SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  

FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  

CHARTER MEDICAL CORPORATION  
(Exact name of registrant as specified in its charter)  

DELAWARE  
8060  
58-1076937  
(State or other jurisdiction of incorporation or organization)  
(Primary Standard Industrial Classification Code Number)  
(I.R.S. Employer Identification No.)  

577 Mulberry Street  
Macon, Georgia 31298  
(912) 742-1161  

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)  

See Table of Additional Registrants below.  

------------------------  
ROBERT W. MILLER, ESQ.  
King & Spalding  
191 Peachtree Street  
Atlanta, Georgia 30303-1763  
(404) 572-4600  

(Name, address, including zip code, and telephone number, including area code, of agent for service)  

COPY TO:  
LAWRENCE W. DRINKARD, EXECUTIVE VICE PRESIDENT - FINANCE  
Charter Medical Corporation  
577 Mulberry Street  
Macon, Georgia 31298  
(912) 742-1161  

------------------------  

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:  
AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.  

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If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: / /  

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CALCULATION OF REGISTRATION FEE  

<table>
<thead>
<tr>
<th>TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED</th>
<th>PROPOSED MAXIMUM AMOUNT TO BE REGISTERED</th>
<th>PROPOSED MAXIMUM OFFERING PRICE</th>
<th>AMOUNT OF PRICE</th>
<th>AMOUNT OF REGISTRATION FEE</th>
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### ADDITIONAL REGISTRANTS (1)

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<tr>
<th>EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER</th>
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<th>ADDRESS INCLUDING ZIP CODE, AND TELEPHONE NUMBER</th>
<th>EXECUTIVE OFFICES</th>
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<tbody>
<tr>
<td>Ambulatory Resources, Inc.</td>
<td>Georgia</td>
<td>58-1456102</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Atlanta MOB, Inc.</td>
<td>Georgia</td>
<td>58-1358215</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Beltway Community Hospital, Inc.</td>
<td>Texas</td>
<td>58-1324281</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>C.A.C.O. Services, Inc.</td>
<td>Ohio</td>
<td>58-1751911</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>CCM, Inc.</td>
<td>Nevada</td>
<td>58-1662418</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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</tr>
<tr>
<td>CMCI, Inc.</td>
<td>Nevada</td>
<td>8-00224620</td>
<td>1061 East Flamingo Road Suite One Las Vegas, NV 89119 (702) 737-0282</td>
<td></td>
</tr>
<tr>
<td>CMFK, Inc.</td>
<td>Nevada</td>
<td>8-00215620</td>
<td>1061 East Flamingo Road Suite One Las Vegas, NV 89119 (702) 737-0282</td>
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<tr>
<td>CNCSF, Inc.</td>
<td>Florida</td>
<td>58-1324269</td>
<td>3550 Colonial Boulevard Port Richey, FL 33404 (813) 939-0403</td>
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<tr>
<td>CPS Associates, Inc.</td>
<td>Virginia</td>
<td>58-1761039</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Alvardo Behavioral Health System, Inc.</td>
<td>California</td>
<td>58-1394959</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Appalachian Hall Behavioral Health System, Inc.</td>
<td>North Carolina</td>
<td>58-2097682</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Arbor Indy Behavioral Health System, Inc.</td>
<td>Indiana</td>
<td>35-1916340</td>
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<tr>
<td>Charter Augusta Behavioral Health System, Inc.</td>
<td>Georgia</td>
<td>58-1615676</td>
<td>3100 Perimeter Parkway Augusta, GA 30909 (404) 868-0203</td>
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<tr>
<td>Charter Bay Harbor Behavioral Health System, Inc.</td>
<td>Florida</td>
<td>58-1640244</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Beacon Behavioral Health System, Inc.</td>
<td>Indiana</td>
<td>58-1524936</td>
<td>1720 Beacon Street Fort Wayne, IN 46805 (219) 423-3651</td>
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<td>Charter Behavioral Health System at Fair Oaks, Inc.</td>
<td>New Jersey</td>
<td>58-2097832</td>
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<td>Charter Behavioral Health System at Hidden Brook, Inc.</td>
<td>Maryland</td>
<td>52-1860212</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>IN ITS CHARTER</td>
<td>OR ORGANIZATION</td>
<td>NUMBER</td>
<td>EXECUTIVE OFFICES</td>
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<td>Charter Behavioral Health System at Los Altos, Inc.</td>
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<td>33-0406642</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Behavioral Health System at Potomac Ridge, Inc.</td>
<td>Maryland</td>
<td>52-1866221</td>
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<tr>
<td>Charter Behavioral Health System at Warwick Manor, Inc.</td>
<td>Maryland</td>
<td>52-1866214</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Athens, Inc.</td>
<td>Georgia</td>
<td>58-1513304</td>
<td>240 Mitchell Bridge Road Athens, GA 30604 (404) 546-7777</td>
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<tr>
<td>Charter Behavioral Health System of Austin, Inc.</td>
<td>Texas</td>
<td>58-1440665</td>
<td>8402 Cross Park Drive Austin, TX 78754 (512) 837-1800</td>
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<tr>
<td>Charter Behavioral Health System of Baywood, Inc.</td>
<td>Texas</td>
<td>76-0430717</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Bradenton, Inc.</td>
<td>Florida</td>
<td>58-1027678</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Canoga Park, Inc.</td>
<td>California</td>
<td>95-4477074</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Central Georgia, Inc.</td>
<td>Georgia</td>
<td>58-1408670</td>
<td>3500 Riverside Drive Macon, GA 31209 (912) 476-6200</td>
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<tr>
<td>Charter Behavioral Health System of Charleston, Inc.</td>
<td>South Carolina</td>
<td>58-1761157</td>
<td>2777 Speissengr Dr Charleston, SC 29405-8299 (803) 747-5850</td>
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<td>Charter Behavioral Health System of Charlotteville, Inc.</td>
<td>Virginia</td>
<td>58-1016917</td>
<td>2101 Arlington Boulevard Charlottesville, VA 22902-1593 (804) 977-1120</td>
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<tr>
<td>Charter Behavioral Health System of Chicago, Inc.</td>
<td>Illinois</td>
<td>58-1315760</td>
<td>4700 North Clarendon Avenue Chicago, IL 60640 (312) 728-7100</td>
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<td>Charter Behavioral Health System of Chula Vista, Inc.</td>
<td>California</td>
<td>58-1437063</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Corpus Christi, Inc.</td>
<td>Texas</td>
<td>58-1513305</td>
<td>3126 Redfield Road Corpus Christi, TX 78414 (210) 993-8893</td>
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<tr>
<td>Charter Behavioral Health System of Dallas, Inc.</td>
<td>Texas</td>
<td>58-1013106</td>
<td>6900 Preston Road Plano, TX 75024 (214) 966-9339</td>
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<tr>
<td>Charter Behavioral Health System of Evansville, Inc.</td>
<td>Indiana</td>
<td>35-1016338</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Fort Worth, Inc.</td>
<td>Texas</td>
<td>58-1643151</td>
<td>6201 Overton Ridge Blvd. Fort Worth, TX 76132 (817) 292-6844</td>
<td></td>
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<tr>
<td>Charter Behavioral Health System of Jackson, Inc.</td>
<td>Mississippi</td>
<td>58-1616919</td>
<td>East Lakeland Drive, Jackson, MS 39208 (662) 939-0330</td>
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<tr>
<td>Charter Behavioral Health System of Jacksonville, Inc.</td>
<td>Florida</td>
<td>58-1440015</td>
<td>3947 Salisbury Road Jacksonville, FL 32216 (904) 296-2447</td>
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<tr>
<td>Charter Behavioral Health System of Jefferson, Inc.</td>
<td>Indiana</td>
<td>35-1016342</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Kansas City, Inc.</td>
<td>Kansas</td>
<td>58-1430154</td>
<td>8000 West 127th Street, Overland Park, KS 66213 (913) 897-4999</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Lafayette, Inc.</td>
<td>Louisiana</td>
<td>72-0066492</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Lake Charles, Inc.</td>
<td>Louisiana</td>
<td>62-1153281</td>
<td>4250 Fifth Avenue, South Lake Charles, LA 70605 (504) 476-6133</td>
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<tr>
<td>Charter Behavioral Health System of Lakewood, Inc.</td>
<td>California</td>
<td>33-0606647</td>
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<td>Charter Behavioral Health System of Michigan City, Inc.</td>
<td>Indiana</td>
<td>35-1016343</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Mobile, Inc.</td>
<td>Alabama</td>
<td>58-1506921</td>
<td>5900 Southland Drive, Mobile, AL 36609 (205) 661-3000</td>
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<tr>
<td>Charter Behavioral Health System of Nashua, Inc.</td>
<td>New Hampshire</td>
<td>02-0407052</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Nevada, Inc.</td>
<td>Nevada</td>
<td>58-1321317</td>
<td>7000 West Spring Mountain Road, Las Vegas, NV 89180 (702) 876-4367</td>
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<td>Charter Behavioral Health System of New Mexico, Inc.</td>
<td>New Mexico</td>
<td>58-1479440</td>
<td>5901 Eumi Road, SE Albuquerque, NM 87108 (505) 245-8800</td>
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<td>Charter Behavioral Health System of Northern California, Inc.</td>
<td>California</td>
<td>58-1857277</td>
<td>101 Tyer Hills Drive Roseville, CA 95678 (916) 969-4666</td>
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<tr>
<td>Charter Behavioral Health System of San Jose, Inc.</td>
<td>California</td>
<td>58-1747020</td>
<td>757 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Behavioral Health System of Savannah, Inc.</td>
<td>Georgia</td>
<td>58-1750983</td>
<td>1150 Cornell Ave Savannah, GA 31416 (912) 354-3911</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Southern California, Inc.</td>
<td>California</td>
<td>58-1606005</td>
<td>757 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Behavioral Health System of Tampa Bay, Inc.</td>
<td>Florida</td>
<td>58-1616916</td>
<td>4024 North Riverside Drive Tampa, FL 33603 (813) 338-9671</td>
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<td>Charter Behavioral Health System of Texarkana, Inc.</td>
<td>Arkansas</td>
<td>71-0732815</td>
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<td>Charter Behavioral Health System of the Inland Empire, Inc.</td>
<td>California</td>
<td>95-2685983</td>
<td>2055 Kellogg Drive Corona, CA 91720 (714) 735-2950</td>
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<td>Charter Behavioral Health System of Toledo, Inc.</td>
<td>Ohio</td>
<td>58-1731068</td>
<td>1725 Timberline Rd Marion, Ohio 43307 (419) 891-9333</td>
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<td>Charter Behavioral Health System of Tucson, Inc.</td>
<td>Arizona</td>
<td>86-0757462</td>
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<td>Charter Behavioral Health System of Virginia Beach, Inc.</td>
<td>Virginia</td>
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<td>Charter Behavioral Health System of Victorville, Inc.</td>
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<td>Charter Behavioral Health System of Washington, D.C., Inc.</td>
<td>District of Columbia</td>
<td>52-1862240</td>
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<td>Charter Behavioral Health System of Waverly, Inc.</td>
<td>Minnesota</td>
<td>41-1775066</td>
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<td>Charter Behavioral Health System of Winston-Salem, Inc.</td>
<td>North Carolina</td>
<td>56-1050508</td>
<td>3657 Old Vineyard Rd Winston-Salem, NC 27104 (919) 768-7700</td>
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<td>Charter Behavioral Health System of York, Linda, Inc.</td>
<td>California</td>
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<td>Charter Behavioral Health Systems of Atlanta, Inc.</td>
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<td>Charter Braemer Behavioral Health System, Inc.</td>
<td>Georgia</td>
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<td>Charter Canyon Behavioral Health System, Inc.</td>
<td>Utah</td>
<td>58-1597925</td>
<td>175 West 7000 South Midvale, UT 84047 (801) 561-5181</td>
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<td>Charter Canyon Springs Behavioral Health System, Inc.</td>
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<td>Charter Centennial Peaks Behavioral Health System, Inc.</td>
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<td>Charter Colonial Institute, Inc.</td>
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<td>Charter Community Hospital, Inc.</td>
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<td>58-1399708</td>
<td>21530 South Pioneer Boulevard Hawaiian Gardens, CA 90716</td>
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Charter Behavioral Health System of Northwest Arkansas, Inc. 58-1449455 4253 Crossover Road Fayetteville, AR 72701 (501) 521-5731
Charter Behavioral Health System of Northwest Indiana, Inc. 58-1603160 101 West 61st Avenue State Road 95 Hobart, IN 46342 (219) 947-4464
Charter Behavioral Health System of Paducah, Inc. 81-1006115 435 Berger Road Paducah, KY 42002-7609 (502) 446-0444
Charter Behavioral Health System of Rockford, Inc. 36-3946945 757 Mulberry Street Macon, GA 31298 (912) 742-1161
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<tr>
<td>Charter Hospital of Ft. Collins, Inc.</td>
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<td>Charter Hospital of Laredo, Inc.</td>
<td>Texas</td>
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<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Hospital of Miami, Inc.</td>
<td>Florida</td>
<td>61-1061599</td>
<td>11100 N.W. 27th Street Miami, FL 33172 (305) 592-1250</td>
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<td>Charter Hospital of Mobile, Inc.</td>
<td>Alabama</td>
<td>58-1318870</td>
<td>251 One Street Mobile, AL 36604 (205) 432-411</td>
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<td>Charter Hospital of Northern New Jersey, Inc.</td>
<td>New Jersey</td>
<td>58-1852138</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Hospital of Santa Teresa, Inc.</td>
<td>New Mexico</td>
<td>58-1584361</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Hospital of St. Louis, Inc.</td>
<td>Missouri</td>
<td>58-1583760</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Hospital of Torrance, Inc.</td>
<td>California</td>
<td>58-1402481</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Indianapolis Behavioral Health System, Inc.</td>
<td>Indiana</td>
<td>58-1674291</td>
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<td>Charter Lafayette Behavioral Health System, Inc.</td>
<td>Indiana</td>
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<td>Charter Lakehurst Behavioral Health System, Inc.</td>
<td>New Jersey</td>
<td>58-1579821</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Lakeside Behavioral Health System, Inc.</td>
<td>Tennessee</td>
<td>58-1483014</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
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<td>Charter Laurel Heights Behavioral Health System, Inc.</td>
<td>Georgia</td>
<td>58-1562812</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Laurel Oaks Behavioral Health System, Inc.</td>
<td>Florida</td>
<td>58-1483014</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Linden Oaks Behavioral Health System, Inc.</td>
<td>Illinois</td>
<td>58-1483014</td>
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<td>Charter Little Rock Behavioral Health System, Inc.</td>
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<td>58-1483014</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Louisville Behavioral Health System, Inc.</td>
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<td>58-1483014</td>
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<td>Charter Meadows Behavioral Health System, Inc.</td>
<td>Maryland</td>
<td>58-1483014</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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### ADDITIONAL REGISTRANTS (1) (CONTINUED)

