any unpaid fees and charges hereunder, then to unpaid principal balance owed by Borrower hereunder, and if the then remaining excess interest is greater than the previously unpaid principal balance, Lender shall promptly refund such excess amount to Borrower and the provisions hereof shall be deemed amended to provide for such permissible rate. The terms and provisions of this Section shall control to the extent any other provision of any Loan Document is inconsistent herewith.

3.7 Default Rate of Interest

Upon the occurrence and during the continuation of an Event of Default, the Applicable Rate of interest in effect at such time with respect to the Obligations shall be increased by 5% per annum (the "Default Rate"). Such increase shall be in addition to any other specific charges provided for herein for noncompliance with specific provisions of this Agreement.

IV. CONDITIONS PRECEDENT

4.1 Conditions to Initial Advance and Closing

The obligations of Lender to consummate the transactions contemplated herein and to make the initial Advance under the Revolving Facility (the "Initial Advance") are subject to the satisfaction, in the sole judgment of Lender, of the following no later than July 31, 2008, or such later date to which Lender may agree in its sole discretion:

- (a) Borrower shall have delivered to Lender (A) the Loan Documents to which it is a party, each duly executed by an authorized officer of Borrower and any other parties thereto, and (B) a Borrowing Certificate in the form of Exhibit A for the Initial Advance under the Revolving Facility executed by an authorized officer of Borrower;
- (b) The Bankruptcy Court shall have authorized the Borrower to enter into this Agreement pursuant to an Order in form and substance acceptable to Lender in Lender's sole discretion, which Order shall grant Lender a first priority security interest in all of Borrower's post-petition accounts receivable and other post-petition assets and a priming security interest in Borrower's real estate;
- (c) all in form and substance satisfactory to Lender in its Permitted Discretion, Lender shall have received (i) a report of Uniform Commercial Code financing statement, tax and judgment lien searches performed with respect to each Borrower in each jurisdiction determined by Lender in its Permitted Discretion, and such report shall show no Liens on the Collateral (other than Permitted Liens and Liens that will be terminated within five (5) Business Days after the Closing Date) and (ii) each document (including, without limitation, any Uniform Commercial Code financing statement) required by any Loan Documents or under law or requested by Lender to be filed, registered or recorded to create in favor of Lender, a perfected first priority security interest upon the Collateral, including, without limitation, deposit account control agreements with respect to all of Borrower's deposit accounts;
- (d) Lender shall have received a certificate of the corporate secretary or assistant secretary of each Borrower dated the Closing Date, as to the incumbency and signature of the Persons executing the Loan Documents, in form and substance reasonably acceptable to Lender;

(e) Lender shall have completed examinations, the results of which shall be satisfactory in form and substance to Lender, of the Collateral, the financial statements and the books, records, business, obligations, financial condition and operational state of each Borrower, and each such Person shall have demonstrated to Lender's satisfaction that, other than in connection with the Bankruptcy Case, (i) its operations comply, in all material respects, with all applicable federal, state, foreign and local laws, statutes and regulations, except where the failure to comply would not reasonably be expected to have a Material Adverse Effect (ii) its operations are not the subject of any governmental investigation, evaluation or any remedial action which could reasonably be expected to result in any Material Adverse Effect, and (iii) it has no liability (whether contingent or otherwise) that would reasonably be expected to have a Material Adverse Effect;

(f) Lender shall have received all fees, charges and expenses payable to Lender on or prior to the Closing Date pursuant to the Loan Documents;

(g) Borrower shall be in compliance with Section 6.5, and Lender shall have received (i) copies of all such insurance policies, and (ii) a copy of the declarations page for such insurance policies confirming that the Lender has been named as sole beneficiary, loss payee or additional insured, as appropriate;

(h) All corporate and other proceedings, documents, instruments and other legal matters in connection with the transactions contemplated by the Loan Documents (including, but not limited to, those relating to corporate and capital structures of Borrower) shall be satisfactory to Lender;

(i) Lender shall have received, in form and substance satisfactory to Lender, (i) evidence of the repayment in full and termination of any existing indebtedness and all related documents, agreements and instruments and of all Liens, security interests and Uniform Commercial Code financing statements relating thereto or, in the sole discretion of Lender, such existing indebtedness is (A) expressly subordinated to the Obligations of Borrower hereunder pursuant to a Subordination Agreement acceptable in form and substance to Lender, (B) unsecured, (C) matures subsequent to the Maturity Date, (D) does not require any payment other than interest during the Term, and (E) will receive no payments following an Event of Default under this Agreement, and (ii) release and termination of any and all Liens, security interest and/or Uniform Commercial Code financing statements in, on, against or with respect to any of the Collateral (other than Permitted Liens);

(j) All payments required under any Management Agreement subsequent to an Event of Default shall be subordinated to the Obligations of Borrower hereunder;

(k) (i) Borrower shall be in compliance with all applicable laws in all material respects, in each case except to the extent such failure would not reasonably be expected to have a Material Adverse Effect;

- (l) Lender shall have completed its legal due diligence examinations of Borrower, the results of which shall be satisfactory in form and substance to Lender, as evidenced by Lender's execution of the Loan Documents;
- (m) Borrower shall have established Lockbox Accounts and Lender shall have received Lockbox Agreements, all in accordance with Section 2.5 and the Commercial Lockbox Account shall have been assigned to Lender as security;
- (n) Borrower shall have provided evidence satisfactory to Lender of Borrower's compliance with the requirements of Section 6.15;
- (o) Borrower shall have executed and filed IRS Form 8821 with the appropriate office of the Internal Revenue Service; and
- (p) Lender shall have received such other documents, certificates, information or legal opinions as Lender may reasonably request, all in form and substance reasonably satisfactory to Lender.

4.2 Conditions to Each Advance

The obligations of Lender to make any Advance (including, without limitation, the Initial Advance) are subject to the satisfaction, in the sole judgment of Lender in the exercise of its Permitted Discretion, of the following additional conditions precedent:

- (a) Borrower shall have delivered to Lender a Borrowing Certificate for the Advance executed by an authorized officer of Borrower, which shall constitute a representation and warranty by Borrower as of the Borrowing Date of such Advance that the conditions contained in this Section 4.2 have been satisfied; provided, however, that any determination as to whether to fund Advances or extensions of credit shall be made by Lender in its Permitted Discretion;
- (b) each of the representations and warranties made by Borrower in or pursuant to this Agreement shall be accurate in all material respects on and as of the date the advance is requested as if made on and as of such date, before and after giving effect to such advance; and no Default or Event of Default shall have occurred and be continuing or would exist after giving effect to the Advance under the Revolving Facility on such date;
- (c) immediately after giving effect to the requested Advance, the aggregate outstanding principal amount of Advances under the Revolving Facility shall not exceed either the Availability and the Facility Cap;
- (d) Lender shall have received on or prior to the date of the requested Advance all fees, charges and expenses payable to Lender on or prior to such date pursuant to the Loan Documents;
- (e) there shall not have occurred any Material Adverse Effect; and

(f) Lender shall have received such other documents, certificates, information or legal opinions as Lender may reasonably request, all in form and substance reasonably satisfactory to Lender.

V. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as of the date hereof, the Closing Date, and each Borrowing Date as follows:

5.1 Organization and Authority

Borrower is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of its state of formation. Borrower (i) has all requisite corporate power and authority to own its properties and assets and to carry on its business as now being conducted and as contemplated in the Loan Documents, (ii) is duly qualified to do business in every jurisdiction in which failure so to qualify would reasonably be expected to have a Material Adverse Effect, and (iii) has requisite power and authority (A) to execute, deliver and perform the Loan Documents to which it is a party, (B) to borrow hereunder, (C) to consummate the transactions contemplated under the Loan Documents, and (D) to grant the Liens with regard to the Collateral pursuant to the Security Documents to which it is a party. Borrower is not an “investment company” registered or required to be registered under the Investment Company Act of 1940, as amended, nor is Borrower controlled by such an “investment company.”

5.2 Loan Documents

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party, and the consummation of the transactions contemplated thereby, (i) have been duly authorized by all requisite action of Borrower and have been duly executed and delivered by or on behalf of Borrower; (ii) do not violate any provisions of (A) applicable law, statute, rule, regulation, ordinance or tariff, (B) any order of any Governmental Authority binding on Borrower or any of their respective properties the effect of which would reasonably be expected to have a Material Adverse Effect, or (C) the certificate of incorporation or bylaws (or any other equivalent governing agreement or document) of Borrower, or any agreement between Borrower and its shareholders, members, partners or equity owners or among any such shareholders, members, partners or equity owners; (iii) are not in conflict with, and do not result in a breach or default of or constitute an Event of Default, or an event, fact, condition, breach, Default or Event of Default under, any indenture, agreement or other instrument to which Borrower is a party, or by which the properties or assets of Borrower are bound, the effect of which would reasonably be expected to have a Material Adverse Effect; (iv) except as set forth therein, will not result in the creation or imposition of any Lien of any nature upon any of the properties or assets of Borrower, and (v) do not (other than by the Bankruptcy Court) require the consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority or Borrower. When executed and delivered, each of the Loan Documents to which Borrower is a party will constitute the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, subject to the effect of general principles of equity which may limit the availability of equitable remedies (whether in a proceeding at law or in equity).

5.3 Subsidiaries, Capitalization and Ownership Interests

As of the date of this Agreement, Borrower has no Subsidiaries other than those Persons listed as Subsidiaries on Schedule 5.3, each of which are either other Borrowers of the Obligations herein. Schedule 5.3 also states the authorized and issued capitalization of Borrower and each subsidiary, the number and class of equity securities and/or ownership, voting or partnership interests issued and outstanding of Borrower and the record and beneficial owners thereof (including options, warrants and other rights to acquire any of the foregoing). The ownership or partnership interests of each Borrower that is a limited partnership or a limited liability company are not certificated, the documents relating to such interests do not expressly state that the interests are governed by Article 8 of the Uniform Commercial Code, and the interests are not held in a securities account. The outstanding equity securities and/or ownership, voting or partnership interests of Borrower have been duly authorized and validly issued and are fully paid and nonassessable, and each Person listed on Schedule 5.3 owns beneficially and of record all of the equity securities and/or ownership, voting or membership interests it is listed as owning free and clear of any Liens other than Liens created by the Security Documents. Except as listed on Schedule 5.3, Borrower does not own an interest or participates or engages in any joint venture, partnership or similar arrangements with any Persons.

5.4 Properties

Borrower (i) is the sole owner and has good, valid and marketable title to, or a valid leasehold interest in, all of its material properties and assets, including the Collateral, whether personal or real, subject to no transfer restrictions or Liens of any kind except for Permitted Liens, and (ii) is in compliance in all material respects with each lease to which it is a party or otherwise bound except for such noncompliance as would not reasonably be expected to have a Material Adverse Effect. Schedule 5.4 lists all real properties (and their locations) owned or leased by or to Borrower. Borrower enjoys peaceful and undisturbed possession under all such leases and such leases are all the leases necessary for the operation of such properties and assets, are valid and subsisting and are in full force and effect.

5.5 Other Agreements, Judgments

Borrower is not a party to any judgment, order or decree or any agreement, document or instrument, or subject to any restriction, which would materially adversely affect its ability to execute and deliver, or perform under, any Loan Document or to pay the Obligations.