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<tbody>
<tr>
<td>Charter NOB of Charlottesville, Inc.</td>
<td>Virginia</td>
<td>58-1761158</td>
<td>1023 Millmont Avenue, Charlottesville, VA 22901</td>
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<td>Charter Medfield Behavioral Health</td>
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<td>58-1257345</td>
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<td>Charter Medical -- Clayton County,</td>
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<td>58-1579404</td>
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<td>Charter Medical -- Cleveland, Inc.</td>
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<td>Charter Medical -- Long Beach, Inc.</td>
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<td>58-1366604</td>
<td>6050 Paramount Boulevard, Long Beach, CA 90805 (310) 220-1000</td>
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<td>Charter Medical -- New York, Inc.</td>
<td>New York</td>
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<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Medical (Cayman Islands) Ltd.</td>
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<td>Charter Medical Executive Corporation</td>
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<td>58-1538092</td>
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<td>Charter Medical Information Services, Inc.</td>
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<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Medical International, Inc.</td>
<td>Cayman Islands</td>
<td>58-1609110</td>
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<td>Charter Medical International, S.A., Inc.</td>
<td>Nevada</td>
<td>58-1195332</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<td>Charter Medical Management Company</td>
<td>Georgia</td>
<td>58-1643158</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Medical of East Valley, Inc.</td>
<td>Arizona</td>
<td>58-1603158</td>
<td>2100 E. Grant Boulevard, Chandler, AZ 85224 (602) 809-8999</td>
</tr>
<tr>
<td>Charter Medical of England Limited</td>
<td>United Kingdom</td>
<td>58-1603154</td>
<td>111 Kings Road, Box 323, London SW3 4GB, England (020) 878-7878</td>
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<tr>
<td>Charter Medical of North Phoenix, Inc.</td>
<td>Arizona</td>
<td>58-1603154</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<td>Florida</td>
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<td>Charter Medical of Puerto Rico, Inc.</td>
<td>Puerto Rico</td>
<td>58-1208667</td>
<td>1225 Bonita del Leon Avenue, Santiago, Puerto Rico 00907 (809) 725-8546</td>
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<tr>
<td>Charter Mental Health Options, Inc.</td>
<td>Florida</td>
<td>58-2100794</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Mid-South Behavioral Health System, Inc.</td>
<td>Tennessee</td>
<td>58-1806496</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Milwaukee Behavioral Health System, Inc.</td>
<td>Wisconsin</td>
<td>58-1790135</td>
<td>11101 West Lincoln Avenue, Milwaukee, WI 53227 (414) 327-3000</td>
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<tr>
<td>Charter North Behavioral Health System, Inc.</td>
<td>Alaska</td>
<td>58-1874950</td>
<td>2530 DeBarr Road, Anchorage, AK 99508-2996 (907) 258-7575</td>
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<td>Charter North Counseling Center, Inc.</td>
<td>Alaska</td>
<td>58-2067832</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Northbrooke Behavioral Health System, Inc.</td>
<td>Wisconsin</td>
<td>59-1784461</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<td>ADDRESS INCLUDING ZIP CODE, AND TELEPHONE NUMBER INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICE</td>
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<td>Charter Regional Medical Center, Inc.</td>
<td>Texas</td>
<td><a href="512">58-1299623</a> 699-8585</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Richmond Behavioral Health System, Inc.</td>
<td>Virginia</td>
<td><a href="912">58-1761160</a> 699-8585</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Ridge Behavioral Health System, Inc.</td>
<td>Kentucky</td>
<td><a href="704">58-1593063</a> 365-9368</td>
<td>3050 Rio Dearce Drive, Lexington, KY 40509 (806) 269-2325</td>
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<tr>
<td>Charter Rivers Behavioral Health System, Inc.</td>
<td>South Carolina</td>
<td><a href="219">58-1408623</a> 272-9799</td>
<td>2900 Sunset Boulevard, West Columbia, SC 29171 (803) 796-9931</td>
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<tr>
<td>Charter Serenity Lodge Behavioral Health System, Inc.</td>
<td>Virginia</td>
<td><a href="404">58-1703066</a> 455-3200</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Sioux Falls Behavioral Health System, Inc.</td>
<td>South Dakota</td>
<td><a href="704">58-1674278</a> 365-9368</td>
<td>2812 South Louise Avenue, Sioux Falls, SD 57106 (605) 341-8111</td>
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<tr>
<td>Charter South Bend Behavioral Health System, Inc.</td>
<td>Indiana</td>
<td><a href="812">58-1674287</a> 299-4196</td>
<td>6704 North Woodmen Drive, Granger, IN 46530 (219) 272-9799</td>
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<tr>
<td>Charter Springs Behavioral Health System, Inc.</td>
<td>Florida</td>
<td><a href="904">58-1517461</a> 237-7293</td>
<td>3150 S.W. 27th Avenue, Ocala, FL 32678 (904) 237-7293</td>
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<td>Charter Springfield Behavioral Health System, Inc.</td>
<td>Virginia</td>
<td><a href="512">58-2097829</a> 699-8585</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Suburban Hospital of Wesapeake, Inc.</td>
<td>Texas</td>
<td><a href="912">75-1161721</a> 699-8585</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Terre Haute Behavioral Health System, Inc.</td>
<td>Indiana</td>
<td><a href="812">58-1674293</a> 299-4196</td>
<td>1400 Crossing Boulevard, Terre Haute, IN 47802 (812) 299-4196</td>
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<tr>
<td>Charter Tidewater Behavioral Health System, Inc.</td>
<td>Virginia</td>
<td><a href="512">54-1703069</a> 699-8585</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Treatment Center of Michigan, Inc.</td>
<td>Michigan</td>
<td><a href="512">58-2025057</a> 699-8585</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Charter Westbrook Behavioral Health System, Inc.</td>
<td>Virginia</td>
<td><a href="804">54-0598777</a> 266-9671</td>
<td>1500 Westbrook Avenue, Richmond, VA 23227 (804) 266-9671</td>
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<tr>
<td>Charter White Oak Behavioral Health System, Inc.</td>
<td>Maryland</td>
<td><a href="912">52-1866223</a> 742-1161</td>
<td>577 Mulberry Street, Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>REGISTRANT AS SPECIFIED</td>
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<td>Charter Woods Behavioral Health System, Inc.</td>
<td>Alabama</td>
<td>58-1330526</td>
<td>700 Cottonwood Road Macon, GA 31298</td>
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<tr>
<td>Charter Woods Hospital, Inc.</td>
<td>Alabama</td>
<td>58-2102628</td>
<td>577 Mulberry Street Macon, GA 31298</td>
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<tr>
<td>Charter of Alabama, Inc.</td>
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<td>63-0491546</td>
<td>577 Mulberry Street Macon, GA 31298</td>
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<td>Charter-Provo School, Inc.</td>
<td>Utah</td>
<td>58-1647690</td>
<td>4501 North University Ave. Provo, UT 84603</td>
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<tr>
<td>Charterton/LaGrange, Inc.</td>
<td>Kentucky</td>
<td>61-0882911</td>
<td>777 Mulberry Street Macon, GA 31298</td>
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<td>777 Mulberry Street Macon, GA 31298</td>
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<td>Employee Assistance Services, Inc.</td>
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<td>777 Mulberry Street Macon, GA 31298</td>
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<td>Florida Health Facilities, Inc.</td>
<td>Florida</td>
<td>58-1860493</td>
<td>21808 State Road 54 Lutz, FL 33549</td>
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<td>Gulf Coast EAP Services, Inc.</td>
<td>Alabama</td>
<td>58-2101194</td>
<td>777 Mulberry Street Macon, GA 31298</td>
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<td>Gwinnett Immediate Care Center, Inc.</td>
<td>Georgia</td>
<td>58-1450597</td>
<td>777 Mulberry Street Macon, GA 31298</td>
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<td>HC2, Inc.</td>
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<td>58-1527679</td>
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<tr>
<td>Holcomb Bridge Immediate Care Center, Inc.</td>
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<td>58-1374463</td>
<td>777 Mulberry Street Macon, GA 31298</td>
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<td>Hospital Investors, Inc.</td>
<td>Georgia</td>
<td>58-1182191</td>
<td>777 Mulberry Street Macon, GA 31298</td>
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<td>Mandarin Meadows, Inc.</td>
<td>Florida</td>
<td>58-1761155</td>
<td>777 Mulberry Street Macon, GA 31298</td>
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<td>Metropolitan Hospital, Inc.</td>
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<td>58-1124268</td>
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<td>Middle Georgia Hospital, Inc.</td>
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<td>Pacific-Charter Medical, Inc.</td>
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<td>Rivoli, Inc.</td>
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<td>Shallowford Community Hospital, Inc.</td>
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<td>777 Mulberry Street Macon, GA 31298</td>
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<td>Sistemas De Terapia Respiratoria S.A., Inc.</td>
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<td>58-1181077</td>
<td>777 Mulberry Street Macon, GA 31298</td>
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<tr>
<td>Stuart Circle Hospital Corporation</td>
<td>Virginia</td>
<td>54-0855184</td>
<td>777 Mulberry Street Macon, GA 31298</td>
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<td>Tampa Bay Behavioral Health Alliance, Inc.</td>
<td>Florida</td>
<td>58-2100703</td>
<td>777 Mulberry Street Macon, GA 31298</td>
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<tr>
<td>Western Behavioral Systems, Inc.</td>
<td>California</td>
<td>58-1662416</td>
<td>777 Mulberry Street Macon, GA 31298</td>
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<td>Rivoli, Inc.</td>
<td>Georgia</td>
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<td>58-1662416</td>
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</table>

**Footnotes:**

(1) The Additional Registrants listed are wholly-owned subsidiaries of the Registrant and are guarantors of the Registrant's 11 1/4% Senior Subordinated Notes due 2004 and will be guarantors of the Registrant's 11 1/4% Senior Subordinated Notes due 2004 to be issued pursuant to the Exchange Offer described in the attached Registration Statement. The Additional Registrants have been conditionally exempted, pursuant to Section 12(h) of the Securities Exchange Act of 1934, from filing reports under Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended.
<table>
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<th>CAPTION IN INFORMATION STATEMENT/PROSPECTUS</th>
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<tr>
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<td>Forepart of Registration Statement and Outside Front Cover Page of Prospectus</td>
<td>Facing Page of Registration Statement; Cross Reference Sheet; Outside Front Cover Page of Prospectus</td>
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<td>2.</td>
<td>Inside Front and Outside Back Cover Pages of Prospectus</td>
<td>Inside Front and Outside Back Cover Pages of Prospectus; Available Information</td>
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<tr>
<td>3.</td>
<td>Risk Factors, Ratio of Earnings to Fixed Charges and Other Information</td>
<td>Summary; Investment Considerations; Certain Federal Income Tax Consequences of the Exchange Offer; The Exchange Offer; Selected Historical Consolidated Financial and Statistical Data; Unaudited Pro Forma Financial Information</td>
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<td>4.</td>
<td>Terms of the Transaction</td>
<td>Summary; Investment Considerations; The Exchange Offer; Certain Federal Income Tax Consequences of the Exchange Offer; Description of the New Notes; Plan of Distribution</td>
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<td>5.</td>
<td>Pro Forma Financial Information</td>
<td>Summary; Capitalization; Selected Historical Consolidated Financial and Statistical Data; Unaudited Pro Forma Financial Information</td>
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<td>Material Contacts with the Company Being Acquired</td>
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<td>7.</td>
<td>Additional Information Required for Reselling by Persons and Parties Deemed to be Underwriters</td>
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<td>8.</td>
<td>Interests of Named Experts and Counsel</td>
<td>Legal Matters; Experts</td>
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<td>11.</td>
<td>Incorporation of Certain Information by Reference</td>
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<tr>
<td>12.</td>
<td>Information With Respect to S-2 or S-3 Registrants</td>
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<tr>
<td>13.</td>
<td>Incorporation of Certain Information by Reference</td>
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<td>14.</td>
<td>Information With Respect to Registrants Other than S-3 or S-2 Registrants</td>
<td>Summary; The Company; Investment Considerations; The Acquisition; Capitalization; Selected Historical Consolidated Financial and Statistical Information; Target Hospital Selected Financial Information; Unaudited Pro Forma Financial Information; Management’s Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Executive Compensation; Security Ownership of Certain Beneficial Owners and Management; Certain Relationships and Related Transactions; Index to Financial Statements; Financial Statements</td>
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<td>15.</td>
<td>Information With Respect to S-3 Companies</td>
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<td>16.</td>
<td>Information With Respect to S-2 or S-3 Companies</td>
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<td>17.</td>
<td>Information With Respect to Companies Other Than S-2 or S-3 Companies</td>
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<td>18.</td>
<td>Information if Proxies, Consents or Authorizations are not to be Solicited, or in an Exchange Offer</td>
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<td>19.</td>
<td>Information if Proxies, Consents or Authorizations are to be Solicited</td>
<td>Summary; Management; Security Ownership of Certain Beneficial Owners and Management</td>
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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED MAY 18, 1994

PROSPECTUS

$375,000,000
CHARTER MEDICAL CORPORATION

OFFER TO EXCHANGE ITS
11 1/4% SERIES A SENIOR SUBORDINATED NOTES DUE 2004
FOR ANY AND ALL OF ITS OUTSTANDING
11 1/4% SENIOR SUBORDINATED NOTES DUE 2004

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON
, 1994, UNLESS EXTENDED.

Charter Medical Corporation, a Delaware corporation ("Charter" or the
"Company"), hereby offers (the "Exchange Offer"), upon the terms and subject to
the conditions set forth in this Prospectus (the "Prospectus") and the
accompanying Letter of Transmittal (the "Letter of Transmittal"), to exchange
$1,000 principal amount of its 11 1/4% Series A Senior Subordinated Notes due
2004 (the "New Notes"), which have been registered under the Securities Act of
1933, as amended (the "Securities Act"), pursuant to a Registration Statement of
which this Prospectus is a part, for each $1,000 principal amount of its
outstanding 11 1/4% Senior Subordinated Notes due 2004 (the "Old Notes"), which
have not been registered under the Securities Act. The aggregate principal
amount of the Old Notes currently outstanding is $375,000,000. The form and
terms of the New Notes are the same as the form and terms of the Old Notes
except that (i) the New Notes have been registered under the Securities Act and,
therefore, will not bear legends restricting their transfer, (ii) holders of New
Notes will not be entitled to certain rights under the Registration Rights
Agreement (as defined), which rights will terminate when the Exchange Offer is
consummated, and (iii) the New Notes have been given a series designation to
distinguish them from the Old Notes. The New Notes will evidence the same debt
as the Old Notes (which they will replace) and will be issued under and be
titled to the benefits of the indenture governing the Old Notes dated as of
May 2, 1994 (the "Indenture"). The Old Notes and the New Notes are sometimes
referred to herein collectively as the "Notes." See "The Exchange Offer" and
"Description of the New Notes."

The Company will accept for exchange and exchange any and all Old Notes
validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on
, 1994, unless extended by the Company in its sole discretion
(the "Expiration Date"). Tenders of Old Notes may be withdrawn at any time prior
to 5:00 p.m. on the Expiration Date. The Exchange Offer is subject to certain customary conditions. See "The Exchange Offer."
Old Notes may be tendered only in integral multiples of $1,000.

The Old Notes were sold by the Company on May 2, 1994, in transactions that
were not registered under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act. The initial purchasers of the Old Notes subsequently resold the Old Notes to "qualified institutional buyers" in reliance upon Rule 144A under the Securities Act. Accordingly, the Old Notes may not be reoffered, resold or otherwise transferred unless so registered or unless an applicable exemption from the registration requirements of the Securities Act is available. See "The Exchange Offer -- Purpose and Effect of the Exchange Offer."

The New Notes are being offered for exchange hereby to satisfy certain obligations of the Company under the Exchange and Registration Rights Agreement, dated April 22, 1994, among the Company and the initial purchasers of the Old Notes (the "Registration Rights Agreement"). Based on existing interpretations of the staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission (the "Commission") with respect to similar transactions, the Company believes that New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery requirements of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in any public distribution of the New Notes. Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a resale prospectus in connection with any resale of such New Notes. The Letter of Transmittal which accompanies this Prospectus states that by so acknowledging and by delivering a resale prospectus, a broker-dealer will be deemed not to be acting in the capacity of an "underwriter" (within the meaning of Section 2(11) of the Securities Act). This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes.
received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making or other trading activities. The Company has agreed that, for a period of 180 days after the date on which the Registration Statement of which this Prospectus is a part is first declared effective, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

Holders of Old Notes whose Old Notes are not tendered and accepted in the Exchange Offer will continue to hold such Old Notes and will be entitled to all the rights and preferences and will be subject to the limitations applicable thereto under the Indenture, and with respect to transfer, under the Securities Act.

The Company will not receive any proceeds from the Exchange Offer and will pay all the expenses incurred by it incident to the Exchange Offer. Any Old Notes not accepted for exchange for any reason will be returned without expense to the tendering holders thereof as promptly as practicable after the expiration or termination of the Exchange Offer. See "The Exchange Offer."

There is no public market for the Old Notes, although the Old Notes are included in the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") Market for trading among "qualified institutional buyers." To the extent that Old Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old Notes could be adversely affected. The Company has been advised by the American Stock Exchange, Inc. ("AMEX") that the New Notes have been approved for listing on AMEX, subject to official notice of issuance. There can be no assurance that an active trading market for the New Notes will develop after such listing.

SEE "INVESTMENT CONSIDERATIONS" FOR A DESCRIPTION OF CERTAIN RISKS TO BE CONSIDERED BY HOLDERS WHO TENDER THEIR OLD NOTES IN THE EXCHANGE OFFER.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.


[GRAPHIC]
This is a map of the United States (excluding Hawaii), showing the Charter Medical Facilities and Target Hospitals.

NEW HAMPSHIRE RESIDENTS ONLY

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State that any document filed under Chapter 421-B of the New Hampshire Revised Statutes is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

SUMMARY

THE FOLLOWING IS A SUMMARY OF CERTAIN INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. THIS SUMMARY IS NOT INTENDED TO BE COMPLETE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO, AND SHOULD BE READ IN CONJUNCTION WITH, THE DETAILED INFORMATION APPEARING ELSEWHERE, OR INCORPORATED BY REFERENCE IN, THIS PROSPECTUS. ALL CAPITALIZED TERMS USED IN THIS PROSPECTUS WITHOUT A DEFINITION ARE DEFINED AS SET FORTH BELOW UNDER THE CAPTION "DESCRIPTION OF THE NEW NOTES -- CERTAIN DEFINITIONS."

THE COMPANY

Charter Medical Corporation ("Charter" or the "Company") is a leading
private provider of behavioral healthcare services and one of the largest owners and operators of private psychiatric hospitals in the United States. As of March 31, 1994, the Company operated 73 psychiatric hospitals and two free-standing residential treatment centers with an aggregate capacity of 6,970 licensed beds. Most of the Company's hospitals are located in well-populated urban and suburban communities in 26 primarily southern or western states of the United States. In addition, the Company operates 120 outpatient centers staffed by behavioral health professionals, 68 of the Company's hospitals operate partial hospitalization programs, 52 of the Company's hospitals operate intensive outpatient programs, and 14 hospitals offer residential treatment programs. The Company's facilities provide a continuum of behavioral care for children, adolescents and adults. These services include crisis stabilization; acute psychiatric services; acute chemical dependency services; partial (day and evening) hospitalization programs; intensive adolescent weekend services; outpatient services; support group services and aftercare, including programs such as ALCOHOLICS ANONYMOUS, NARCOTICS ANONYMOUS and OVEREATERS ANONYMOUS; and residential treatment.

According to industry and government estimates, mental disorders affect approximately 40 million American adults (22% of the adult population) each year. Direct expenditures in 1990, the latest year for which data are available, for the treatment of persons suffering from mental and substance abuse disorders were approximately $67 billion. Only approximately 15% of those who reportedly suffer from mental or substance abuse disorders receive professional treatment. Management believes that demand for behavioral healthcare services should increase commensurate with an increase in the percentage of persons who seek treatment for behavioral health disorders. Management anticipates that the percentage of persons who seek treatment will increase because of a continuing decline in the social stigma associated with behavioral disorders and a growing recognition by the government and employers of the indirect costs (such as lost productivity, work and vehicular accidents, and social welfare costs) of failing to treat such behavioral health disorders.

The Company's patient admissions increased 20.7% from 70,565 in fiscal 1991 to 85,158 in fiscal 1993. While admissions of behavioral healthcare patients have grown, third-party payors have been imposing more stringent admission, length of stay and reimbursement rate criteria. Also, in recent years, reimbursement rate increases have failed to offset increases in the cost of providing care. In response to these industry trends, the Company (i) developed a wider array of outpatient services, such as partial hospitalization, intensive outpatient and residential treatment programs; (ii) decentralized hospital management to increase the Company's responsiveness to local market conditions; (iii) pursued joint ventures and strategic affiliations with other healthcare providers; and (iv) implemented more efficient operating expense controls.

The Company's strategy is to become a nationwide integrated provider of high-quality, cost-effective behavioral healthcare services. To implement this strategy, management intends to expand the Company's partial hospitalization and outpatient programs in its existing markets and to enter approximately 30 new markets in the United States and Europe. Management also is seeking additional strategic alliances with, and additional acquisitions of, group psychiatric practices, mental health clinics, other behavioral healthcare providers and behavioral managed-care firms. Management believes that this strategy will enhance the Company's ability to obtain nationwide, area-wide and local contracts to be the exclusive or a preferred provider of behavioral healthcare services to major employers, third-party payors and managed-care firms.

The Company was reorganized pursuant to chapter 11 of the United States Bankruptcy Code during fiscal 1992 (the "Reorganization"). Following the Reorganization, the Company has focused on further reducing its long-term debt and managing its core group of psychiatric hospitals. As of March 31, 1994, the Company had repaid approximately $692.7 million of its approximately $1.1 billion post-Reorganization long-term debt. On September 30, 1993, the Company sold ten of its general hospitals for approximately $338.0 million, the net proceeds of which were applied to such repayment.

THE ACQUISITION

The Company has entered into an asset sale agreement (the "Asset Sale Agreement") with National Medical Enterprises, Inc. ("NME") providing for the purchase from NME of substantially all of the assets of 36 psychiatric hospitals, eight chemical-dependency treatment facilities, two residential treatment centers and one physician outpatient practice (including related
outpatient facilities and other associated assets, the "Target Hospitals"). The purchase price for the Target Hospitals will be approximately $151.9 million in cash plus an additional cash amount, estimated to be approximately $50.7 million, subject to adjustment, for the net working capital of the Target Hospitals at the closing of the Acquisition. The Target Hospitals have an aggregate capacity of 3,496 licensed beds and are located in 20 states. During their fiscal year ended May 31, 1993, the Target Hospitals had approximately 40,000 patient admissions, net revenue of approximately $407.5 million and Target Hospital EBITDA (as defined) of approximately $55.1 million. See "Investment Considerations -- The Acquisition" and "The Acquisition."

Management believes that the Acquisition will assist the Company in implementing its strategy by increasing the Company's size, market position and geographic coverage. For example, the Acquisition will permit the Company to enter 16 new markets, including markets in the mid-Atlantic and northeastern United States. Management also believes that the introduction to the Target Hospitals of Charter's operating and financial control systems, continuum of care and marketing efforts will increase the utilization and profitability of the Target Hospitals.

Except for the combined financial statements of the Selected Psychiatric Hospitals of National Medical Enterprises, Inc. included elsewhere in this Prospectus, information contained herein regarding NME and the Target Hospitals has been derived by the Company from information obtained by the Company during its due diligence review of the Target Hospitals prior to executing the Asset Sale Agreement. Except for the combined financial statements of the Selected Psychiatric Hospitals of National Medical Enterprises, Inc., NME has not passed upon the accuracy or adequacy of this Prospectus, which has been prepared by the Company. Subject to certain conditions, the Company has agreed to indemnify NME in connection with the offering of the securities made hereby.

THE OLD NOTES OFFERING

The Old Notes..................... The Old Notes were sold by the Company on May 2, 1994 in a private placement (the "Offering") to accredited investors (the "Initial Purchasers") pursuant to a Purchase Agreement dated April 22, 1994 (the "Purchase Agreement"). The Initial Purchasers subsequently resold the Old Notes to "qualified institutional buyers" pursuant to Rule 144A under the Securities Act. As of the date of this Prospectus, all $375,000,000 outstanding principal amount of the Old Notes were evidenced by global securities, registered in the name of CEDE & Co., as nominee for The Depositary Trust Company ("DTC"), and held by Marine Midland Bank as securities custodian for CEDE & Co. As indicated elsewhere in this Prospectus, the Old Notes have been included in the PORTAL Market for trading among "qualified institutional buyers" pursuant to Rule 144A under the Securities Act.