5.6 [Intentionally Omitted]

5.7 Hazardous Materials

Except as would not reasonably be expected to have a Material Adverse Effect, Borrower is in compliance in all material respects with all applicable Environmental Laws. Except as would not reasonably be expected to have a Material Adverse Effect, Borrower has not been notified of any action, suit, proceeding or investigation (i) relating in any way to compliance by or liability of Borrower under any Environmental Laws, (ii) which otherwise deals with any Hazardous Substance or any Environmental Law, or (iii) which seeks to suspend,

revoke or terminate any license, permit or approval necessary for the generation, handling, storage, treatment or disposal of any Hazardous Substance.

5.8 Tax Returns, Governmental Reports

Borrower (i) has filed all material federal, state, foreign (if applicable) and local tax returns and other reports which are required by law to be filed by Borrower, and (ii) has paid all material taxes, assessments, fees and other governmental charges, including, without limitation, payroll and other employment related taxes, in each case that are due and payable; however, there are unpaid ad valorem taxes due on the Borrower's real and personal property for the tax years 2002-2007, in an aggregate amount of less than \$450,000, and there will be taxes due for the year 2008 (which taxes will not be considered past due until January 31,2009).

5.9 Financial Statements and Reports

All financial statements relating to Borrower that may hereafter be delivered to Lender by Borrower will be accurate and complete in all material respects and be prepared in accordance with GAAP consistently applied. Borrower has no material obligations or liabilities of any kind not disclosed in such financial information or statements.

5.10 Compliance with Law

Borrower (i) is in substantial compliance with all laws, statutes, rules, regulations, ordinances and tariffs of any Governmental Authority applicable to Borrower and/or Borrower's business, assets or operations, including, without limitation, ERISA and Healthcare Laws, and (ii) is not in violation of any order of any Governmental Authority or other board or tribunal, except where noncompliance or violation would not reasonably be expected to have a Material Adverse Effect. There is no event, fact, condition or circumstance which, with notice or passage of time, or both, would constitute or result in any noncompliance with, or any violation of, any of the foregoing, in each case except where noncompliance or violation would not reasonably be expected to have a Material Adverse Effect. Borrower has not received any notice that Borrower is not in compliance in any respect with any of the requirements of any of the foregoing. Borrower has (a) not engaged in any Prohibited Transactions as defined in Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, (b) not failed to meet any applicable minimum funding requirements under Section 302 of ERISA in respect of its plans and no such funding requirements have been postponed or delayed, (c) no knowledge of any event or occurrence which would cause the Pension Benefit Guaranty Corporation to institute proceedings under Title IV of ERISA to terminate any of the employee benefit plans, (d) no fiduciary responsibility under ERISA for investments with respect to any plan existing for the benefit of Persons other than its employees or former employees, or (e) not withdrawn, completely or partially, from any multi-employer pension plans so as to incur liability under the MultiEmployer Pension Plan Amendments of 1980. With respect to Borrower, there exists no event described in Section 4043 of ERISA, excluding Subsections 4043(b)(2) and 4043(b)(3) thereof, for which the thirty (30) day notice period contained in 12 C.F.R. § 26153 has not been waived. Borrower has maintained in all material respects all records required to be maintained by the Joint Commission on Accreditation of Healthcare Organizations, the Food and Drug Administration, Drug

Enforcement Agency and State Boards of Pharmacy and the federal and state Medicare and Medicaid programs as required by the Healthcare Laws and, to the best knowledge of Borrower, there are no presently existing circumstances which likely would result in material violations of the Healthcare Laws. There is no Liability Event.

5.11 Intellectual Property

Borrower does not own, license or utilize, and is not a party to, any patents, patent applications, registered trademarks, registered trademark applications, registered service marks, registered copyrights, copyright applications, material trade names, proprietary software or licenses of intellectual property (excluding commercially available software) (collectively, the "Intellectual Property").

5.12 Licenses and Permits; Labor

Borrower is in substantial compliance with and has all Permits necessary or required by applicable law or Governmental Authority for the operation of its businesses except where the failure to be in compliance would not reasonably be expected to have a Material Adverse Effect. All of the foregoing is in full force and effect and not in known conflict with the rights of others except where the failure to be in compliance would not reasonably be expected to have a Material Adverse Effect. Borrower is not (i) in breach of or default under the provisions of any of the foregoing, nor is there any event, fact, condition or circumstance which, with notice or passage of time or both, would constitute or result in a conflict, breach, Default or Event of Default under, any of the foregoing which, if not remedied within any applicable grace or cure period would reasonably be expected to have a Material Adverse Effect, (ii) a party to or subject to any agreement, instrument or restriction that is so unusual or burdensome that it might have a Material Adverse Effect, and/or (ii) and has not been, involved in any labor dispute, strike, walkout or union organization which would reasonably be expected to have a Material Adverse Effect.

5.13 Disclosure

No Loan Document nor any other agreement, document, certificate, or statement furnished to Lender by or on behalf of Borrower in connection with the transactions contemplated by the Loan Documents, when taken as a whole contains any untrue statement of material fact or omits to state any fact necessary to make the statements therein not materially misleading in light of current circumstances.

5.14 [Intentionally Omitted]

5.15 Agreements with Affiliates

Other than the NTime Management Agreement (which may not be an agreement with Affiliate) , there are no known existing or proposed material agreements, arrangements, understandings or transactions between Borrower and any of Borrower's officers, members, managers, directors, stockholders, partners, other interest holders, employees or Affiliates or any members of their respective immediate families; provided however, the Borrower's 401(K) plan may be held by or administered by an Affiliate of the Borrower.

5.16 Insurance

Borrower has in full force and effect such insurance policies as are customary in its industry and as may be required pursuant to Section 6.5 hereof. All such insurance policies as in force on the date of this Agreement are listed and described on Schedule 5.16.

5.17 Names, Location of Offices, Records and Collateral

Borrower is the sole owner of all of its names listed on Schedule 5.17A, and any and all business done and invoices issued in such names are Borrower's sales, business and invoices. Each trade name of Borrower represents a division or trading style of Borrower. Borrower maintains its places of business and chief executive offices only at the locations set forth on Schedule 5.17B, and all Accounts of Borrower arise, originate and are located, and all of the Collateral and all books and records in connection therewith or in any way relating thereto or evidence the Collateral are located and shall be only, in and at such locations. All of the Collateral is located only in the continental United States.

5.18 Non-Subordination

The Obligations are not subordinated in any way to any other obligations of Borrower or to the rights of any other Person.

5.19 Accounts

In determining which accounts are Eligible Receivables, Lender may rely on all statements and representations made by Borrower with respect to any Account. Unless otherwise indicated in writing to Lender, each Account of Borrower (i) is genuine and in all respects what it purports to be and is not evidenced by a judgment, (ii) arises out of a completed, bona fide sale and delivery of goods or rendering of Healthcare Services by Borrower in the ordinary course of business and in accordance with the terms and conditions of all purchase orders, contracts, certifications, participations, certificates of need and other documents relating thereto or forming a part of the contract between Borrower and the Account Debtor, (iii) is for a liquidated amount maturing as stated in a claim or invoice covering such sale of goods or rendering of Healthcare Services, a copy of which has been furnished or is available to Lender, (iv) if included on a Borrowing Certificate, together with Lender's security interest therein, is not and will not be in the future (by voluntary act or omission by Borrower), subject to any offset, lien, deduction, defense, dispute, counterclaim or other adverse condition, is absolutely owing to Borrower and is not contingent in any respect or for any reason, (v) there are no facts, events or occurrences which in any way impair the validity or enforceability thereof or materially reduce the amount payable thereunder from the face amount of the claim or invoice and statements delivered to Lender with respect thereto, (vi) (A) the Account Debtor thereunder had the capacity to contract at the time any contract or other document giving rise thereto was executed and (B) such Account Debtor is solvent, (vii) subject to subsection (x) below, there are no proceedings or actions which are threatened or pending against any Account Debtors thereunder which might result in any Material Adverse Change in such Account Debtor's financial condition or the collectability thereof, (viii) has been billed and forwarded to the Account Debtor for payment in accordance with applicable laws and is in substantial compliance and conformance with any

requisite procedures, requirements and regulations governing payment by such Account Debtor with respect to such Account, and, if due from a Medicaid/Medicare Account Debtor, is properly payable directly to Borrower, (ix) Borrower has obtained and currently has all Permits necessary in the generation thereof except for any failure to obtain a Permit which would not reasonably be expected to have a Material Adverse Effect, and (x) Borrower has disclosed to Lender on each Borrowing Certificate the amount of all Accounts of Borrower for which Medicare is the Account Debtor and for which payment has been denied and subsequently appealed pursuant to the procedure described in the definition of Eligible Receivables hereof, and Borrower is pursuing all available appeals in respects of such Accounts. Borrower has advised that \$81,000 of overpayments from Medicare are being repaid at the rate of \$5,000 per month.

5.20 Healthcare Law Compliance

Without limiting or being limited by any other provision of any Loan Document, Borrower has timely filed or caused to be filed all material cost and other reports of every kind required by law, agreement or otherwise, if any, for Borrower's activities. Subject to subsection (x) of Section 5.20, there are no material claims, actions or appeals pending before any commission, board or agency or other Governmental Authority, including, without limitation, any intermediary or carrier, the Provider Reimbursement Review Board or the Administrator of the Center for Medicare and Medicaid Services, with respect to any material state or federal Medicare or Medicaid cost reports or material claims filed by Borrower, or any disallowance by any commission, board or agency or other Governmental Authority in connection with any audit of such cost reports. No validation review or program integrity review related to Borrower or the consummation of the transactions contemplated herein or to the Collateral have been conducted by any commission, board or agency or other Governmental Authority in connection with the Medicare or Medicaid programs, and to the knowledge of Borrower, no such reviews are scheduled, pending or threatened against or affecting any of the providers, any of the Collateral or the consummation of the transactions contemplated hereby.

5.21 Reliance on Representations; Survival

Borrower makes the representations and warranties contained herein with the knowledge and intention that Lender is relying and will rely thereon. All such representations and warranties will survive the execution and delivery of this Agreement and the making of the Advances under the Revolving Facility. No investigation or inquiry made by or on behalf of Lender nor knowledge by Lender which is in any fashion inconsistent with the representations and warranties contained herein, shall in any way (i) affect or lessen the representations and warranties made and entered into by the Borrower hereunder, or (ii) reduce or in any way affect Lender's rights with respect to a breach of such representations and warranties.

VI. AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that, until full performance and satisfaction, and payment in full in cash, of all the Obligations (other than indemnity obligations with respect to which no claim has been made) and termination of this Agreement:

6.1 Financial Statements, Reports and Other Information

(a) Financial Reports. Borrower shall furnish to Lender (i) as soon as available and in any event within one hundred twenty (120) calendar days after the end of each fiscal year of Borrower, annual consolidated and consolidating financial statements of Borrower, including the notes thereto, consisting of a consolidated and consolidating balance sheet at the end of such completed fiscal year and the related consolidated and consolidating statements of income, retained earnings, cash flows and owners' equity for such completed fiscal year, compiled by an accounting firm acceptable to Lender, and, if Borrower's annual net revenues exceed \$20,000,000, such financial statements shall be audited and certified without qualification by an independent certified public accounting firm satisfactory to Lender and accompanied by related management letters, if available, and (ii) within thirty (30) calendar days after the end of each calendar month, unaudited consolidated and consolidating financial statements of Borrower consisting of a balance sheet and statements of income, retained earnings, cash flows and owners' equity as of the end of such calendar month. All such financial statements shall be prepared in accordance with GAAP consistently applied with prior periods. With each such financial statement, Borrower shall also deliver a certificate of its chief executive officer or chief financial officer stating that (A) such person has reviewed the relevant terms of the Loan Documents and the condition of Borrower, (B) no Default or Event of Default has occurred and is continuing, or, if any of the foregoing has occurred and is continuing, specifying the nature and status and period of existence thereof and the steps taken or proposed to be taken with respect thereto, and (C) Borrower is in compliance with all financial covenants attached as Annex I hereto. Such certificate shall be accompanied by the calculations necessary to show compliance with the financial covenants in a form satisfactory to Lender. Notwithstanding any other provision of this Agreement, in the event any of the financial statements or other financial reports due by Borrower under this Section 6.1(a) are not timely delivered to Lender, Borrower shall pay Lender a late fee equal to \$250 per day until such statements or reports are delivered to Lender. Such late fee shall be in addition to any other fees, charges or other provisions that may increase the Applicable Rate of interest hereunder and the assessment or collection of such late fee shall not, unless Lender specifically agrees in writing to the contrary, prevent Lender from considering any such non-timely delivery to be a Default or an Event of Default.