Registration Rights Agreement..... Pursuant to the Purchase Agreement, the Company and the Initial Purchasers entered into the Registration Rights Agreement,

The Financing Transaction........ The Financing Transaction is intended to satisfy such exchange rights, which rights will terminate upon consummation of the Exchange Offer. See "The Exchange Offer -- Purpose and Effect of the Exchange Offer." Simultaneously with the sale of the Old Notes, the Company amended and restated its existing credit agreements with a group of financial institutions (as so amended and restated, the "New Credit Agreement"). The Company used the net proceeds from the sale of the Old Notes and the initial borrowings pursuant to the New Credit Agreement to refinance substantially all of the Company's outstanding indebtedness and certain
indebtedness of its subsidiaries. The issuance of the Old Notes, the borrowings pursuant to the New Credit Agreement and the application of the proceeds thereof as described in the preceding sentence and to finance the Acquisition are referred to herein collectively as the "Financing Transactions." See "Use of Proceeds."

THE EXCHANGE OFFER

Securities Offered.............. $375,000,000 aggregate principal amount of 11 1/4% Series A Senior Subordinated Notes due April 15, 2004 that have been registered pursuant to the Securities Act (the "New Notes").

The Exchange Offer............... $1,000 principal amount of the New Notes in exchange for each $1,000 principal amount of 11 1/4% Senior Subordinated Notes due April 15, 2004 that have not been registered pursuant to the Securities Act (the "Old Notes"). As of the date hereof, $375,000,000 aggregate principal amount of Old Notes is outstanding. The Company will issue the New Notes to holders on or promptly after the Expiration Date.

The New Notes are being offered for exchange hereby to satisfy certain obligations of the Company under the Registration Rights Agreement. Based on existing interpretations of the Staff with respect to similar transactions, the Company believes that New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery requirements of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in any public distribution of the New Notes. Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a resale prospectus in connection with any resale of such New Notes. The Letter of Transmittal which accompanies this Prospectus states that by so acknowledging and by delivering a resale prospectus, a broker-dealer will be deemed not to be acting in the capacity of an "underwriter" (within the meaning of Section 2(11) of the Securities Act). This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making or other trading activities. The Company has agreed that, for a period of 180 days after the date on which the Registration Statement of which this Prospectus is a part is first declared effective it will make this Prospectus available to any broker-dealer for use in connection with any resale of such New Notes.

Conditions to the Exchange Offer............................. The Exchange Offer is subject to certain customary

Expiration Date.................... 5:00 p.m., New York City time, on , 1994 unless the Exchange Offer is extended, in which case the term "Expiration Date" means the latest date and time to which the Exchange Offer is extended.

Accrued Interest on the New Notes and Old Notes............ Each New Note will bear interest from its date of original issuance. Holders of Old Notes that are accepted for exchange and exchanged for New Notes will receive, in cash, accrued interest thereon to, but not including, the original issuance date of the New Notes. Such interest will be paid on the first interest payment date for the New Notes. Interest on the Old Notes accepted for exchange and exchanged in the Exchange Offer will cease to accrue on the date next preceding the date of original issuance of the New Notes.
Procedures for Tendering Old Notes

Each holder of Old Notes wishing to accept the Exchange Offer must complete, sign and date the accompanying Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, or such facsimile, together with the Old Notes and any other required documentation to the Exchange Agent (as defined) at the address set forth herein. By executing the Letter of Transmittal, each holder will represent to the Company that, among other things, each holder of the Old Notes who wishes to exchange its Notes for New Notes in the Exchange Offer will be required to make certain representations to the Company, including that (i) any New Notes to be received by it will be acquired in the ordinary course of its business, (ii) it has no arrangement with any person to participate in a public distribution (within the meaning of the Securities Act) of the New Notes, and (iii) it is not an “affiliate,” as defined in Rule 405 of the Securities Act of the Company, or if it is such an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable to it. In addition, each holder who is not a broker-dealer will be required to represent that it is not engaged in, and does not intend to engage in, a public distribution of the New Notes. Each holder who is a broker-dealer and who receives New Notes for its own account in exchange for Old Notes that were acquired by it as a result of market-making activities or other trading activities, will be required to acknowledge that it will deliver a prospectus in connection with any resale by it of such New Notes. The Company has agreed that, for a period of 180 days after the date on which the Registration Statement of which this Prospectus is a part is first declared effective, it will make this Prospectus available to any broker-dealer for use in connection with any such resales. For a description of the procedures for certain resales by broker-dealers, see “Plan of Distribution.” See “The Exchange Offer -- Procedures for Tendering.”

Untendered Old Notes

Following the consummation of the Exchange Offer, holders of Old Notes eligible to participate and to receive freely transferrable New Notes (based on existing interpretations of the staff described elsewhere in this Prospectus) but who do not tender their Old Notes will not have any further registration rights and such Old Notes will continue to be subject to certain restrictions on transfer under the Securities Act. Accordingly, the liquidity of the market for such Old Notes could be adversely affected.

Shelf Registration Statement

Pursuant to the Registration Rights Agreement, in the event that applicable interpretations of the Staff do not permit the Company to effect the Exchange Offer or if for any other reason the Exchange Offer is not consummated by August 31, 1994, or if the Initial Purchasers so request with respect to Old Notes not eligible to be exchanged for New Notes in the Exchange Offer or if any holder of Old Notes is not eligible to participate in the Exchange Offer or does not receive freely tradeable New Notes in the Exchange Offer, the Company will, at its expense, (a) promptly file a shelf registration statement (a "Shelf Registration Statement") permitting resales from time to time of the Old Notes, (b) use its best efforts to cause such registration statement to become effective and (c) use its best efforts to keep such registration statement current and effective until three years from the date it becomes effective or such shorter period that will terminate when all the Old Notes covered by such
registration statement have been sold pursuant thereto. The Company, at its expense, will provide to each holder of the Old Notes copies of the prospectus that is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement has become effective and take certain other actions as are required to permit unrestricted resales of the Old Notes from time to time. A holder of Old Notes who sells such Old Notes pursuant to the Shelf Registration Statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement which are applicable to such holder (including certain indemnification obligations).

Special Procedures for Beneficial Owners

Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender its Old Notes for exchange in the Exchange Offer should contact such registered holder promptly and instruct such registered holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such beneficial owner's behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering its Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Guaranteed Delivery Procedures

Holders of Old Notes who wish to tender their Old Notes and whose Old Notes are not immediately available or who cannot deliver their Old Notes, the Letter of Transmittal or any other documents required by the Letter of Transmittal to the Exchange Agent (or comply with the procedures for book-entry transfer) prior to the Expiration Date must tender their Old Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer -- Guaranteed Delivery Procedures."

Withdrawal Rights

Tenders may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

Acceptance of Old Notes and Delivery of New Notes

The Company will accept for exchange any and all Old Notes which are properly tendered in the Exchange Offer and not withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date. The New Notes issued pursuant to the Exchange Offer will be delivered promptly following the Expiration Date. See "The Exchange Offer -- Terms of the Exchange Offer."

Federal Income Tax Consequences

The exchange pursuant to the Exchange Offer should not be a taxable event for federal income tax purposes. See "Certain Federal Income Tax Consequences of the Exchange Offer."

Use of Proceeds

There will be no cash proceeds to the Company from the exchange pursuant to the Exchange Offer. See "Use of Proceeds."

Exchange Agent

Marine Midland Bank.

SUMMARY OF TERMS OF THE NEW NOTES

The form and terms of the New Notes are identical to the form and terms of the Old Notes except that the New Notes have been registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof and except for the series designation. The New Notes will evidence the same debt as the Old Notes and will be entitled to the benefits of the Indenture. See "Description of the New Notes."
Maturity Date..................... April 15, 2004.
Interest Payment Dates............ April 15 and October 15, commencing October 15, 1994.
Guarantees....................... The New Notes will be guaranteed on an unsecured senior subordinated basis by the Guarantors. See "Description of the New Notes -- Guarantees."
Ranking.......................... The New Notes will be general unsecured obligations of the Company, subordinate in right of payment to all existing and future Senior Indebtedness and senior or PARI PASSU in right of payment to all existing and future subordinated indebtedness of the Company. The Guarantors will guarantee the New Notes. See "Description of the New Notes -- Guarantees."

As of March 31, 1994, giving pro forma effect to the Financing Transactions, the aggregate outstanding principal amount of Senior Indebtedness of the Company and the Guarantors would have been approximately $232.4 million. The Indenture will prohibit the Company from incurring, assuming or guaranteeing any Indebtedness that is subordinated to any Senior Indebtedness and senior in right of payment to the New Notes. The Company's ability to repurchase the New Notes following a Change of Control will be dependent upon it having sufficient cash therefor and the terms of its then outstanding Senior Indebtedness. See "Description of the New Notes -- Change of Control" and "Summary of New Credit Agreement."

In evaluating the Exchange Offer, holders of Old Notes should carefully consider the factors set forth under the caption "Investment Considerations" prior to determining whether to participate in the Exchange Offer. Holders of the Old Notes should also consider that such factors are also generally applicable to the Old Notes.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION
(DOLLARS IN THOUSANDS, EXCEPT PER DAY AMOUNTS)
The company was incorporated in 1969 under the laws of the State of Delaware. The company's principal executive offices are located at 577 Mulberry Street, Macon, Georgia 31298, and its telephone number is (912) 742-1161. Unless the context otherwise requires, the "Company" includes Charter Medical Corporation and its subsidiaries.
INVESTMENT CONSIDERATIONS

IN EVALUATING THE EXCHANGE OFFER, HOLDERS OF THE OLD NOTES SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS IN ADDITION TO THOSE DISCUSSED ELSEWHERE IN THIS PROSPECTUS PRIOR TO ACCEPTING THE EXCHANGE OFFER. HOLDERS OF OLD NOTES SHOULD ALSO CONSIDER THAT SUCH FACTORS ARE ALSO GENERALLY APPLICABLE TO THE OLD NOTES. THE OLD NOTES AND THE NEW NOTES ARE COLLECTIVELY REFERRED TO HEREIN AS THE "NOTES."

LEVERAGE AND DEBT SERVICE. As of March 31, 1994, giving pro forma effect to the Financing Transactions, the ratio of the Company's total long-term debt and capital lease obligations to EBITDA (as defined) would have been approximately 2.9 to 1. The pro forma ratio of EBITDA (as defined) to net interest for the quarter ended March 31, 1994, would have been approximately 3.69 to 1. The Indenture permits the Company and its subsidiaries to incur additional indebtedness, subject to certain limitations. The degree to which the Company is leveraged could have important consequences to holders of the Notes, including: (a) a significant portion of the Company's cash flow from operations must be dedicated to the payment of principal and interest on indebtedness and (b) the Company's leverage may make it more vulnerable to healthcare industry related or general economic downturns and may limit its ability to withstand competitive pressures or to take advantage of attractive business opportunities. The Company's ability to make scheduled payments or to refinance its obligations with respect to its indebtedness (including the Notes) depends on its financial and operating performance, which, in turn, is subject to prevailing economic conditions, to governmental healthcare policies and to financial, business, regulatory and other factors beyond its control. There can be no assurance that the Company's operating results will continue to be sufficient for payment of all of the Company's indebtedness, including the Notes. See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Unaudited Pro Forma Financial Information."

LIMITATIONS IMPOSED BY THE NEW CREDIT AGREEMENT. The New Credit Agreement contains a number of restrictive covenants which, among other things, limit the ability of the Company and its Restricted Subsidiaries to incur other indebtedness, engage in transactions with affiliates, incur liens, make certain restricted payments, enter into certain business combination and asset sale transactions and limit capital expenditures. There can be no assurance that these restrictions will not adversely affect the Company's ability to conduct its operations or finance its capital needs or impair the Company's ability to pursue attractive business and investment opportunities if such opportunities arise. Under the New Credit Agreement, the Company is also required to maintain certain specified financial ratios. Failure by the Company to maintain such financial ratios or to comply with the restrictions contained in the New Credit Agreement could cause such indebtedness (and by reason of cross-agreement provisions, other indebtedness) to become immediately due and payable and/or could cause the cessation of funding under the New Credit Agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources," and "Summary of the New Credit Agreement." The Indenture contains certain restrictive covenants that are less restrictive than those contained in the New Credit Agreement.

SUBORDINATION. The New Notes will be senior subordinated obligations of the Company and, as such, will be subordinated to all existing and future Senior Indebtedness of the Company and the Guarantors, which include borrowings pursuant to the New Credit Agreement in an amount not to exceed $300 million and will rank PARI PASSU in right of payment with all Old Notes not exchanged for New Notes pursuant to the Exchange Offer. As of March 31, 1994, giving pro forma effect to the Financing Transactions, the aggregate outstanding principal amount of Senior Indebtedness of the Company and the Guarantors would have been approximately $232.4 million. Upon the maturity of any Specified Senior Indebtedness by lapse of time, acceleration (unless waived, rescinded or annulled) or otherwise, all principal thereof, premium, if any, interest and fees thereon and all other obligations with respect thereto shall first be paid in full in cash, or such payment duly provided for, before any payment is made on account of principal of, premium, if any, or interest on the Notes. In addition, the Company may not pay principal of, premium, if any, or interest on the Notes and may not acquire any Notes (including by means of redemption or upon the occurrence of a Change of Control) for cash or property, if there has been any default in the payment of principal of or interest on any Specified Senior Indebtedness or in the payment of any letter of credit commission under the New
Credit Agreement, unless such default has been cured, waived or has ceased to exist, or such Specified Senior Indebtedness has been discharged. In addition, if any non-payment event of default exists with respect to any Specified Senior Indebtedness pursuant to which the maturity of such Specified Senior Indebtedness may be accelerated and certain other conditions are satisfied, the Company may not make or otherwise provide for any payments on the Notes for a designated period of time. Pursuant to the terms of certain Senior Indebtedness, a non-payment default under such Senior Indebtedness could result in (i) the acceleration of such Senior Indebtedness, (ii) the cessation of funding under the New Credit Agreement, and (iii) the ability of holders of certain Senior Indebtedness to stop payments of principal of, premium, if any, and interest on the Notes. Upon any payment or distribution of assets of the Company upon liquidation, dissolution, reorganization or any similar proceeding, the holders of Senior Indebtedness of the Company and the Guarantors will be entitled to receive payment in full before the holders of the Notes are entitled to receive any payment. See "Description of the New Notes."