(b) Other Materials. Borrower shall furnish to Lender as soon as available, and in any event within fifteen (15) calendar days after the preparation or issuance thereof or at such other time as set forth below: (i) any reports, returns, information, notices and other materials that Borrower shall send to its stockholders, members, partners or other equity owners at any time, (ii) all Medicare and Medicaid cost reports and other document and materials filed by or on behalf of Borrower and any other reports, materials or other information regarding or otherwise relating to Medicaid or Medicare prepared by, for or on behalf of Borrower, (iii) any other reports, materials or other information

regarding or otherwise relating to Medicaid or Medicare prepared by, for, or on behalf of, Borrower or any of its Subsidiaries, including, without limitation, (A) copies of licenses and permits required by any applicable federal, state, foreign or local law, statute ordinance or regulation or Governmental Authority for the operation of its business, (B) Medicaid or Medicare provider numbers and agreements, (C) state surveys pertaining to any healthcare facility operated or owned or leased by Borrower or any of its Affiliates or Subsidiaries, (D) participating agreements relating to medical plans, (iv) within thirty (30) calendar days after the end of each calendar month for such month, (A) a report of the status of all payments, denials and appeals of all Medicaid and/or Medicare Accounts, (B) a sales and collection report (including credits issued) and accounts receivable and accounts payable aging schedule in a form satisfactory to Lender, all such reports showing a reconciliation to the amounts reported in the monthly financial statements, and (C) a report of census and occupancy percentage, (v) promptly upon receipt thereof, copies of any reports submitted to Borrower by its independent accountants in connection with any interim audit of the books of such Person or any of its Affiliates and copies of each management control letter provided by such independent accountants, and (vi) such additional information, documents, statements, reports and other materials as Lender may reasonably request from a credit or security perspective or otherwise from time to time, including, but not limited to, periodic receivable aging reports, dilution analyses, origination reports and default/charge off reports. Borrower shall provide copies to Lender of all filings made or reports submitted by Borrower with the Bankruptcy Court.

(c) Notices. Borrower shall promptly, and in any event within five (5) Business Days after Borrower or any officer of Borrower obtains knowledge thereof, notify Lender in writing of (i) any pending litigation, suit, investigation, arbitration, formal dispute resolution proceeding or administrative proceeding brought against or initiated by Borrower or otherwise affecting or involving or relating to Borrower or any of its property or assets to the extent (A) the amount in controversy exceeds Ten Thousand Dollars (\$10,000), or (B) to the extent any of the foregoing seeks injunctive relief, (ii) any Default or Event of Default, which notice shall specify the nature and status thereof, the period existence thereof and what action is proposed to be taken with respect thereto, (iii) any other development, event, fact, circumstance or condition that would reasonably be expected to have a Material Adverse Effect, in each case describing the nature and status thereof and the action proposed to be taken with respect thereto, (iv) any notice received by Borrower from any payor of a claim, suit or other action such payor has, claims or has filed against Borrower, (v) any matter(s) affecting the value, enforceability or collectability of any of the Collateral, including without limitation, claims or disputes in the amount of Ten Thousand Dollars (\$10,000) or more, singly or in the aggregate, in existence at any one time, (vi) any notice given by Borrower to any other lender of Borrower and shall furnish to Lender a copy of such notice, (vii) receipt of any notice or request from any Governmental Authority or governmental payor regarding any liability or claim of liability outside the ordinary course of business, (viii) termination of any

executive manager of any facility owned, operated or leased by Borrower, and/or (ix) if any Account becomes evidenced or secured by an Instrument or Chattel Paper; provided, however, Borrower shall not be obligated to send to Lender copies of proofs of claims or pleadings filed by third parties in the Bankruptcy Case, nothing herein is intended to relieve Borrower from serving Lender's counsel with pleadings filed by the Borrower..

(d) Consents. Borrower shall obtain and deliver from time to time all required consents, approvals and agreements from such third parties as Lender shall determine are necessary or desirable in its Permitted Discretion (as communicated to Borrower by written notice) for the protection of its Collateral and that are reasonably satisfactory to Lender with respect to the Loan Documents and the transactions contemplated thereby or any of the Collateral, including, without limitation, Landlord Waivers and Consents with respect to leases entered into after the Closing Date (it being understood and agreed that Borrower need not deliver Landlord's Waivers and consents for any locations existing on the Closing Date).

(e) Operating Budget. If requested by Lender, Borrower shall furnish to Lender on or prior to the Closing Date and for each fiscal year of Borrower thereafter not more than sixty (60) calendar days preceding the commencement of such fiscal year, consolidated and consolidating month by month projected operating budgets, annual projections, balance sheets and cash flow reports of and for Borrower for such upcoming fiscal year (including an income statement for each month), in each case prepared in accordance with GAAP consistently applied with prior periods.

6.2 Payment of Obligation

Borrower shall make full and timely payment in cash of the principal of and interest on the Loans, Advances and all other Obligations when due and payable.

6.3 Conduct of Business and Maintenance of Existence and Assets

Borrower shall (i) engage principally in the same or similar lines of business substantially as heretofore conducted, (ii) collect its Accounts in the ordinary course of business, (iii) maintain all of its material properties, assets and equipment used or useful in its business in good repair, working order and condition (normal wear and tear excepted and except as may be disposed of in the ordinary course of business and in accordance with the terms of the Loan Documents and otherwise as determined by Borrower using commercially reasonable business judgment), (iv) from time to time to make all necessary or desirable repairs, renewals and replacements thereof, as determined by Borrower using commercially reasonable business judgment, (v) maintain and keep in full force and effect its existence and all material Permits and qualifications to do business and good standing in each jurisdiction in which the ownership or lease of property or the nature of its business makes such Permits or qualification necessary and in which failure to maintain such Permits or qualification could reasonably be likely to have a

Material Adverse Effect; and (vi) remain in good standing and maintain operations in all jurisdictions in which currently located.

6.4 Compliance with Legal and Other Obligations

Borrower shall (i) substantially comply with all laws, statutes, rules, regulations, ordinances and tariffs of all Governmental Authorities applicable to it or its business, assets or operations, (ii) pay all taxes, assessments, fees, governmental charges, claims for labor, supplies, rent and all other obligations or liabilities of any kind, except liabilities being contested in good faith and against which adequate reserves have been established, (iii) perform in accordance with its terms each contract, agreement or other arrangement to which it is a party or by which it or any of the Collateral is bound, except where the failure to comply, pay or perform would not reasonably be expected to have a Material Adverse Effect, (iv) maintain and comply with all Permits necessary to conduct its business, and (v) properly file all Medicaid/Medicare cost reports except where the failure to comply with any of the foregoing provisions of this Section 6.4 would reasonably be expected not to have a Material Adverse Effect.

6.5 Insurance

Borrower shall (i) keep all of its insurable properties and assets adequately insured in all material respects against losses, damages and hazards as are customarily insured against by businesses engaging in similar activities or owning similar assets or properties and at least the minimum amount required by applicable law, including, without limitation, medical malpractice and professional liability insurance, as applicable; (ii) maintain business interruption insurance, (iii) maintain general public liability insurance at all times against liability on account of damage to persons and property having such limits, deductibles, exclusions and co-insurance and other provisions as are customary for a business engaged in activities similar to those of Borrower; and (iv) maintain insurance under all applicable workers' compensation laws. All of the insurance policies referenced above shall be satisfactory in form and substance to Lender in its Permitted Discretion, and shall not permit cancellation without thirty (30) days prior written notice to Lender (except only ten (10) days notice may be provided for termination due to non-payment of premiums). Borrower agrees that it shall not alter, amend, modify or cancel its insurance policies without thirty (30) Business Days prior written notice to Lender unless such alteration, amendment, modification or cancellation, shall be in compliance with the requirements set forth above. The insurance policies referenced in clauses (i) and (ii) shall name Lender as loss payee or as an additional insured thereunder.

6.6 True Books

Borrower shall (i) keep true, complete and accurate books of record and accounts in accordance with commercially reasonable business practices in which true and correct entries are made of all of its dealings and transactions in all material respects; and (ii) set up and maintain on its books such reserves as may be required by GAAP with respect to doubtful accounts and all taxes, assessments, charges, levies and claims and with respect to its business, and include such reserves in its quarterly as well as year end financial statements.

6.7 Inspection; Period Audits

Borrower shall permit the representatives of Lender, at the expense of Borrower, from time to time during normal business hours, upon reasonable notice but not more than one time in any calendar quarter (provided that upon the occurrence and during the continuance of an Event of Default, there shall be no restrictions on the number of times that Lender may perform the activities described in this Section 6.7 nor shall Lender be required to give prior notice to Borrower), to (i) visit and inspect any of its offices or properties or any other place where Collateral is located to inspect the Collateral and/or to examine or audit all of Borrower's books of account, records, reports and other papers, (ii) make copies and extracts therefrom, and (iii) discuss Borrower's business, operations, prospects, properties, assets, liabilities, condition and/or Accounts with Borrower's officers and independent public accountants (and by this provision such officers and accountants are authorized to discuss the foregoing). At the completion of the audit, Borrower shall pay Lender an audit fee of \$1,100 per auditor per day and Borrower shall reimburse Lender for all audit-related out-of-pocket expenses.

6.8 Further Assurances; Post Closing

At Borrower's cost and expense, Borrower shall (i) within five (5) Business Days after Lender's reasonable request, take such further actions, and duly execute and deliver such further agreements, assignments, instructions or documents and do such further acts and things as may be necessary or proper in the reasonable opinion of Lender to carry out more effectively the provisions and purposes of this Agreement and the Loan Documents, and (ii) upon the exercise by Lender or any of its Affiliates of any power, right, privilege or remedy pursuant to any Loan Documents or under applicable law or at equity which requires any consent, approval, registration, qualification or authorization of any Person, including without limitation a Governmental Authority, execute and deliver, or cause the execution and delivery of, all applications, certificates, instruments and other documents that Lender or its Affiliate may be required to obtain for such consent, approval, registration, qualification or authorization.

6.9 Payment of Indebtedness

Except as otherwise prescribed in the Loan Documents, Borrower shall pay, discharge or otherwise satisfy at or before maturity (subject to applicable grace periods and, in the case of trade payables, to ordinary course payment practices) all of its material Indebtedness, except when the amount or validity thereof is being contested in good faith by appropriate proceedings and such reserves as required by GAAP shall have been made.

6.10 Lien Terminations

If Liens other than Permitted Liens exist, Borrower immediately shall take, execute and deliver all actions, documents and instruments necessary to release and terminate such Liens.

6.11 Use of Proceeds

Borrower shall use the proceeds from the Revolving Facility only for working capital purposes.

6.12 Collateral Documents; Security Interest in Collateral

Borrower hereby authorizes Lender to file UCC-1 Financing Statements with respect to the Collateral, and any amendments or continuations relating thereto, without the signature of Borrower and hereby ratifies, confirms and consents to any such filings made by Lender prior to the date hereof. Borrower hereby agrees to execute any additional documents or financing statements which Lender deems necessary in its reasonable discretion in order to evidence Lender's security interest in the Collateral. Borrower shall not allow any financing statement (other than that filed by or on behalf of Lender) to be on file in any public office covering any Collateral or the proceeds thereof. Pursuant to Section 2.11, Lender has full power of attorney to execute, deliver, file, register and/or record in the name of Borrower and financing statements, schedules, assignments, instruments, and documents necessary to perfect Lender's security interest in or lien on any Collateral. If necessary or advisable beyond that power of attorney, and at the reasonable request of Lender upon reasonable notice, Borrower shall (i) execute, obtain, deliver, file, register and/or record any and all financing statements, continuation statements, stock powers, instruments and other documents, or cause the execution, filing, registration, recording or deliver of any and all of the foregoing, that are necessary or required under law or otherwise or reasonably requested by Lender to be executed, filed, registered, obtained, delivered or recorded to create, maintain, perfect, preserve, validate or otherwise protect the pledge of the Collateral to Lender and Lender's perfected first priority Lien on the Collateral (and Borrower irrevocably grants Lender the right, at Lender's option, to file any or all of the foregoing) and (ii) defend the Collateral and Lender's perfected first priority Lien thereon against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to Lender, and pay all reasonable costs and expenses (including, without limitation, reasonable in-house documentation and diligence fees and reasonable legal expenses and reasonable attorneys' fees and expenses) in connection with such defense, which may at Lender's discretion be added to the Obligations.

6.13 [Intentionally Omitted]

6.14 Taxes and Other Charges

All payments and reimbursements to Lender made under any Loan Document shall be free and clear of and without deduction for all taxes, levies, imposts, deductions, assessments, charges or withholdings, and all liabilities with respect thereto of any nature whatsoever, excluding taxes to the extent imposed on Lender's net income. If Borrower shall be required by law to deduct any such amounts from or in respect of any sum payable under any Loan Document to Lender, then the sum payable to Lender shall be increased as may be necessary so that, after making all required deductions, Lender receives an amount equal to the sum it would have received had no such deductions been made. Notwithstanding any other provision of any Loan Document, if at any time after the Closing (i) any change in any existing law, regulation, treaty or directive or in the interpretation or application thereof, (ii) any new law, regulation, treaty or directive (whether or not having the force of law) from any Governmental Authority (A) subjects Lender to any tax, levy, impost, deduction, assessment, charge or withholding of any kind whatsoever with respect to any Loan Document, or changes the basis of taxation of payments to Lender of any amount payable thereunder (except for net income taxes, or franchise taxes imposed in lieu of net income taxes, imposed generally by federal, state or

local taxing authorities with respect to interest or facility fees or other fees payable hereunder or changes in the rate of tax on the overall net income of Lender), or (B) imposes on Lender any other condition or increased cost in connection with the transactions contemplated thereby or participations therein; and the result of any of the foregoing is to increase the cost to Lender of making or continuing any Loan hereunder or to reduce any amount receivable hereunder, then, in any such case, Borrower shall promptly pay to Lender any additional amounts necessary to compensate Lender, on an after-tax basis, for such additional cost or reduced amount as determined by Lender. If Lender becomes entitled to claim any additional amounts pursuant to this Section 6.14 it shall promptly notify Borrower of the event by reason of which Lender has become so entitled, and each such notice of additional amounts payable pursuant to this Section 6.14 submitted by Lender to Borrower shall, absent manifest error, be final, conclusive and binding for all purposes.

6.15 Payroll Agent

The Borrower shall at all times retain and use a payroll agent for purposes of processing, managing and paying Borrower's payroll, including all payroll tax payments required to be made under applicable tax laws and regulations. The payroll agent shall be a third party, independent of the Borrower, reasonably acceptable to Lender. The Borrower shall instruct the payroll agent to provide such reports directly to Lender as Lender may request from time to time reflecting payment of applicable payroll taxes and, in any event, such payroll agent shall deliver to Lender within ten (10) calendar days after the end of each calendar month a report of Borrower's payroll taxes for the immediately preceding calendar month and evidence of payment thereof.

6.16 Brokers and Finders

Other than the NTime Management Agreement, neither the Borrower nor any of its officer, director or employee of the Borrower has engaged, consented to or authorized any broker, investment banker or finder to act on its behalf, directly or indirectly, as a broker or finder in connection with the transactions contemplated by this Agreement. Borrower hereby indemnifies Lender from and against fees and expense of any broker, investment banker or finder with whom it has dealt in connection with the transactions contemplated hereby.

VII. NEGATIVE COVENANTS

The Borrower covenants and agrees that, until full performance and satisfaction, and payments in full in cash, of all the Obligations (other than indemnity obligations with respect to which no claim has been made) and termination of this Agreement:

7.1 Financial Covenants

Borrower shall not violate the financial covenants set forth on Annex I to this Agreement, which is incorporated herein and made a part hereof.

7.2 Permitted Indebtedness

Borrower shall not create, incur, assume or suffer to exist any Indebtedness, except the following (collectively, "Permitted Indebtedness"): (i) Indebtedness under the Loan Documents, (ii) Capitalized Lease Obligations incurred after the Closing Date and secured only by the equipment being leased pursuant to such Capitalized Lease Obligations; (iii) Indebtedness incurred pursuant to purchase money Liens permitted by Section 7.3(v), provided that the aggregate amount thereof outstanding at any time shall not exceed \$50,000, (iv) Indebtedness in connection with advances made by a stockholder in order to cure any default of the financial covenants set forth on Annex I; provided, however, that such Indebtedness shall be on an unsecured basis, subordinated in right of repayment and remedies to all of the Obligations and to all of Lender's rights and in form and substance satisfactory to Lender; (v) accounts payable to trade creditors for current operating expenses, not over 70 days past due; (vi) borrowings incurred in the ordinary course of business and not exceeding \$5,000 individually or in the aggregate outstanding at any one time; provided, however, that such Indebtedness shall be on an unsecured basis, subordinated in right of repayment and remedies to all of the Obligations and to all of the Lender's rights and in form and substance satisfactory to Lender; (vii) any other Indebtedness that Lender may expressly consent to in writing prior to its incurrence, which consent shall be in the sole discretion of Lender; and (viii) any administrative fees in connection with the Bankruptcy Case, including but not limited to professional fees and U.S. Trustee fees. Notwithstanding the foregoing, Borrower shall incur no Indebtedness if the incurrence of such Indebtedness will, directly or indirectly, cause a Default or an Event of Default under this Agreement. Borrower shall not make prepayments on an existing or future Indebtedness to any Person other than to Lender or to the extent specifically permitted by this Agreement or any subsequent agreement between Borrower and Lender.

7.3 Permitted Liens

Borrower shall not create, incur, assume or suffer to exist any Lien upon, in or against, or pledge of, any of the Collateral or any of its properties or assets or any of its shares, securities or other equity or ownership or partnership interests, whether now owned or hereafter acquired, except the following (collectively, "Permitted Liens"): (i) Liens under the Loan Documents or otherwise arising in favor of Lender, (ii) Liens imposed by law for taxes, assessments or charges of Governmental Authority for claims not yet due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained by such Person in accordance with GAAP, (iii) (A) statutory Liens of landlords and of carriers, warehousemen, mechanics, materialmen, and (B) other Liens imposed by law or that arise by operation of law in the ordinary course of business from the date of creation thereof, in each case only for amounts not yet due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained by such Person in accordance with GAAP, (iv) Liens (A) incurred or deposits made in the ordinary course of business (including, without limitation, surety bonds and appeal bonds) in connection with workers' compensation unemployment insurance and other types of social security benefits or to secure the performance of tenders, bids, leases, contracts (other than for the repayment in Indebtedness), statutory obligations and other similar obligations, or (B) arising as a result of progress payments under governmental contracts, (v) purchase money Liens securing Indebtedness permitted under

Section 7.2(iv), (vi) Liens necessary and desirable for the operation of such Person's business, provided Lender has consented to such Liens in writing before their creation and existence and the priority of such Liens and the debt secured thereby are both subject and subordinate in all respects to the Liens securing the Collateral and to the Obligations and all of the rights and remedies of Lender, all in form and substance satisfactory to Lender in its sole discretion; and (vii) Liens disclosed on Schedule 7.3.

7.4 Investments, New Facilities or Collateral; Subsidiaries

Borrower, directly or indirectly, shall not (i) purchase, own, hold, invest in or otherwise acquire obligations or stock or securities of, or any other interest in, or all or substantially all of the assets of, any Person or any joint venture whether by merger, consolidation, outright purchase or otherwise, or (ii) make or permit to exist any loans, advances or guarantees to or for the benefits of any Person or assume, guarantee, endorse, contingently agree to purchase or otherwise become liable for or upon or incur any obligation of any Person (other than those created by the Loan Documents and Permitted Indebtedness and other than (A) trade credit extended in the ordinary course of business, (B) advances for business travel and similar temporary advances made in the ordinary course of business to officers, directors and employees, (C) deposits to landlords and (D) the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business). Borrower, directly or indirectly, shall not purchase, own, operate, hold, invest in or otherwise acquire any facility, property or assets or any Collateral that is not located at the locations set forth on Schedule 5.18B unless Borrower shall provide to Lender at least thirty (30) Business Days prior written notice. Borrower shall have no Subsidiaries other than such Subsidiaries existing at Closing.

7.5 Dividends; Redemptions

Borrower shall not (i) declare, pay or make any dividend or distribution on any shares of capital stock or other securities or interests (other than dividends or distributions payable in its stock, or split-ups or reclassifications of its stock); (ii) apply any of its funds, property or assets to the acquisition, redemption or other retirement or any capital stock or other securities or interests or of any options to purchase or acquire any of the foregoing (provided, however, that Borrower may redeem its equity securities from terminated employees pursuant to, but only to the extent required under, the terms of the related employment agreements as long as no Default or Event of Default has occurred and is continuing or would be caused by or result therefrom), (iii) otherwise make any payments or Distributions to any stockholder, member, partner or other equity owner in such Person's capacity as such, or (iv) make any payment of any management, or related or similar fee to any Person or with respect to any facility owned, operated or leased by Borrower.

7.6 Transactions with Affiliates

Other than in connection with the NTime Management Agreement or regarding the 401(K) plan, Borrower shall not enter into or consummate any transactions of any kind with any of its Affiliates other than: (i) salary, bonus, employee stock option and other compensation to and employment arrangements with directors, officers or employees in the ordinary course of

business, provided, that no payment of any bonus shall be permitted if an Event of Default has occurred and remains in effect or would be caused by or result from such payment, (ii) distributions and dividends permitted pursuant to Section 7.5, (iii) transactions with Lender or any Affiliate of Lender, and (iv) payments (other than those referenced in cause (i) above) permitted under and pursuant to written agreements entered into by and between Borrower and one or more of its Affiliates that both reflect and constitute transactions on overall terms at least as favorable to Borrower as would be the case in an arm's-length transaction between unrelated parties of equal bargaining power, provided, that notwithstanding the foregoing Borrower shall not enter into or consummate any transactions or agreement pursuant to which it becomes a party to any mortgage, note, indenture or guarantee evidencing any Indebtedness of any of its Affiliates or otherwise to become responsible or liable, as a guarantor, surety or otherwise, pursuant to agreement for any Indebtedness of any such Affiliate.