The indebtedness outstanding pursuant to the New Credit Agreement (including the guarantees thereof by the Guarantors) is secured by substantially all of the real and personal property of the Company and its domestic subsidiaries (except for the real property of the Target Hospitals and of subsidiaries formed after the date of the New Credit Agreement, subject to certain exceptions), including pledges of all or a portion of the capital stock of substantially all of the Company's operating subsidiaries. The Notes and the guarantees thereof are not secured. See "Summary of New Credit Agreement."

HOLDING COMPANY STRUCTURE. The Company is a holding company which derives substantially all of its operating income from its subsidiaries. The holders of the Notes have no direct claim against the subsidiaries other than the claim created by the guarantees. The guarantees may be subject to legal challenge as constituting fraudulent conveyances or for otherwise being given for inadequate consideration. If such a challenge were upheld, the guarantees would be invalidated and unenforceable. In addition, it is possible that holders of the Notes would be ordered by a court to turn over to other creditors of the Guarantors or to their trustees in bankruptcy all or a portion of the payments made to them pursuant to the guarantees. To the extent that the guarantees are not enforceable in amounts sufficient to satisfy the claims of the holders of the Notes, the rights of holders of the Notes to participate in any distribution of assets of any Guarantor upon liquidation, bankruptcy, reorganization or otherwise may, as is the case with other unsecured creditors of the Company, be subject to prior claims of creditors of that Guarantor. The Company must rely upon dividends and other payments from its subsidiaries to generate the funds necessary to meet its obligations, including the payment of principal of and interest on the Notes. The ability of the Company's subsidiaries to make such payments may be restricted by, among other things, applicable state corporate laws and other laws and regulations. See "Description of the New Notes."

PREVIOUS BANKRUPTCY REORGANIZATION. The Reorganization, which became effective on July 21, 1992 (July 31, 1992 for accounting purposes), significantly reduced the Company's outstanding indebtedness and reorganized its equity capital structure. Prior to the Reorganization, the Company's total indebtedness was approximately $1.8 billion; and from February 1991 until July 1992, the Company was in default in the payment of interest and principal, or both, on substantially all such indebtedness. The indebtedness was incurred by the Company in connection with a management buyout of the Company in 1988 and a hospital-construction program. Pursuant to the Reorganization, the Company reduced its total indebtedness by approximately $700 million and eliminated redeemable preferred stock having an aggregate liquidation preference of approximately $233 million. These debtholders and preferred stockholders received approximately 97% of the Company's common stock outstanding on July 21, 1992. After the Reorganization, through March 31, 1994, the Company further reduced its indebtedness by approximately $692.7 million, to approximately $362.2 million at March 31, 1994. See "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

REIMBURSEMENT BY THIRD-PARTY PAYORS. For the fiscal year ended September 30, 1993, the Company derived approximately 56% of its gross psychiatric patient service revenue from private-pay sources (including HMO's, PPO's and Blue Cross), 23% from Medicare, 15% from Medicaid and 6% from the Civilian Health and Medical Program for the Uniformed Services ("CHAMPUS"). Changes in the mix of the Company's patients among the private-pay, Medicare and Medicaid categories, and among different types of private-pay sources, can significantly
affect the profitability of the Company's operations. Various cost-containment mechanisms by both governmental and private third-party payors have begun to restrict the scope and amount of reimbursable healthcare expenses. Therefore, there can be no assurance that payments under governmental and private third-party payor programs will remain at levels comparable to present levels or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. In addition, there can be no assurance that the Company's hospitals will continue to meet the requirements for participation in such programs.

REGULATION. The federal government and all states in which the Company operates regulate various aspects of the Company's business. Healthcare facilities are subject to periodic inspection by governmental and other authorities to ensure continued compliance with various standards, their continued licensing under state law and certification under the Medicare and Medicaid programs. Although the Company has not failed to obtain necessary approvals or licenses in the past, the failure to obtain or renew any required regulatory approvals or licenses in the future could adversely affect the operations of the Company.

DEPENDENCE ON HEALTHCARE PROFESSIONALS. Physicians traditionally have been the source of a majority of the Company's hospital admissions. Therefore, the success of the Company's hospitals is dependent in part on the number and quality of the physicians on the medical staffs of the Company's hospitals and their admission practices. A small number of physicians account for a significant portion of patient admissions at some of the Company's hospitals. There can be no assurance that the Company can retain its current physicians on staff or that additional physician relationships will be developed in the future. Furthermore, hospital physicians are generally not employees of the Company and in general the Company does not have contractual arrangements with hospital physicians restricting the ability of such physicians to practice elsewhere.

HEALTHCARE REFORM. On October 27, 1993, President Clinton submitted to Congress comprehensive healthcare reform legislation (the "Administration's Proposal"). At present, six other comprehensive reform proposals have been introduced in the Congress, several of which are likely to be viewed by Congress as significant alternatives to the Administration's Proposal. A central component of the Administration's Proposal is the restructuring of health insurance markets through the use of "managed competition." Under the Administration's Proposal, states would be required to establish regional purchasing cooperatives, known as "regional alliances," that would be the exclusive source of insurance coverage for individuals and employers with fewer than 5,000 employees. All employers would be required to make such coverage available to their employees and contribute 80% of the premium, and all individuals would be required to enroll in an approved health plan. Regional alliances would contract with health plans that demonstrate an ability to provide consumers with a broad range of benefits, including hospital services. The federal government would provide subsidies to low income individuals and certain small businesses to help pay for the cost of coverage. These subsidies and other costs of the Administration's Proposal would be funded in significant part by reductions in payments by the federal Medicare and Medicaid programs to providers, including hospitals. The Administration's Proposal would also place stringent limits on the annual growth in health-plan insurance premiums.

Certain aspects of the Administration's Proposal, such as reductions in Medicare and Medicaid payments, if adopted, could adversely affect the Company's business. Other aspects of the Administration's Proposal, such as universal health insurance coverage, could have a positive impact on the Company's business by reducing the amount of uncompensated care provided by the Company's hospitals. No assurance can be given that any reform proposal will be adopted or implemented or that any reform proposal which is ultimately adopted will not have a material adverse effect on the Company's financial condition and results of operations.

In addition to the Administration's Proposal and other federal reform initiatives, state legislatures also have undertaken healthcare reform initiatives independent of federal reform. The States of Maine, Florida, California and Washington have adopted legislation based on managed competition. It is not possible at this time to predict what, if any, reforms will be adopted by these and other states, or when such reforms will be adopted and implemented. No assurance can be given that any such reforms will not have a material adverse effect upon the Company's revenues and earnings or upon the demand for the Company's services.
COMPETITION. Competition among hospitals and other healthcare providers for patients has intensified in recent years. During this period, hospital occupancy rates in the United States have declined as a result of cost containment pressures, changing technology, changes in regulations and reimbursement, changes in practice patterns from inpatient to outpatient treatment and other factors. In areas in which the Company operates, there are other hospitals or facilities that provide inpatient or outpatient services comparable to those offered by the Company's hospitals. The competitive position of the Company's hospitals also has been, and in all likelihood will continue to be, affected by the increased initiatives undertaken during the past several years by federal and state governments and other major purchasers of healthcare services, including insurance companies and employers, to revise payment methodologies and monitor healthcare expenditures in order to contain healthcare costs. In addition, hospitals owned by governmental agencies or other tax-exempt entities benefit from endowments, charitable contributions and tax-exemptions, the advantages of which are not enjoyed by the Company's hospitals.

LIABILITY INSURANCE. In prior years, the Company self-insured against a substantial portion of its general and professional liability risk, including a self-insured deductible of $2 million per occurrence for the policy years ended May 31, 1992 and 1993, of $2.5 million per occurrence for the policy years ended May 31, 1990 and 1991, and of $3 million for the policy year ended May 31, 1989. Effective for the policy year beginning on June 1, 1993, the Company eliminated its self-insurance for psychiatric hospitals and reduced its self-insured deductible to $1.5 million per occurrence for its general hospitals, which were sold on September 30, 1993. The amount of expense relating to the Company's malpractice insurance may materially increase or decrease from year to year depending, among other things, on the nature and number of new reported claims against the Company and amounts of settlements of previously reported claims. To date, the Company has not experienced a loss in excess of policy limits. The Company believes that its coverage limits are adequate.

ABSENCE OF TRADING MARKETS; RESTRICTIONS ON TRANSFER OF THE NOTES. The Old Notes are currently owned by a relatively small number of institutional investors. The Company believes that none of such holders is an affiliate (as defined in Rule 405 under the Securities Act) of the Company. Prior to the Exchange Offer, no public market for the Old Notes will exist, although the Old Notes are eligible for trading in the PORTAL Market among "qualified institutional buyers." The holders of Old Notes who are not eligible to participate in the Exchange Offer are entitled to certain registration rights, and the Company is required to file the Shelf Registration Statement with respect to resales from time to time of any such Old Notes. The Old Notes have not been registered under the Securities Act and will remain subject to restrictions on transferability to the extent they are not exchanged for New Notes by holders who are entitled to participate in the Exchange Offer. The Company has been advised by AMEX that the New Notes have been approved for listing on AMEX, subject to official notice of issuance. There can be no assurance that an active trading market for the New Notes will develop after any such listing. Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, the Company's results of operations and the market for similar securities. Depending on prevailing interest rates, the markets for similar securities and other factors, including the financial condition of the Company, the Notes may trade at a discount from their principal amount.

EXCHANGE OFFER PROCEDURES. Issuance of the New Notes in exchange for the Old Notes pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of such Old Notes, a properly completed and duly executed Letter of Transmittal and all other required documents. Therefore, holders of the Old Notes desiring to tender such Old Notes in exchange for New Notes should allow sufficient time to ensure timely delivery. The Company is under no duty to give notification of defects or irregularities with respect to tenders of Old Notes for exchange. Old Notes that are not tendered or that are tendered but not accepted by the Company for exchange will, following consummation of the Exchange Offer, continue to be subject to the existing restrictions upon transfer thereof under the Securities Act and, upon consummation of the Exchange Offer, certain registration rights under the Registration Rights Agreement will terminate. In addition, any holder of Old Notes who tenders in the Exchange Offer for the purpose of reselling in a public distribution of the New Notes may be deemed to be an "underwriter" (within the meaning of Section 2(11) of the Securities Act) of the New Notes and, if so, will be required to comply with the registration and prospectus delivery requirements in the Securities Act in connection with any resale.
transaction. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as result of market-making activities or other trading activities, must acknowledge in the Letter of Transmittal that accompanies this Prospectus that it will deliver a prospectus in connection with any resale of such New Notes. See "Plan of Distribution." To the extent that Old Notes are tendered and accepted in the Exchange Offer, the trading market for unaccepted and tendered but unaccepted Old Notes could be adversely affected. See "The Exchange Offer."

THE ACQUISITION. The Acquisition poses risks for the holders of the Notes resulting from the following factors:

(i) Although the Company has entered into a definitive Asset Sale Agreement, there can be no assurance that the Acquisition will be consummated with respect to any or all of the Target Hospitals. Consummation of the Acquisition is subject to the satisfaction of various conditions, some of which cannot be waived. If the Acquisition is not consummated or is consummated with respect to less than all of the Target Hospitals, the Company could have substantial excess net proceeds from the sale of the Notes. Pursuant to the New Credit Agreement and the Indenture, the Company's ability to invest such excess net proceeds is restricted. Accordingly, the Company may be unable to earn a return on the investment of such excess net proceeds equal to or greater than the borrowing cost thereof. To the extent permitted by the New Credit Agreement and the Indenture, the Company intends to utilize such excess cash to finance additional strategic alliances with, and additional acquisitions of, group psychiatric practices, mental health clinics and other behavioral healthcare providers. There can be no assurance that the Company will be able to utilize such excess funds in this manner or to do so promptly. The Company is not now pursuing another significant acquisition or alliance.