7.7 Charter Documents; Fiscal Year; Dissolution; Use of Proceeds

Borrower shall not (i) change its state of formation, or amend, modify, restate or change its certificate of incorporation or formation or bylaws or similar charter documents in a manner that would be materially adverse to Lender without five (5) days' notice to Lender, (ii) change its fiscal year, unless Borrower demonstrates to Lender's satisfaction compliance with the covenants contained herein for both the fiscal year in effect prior to any change and the new fiscal year period by delivery to Lender of appropriate interim and annual pro forma, historical and current compliance certificates for such periods and such other information as Lender may reasonably request, (iii) amend, alter or suspend or terminate or make provisional in any material way, any Permit without the prior written consent of Lender, which consent shall not be unreasonably withheld, (iv) wind up, liquidate or dissolve (voluntarily or involuntarily) or commence or suffer any proceedings seeking to wind up, liquidate or dissolve or that would result in any of the foregoing, or (v) use any proceeds of any Advance for "purchasing" or "carrying" "margin stock" as defined in Regulations U, T or X of the Board of Governors of the Federal Reserve System.

7.8 [Intentionally Omitted]

7.9 Management

Borrower shall not pay any compensation or other amounts to senior management of Borrower in excess of such amounts as are usual and customary for companies in similar businesses and of a similar size or as pursuant to the NTime Management Agreement.

7.10 Truth of Statements

Borrower shall not furnish to Lender any certificate or other document that contains any untrue statement of a material fact or that omits to state a material fact necessary to make it not misleading in light of the circumstances under which it was furnished.

7.11 IRS Form 8821

Borrower shall not materially alter, amend, restate, or otherwise modify, or withdraw, terminate or re-file the IRS Form 8821 required to be filed pursuant to the Conditions Precedent in Section 4.1, hereof.

VIII. EVENTS OF DEFAULT

The occurrence of any one or more of the following shall constitute an “Event of Default:”

(a) Borrower shall fail to pay any amount on the Obligations or provided for in any Loan Document when due (whether on any payment date, at maturity, by reason or acceleration, by notice of intention to prepay, by required prepayment or otherwise);

(b) any representation, statement or warranty made or deemed made by Borrower in any Loan Document or in any other certificate, document, report or opinion delivered in conjunction with any Loan Document to which it is a party, shall not be true and correct in all material respects or shall have been false or misleading in any material respect on the date when made or deemed to have been made (except to the extent already qualified by materiality, in which case it shall be true and correct in all respects and shall not be false or misleading in any respect);

(c) Borrower or other party thereto other than Lender shall be in violation, breach or default of, or shall fail to perform, observe or comply with any covenant, obligation or agreement set forth in, any Loan Document and such violation, breach, default or failure shall not be cured within the applicable period set forth in the applicable Loan Documents; provided that, with respect to the affirmative covenants set forth in Article VI (other than Sections 6.2, 6.3 (i) and (ii), 6.9 and 6.11 for which there shall be no cure period), there shall be a fifteen (15) calendar day cure period commencing from the earlier of (i) receipt by such Person of written notice of such breach, default, violation or failure, and (ii) the time at which such Person or any officer thereof knew or became aware, or should have known or been aware, of such failure, violation, breach or default; provided that such fifteen (15) day cure period shall be extended with respect to any Event of Default with results from a determination by a Governmental Authority that any of Borrower’s properties are not in substantial compliance with applicable regulatory requirements, but only to the extent that Borrower takes all appropriate action to correct such determination as required by such Governmental Authority during such extended cure period but in no event shall such extended cure period exceed the shorter of (x) the deadline for compliance established by such Governmental Authority or (y) 120 days after the occurrence of such noncompliance nor shall Borrower’s failure to be in substantial compliance result in a Material Adverse Change.

(d) (i) any of the Loan Documents ceases to be in full force and effect, or (ii) any Lien created thereunder ceases to constitute a valid perfected first priority Lien on the Collateral in accordance with the terms thereof, or Lender ceases to have a valid perfected first priority security interest in any material portion of the Collateral;

(e) one or more judgments or decrees is rendered, after the date hereof and constitutes a post petition claim, against any Borrower in an amount in excess of \$10,000 individually or \$25,000 in the aggregate at one time outstanding, which is/are not satisfied, stayed, bonded, vacated or discharged of record within thirty (30) calendar days of being rendered;

(f) (i) any default occurs, which is not cured within any applicable grace period or cure period or waived, (x) in the payment of any amount with respect to any Indebtedness (other than the Obligations) of any Borrower in excess of \$10,000, (y) in the performance, observance or fulfillment of any provision contained in any Agreement, contract, document or instrument to which any Borrower is a party or to which any of their properties or assets are subject or bound under or pursuant to which any Indebtedness was issued, created, assumed, guaranteed or secured and such Default continues for more than any applicable grace period or permits the holder of any Indebtedness to accelerate the maturity thereof, or (z) in the performance, observance or fulfillment of any provision contained in any agreement, contract, document or instrument between any Borrower and Lender or Affiliate of Lender (other than the Loan Documents), or (ii) any Indebtedness of any Borrower is declared to be due and payable or is required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity thereof, or any obligation of such Person for the payment of Indebtedness (other than the Obligations) is not paid when due or within any applicable grace period, or any such obligation becomes or is declared to be due and payable before the expressed maturity thereof, or there occurs an event which, with the giving of notice or lapse of time, or both, would cause any such obligation to become, or allow any such obligation to be declared to be, due and payable;

(g) Borrower shall (i) be unable to pay its debts generally as they become due.

(h) (i) any Change of Control occurs or any agreement or commitment to cause or that may result in any such Change of Control is entered into, (ii) any Material Adverse Effect, Material Adverse Change occurs, (iii) any Liability Event occurs which exceeds 20% of the amount of Availability, or (iv) any Borrower ceases any material portion of its business operations as currently conducted;

(i) Lender receives any indication or evidence that any Borrower may have directly or indirectly been engaged in any type of activity which, in Lender's judgment, might result in forfeiture of any property to an Governmental Authority

which shall have continued unremedied for a period of ten (10) calendar days after written notice from Lender;

(j) Any Borrower or any of their respective directors or senior officers is criminally indicted or convicted under any law that could lead to a forfeiture of any material portion of Collateral; or

(k) The issuance, after the date hereof and constitutes a post petition claim, of any process for levy, attachment or garnishment or execution upon or prior to any judgment for in any one instance or in the aggregate an amount of \$10,000 or more against any Borrower or any of their property or assets.

then, and in any such event, notwithstanding any other provision of any Loan Documents, Lender may by notice to Borrower (i) terminate its obligations to make Advances hereunder, whereupon the same shall immediately terminate and (ii) declare all or any of the Revolving Notes, all interest thereon and all other Obligations to be due and payable immediately, in each case without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower.

IX. RIGHTS AND REMEDIES AFTER DEFAULT

9.1 Rights and Remedies

(a) In addition to the acceleration provisions set forth in Article VIII above, upon the occurrence and continuation of an Event of Default, Lender shall have the right to exercise any and all rights, options and remedies provided for in any Loan Document, under the UCC or at law or in equity, including, without limitation, the right to (i) apply any property of Borrower held by Lender to reduce the Obligations, (ii) foreclose the Liens created under the Security Documents, (iii) realize upon, take possession of and/or sell any Collateral or securities pledged with or without judicial process, (iv) exercise all rights and powers with respect to the Collateral as the Borrower might exercise (other than with respect to Collateral consisting of Accounts owed or owing by Medicaid/Medicare Account Debtors absent a court order or compliance with applicable law), (v) collect and send notices regarding the Collateral with or without judicial process, (vi) at Borrower's expense, require that all or any part of the Collateral be assembled and made available to Lender at any reasonable place designated by Lender, (vii) reduce or otherwise change the Facility Cap, and/or (viii) relinquish or abandon any Collateral or securities pledged or any Lien thereon. Notwithstanding any provision of any Loan Document, Lender, in its Permitted Discretion, shall have the right, at any time that Borrower fails to do so, and from time to time, without prior notice, to: (i) obtain insurance covering any of the Collateral to the extent required hereunder; (ii) pay for the performance of any Obligations; (iii) discharge taxes or liens on any of the Collateral that are in violation of any Loan Document unless Borrower is in good faith with due diligence by appropriate proceedings contesting those items; and (iv) pay for the maintenance and preservation of the Collateral. Such expenses and advances

shall be added to the Obligations until reimbursed to Lender and shall be secured by the Collateral, and such payments by Lender shall not be construed as a waiver by Lender of any Event of Default or any other rights or remedies of Lender.

(b) Borrower agrees that notice received by it at least ten (10) calendar days before the time of any intended public sale, or the time after which any private sale or other disposition of Collateral is to be made, shall be deemed to be reasonable notice of such sale or other disposition. If permitted by applicable law, any perishable Collateral which threatens to speedily decline in value or which is sold on a recognized market may be sold immediately by Lender without prior notice to Borrower. At any sale or disposition of Collateral or securities pledged, Lender may (to the extent permitted by applicable law) purchase all or any part thereof free from any right of redemption by any Borrower which right is hereby waived and released. Borrower covenants and agrees not to, and not to permit or cause any of its Subsidiaries to, interfere with or impose any obstacle to Lender's exercise of its rights and remedies with respect to the Collateral. Lender, in dealing with or disposing of the Collateral or any part thereof, shall not be required to give priority or preference to any item of Collateral or otherwise to marshal assets or to take possession or sell any Collateral with judicial process.

9.2 Application of Proceeds

In addition to any other rights, options and remedies Lender has under the Loan Documents, the UCC, at law or in equity, all dividends, interest, rents, issues, profits, fees, revenues, income and other proceeds collected or received from collecting, holding, managing, renting, selling, or otherwise disposing of all or any part of the Collateral or any proceeds thereof upon exercise of its remedies hereunder shall be applied in the following order of priority: (i) first, to the payment of all reasonable out-of-pocket costs and expenses of such collection, storage, lease, holding, operation, management, sale, disposition or deliver and of conducting Borrower's business and of maintenance, repairs, replacements, alterations, additions and improvements of or to the Collateral, and to the payment of all sums which Lender may be required or may elect to pay, if any, for taxes, assessments, insurance and other charges upon the Collateral or part thereof, and all other payments that Lender may be required or authorized to make under any provision of this Agreement (including, without limitation, in each such case, in-house documentation and diligence fees and legal expenses, search, audit, recording, professional and filing fees and expenses and reasonable attorneys' fees and all expenses, expert witness fees, liabilities and advances made or incurred in connection therewith, whether litigation is commenced or not); (ii) second, to the payment of all Obligations as provided herein, (iii) third, to the satisfaction of Indebtedness secured by any subordinate security interest of record in the Collateral if written notification of demand therefore is received before distribution of the proceeds is completed, provided, that, if requested by Lender, the holder of a subordinate security interest shall furnish reasonable proof of its interest, and unless it does so, Lender need not address its claims; and (iv) fourth, to the payment of any surplus then remaining to Borrower, unless otherwise provided by law or directed by a court of competent jurisdiction, provided that Borrower shall be liable for any deficiency if such proceeds are insufficient to satisfy the Obligations or any of the other items referred to in this section.

9.3 [Intentionally Omitted]

9.4 Rights and Remedies not Exclusive

Lender shall have the right in accordance with the terms hereof, in its Permitted Discretion to determine which rights, Liens and/or remedies Lender may at any time pursue, relinquish, subordinate or modify, and such determination will not in any way modify or affect any of Lender's rights, Liens or remedies under any Loan Document, applicable law or equity. The enumeration of any rights and remedies in any Loan Document is not intended to be exhaustive, and all rights and remedies of Lender described in any Loan Document are cumulative and are not alternative to or exclusive of any other rights or remedies which Lender otherwise may have. The partial or complete exercise of any right or remedy shall not preclude any other further exercise of such or any other right or remedy.