(ii) The following is the text of Note 9 to the audited combined financial statements of the Target Hospitals for their fiscal years ended May 31, 1992 and 1993, set forth elsewhere in this Offering Memorandum: "At May 31, 1993, NME and certain of its subsidiaries, including those that own the [Target Hospitals], were involved in significant lawsuits and governmental investigations concerning possible improper practices related principally to its psychiatric business. The suits sought compensatory and punitive damages and in some cases, attorneys fees. At May 31, 1993, neither the ultimate disposition of the unusual lawsuits, investigations and claims nor the amount of liabilities or losses arising from them could be determined. Furthermore, at May 31, 1993, NME and NME's subsidiaries expected to incur substantial legal charges until these matters could be disposed of, for which NME established a reserve. As of August 31, 1993, NME recorded additional reserves to estimate the cost of the ultimate disposition of the significant lawsuits, the majority of which have been settled subsequent to August 31, 1993. In April, 1994, NME reached an agreement-in-principle with the Civil Division and Criminal Division of the Department of Justice, and the Department of Health and Human Services which upon execution will bring to a close all open investigations of NME (and its subsidiaries and affiliates) by the federal government and its agencies. As a result, NME recorded an additional reserve at February 28, 1994 to estimate the costs of the ultimate disposition of all federal and state investigations.

The aggregate amount of the reserves recorded in connection with these settlements and agreements as of February 28, 1994 amounted to $690,000,000. These settlements and agreements were reached in the aggregate and were not allocated or apportioned to individual facilities. Accordingly, none of these reserves have been reflected in the accompanying combined financial statements, nor has any provision for any liability resulting from the ultimate disposition of these matters been recognized in such financial statements."

The Company believes that, as a purchaser of assets, it will have no successor civil or criminal liability for the practices of NME. Furthermore, the Company is indemnified pursuant to the Asset Sale Agreement for liabilities relating to the matters described above. The Company intends to employ a significant number of managerial employees who are now employed by NME in connection with the Target Hospitals. While the Company is not aware that any employees of NME who are now employed by the Company's subsidiaries and affiliates by the federal government and its agencies. As a result, NME recorded an additional reserve at February 28, 1994 to estimate the costs of the ultimate disposition of all federal and state investigations.

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THE ACQUISITION

DESCRIPTION OF THE TARGET HOSPITALS. On March 29, 1994, the Company entered into the Asset Sale Agreement with respect to the purchase of the Target Hospitals. The Target Hospitals have an aggregate capacity of 3,496 licensed beds and are located in 20 states. During their fiscal year ended May 31, 1993, the Target Hospitals had approximately 40,000 patient admissions. The following table sets forth certain unaudited financial information regarding the Target Hospitals set forth elsewhere in this Prospectus.

<table>
<thead>
<tr>
<th></th>
<th>YEAR ENDED MAY 31,</th>
<th>NINE MONTHS ENDED MARCH 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1992</td>
<td>1993</td>
</tr>
<tr>
<td>Net revenue</td>
<td>$537,218</td>
<td>$407,525</td>
</tr>
<tr>
<td>Operating and administrative expenses</td>
<td>$424,985</td>
<td>$351,281</td>
</tr>
<tr>
<td>Target Hospital EBITDA</td>
<td>110,581</td>
<td>55,059</td>
</tr>
</tbody>
</table>

See "Target Hospital Summary Financial Information."

RATIONALE FOR THE ACQUISITION. Management believes that the Acquisition will assist the Company in implementing its strategy by increasing the Company's size, market position and geographic coverage. For example, the Acquisition will permit the Company to enter 16 new markets, including markets in the mid-Atlantic and northeastern United States. Management also believes that the introduction to the Target Hospitals of Charter's operating and financial control systems, continuum of care and marketing efforts will increase the utilization and profitability of the Target Hospitals.

TERMS OF THE ACQUISITION AND RELATED DOCUMENTS. Under the terms of the Asset Sale Agreement, the aggregate purchase price of the Target Hospitals is approximately $151.9 million (the "Basic Purchase Price"), plus an additional cash amount estimated to be approximately $50.7 million, subject to adjustment, for the net working capital of the Target Hospitals on the closing date of the Acquisition. The Basic Purchase Price has been allocated among the Target Hospitals so that adjustments may be made if one or more of the Target Hospitals is not acquired because of the inability to obtain certain necessary consents or approvals, the existence of certain prohibitions or restraints relating to the contemplated transactions, defects in the title to real property, environmental conditions or events of casualty or condemnation. In connection with obtaining regulatory approvals, the Company has received a request for additional information from the Federal Trade Commission and is in the process of complying with such request. The Asset Sale Agreement includes a covenant by NME not to compete with any Target Hospital from or through any facility located within a 25-mile radius of such Target Hospital for a period of three years after closing of the Acquisition, subject to certain conditions. In addition, the Asset Sale Agreement requires that if NME exercises its right to terminate the Acquisition because of fiduciary duties to its shareholders, NME shall pay to the Company a termination fee of $15 million.

The Asset Sale Agreement contemplates up to three closings of purchases of the Target Hospitals. The purchase of each Target Hospital is subject to certain conditions set forth in the Asset Sale Agreement, including (i) the receipt of all required approvals and consents to the purchases, (ii) the Company's having obtained all necessary licenses and permits necessary for operation of the Target Hospital, (iii) the absence of pending or threatened legal or governmental actions seeking to restrain the sale of the Target Hospital, (iv) the performance of covenants and agreements and the accuracy of representations and warranties set forth in the Asset Sale Agreement, and (v) the absence of any material adverse change in the financial, banking or capital markets as a result of which lending institutions generally cease their commercial financing activities.

Pursuant to the Asset Sale Agreement, the Company and NME have each agreed to indemnify and hold harmless the other against, among other things, certain losses ("Losses") resulting from inaccuracy of representations or warranties, nonperformance or breach of covenants or agreements, and the failure to discharge liabilities for which such party is responsible. In addition, NME has agreed to indemnify the Company against Losses resulting from operations of the
Target Hospitals before closing (including Losses arising in connection with the matters described in "Investment Considerations -- The Acquisition," but excluding specific contracts, debt obligations and working capital liabilities expressly assumed by the Company), and the Company has agreed to indemnify NME against Losses resulting from the operations of the Company and the assets purchased by the Company from NME after closing, including the continuance or performance by the Company of any agreement or practice of NME or the Target Hospitals. Certain of the indemnification obligations of the Company and NME are subject to a deductible.

14

USE OF PROCEEDS

The Exchange Offer is intended to satisfy certain of the Company's obligations under the Registration Rights Agreement. The Company will not receive any cash proceeds from the issuance of the New Notes offered hereby. In consideration for issuing the New Notes contemplated in this Prospectus, the Company will receive in exchange Old Notes in like principal amount, the form and terms of which are the same as the form and terms of the New Notes, except as otherwise described herein. The Old Notes surrendered in exchange for New Notes will be retired and cancelled and cannot be reissued. Accordingly, issuance of the New Notes will not result in any increase or decrease in the indebtedness of the Company.

The net proceeds from the sale of the Old Notes were approximately $365.6 million. Approximately $181.8 million of such net proceeds were used for the purpose of redeeming the Company's 7 1/2% Senior Subordinated Debentures due 2003. Approximately $56.8 million of the net proceeds from the sale of the Old Notes were used to repay certain indebtedness of the Company outstanding under its Amended and Restated Credit Agreements, dated July 21, 1992 (the "Old Credit Agreement") and to pay transaction costs relating to the Financing Transactions (approximately $8.7 million). The remaining net proceeds from the sale of the Old Notes together with approximately $84.3 million of borrowings pursuant to the New Credit Agreement, will be used to finance the Acquisition (approximately $202.6 million). In the event that the Acquisition is not consummated, the Company will use the remaining net proceeds from the sale of the Old Notes for strategic acquisitions and alliances, the creation of joint ventures or other general corporate purposes. See "Investment Considerations -- The Acquisition."

The Financing Transactions also included the refinancing of the existing mortgage indebtedness of certain of the subsidiaries of the Company (approximately $14.7 million) and the indebtedness of certain subsidiaries of the Company outstanding under the Old Credit Agreement (approximately $46.8 million) pursuant to the New Credit Agreement. The following table indicates the sources and uses of the funds obtained or to be obtained by the Company in connection with the Financing Transactions. The amounts of indebtedness shown in the "Uses of Funds" table set forth below are the balances as of April 1, 1994.

(DOLLARS IN MILLIONS)

<table>
<thead>
<tr>
<th>SOURCES OF FUNDS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New Credit Agreement</td>
<td>$ 145.8</td>
</tr>
<tr>
<td>Senior Subordinated Notes</td>
<td>375.0</td>
</tr>
<tr>
<td>Less: Discount to Initial Purchasers</td>
<td>(9.4)</td>
</tr>
<tr>
<td>Total Sources</td>
<td>$ 511.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USES OF FUNDS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Credit Agreement</td>
<td></td>
</tr>
<tr>
<td>Company Indebtedness</td>
<td>$ 56.8</td>
</tr>
<tr>
<td>Subsidiary Indebtedness</td>
<td>46.8</td>
</tr>
<tr>
<td>Mortgages</td>
<td>14.7</td>
</tr>
<tr>
<td>7 1/2% Senior Subordinated Debentures</td>
<td>181.8</td>
</tr>
<tr>
<td>Acquisition</td>
<td>202.6</td>
</tr>
<tr>
<td>Transaction Expenses</td>
<td>8.7</td>
</tr>
</tbody>
</table>
The indebtedness outstanding pursuant to the Old Credit Agreement consisted of a term-loan facility and an ESOP term-loan facility. At March 31, 1994, approximately $66.0 million was outstanding under the term-loan facility and $37.6 million was outstanding under the ESOP term-loan facility. The term-loan facility also provided for the support of letters of credit securing industrial development bonds issued on behalf of certain of the Company’s subsidiaries. The term-loan facility (except for borrowings used to fund letter of credit drawings) bore interest per annum at BTCo’s prime lending rate plus .5%. Borrowings with respect to letter of credit drawings bore interest per annum at BTCo’s prime lending rate plus 1.5% per annum for the first $40 million drawn and at BTCo’s prime lending rate plus 1.5% per annum for amounts drawn in excess of $40 million. The ESOP term loan facility funded purchases of the Company’s common stock by the Company’s employee stock ownership plan. Approximately 75% of the borrowings outstanding pursuant to the ESOP term-loan facility bore interest at a fixed rate of 8.375% per annum, with the remaining portion bearing interest at a rate per annum equal to 85% of the interest rate applicable to the term-loan facility. The principal amount outstanding pursuant to the Old Credit Agreement was payable in installments, with the final installment being due on September 30, 1997. The indebtedness that was secured by mortgages bore interest at 12.32% per annum and matured in 1997.

CAPITALIZATION

The following table sets forth (i) the capitalization of the Company at March 31, 1994, and (ii) such capitalization as adjusted as of such date to give effect to the Financing Transactions.

<table>
<thead>
<tr>
<th></th>
<th>ACTUAL MARCH 31, 1994 (UNAUDITED)</th>
<th>PRO FORMA ADJUSTMENTS (1) (UNAUDITED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockholders’ Equity (Deficit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, par value $.25</td>
<td>80,000,000 shares authorized</td>
<td>26,750,950 shares outstanding</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>240,162</td>
<td>240,162</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(62,166)</td>
<td>(13,689)</td>
</tr>
<tr>
<td>Unearned compensation under ESOP</td>
<td>(98,125)</td>
<td>(98,125)</td>
</tr>
<tr>
<td>Warrants outstanding</td>
<td>182</td>
<td>182</td>
</tr>
<tr>
<td>Total Stockholders’ Equity</td>
<td>82,109</td>
<td>231,516</td>
</tr>
<tr>
<td>Total Capitalization</td>
<td>$444,311</td>
<td>$282,945</td>
</tr>
</tbody>
</table>

(1) See Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited) for a discussion of the pro forma adjustments.