X. WAIVERS AND JUDICIAL PROCEEDINGS

10.1 Waivers

Except as expressly provided for herein, Borrower hereby waives setoff, counterclaim, demand, presentment, protest, all defenses with respect to any and all instruments and all notices and demands of any description, and the pleading of any statute of limitations as a defense to any demand under any Loan Document. Borrower hereby waives any and all defenses and counterclaims it may have or could interpose in any action or procedure brought by Lender to obtain an order of the Bankruptcy Court recognizing the assignment of, or Lien of Lender in and to, any Collateral, whether or not payable by a Medicaid/Medicare Account Debtor. With respect to any action hereunder, Lender conclusively may rely upon, and shall incur no liability to Borrower in acting upon, any request or other communication that Lender reasonably believes to have been given or made by a person authorized on Borrower's behalf, whether or not such person is listed on the incumbency certificate delivered pursuant to Section 4.1 hereof. In each such case, Borrower hereby waives the right to dispute Lender's action based upon such request or other communication, absent manifest error.

10.2 Delay; No Waiver or Defaults

No course of action or dealing, renewal, release or extension of any provisions of any Loan Document, or single or partial exercise of any such provision, or delay, failure or omission on Lender's part in enforcing any such provision shall affect the liability of any Borrower or operate as a waiver of such provision or affect the liability of any Borrower or preclude any other or further exercise of such provision. No waiver by any party to any Loan Document of any one or more defaults by any other party in the performance of any of the provisions of any Loan Document shall operate or be construed as a waiver of any future default, whether of a like or different nature, and each such waiver shall be limited solely to the express terms and provisions of such waiver. Notwithstanding any other provision of any Loan Document, by completing the Closing under this Agreement and/or by making Advances, Lender does not waive any breach of any representation or warranty of under any Loan Document, and all of Lender's claims and rights resulting from any such breach or misrepresentation are specifically reserved.

10.3 Jury Waiver

EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY.

10.4 Cooperation in Discovery and Litigation

In any litigation, arbitration or other dispute resolution proceeding relating to any Loan Document, Borrower waives any and all defenses, objections and counterclaims it may have or could interpose with respect to (i) any of its directors, officers, employees or agents being deemed to be employee or managing agents of Borrower for purposes of all applicable law or court rules regarding the production of witnesses by notice for testimony (whether in a deposition, at trial or otherwise), (ii) Lender's counsel examining any such individuals as if under cross-examination and using any discovery deposition of any of them as if it were an evidence deposition, and/or (iii) using all commercially reasonable efforts to produce in any such dispute resolution proceeding, at the time and in the manner requested by Lender, all Persons, documents (whether in tangible, electronic or other form) and/or other things under its control and relating to the dispute.

XI. EFFECTIVE DATE AND TERMINATION

11.1 Effectiveness and Termination

Subject to Lender's right to terminate and cease making Advances upon the occurrence and during the continuance of an Event of Default, this Agreement shall continue in full force and effect until the full performance and indefeasible payment in cash of all Obligations (other than indemnity obligations with respect to which no claim has been made), unless terminated sooner as provided in this Section 11.1. Borrower may terminate this Agreement at any time upon not less than thirty (30) calendar days' prior written notice to Lender and upon full performance and indefeasible payment in full in cash of all Obligations (other than indemnity obligations with respect to which no claim has been made) on or prior to such 30th calendar day after Receipt by Lender of such written notice. All of the Obligations (other than indemnity obligations with respect to which no claim has been made) shall be immediately due and payable upon any such termination on the termination date stated in any notice of termination (the "Termination Date"); provided, that, notwithstanding any other provision of any Loan Document, the Termination Date shall be effective no earlier than the first Business Day of the month following the expiration of the thirty (30) calendar days' prior written notice period. Notwithstanding any other provision of any Loan Document, no termination of this Agreement shall affect Lender's rights or any of the Obligations existing as of the effective date of such termination, and the provisions of the Loan Documents shall continue to be fully operative until the Obligations (other than indemnity obligations with respect to which no claim has been made) have been fully performed and indefeasibly paid in cash in full. The Liens granted to Lender under the Security Documents and the financing statements filed pursuant thereto and the rights and powers of Lender shall continue in full force and effect notwithstanding the fact that Borrower's borrowings hereunder may from time to time be in a zero or credit position until all of the Obligations (other than indemnity obligations with respect

to which no claim has been made) have been fully performed and indefeasibly paid in full in cash.

11.2 Survival

All obligations, covenants, agreements, representations, warranties, waivers and indemnities made by Borrower in any Loan Document shall survive the execution and delivery of the Loan Documents, the Closing, the making of the Advances and any termination of this Agreement until all Obligations (other than indemnity obligations with respect to which no claim has been made) are fully performed and indefeasibly paid in full in cash. Notwithstanding the foregoing sentence of this Section 11.2, the obligations and provisions of Sections 3, 10.1, 11.1, 11.2, 12.1, 12.4, 12.7 and 12.11 shall survive termination of the Loan Documents and any payment, in full or in part, of the Obligations.

XII. MISCELLANEOUS

12.1 Governing Law; Jurisdiction; Service of Process; Venue

The Loan Documents shall be governed by and construed in accordance with the internal substantive laws of the State of New York without giving effect to its choice of law provisions. Any judicial proceeding against Borrower with respect to the Obligations, any Loan Documents or any related agreement may be brought in the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division (the "Bankruptcy Court"). Any judicial proceedings against Lender involving, directly or indirectly, the Obligations, any Loan Document or any related agreement shall be brought only in the Bankruptcy Court. In the event that any of the Loan Documents or Obligation survives the bankruptcy proceedings, or in the event that the Bankruptcy Court abstains or otherwise declines to hear any such judicial proceeding, then venue shall be only in a federal or state court located in the State of New York. All parties acknowledge that they participated in the negotiation and drafting of this Agreement and that, accordingly, no party shall move or petition a court construing this Agreement to construe it more stringently against one party than against any other.

12.2 Successors and Assigns; Participants; New Lenders

The Loan Documents shall inure to the benefit of Lender, Transferees and all future holders of any Revolving Note, the Obligations and/or any of the Collateral, and each of their respective successors and assigns. Each Loan Document shall be binding upon the Persons other than Lender that are parties thereto and their respective successors and assigns, and no such Person may assign, delegate or transfer any Loan Document or any of its rights or obligations thereunder without the prior written consent of Lender. No rights are intended to be created under any Loan Document for the benefit of any third party donee, creditor or incidental beneficiary of any Borrower. Nothing contained in any Loan Document shall be construed as a delegation to Lender of any other Person's duty of performance. BORROWER ACKNOWLEDGES AND AGREES THAT LENDER AT ANY TIME AND FROM TIME TO TIME MAY (I) DIVIDE AND RESTATE ANY NOTE, AND/OR (II) SELL, ASSIGN OR GRANT PARTICIPATING INTERESTS IN OR TRANSFER ALL OR ANY PART OF ITS RIGHTS OR OBLIGATIONS UNDER ANY LOAN DOCUMENT, REVOLVING NOTE, THE

OBLIGATIONS AND/OR THE COLLATERAL TO OTHER PERSONS (EACH SUCH TRANSFEREE, ASSIGNEE OR PURCHASER, A "TRANSFEREE"). Each Transferee shall have all of the rights and benefits with respect to the Obligations, Revolving Note, Collateral and/or Loan Documents held by it as fully as if the original holder thereof, and either Lender or any Transferee may be designated as the sole agent to manage the transactions and obligations contemplated, therein; provided that, notwithstanding anything to the contrary in any Loan Document, Borrower shall not be obligated to pay under this Agreement to any Transferee any sum in excess of the sum which Borrower would have been obligated to pay to Lender had such participation not been effected. Notwithstanding any other provision of a Loan Document, Lender may disclose to any Transferee all information, reports, financial statements, certificates and documents obtained under any provision of any Loan Document.

12.3 Application of Payments

To the extent that any payment made or received with respect to the Obligations is subsequently invalidated, determined to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver, custodian or any other Person under any Debtor Relief Law, common law or equitable cause or any other law, then the Obligations intended to be satisfied by such payment shall be revived and shall continue as if such payment had not been received by Lender. Any payments with respect to the Obligations received shall be credited and applied in such manner and order, as Lender shall decide in its Permitted Discretion.

12.4 Indemnity

Borrower shall indemnify Lender, its Affiliates and its and their respective managers, members, officers, employee, Affiliates, agents, representatives, successors, assigns, accountants and attorneys (collectively, the "Indemnified Persons") from and against any and all liability, obligations, losses, damages, penalties, actions, judgments, suits, reasonable out-of-pocket costs, expenses and disbursements of any kind of nature whatsoever (including, without limitation, reasonable fees and disbursements of counsel, expert witness fees, and reasonable in-house documentation and diligence fees and reasonable legal expenses) which may be imposed on, incurred by or asserted against any Indemnified Person with respect to or arising out of, or in any litigation, proceeding or investigation instituted or conducted by any Person with respect to any aspect of, or any transaction contemplated by or referred to in, or any matter related to, any Loan Document or any agreement, document or transaction contemplated thereby, whether or not such Indemnified Person is a party thereto, except to the extent that any of the foregoing (i) arises out of the gross negligence or willful misconduct of any Indemnified Person or (ii) arises out of a dispute between or among any Indemnified Persons. Lender agrees to give Borrower reasonable notice of any event of which Lender becomes aware for which indemnification may be required under this Section 12.4, and Lender may elect (but is not obligated) to direct the defense thereof, provided that the selection of counsel shall be subject to Borrower's consent which consent shall not be unreasonably withheld or delayed. Any Indemnified Person may in its reasonable discretion, take such actions, as it deems necessary and appropriate to investigate, defend or settle any event or take other remedial or corrective actions with respect thereto as may be necessary for the protection of such Indemnified Person or the Collateral. Notwithstanding the foregoing, if any insurer agrees to undertake the defense of an event (an "Insured Event"),

Lender agrees not to exercise its right to select counsel to defend the event if that would cause any Borrower's insurer to deny coverage; provided, however, that Lender reserves the right to retain counsel to represent any Indemnified Person with respect to an Insured Event at its sole cost and expense. To the extent that Lender obtains recovery from a third party other than an Indemnified Person of any of the amounts that any Borrower has paid to Lender pursuant to the indemnity set forth in this Section 12.4, then Lender shall promptly pay to such Borrower the amount of such recovery.

12.5 Notice

Any notice or request under any Loan Document shall be given to any party to this Agreement at such party's address set forth beneath its signature on the signature page to this Agreement, or at such other address as such party may hereafter specify in a notice given in the manner required under this Section 12.5. Any notice or request hereunder shall be given only by, and shall be deemed to have been received upon (each, a "Receipt"): (i) registered or certified mail, return receipt requested, on the date on which such received as indicated in such return receipt, (ii) delivery by a nationally recognized overnight courier, one (1) Business Day after deposit with such courier, or (iii) facsimile or electronic transmission, in each case upon telephone or further electronic communication from the recipient acknowledging receipt (whether automatic or manual from recipient), as applicable.

12.6 Severability; Captions; Counterparts; Facsimile Signatures

If any provision of any Loan Document is adjudicated to be invalid under applicable laws or regulations, such provision shall be inapplicable to the extent of such invalidity without affecting the validity or enforceability of the remainder of the Loan Documents which shall be given effect so far as possible. The captions in the Loan Documents are intended for convenience and reference only and shall not affect the meaning or interpretation of the Loan Documents. The Loan Documents may be executed in one or more counterparts (which taken together, as applicable, shall constitute one and the same instrument) and by facsimile transmission, which facsimile signatures shall be considered original executed counterparts. Each party to this Agreement agrees that it will be bound by its own facsimile signature and that it accepts the facsimile signature of each other party.

12.7 Expenses

Borrower shall pay, whether or not the Closing occurs, all usual and customary costs and expenses incurred by Lender and/or its Affiliates, including, without limitation, documentation and diligence fees and expenses, all search, audit, appraisal, recording reasonable professional and filing fees and expenses and all other actual out-of-pocket charges and expenses (including, without limitation, UCC and judgment and tax lien searches and UCC filings and fees for post-Closing UCC and judgment and tax lien searches and audit expenses), and reasonable attorneys' fees and expenses, incurred (i) in any effort to enforce, protect or collect payment of any Obligation or to enforce any Loan Document or any related agreement, document or instruments (ii) in connection with entering into, negotiating, preparing, reviewing and executing the Loan Documents and/or any related agreements, documents or instruments, (iii) arising in any way out of administration of the Obligations, (iv) in connection with instituting, maintaining,

preserving, enforcing and/or foreclosing on Lender's Liens in any of the Collateral or securities pledged under the Loan Documents, whether through judicial proceedings or otherwise, (v) in defending or prosecuting any actions, claims or proceedings arising out of or relating to Lender's transactions with Borrower, (vi) in seeking, obtaining or receiving any advice with respect to its rights and obligations under any Loan Document and any related agreement, document or instrument, (vii) in connection with any modification, restatement, supplement, amendment, waiver or extension of any Loan Document and/or any related agreement, document or instrument and/or (viii) in connection with all actions, visits, audits and inspections undertaken by Lender or its Affiliates pursuant to the Loan Documents, subject to the provisions of Section 6.7 hereof. All of the foregoing shall be charged to Borrower's account and shall be part of the Obligations. If Lender or any of its Affiliates uses in-house counsel for any purpose under any Loan Document for which Borrower is responsible to pay or indemnify, Borrower expressly agrees that its Obligations include reasonable charges for such work commensurate with the fees that would otherwise be charged by outside legal counsel selected by Lender or such Affiliate in its Permitted Discretion for the work performed. Without limiting the foregoing, Borrower shall pay all taxes (other than taxes based upon or measured by Lender's income or revenues or any personal property tax), if any, in connection with the issuance of any Revolving Note and the filing and/or recording of any documents and/or financing statements.

12.8 Entire Agreement

This Agreement and the other Loan Documents to which Borrower is a party constitute the entire agreement between Borrower and Lender with respect to the subject matter hereof and thereof, and supersede all prior agreements and understandings, if any, relating to the subject matter hereof or thereof. Any promises, representations, warranties or guarantees not herein contained and hereafter made shall have no force and effect unless in writing signed by Borrower and Lender. No provision of this Agreement may be changed, modified, amended, restated, waived, supplemented, discharged, canceled or terminated orally or by any course of dealing or in any other manner other than by an agreement in writing signed by Lender and Borrower. Each party hereto acknowledges that it has been advised by counsel in connection with the negotiation and execution of this Agreement and is not relying upon oral representations or statements inconsistent with the terms and provisions hereof.

12.9 Lender Approvals

Unless expressly provided herein to the contrary, any approval, consent, waiver or satisfaction of Lender with respect to any matter that is subject of any Loan Document may be granted or withheld by Lender in its sole and absolute discretion.

12.10 [Intentionally Omitted]

12.11 Release of Lender

Borrower is unaware of any claims against Lender. Borrower by acceptance of each and every advance under this Agreement is hereby deemed to be unaware of any claims against Lender, unless Borrower notifies Lender otherwise in writing prior to such advance. If Borrower becomes aware of any potential claims against Lender, Borrower shall notice Lender

of any such claims with in three business days of becoming aware of such claims. Borrower shall not seek any advances under this Agreement with knowledge that any claims exists against Lender.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the parties has duly executed this Credit and Security Agreement as of the date first written above.

NORTH BAY GENERAL HOSPITAL, INC.

By: _____

Name: Jay Stacy

Title: President

Address for Notice:

1711 West Wheeler Avenue

Aransas Pass, TX 78336

Attention: Administration Department

Telephone: (361) 758-0505

Fax: (361) 758-0476

Email: jstacy@ntime.us

State of Texas)
) ss:
County of _____)

On this ___ day of July, 2008, Jay Stacy personally appeared before me and executed this document on behalf of North Bay General Hospital, Inc.

Notary Public

My commission expires _____.

NORTHERN HEALTHCARE CAPITAL, LLC

By: _____

Name: Timothy Peters

Title: Member

Address for Notice:

Northern Healthcare Capital, LLC

333 Seventh Avenue, 3rd Floor

New York, NY 10001

Telephone: (212) 494-9039

Fax: (646) 219-2252

Email: tpeters@nhcapital.com

EXHIBITS

Exhibit A - Borrowing Certificate

SCHEDULES

Schedule 2.4 - Borrower's Deposit Accounts

Schedule 5.3 - Capitalization, Organization Chart (including all subsidiaries, authorized/issued capitalization, owners, directors, officers and managers) and Joint Ventures

Schedule 5.4 - Real Property Owned or Leased

Schedule 5.16 - Insurance

Schedule 5.17A - Corporate Names

Schedule 5.17B - Places of Business

Schedule 7.3 - Liens

ANNEX I

FINANCIAL COVENANTS

Loan Turnover Rate

The amount calculated by dividing (A) 365 by (B) the result achieved by dividing (i) the product of the aggregate of all collections received in the Lockbox during each calendar quarter with respect to all of Borrower's Healthcare Receivables, multiplied by 4, by (ii) the outstanding principal balance of the Revolving Facility as of the last Business Day of such calendar quarter, shall not be greater than 45.

EXHIBIT A

BORROWING CERTIFICATE

Dated as of [], 2008]

NORTH BAY GENERAL HOSPITAL, INC., a Texas corporation (the "Borrower"), by the undersigned duly authorized officer, hereby certifies to Lender in accordance with the Credit and Security Agreement dated as of July [], 2008, between Borrower and Northern Healthcare Capital, LLC ("Lender") (as amended, supplemented or modified from time to time, the "Loan Agreement;" all capitalized terms not defined herein have the meanings given them in the Loan Agreement) and other Loan Documents that:

A. Borrowing Base and Compliance

Pursuant to the Security Documents, Lender has been granted a lien on all Accounts of Borrower. The amounts, calculations and representations set forth below and on Schedule 1 are true and correct in all respects and were determined in accordance with the Loan Agreement and GAAP. All of the Accounts referred to (other than those entered as ineligible on Schedule 1) are Eligible Receivables. Attached are reports with detailed aging and categorizing of Borrower's accounts receivable and payables and supporting documentation with respect to the amounts, calculation and representations set forth on Schedule 1, all as reasonably requested by Lender pursuant to the Loan Agreement.

B. Borrowing Notice (to be completed and effective only if Borrower is requesting an Advance)

(1) In accordance with Sections 2.4 and 4.2(a) of the Loan Agreement, Borrower hereby irrevocably requests from Lender an Advance under the Revolving Facility pursuant to the Loan Agreement in the aggregate principal amount of \$_____ ("Requested Advance") to be made on _____ (the "Borrowing Date"), which day is a Business Day.

(2) Immediately after giving effect to the Requested Advance, the aggregate outstanding principal amount of Advances will not exceed the lesser of (i) the Availability and (ii) Facility Cap.

(3) Borrower certifies to Lender as of the applicable Borrowing Date (i) to the solvency of Borrower after giving effect to the Requested Advance and the transactions contemplated by the Loan Agreement and the other Loan Documents, and (ii) as to Borrower's financial resources and ability to meet its respective obligations and liabilities as they become due, to the effect that as of the applicable Borrowing Date and after giving effect to the Requested Advance and the transactions contemplated by the Loan Agreement and the other Loan Documents:

- (a) the assets of the Borrower, at a Fair Valuation, exceed the total liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) of the Borrower; and

(b) no unreasonably small capital base with which to engage in its anticipated business exists with respect to Borrower.

(4) Attached hereto are all consents approvals and agreements from third parties necessary or desirable with respect to the requested Advance.

C. General Certifications

Borrower further certifies to Lender that: (a) the certifications, representations, calculations and statements herein will be true and correct as of the date hereof, and on the Borrowing Date (if applicable); (b) all conditions and provisions of Section 4.2 and, if applicable, Section 4.1, of the Loan Agreement are as of the date hereof, and will be as of the Borrowing Date (if applicable), fully satisfied, including, without limitation, receipt by Lender of all fees, charges and expenses payable to Lender on or prior to such Borrowing Date pursuant to the Loan Documents; (c) Borrower has paid all payroll taxes through the payroll period ended _____; (d) Borrower's last state survey was performed on _____ and Borrower is in substantial compliance with all material regulatory provisions; and (e) no Medicaid or Medicare recoupments and/or recoupments of any third-party payor are being sought, requested or claimed, or, to Borrower's knowledge, threatened against Borrower or Borrower's affiliates except the following amounts: Medicare _____; Medicaid _____, Third-Party Payor _____.

Each of the representation and warranties made by Borrower in or pursuant to the Loan Agreement are accurate in all material respects on and as of the date hereof as if made on and as of the date hereof, before and after giving effect to the advance requested hereby. No Default or Event of Default has occurred and is continuing or will exist after giving effect to the advance requested hereby.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be executed as of the date first written above.

NORTH BAY GENERAL HOSPITAL, INC.

Prepared by:

Approved by:

Name: _____
Title: _____

Name: _____
Title: _____

SCHEDULE 1 TO BORROWING CERTIFICATE
 UNDER
 CREDIT AND SECURITY AGREEMENT FOR
 NORTH BAY GENERAL HOSPITAL, INC.



		Medicare	Medicaid	Insurance	Private Pay	Total
A	Section A: A/R Availability					
1	Beginning A/R (from prev. certificate)					-
2	(+) Sales (New Collateral)					-
3	(+/-) Debit/Credit Memos					-
4	(+/-) Adjustments					-
5	(-) Posted A/R Collections					-
6	Ending A/R (Date _____)					-
7	Ineligible Receivables (A)					-
8	Eligible A/R					-
9	Liquidity Factor					-
10	Not Eligible A/R					-
11	(-) Unposted A/R Collections					-
12	Adjusted Net A/R Availability					-
13	Advance Rate					85%
14	A/R Availability					-
B	Section B: Gross Availability					-
1	A/R Availability					-
2	(+) Approved Overadvance					-
3	(-) Reserves					-
4	Collateral Availability					-
5	Facility Cap					-
6	Gross Availability (lesser of Collateral Availability and Facility Cap)					-
C	Section C: Revolving Loan					-
1	Beginning Loan Balance (from previous borrowing certificate)					-
2	(-) Net A/R Collections (Attach reconciliation to Lines A5 and A11)					-
3	(-) Net Non-A/R Collections (Attach supporting detail)					-
4	(+/-) Adjustments (Attach supporting detail)					-
5	(+) Advance Request					-
6	Ending Loan Balance					-
7	Net Availability (Gross Availability less Ending Loan Balance)					-

(A) Attach a supporting schedule showing all Receivables that are not Eligible Receivables pursuant to the definitions in the Loan Agreement. If there is any discrepancy between the definition of Eligible Receivables as set forth in the Loan Agreement and any of the information set forth in this certificate, Schedule 1 or any supporting documentation, the provisions of the Loan Agreement shall control.