(2) The New Notes will evidence the same debt as the Old Notes, which they will replace.
The selected consolidated financial data set forth below as of September 30, 1989, 1990 and 1991, July 31, 1992, and September 30, 1992 and 1993, and for each of the fiscal periods in the five-year period ended September 30, 1993, have been derived from the Company's audited consolidated financial statements. The information for periods after July 31, 1992 is not comparable to information presented for periods prior to such date because of consummation of the Reorganization and the implementation of fresh start accounting in fiscal 1992, which included the revaluation of the Company's assets and liabilities at the assumed reorganization value thereof and resulted in, among other things, significant reductions in the principal amount of the Company's long-term debt and interest expense and the elimination of preferred stock and preferred stock dividend requirements. Accordingly, a line has been used to separate the financial data of the Company after the consummation of the Reorganization from those of the Company prior to the consummation of the Reorganization. The consolidated financial statements of the Company as of September 30, 1991, July 31, 1992 and September 30, 1992 and 1993, and for each of the fiscal periods in the three-year period ended September 30, 1993, together with the notes thereto and the related reports of Arthur Andersen & Co., independent public accountants, are included elsewhere in this Prospectus. Selected consolidated financial information for the six months ended March 31, 1993 and 1994 has been derived from unaudited consolidated financial statements and, in the opinion of Management, includes all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair presentation of the operating results for such interim periods. Results for the interim periods are not necessarily indicative of the results for the full year or for any future periods. The selected financial data set forth below should be read in conjunction with the Consolidated Financial Statements of the Company, the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

### SELECTED STATEMENT OF OPERATIONS DATA

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<table>
<thead>
<tr>
<th>YEAR ENDED SEPTEMBER 30</th>
<th>TEN MONTHS ENDED JULY 31</th>
<th>TWO MONTHS ENDED SEPT. 30</th>
<th>YEAR ENDED SEPT. 30</th>
<th>FOR THE SIX MONTHS ENDED MARCH 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>$930,831</td>
<td>$954,508</td>
<td>$868,264</td>
<td>$777,855</td>
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<tr>
<td>Operating expenses</td>
<td>667,482</td>
<td>804,897</td>
<td>656,828</td>
<td>563,600</td>
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<tr>
<td>Bad debt expenses</td>
<td>41,935</td>
<td>78,944</td>
<td>51,617</td>
<td>50,403</td>
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<tr>
<td>Depreciation and</td>
<td>43,555</td>
<td>66,571</td>
<td>48,659</td>
<td>35,126</td>
</tr>
<tr>
<td>Amortization of reorganization</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets</td>
<td>31,399</td>
<td>6,815</td>
<td>5,061</td>
<td>3,190</td>
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<tr>
<td>Stock option expense (credit)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Provision for restructuring of operations</td>
<td>105,000</td>
<td>45,000</td>
<td>45,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Provision for (benefit from) income taxes</td>
<td>(12,197)</td>
<td>(43,132)</td>
<td>4,259</td>
<td>1,054</td>
</tr>
<tr>
<td>Loss from continuing operations before reorganization items, extraordinary item and cumulative effect of a change in accounting principle</td>
<td>(65,635)</td>
<td>(322,343)</td>
<td>(81,681)</td>
<td>(81,681)</td>
</tr>
<tr>
<td>Discontinued operations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income (Loss) from discontinued operations</td>
<td>28,954</td>
<td>18,606</td>
<td>37,115</td>
<td>24,211</td>
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<tr>
<td>Gain on disposal of discontinued operations</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Loss before reorganization items, extraordinary item and cumulative effect of a change in accounting principle</td>
<td>(36,681)</td>
<td>(303,737)</td>
<td>(130,042)</td>
<td>(57,470)</td>
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<tr>
<td>Reorganization items:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional fees and other expenses</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Adjust accounts to fair</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>
TARGET HOSPITAL SELECTED FINANCIAL INFORMATION

The selected combined financial information (other than the Operating Data) as of May 31, 1992 and 1993 and for the fiscal years then ended set forth below regarding the Target Hospitals has been derived from the audited combined financial statements for the Target Hospitals included elsewhere in this Prospectus. The selected unaudited combined financial information (other than the Operating Data) for the nine months ended February 28, 1993 and 1994 has been derived from unaudited combined condensed financial statements. The selected financial data (other than the Operating Data) set forth below should be read in conjunction with the audited financial statements of the Target Hospitals as of May 31, 1992 and 1993 and for the fiscal years then ended and the notes thereto included elsewhere in this Prospectus.

In view of the fact that this information necessarily is incomplete and relates to the operation of the Target Hospitals by NME for the historical periods presented, it is not indicative of future results from operations of the Target Hospitals by the Company following the Acquisition.
Total costs and expenses............................................ 538,950 443,712 336,641 452,371

Loss before income tax benefit.......................................... (1,732) (36,187) (27,368) (187,211)
Income tax benefit...................................................... (439) (13,121) (10,126) (69,268)
Net Loss................................................................  (1,293) (23,066) (17,242) (117,943)

Target Hospital EBITDA (4).............................................. 110,581 55,059 40,146 36,514

OPERATING DATA:
Number of psychiatric hospitals......................................... 44 46 47 47
Average licensed beds................................................... 3,391 3,556 3,549 3,447
Total inpatient days (1)................................................ 913,658 707,587 533,651 480,148
Total equivalent patient days........................................... 971,538 768,563 584,645 530,790
Occupancy rate (2)...................................................... 73.6% 54.5% 55.1% 51.0%
Admissions.............................................................. 43,734 39,539 29,480 27,949
Average length of stay (days)........................................... 21.3 17.6 19.6 16.3
Net revenue per equivalent patient day (3).............................. 550 525 525 489

BALANCE SHEET DATA:
Current assets.................................................................. 65,885 205,119
Current liabilities............................................................. 44,713 39,756
Property and equipment -- net................................................ 286,462 --
Total assets.................................................................... 379,640 206,672

(1) Provision of care to one inpatient for one day.
(2) Inpatient days as a percentage of licensed bed days.
(3) Includes inpatient and outpatient revenue. Excludes revenue from non-psychiatric operations.
(4) Earnings before interest, income tax benefit, provision for loss on sale of selected hospitals, depreciation and amortization, and intercompany fees and allocations.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended September 30, 1993, and the six months ended March 31, 1994, and the unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 1994, set forth below, have been prepared giving effect to the Financing Transactions and the payment of the estimated related expenses. The pro forma financial information should be read in conjunction with "Investment Considerations -- Leverage and Debt Service," Charter's consolidated historical financial statements and notes thereto and the combined financial statements of the Target Hospitals and notes thereto included elsewhere in this Prospectus.

The unaudited Pro Forma Condensed Statements of Operations for the year ended September 30, 1993, and the six months ended March 31, 1994, were prepared as if the Financing Transactions had occurred on October 1, 1992 and 1993, respectively. The unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 1994, was prepared as if the Financing Transactions had occurred on such date.

For purposes of presenting pro forma results, no changes in revenues and expenses have been made to reflect the result of any modification to operations that might have been made had the Financing Transactions been consummated on the assumed effective dates of such transactions. The pro forma expenses include the recurring costs which are directly attributable to such transactions, such as interest expense, and the related tax effects. The pro forma financial information does not purport to be indicative of the results which would actually have been attained had such transactions been completed as of the date and for the periods presented or which may be attained in the future.
## ASSETS

<table>
<thead>
<tr>
<th></th>
<th>TOTAL CONTINUING</th>
<th>TARGET HOSPITALS</th>
<th>PRO FORMA ADJUSTMENTS</th>
<th>PRO FORMA CONSOLIDATED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CHARTER AS</td>
<td>AS OF 2/28/94</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>REPORTED</td>
<td></td>
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<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash and cash equivalents</td>
<td>$ 40,535</td>
<td>$ 2,019</td>
<td>$ (2,019) (a)</td>
<td>$ 50,220</td>
</tr>
<tr>
<td>Cash collateral account</td>
<td>8,207</td>
<td>0</td>
<td>(8,207) (c)</td>
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<tr>
<td>Accounts receivable, net</td>
<td>129,117</td>
<td>65,707</td>
<td>2,817 (a)</td>
<td>197,641</td>
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<tr>
<td>Supplies</td>
<td>4,933</td>
<td>2,528</td>
<td>2,405 (b)</td>
<td>7,361</td>
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<td>Assets held for sale</td>
<td>0</td>
<td>131,943</td>
<td>(131,943) (b)</td>
<td>0</td>
</tr>
<tr>
<td>Other current assets</td>
<td>13,748</td>
<td>3,322</td>
<td>(670) (a)</td>
<td>16,200</td>
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<tr>
<td>Total current assets</td>
<td>196,940</td>
<td>205,119</td>
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<td>271,322</td>
</tr>
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<td>Property and equipment</td>
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<td></td>
</tr>
<tr>
<td>Land</td>
<td>93,850</td>
<td>0</td>
<td>93,850</td>
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</tr>
<tr>
<td>Buildings and improvements</td>
<td>307,768</td>
<td>0</td>
<td>307,768</td>
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<tr>
<td>Equipment</td>
<td>69,017</td>
<td>0</td>
<td>69,017</td>
<td></td>
</tr>
<tr>
<td>Purchase price subject to allocation</td>
<td>0</td>
<td>0</td>
<td>152,495 (b)</td>
<td>152,495</td>
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<tr>
<td>Accrued depreciation</td>
<td>470,439</td>
<td>0</td>
<td>623,130</td>
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<tr>
<td>Construction in progress</td>
<td>437,926</td>
<td>0</td>
<td>580,214</td>
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<tr>
<td>Other long-term assets</td>
<td>429,720</td>
<td>0</td>
<td>582,215</td>
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<tr>
<td>Reorganization value in excess of identifiable assets, net</td>
<td>41,401</td>
<td>0</td>
<td>41,401</td>
<td></td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>LIABILITIES AND STOCKHOLDERS’ EQUITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 39,021</td>
<td>$ 9,107</td>
<td>$ 48,128</td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>67,847</td>
<td>25,969</td>
<td>(26,973) (a)</td>
<td>79,526</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>62,392</td>
<td>0</td>
<td>62,392</td>
<td></td>
</tr>
<tr>
<td>Current income taxes payable</td>
<td>4,802</td>
<td>0</td>
<td>7,900 (c)</td>
<td>12,702</td>
</tr>
<tr>
<td>Current maturities of long-term debt and capital lease obligations</td>
<td>41,010</td>
<td>680</td>
<td>(175) (a)</td>
<td>5,270</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>215,072</td>
<td>35,756</td>
<td>250,518</td>
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<tr>
<td>Long-term debt and capital lease obligations</td>
<td>321,192</td>
<td>5,169</td>
<td>(616) (a)</td>
<td>604,137</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td>36,493</td>
<td>0</td>
<td>(17,000) (c)</td>
<td>19,493</td>
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<tr>
<td>Reserve for unpaid claims</td>
<td>98,268</td>
<td>0</td>
<td>98,268</td>
<td></td>
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<tr>
<td>Deferred credits and other long-term liabilities</td>
<td>14,976</td>
<td>81,661</td>
<td>(81,661) (a)</td>
<td>14,976</td>
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<tr>
<td>Stockholders’ equity common stock</td>
<td>6,688</td>
<td>361</td>
<td>(361) (a)</td>
<td>6,688</td>
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<tr>
<td>Additional paid-in capital</td>
<td>240,162</td>
<td>43,593</td>
<td>(43,593) (a)</td>
<td>240,162</td>
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<td>Retained earnings (accumulated deficit)</td>
<td>(62,166)</td>
<td>36,132</td>
<td>(36,132) (a)</td>
<td>(75,855)</td>
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<td>Warrants outstanding</td>
<td>429,182</td>
<td>0</td>
<td>429,182</td>
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<tr>
<td>Cumulative foreign currency adjustments</td>
<td>4,632</td>
<td>0</td>
<td>(4,632)</td>
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<tr>
<td>Stockholder’s equity</td>
<td>82,109</td>
<td>80,286</td>
<td>68,420</td>
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<tr>
<td>Commitments and contingencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 768,056</td>
<td>$ 206,672</td>
<td>$ 36,530</td>
<td>$ 1,011,258</td>
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<FIN>

See Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited)

### PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(UNAUDITED)

FOR THE YEAR ENDED SEPTEMBER 30, 1993

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

<table>
<thead>
<tr>
<th></th>
<th>TOTAL CONTINUING</th>
<th>TARGET HOSPITALS (FOR 12 MONTHS</th>
<th>PRO FORMA ADJUSTMENTS</th>
<th>PRO FORMA CONSOLIDATED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CHARTER AS REPORTED</td>
<td>ENDED 8/31/93)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net revenue</td>
<td>$ 897,907</td>
<td>$ 386,220</td>
<td>$ 1,284,127</td>
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<tr>
<td>Operating expenses</td>
<td>640,847</td>
<td>310,439</td>
<td>(640,847) (b)</td>
<td>966,652</td>
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<tr>
<td>Bad debt expenses</td>
<td>67,300</td>
<td>15,637</td>
<td>82,937</td>
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<tr>
<td>Intercompany fees and allocations</td>
<td>0</td>
<td>62,743</td>
<td>(62,743) (c)</td>
<td>0</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>26,382</td>
<td>21,903</td>
<td>(26,382) (g)</td>
<td>34,635</td>
</tr>
<tr>
<td>Amortization of reorganization value in excess of</td>
<td>15,748</td>
<td>3,202</td>
<td>(15,748) (a)</td>
<td>19,950</td>
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</table>
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS 
FOR THE SIX MONTHS ENDED MARCH 31, 1994 
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS) 

<table>
<thead>
<tr>
<th>Description</th>
<th>Charters (For Six Months Ended 2/28/94)</th>
<th>Target Hospitals</th>
<th>Pro Forma Adjustments</th>
<th>Pro Forma Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>$421,427</td>
<td>$178,407</td>
<td>$2,200(d)</td>
<td>$599,834</td>
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<tr>
<td>Operating expenses</td>
<td>$305,589</td>
<td>143,470</td>
<td>2,200(d)</td>
<td>453,042</td>
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<tr>
<td>Bad debt expense</td>
<td>32,288</td>
<td>8,693</td>
<td></td>
<td>40,981</td>
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<tr>
<td>Intercompany fees and allocations</td>
<td>0</td>
<td>27,574</td>
<td>1,002(e)</td>
<td>0</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>13,579</td>
<td>3,945</td>
<td>185(g)</td>
<td>17,709</td>
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<tr>
<td>Amortization of reorganization value in excess of amounts allocable to identifiable assets</td>
<td>15,600</td>
<td>0</td>
<td>15,600</td>
<td></td>
</tr>
<tr>
<td>Interest, net</td>
<td>16,785</td>
<td>5,952</td>
<td>11,640(h)</td>
<td>28,652</td>
</tr>
<tr>
<td>ESOP expense</td>
<td>24,599</td>
<td>0</td>
<td></td>
<td>24,599</td>
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<tr>
<td>Stock option expense</td>
<td>6,851</td>
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<td></td>
<td>6,851</td>
</tr>
<tr>
<td>Minority interest in earnings of certain hospitals</td>
<td>0</td>
<td>181(e)</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Provision for loss on sale of assets</td>
<td>0</td>
<td>181(e)</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>415,291</td>
<td>355,104</td>
<td>587,434</td>
<td></td>
</tr>
<tr>
<td>Average number of common shares outstanding (1)</td>
<td>24,875</td>
<td>24,875</td>
<td></td>
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<tr>
<td>Loss per common share (1)</td>
<td>$ (1.59)</td>
<td>$ (1.59)</td>
<td></td>
<td>$ (1.24)</td>
</tr>
<tr>
<td>Earnings per common share</td>
<td>$ .04</td>
<td></td>
<td></td>
<td>$ .04</td>
</tr>
<tr>
<td>Earnings per common share assuming full dilution (1)</td>
<td>$ .04</td>
<td></td>
<td></td>
<td>$ .04</td>
</tr>
</tbody>
</table>

Notes: (1) For the six months ended March 31, 1994.
(a) To eliminate assets, liabilities and equity of the Target Hospitals which will not be purchased or assumed by the Company.