SCHEDULE 2.4

Borrower's Deposit Accounts

SCHEDULE 5.3

Subsidiaries, Capitalization and Ownership Interests

The Borrower has no subsidiaries.

All equity securities (including options, warrants and other rights to acquire any of the foregoing) issued and outstanding of Borrower are owned of record and beneficially by Thomas McNaull

SCHEDULE 5.4

Liens; Real and Personal Property Owned or Leased

TRACT 1:

Being 4.268 acres of land out of portions of FARM LOTS NOS. THREE (3) AND FOUR (4), LANDBLOCK NO. TWO HUNDRED SIX (206) OF THE BURTON AND DANFORTH SUBDIVISION, according to the map or plat of said subdivision made by P.L. Telford, Surveyor, recorded in Volume 1, Page 62-63, Map Records, San Patricio County, Texas, a certified photocopy of which recorded map being of record in Volume 152, page 1, Deed Records, San Patricio County, Texas, to which map and the records thereof references are here made for further description of said farm lots; and said portions being described by metes and bounds as follows to-wit:

Beginning at a 5/8 inch iron rod found 125 feet South 57° 30' East of the boundary line between Farm Lots Nos. 4 and 5, Landblock No. 206 of said Burton and Danforth Subdivision and South 32° 30' West a distance of 60 feet from the center line of Wheeler Avenue, a 120 foot street, also known as Texas State Highway No. 35 for the Northwest corner of the herein described tract:

Thence South 57° 30' East along and with the said boundary line of Wheeler Avenue for a distance of 437.4 feet to a 1/2 inch iron pipe found for the Northeast corner of the herein described tract and the Northwest corner of a tract heretofore conveyed out of said Farm Lot No. 3;

Thence South 32° 30' West for a distance of 425.0 feet along the West line of said tract heretofore conveyed to a 5/8 inch iron rod found on the North line of Yoakum Avenue right-of-way, for the Southeast corner of the herein described tract:

Thence North 57° 30' West, along the North line of Yoakum Avenue a distance of 437.4 feet to a 5/8 inch iron rod found for the Southwest corner of this tract;

Thence North 32° 30' East parallel to the boundary lines of said Farm Lots No. 4 and 5 for a distance of 425.0 feet to the Place of Beginning and containing 4.268 acres of land, more or less.

TRACT II:

LOTS TEN (10), ELEVEN (11), TWELVE (12), THIRTEEN (13), FOURTEEN (14), FIFTEEN (15), SIXTEEN (16), NINETEEN (19), TWENTY (20), TWENTY-ONE (21), TWENTY-TWO (22), TWENTY-THREE (23), TWENTY-FOUR (24), TWENTY-FIVE (25) OF THE J.F. HOUGHTON ADDITION to Aransas Pass, Texas, being a subdivision of Farm Lot No. One (1), Landblock No. Two Hundred Six (206) of the Burton and Danforth Subdivision, according to the map or plat of said J.F. Houghton Addition made by George W. King, Surveyor, recorded in Volume 3, Page 36, Map Records, San Patricio County Texas, to which map reference is here made for further description of said lots, and being more particularly described by metes and bounds as follows:

PARCEL A:

Being 1.196 acres of land comprising all of LOTS TEN (10) THROUGH SIXTEEN (16) OF THE J. F.

HOUGHTON ADDITION to the City of Aransas Pass, San Patricio County, Texas, being a subdivision of Farm Lot No. One (1), Landblock No. Two Hundred Six (206) of the Burton and Danforth Subdivision, according to the map or plat of said J.F. Houghton Addition made by George W. King, Surveyor, recorded in Volume 3, Page 36, Map Records, San Patricio County, Texas, and being more particularly described by metes and bounds as follows:

Beginning at a 5/8 inch iron rod found at the point of intersection of the common line between Lots 9 and 10 of said J.F. Houghton Addition with the Southeast right-of-way line of Patterson Avenue for the Northwest corner of Lot 10 and this survey;

Thence South 57° 30' East along and with the common line between Lots 9 and 10 a distance of 205.85 feet to a 5/8 inch iron rod found an the Northwest line of a 12.0 foot wide alley for the Northeast corner of Lot 10 and this survey;

Thence South 32° 30' West along and with the Northwest line of said alley, at 227.00 feet pass a 5/8 inch iron rod set on the existing North right-of-way line of Yoakum Avenue, at 230.00 feet pass the common corner of Lots 15 and 16 and in all a distance of 253.00 feet to a point for the Southeast corner of Lot 16 and this survey;

Thence North 57° 30' West along and with the common line between Lots 16 and 17, a distance of 205.85 feet to a point on the Southeast line of Patterson Avenue for the Southwest corner of Lot 16 and of this survey;

Thence North 32° 30' East along and with the Southeast line of Patterson Avenue, at 23.0 feet pass a 5/8 inch iron rod found for the common corner of Lots 15 and 16, at 26.0 feet pass a 5/8 inch iron rod set on the existing North right-of-way line of Yoakum Avenue and in all a distance of 253.00 feet to the Place of beginning and containing 1.196 acres of land.

PARCEL B:

Being 1.196 acres of land comprising all of LOTS NINETEEN (19) THROUGH TWENTY-FIVE (25) OF THE J. F. HOUGHTON ADDITION to the City of Aransas Pass, San Patricio County, Texas, being a subdivision of Farm Lot No. One (1), Landblock No. Two Hundred Six (206) of the Burton and Danforth Subdivision, according to the map or plat of said J.F. Houghton Addition made by George W. King, Surveyor, recorded in Volume 3, Page 36, Map Records, San Patricio County, Texas, and being more particularly described by metes and bounds as follows:

Beginning as a 5/8 inch iron rod found at the point of intersection of the common line between Lots 25 and 26 and the Northwest right-of-way line of Thirteenth Street for the Northeast corner and Place of Beginning of this survey;

Thence South 32° 30' West along and with the Northwest right-of-way of Thirteenth Street at 227.0 feet pass a 5/8 inch iron rod set on the existing North right-of-way line of Yoakum Avenue, at 230.0 feet pass the common corner of Lots 19 and 20, and in all a distance of 253.0 feet to a point for the southeast corner of Lot 19 and this survey;

Thence North 57° 30` West, along and with tie common line between Lots 18 and 19 a distance of 205.85 feet to a point on the Southeast line of a 12.0 foot wide alley for the Southeast corner of Lot 19 and this survey;

Thence North 32° 30' East along and with the Southeast line of said alley, at 23.0 feet pass the common corner of Lots 19 and 20, at 26.0 feet pass a 5/8 inch iron rod set on the existing North right-of-way of Yoakum Avenue, and in all a distance of 253.00 feet to a 5/8 inch iron rod found for the Northwest corner of Lot 25 and this survey;

Thence South 57° 30' East along and with the common line between Lots 25 and 26 a distance of 205.85 feet to the Place of Beginning and containing 1.196 acres of land, more or less.

TRACT III:

PARCEL A

All that certain tract, piece or parcel of land lying and being situated in the City of Aransas Pass, San Patricio County, Texas, being out of portion of FARM LOTS TWO (2) AND THREE (3), LANDBLOCK TWO HUNDRED SIX (206), BURTON AND DANFORTH SUBDIVISION, a subdivision situated in the City of Aransas Pass, Texas, as shown by map or plat of said Subdivision made by P.L. Telford, Surveyor, recorded in Volume 1, Pages 62-63, Map Records of San Patricio County, Texas, a certified photocopy of which is recorded map being recorded in Volume 152, Page 1, Deed Records of San Patricio County, Texas; to which map and the records thereof references are here made for further description of said Farm Lots; and said portions being described by metes and bounds as follows, to wit:

Beginning at a point on the boundary line between Farm Lots Nos. Two (2) and Three (3), Landblock No. Two Hundred Six (206) of the said Burton and Danforth Acreage Subdivision and South 32° 30' West 160 feet from the center line of Wheeler Avenue, a 120 foot street, for an inner corner of the herein described tract;

Thence 32° 30' West for a distance of 220 feet with the boundary line between Farm Lots Nos. Two (2) and Three (3) to a point for the Southeast corner of the herein described tract;

Thence North 57° 30' West for a distance of 343 feet to a point for the Southwest corner of the herein described tract;

Thence North 32° 30' East for a distance of 320 feet to a point set on the South boundary line of Wheeler Avenue for the Northwest corner of the herein described tract;

Thence South 57° 30' East for a distance of 220 feet along and with the said boundary line of Wheeler Avenue to a point set for the Northeast corner of the herein described tract;

Thence South 32° 30' West for a distance of 100 feet to a point set for an inner corner of the herein described tract;

Thence South 57° 30' East for a distance of 125 feet to the place of beginning and containing 97,900 square feet of land, more or less.

PARCEL B:

All that certain tract, piece or parcel of land lying and being situated in the City of Aransas Pass, San Patricio County, Texas, being out of portions of FARM LOTS TWO (2) AND THREE (3), LANDBLOCK TWO HUNDRED SIX (206), BURTON AND DANFORTH SUBDIVISION, a subdivision situated in the City of Aransas Pass, Texas, as shown by map or plat of said Subdivision made by P.L. Telford, Surveyor, recorded in Volume 1, Pages 62-63, Map Records of San Patricio County, Texas, a certified photocopy of which recorded map being recorded in Volume 152, Page 1, Deed Records of San Patricio County, Texas; to which map and the records thereof references are here made for further description of said Farm Lots; and said portions being described by metes and bounds as follows, to wit:

Beginning at a point on the boundary line between Farm Lots Nos. Two (2) and Three (3), South 32° 30' West for a distance of 380 feet from the center of Wheeler Avenue, a 120 foot street for the Northeast corner;

Thence North 57° 30' West for a distance of 345 feet to a stake for the Northwest corner;

Thence South 32° 30' West for a distance of 110 feet to a stake set on the boundary line between Farm Lots Three (3) and Seven (7) for the Southwest corner;

Thence South 57° 30' East for a distance of 345 feet to a stake set at the Southeast corner of Farm Lot No. Three (3), for the Southeast corner;

Thence North 32° 30' East for a distance of 110 feet to the Place of Beginning.

SCHEDULE 5.16

Insurance

SCHEDULE 5.17A

Corporate Names

North Bay General Hospital, Inc.

SCHEDULE 5.17B

Places of Business

1711 West Wheeler Avenue
Aransas Pass, TX 78336

SCHEDULE 7.3

Liens

Security interests held by MarCap Corporation in and to equipment and the proceeds thereof but specifically excluding any security interest in Borrower's Healthcare Receivables.

The liens held by the holders of the Class 1 Allowed Secured Claims of Ad Valorem Taxing Authorities as set forth in the 2005 Plan of Reorganization; and liens in favor of taxing authorities for the tax year 2008. -.

North Bay Hospital

Jun-08

30 Day Summary Cash Projection

	30 Days
Projected Cash Collections:	913,000
Projected Cash Expenses:	
Salary and Wages	419,697
Contract Labor	5,000
Employee Benefits	74,970
Professional Fees	
NTIME-MSA	56,600
Debtor Counsel	14,000
Contract Services-ER-Phys/Hospitalist/Clinical	129,000
Supplies	92,075
Utilities	46,000
Repairs and Maintenance	6,800
Rents and Leases-Xray Equipment	21,500
Insurance	39,000
Other-Surg Equipment	16,450
Total Cash Expenses	921,092
Excess / Deficit Cash Flow	(8,092)