(b) To record the property and equipment of the Target Hospitals at the purchase price. No allocation has been made between the components of property and equipment.

(c) To record (i) the repayment of the Old Credit Agreement, (ii) the redemption of the 7 1/2% Senior Subordinated Debentures and the related loss on early extinguishment of debt, (iii) the initial borrowings under the New Credit Agreement, (iv) the issuance of the Notes, and (v) the estimated related expenses.

(d) To record estimated incremental overhead related to the Target Hospitals.

(e) To reclassify to operating expenses the estimated direct cost of hospital chief executive officers' and chief financial officers' ("CEO/CFO") salaries and bonuses, management information services costs and minority interests in certain hospitals as follows:

<table>
<thead>
<tr>
<th></th>
<th>FOR THE YEAR ENDED SEPTEMBER 30, 1993</th>
<th>FOR THE SIX MONTHS ENDED MARCH 31, 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO/CFO salaries and bonuses</td>
<td>$ 6,033</td>
<td>$ 555</td>
</tr>
<tr>
<td>Management information services costs</td>
<td>$3,975</td>
<td>$1,047</td>
</tr>
<tr>
<td>Minority interests</td>
<td>$ 958</td>
<td>$ 181</td>
</tr>
<tr>
<td></td>
<td>$10,966</td>
<td>$ 1,783</td>
</tr>
</tbody>
</table>

(f) To eliminate intercompany management fees and corporate overhead allocated to the Target Hospitals by their parent corporations.

(g) To adjust depreciation and amortization expenses, based on the purchase price of property and equipment, an estimated composite life of 18.5 years, and the elimination of amortization of intangibles which will not be purchased by the Company.

(h) Interest expense related to the Refinancing and the borrowings under the New Credit Agreement and the Notes was determined reflecting the Company's pro forma capitalization as if it were outstanding during the entire period. The pro forma consolidated interest expense is based upon the historical rates for indebtedness that will not be refinanced and an assumed blended rate of approximately 10.3% on the borrowings under the New Credit Agreement and the Notes.

(i) To remove historical interest expense of the Target Hospitals other than interest on long-term debt and capital lease obligations to be assumed by the Company.

(j) To remove the provision for loss on sale of assets recorded by the Target Hospitals related to the sale of assets and working capital to the Company.

(k) To adjust the income tax provision resulting from the earnings of the Target Hospitals, based on the combined federal and state statutory rate of 38% and 40% for the year ended September 30, 1993 and the six months ended March 31, 1994, respectively.

(l) Loss per common share for the six months ended March 31, 1994 was calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Common equivalent shares would have been antidilutive and were therefore not included in the calculation of loss per common share. Pro forma earnings per common share and common equivalent share were calculated by dividing net income by the total weighted average common shares outstanding during the period (25,935,523) increased by the number of shares issuable on the exercise of options and warrants outstanding, reduced by the number of common shares that are assumed to have been purchased with the proceeds from the exercise of the options and warrants (1,392,832). Those purchases were assumed to have been made at the average price of the common stock during the period. Pro forma earnings per common share assuming full dilution were calculated in the same manner. However, purchases assumed in the computation of pro forma earnings per common share assuming full dilution were computed using the common stock price at the end of the period, which was higher than the average price. The
net increase resulting from the exercise of options and warrants outstanding would have been 1,406,212.

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

OVERVIEW

For the fiscal years ended September 30, 1991 and 1993 and the six months ended March 31, 1994, the Company derived approximately 6%, 11% and 14%, respectively, of its gross patient revenue from HMO's and PPO's; 64%, 45% and 39%, respectively, from other private payor sources (primarily Blue Cross and commercial insurance); 14%, 23% and 26%, respectively, from Medicare; 8%, 15% and 16%, respectively, from Medicaid; and 8%, 6% and 5%, respectively, from CHAMPUS. The Company does not expect its current payor mix to be altered significantly as a result of the Acquisition. Changes in the mix of the Company's patients among the private-pay, Medicare and Medicaid categories, and among different types of private-pay sources, can significantly affect the profitability of the Company's operations. The psychiatric hospital industry has been adversely affected by (i) the imposition of more stringent length of stay and admission criteria by non-governmental insurance and other healthcare benefit programs; (ii) the failure of reimbursement rate increases from certain third-party payors that reimburse on a per diem or other discounted basis to offset increases in the cost of providing services; (iii) an increase in the percentage of its business that the Company derives from third-party payors that reimburse on a per diem or other discounted basis; (iv) a trend toward higher deductibles and co-insurance for individual patients; (v) a trend toward limiting employee health benefits, such as reductions in annual and lifetime limits on behavioral health coverage; and (vi) a trend toward agreements with payors where the Company agrees to assume the risk for provision of treatment to all members of a particular group for a specified revenue amount.

The Company continues to experience admission increases at its psychiatric hospitals, but as a result of the reductions in average length of stay, aggregate patient days have decreased. Accordingly, the Company continues to broaden the scope of healthcare services it provides by offering alternatives to traditional inpatient treatment settings, such as partial hospitalization, intensive outpatient and residential treatment programs. Despite the pressures noted above, in fiscal 1993 all but five of the Company's psychiatric hospitals generated sufficient revenues to cover their operating expenses. These five hospitals had operating expenses in excess of revenues of $1.4 million, of which $1.0 million was attributable to one facility.

Because of the industry factors described above, the Company's operating margins declined to 20.4% and 19.8% in the second quarter and first six months, respectively, of fiscal year 1994 from 22.8% and 22.0% in the second quarter and first six months, respectively, of the prior year. Operating income (which is defined as net revenue less operating expenses and bad debt expenses) was $43 million for the Company's second fiscal quarter ended March 31, 1994, compared with $53 million in the comparable quarter in fiscal 1993. Operating income in the fiscal quarter ended March 31, 1993 was approximately $2 million more than operating income in the fiscal quarter ended March 31, 1994, due to the normal settlement of reimbursement issues. The Company may continue to experience reduced margins and fewer inpatient days when compared to prior periods. The Company's intends further to increase its outpatient services and to enter approximately 30 new markets in response to this trend.

Management believes that the Acquisition will assist the Company in implementing its strategy by increasing the Company's size, market position and geographical coverage. For example, the Acquisition will permit the Company to enter 16 new markets, including markets in the mid-Atlantic and northeastern United States. Management also believes that the introduction to the Target Hospitals of Charter's operating and financial control systems, continuum of care and marketing efforts will increase the utilization and profitability of the Target Hospitals.

The Company generally has been able to increase the rates it charges non-Medicare/Medicaid and certain non-managed care patients to cover increased costs due to inflation. However, in recent years, Medicare and Medicaid payments to hospitals have not kept pace with inflation. To the extent that inflation continues, the Company will not be able to pass on the increased costs associated with its Medicare/Medicaid patients unless federal and state governments make corresponding increases in the reimbursement rates under these
programs, and the Company may not be able to pass on increased costs associated with managed care patients due to private payor contractual limitations.

The Company's business is seasonal in nature, with a reduced demand for certain services generally occurring in the fourth quarter and around major holidays, such as Thanksgiving and Christmas. The Company believes that business in the entire behavioral healthcare industry is seasonal and, therefore, does not expect the Acquisition to alter this aspect of the Company's business.

As of September 30, 1990, the Company operated 91 psychiatric hospitals and 12 general hospitals with an aggregate capacity of 9,798 licensed beds. During fiscal years 1991, 1992, and 1993, and through March 31, 1994, the Company sold eight psychiatric hospitals for a total of $42.7 million, leased two psychiatric hospitals, with options to purchase by the lessees, and closed five psychiatric hospitals. One of the closed hospitals was leased, and the lease was terminated; the remaining four hospitals are held for sale or sublease. During fiscal year 1992, the Company closed one general hospital, and on September 30, 1993, it sold ten general hospitals. As a result of these transactions, and the combining into one facility of two psychiatric hospitals formerly licensed separately, the Company operated 75 psychiatric hospitals as of March 31, 1994. The Company leases one general hospital, which is managed by an unrelated third party. The lease and management agreement expire in 1997.

The ten general hospitals were sold for approximately $338.0 million. The Company retained the assets and liabilities for professional liability claims incurred and cost report settlements for periods prior to September 30, 1993. The results of operations of the general hospitals sold on September 30, 1993 have been reported as discontinued operations in the Company's financial statements. Included in these amounts are net interest expenses related to debt specifically identifiable as debt of the general hospitals. One of the ten hospitals sold had previously been classified as a "non-core general hospital." The results of operations of this hospital were not included in the consolidated financial statements. For fiscal 1993, the core general hospitals had net revenue of approximately $347 million and a net loss of approximately $15 million. The sale of the general hospitals has enabled the Company to concentrate its efforts on behavioral healthcare systems. Additionally, the sale of the general hospitals enabled the Company to reduce its long-term debt by approximately $310.3 million.

During fiscal 1992, the Company filed a voluntary petition for relief pursuant to Chapter 11 of the U.S. Bankruptcy Code. The Reorganization, which became effective on July 21, 1992, resulted in a reduction of approximately $700 million principal amount of long-term debt and the elimination of redeemable preferred stock having an aggregate liquidation preference of $233 million. The Company accounted for the Reorganization by using the principles of fresh start accounting, as required by AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code." For accounting purposes, the Company assumed that the Reorganization was consummated on July 31, 1992. Under the principles of fresh start accounting, the Company's total assets were recorded at their estimated fair value, with the reorganization value allocated to identified tangible assets on the basis of their estimated fair value at July 31, 1992. The excess of the reorganization value over the value of identifiable assets is reported as "reorganization value in excess of amounts allocable to identifiable assets."

Since consummation of the Reorganization in July 1992, the Company made further reductions in its long-term debt of approximately $692.7 million as of March 31, 1994. This debt reduction was made from the net proceeds from the sale of the general hospitals ($310.3 million), sale of other assets ($27.3 million), mandatory prepayments from excess cash ($108.6 million) and voluntary and scheduled principal amortization ($246.5 million).

RESULTS OF OPERATIONS

The comparability of the Company's net revenue, operating expenses and bad debt expense from continuing operations for fiscal years 1991 through 1993 was not affected by the consummation of the Reorganization or the sale of the general hospitals. During the fourth quarters of fiscal 1990 and 1991, the Company recorded charges related to the estimated losses through estimated disposal dates of hospitals that the Company planned to sell, lease or close (the "Noncore Hospitals"). Accordingly, financial results presented in the Company's consolidated financial statements for the fiscal years ended September 30, 1991, 1992 and 1993 and the six months ended March 31, 1993 and 1994, do not
include net revenue, operating expenses, bad debt expenses or depreciation and amortization expense for the Noncore Hospitals.

26

QUARTER AND SIX MONTHS ENDED MARCH 31, 1993 COMPARED TO QUARTER AND SIX MONTHS ENDED MARCH 31, 1994. The selected statistics presented below are for the "same store" core hospitals in operation at March 31, 1994.

<table>
<thead>
<tr>
<th>QUARTER ENDED MARCH 31,</th>
<th>SIX MONTHS ENDED MARCH 31,</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of psychiatric hospitals</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Average licensed beds</td>
<td>7,016</td>
<td>6,975</td>
</tr>
<tr>
<td>Licensed bed days</td>
<td>631,460</td>
<td>627,765</td>
</tr>
<tr>
<td>Total inpatient days</td>
<td>363,709</td>
<td>326,267</td>
</tr>
<tr>
<td>Total equivalent outpatient days</td>
<td>25,519</td>
<td>33,271</td>
</tr>
<tr>
<td>Total equivalent patient days</td>
<td>375,228</td>
<td>362,538</td>
</tr>
<tr>
<td>Occupancy rate</td>
<td>56.0%</td>
<td>52.5%</td>
</tr>
<tr>
<td>Admissions</td>
<td>22,380</td>
<td>25,037</td>
</tr>
<tr>
<td>Average length of stay (days)</td>
<td>15.7</td>
<td>13.4</td>
</tr>
<tr>
<td>Psychiatric net revenue (in thousands)</td>
<td>$217,954</td>
<td>$198,947</td>
</tr>
<tr>
<td>Net revenue per equivalent patient day</td>
<td>$575</td>
<td>$549</td>
</tr>
</tbody>
</table>

(1) Provision of care to one inpatient for one day.
(2) Represents outpatient utilization computed by dividing gross outpatient revenue by gross inpatient revenue per day.
(3) Inpatient days as a percentage of licensed bed days.
(4) Includes inpatient and outpatient revenue. Excludes revenue from non-psychiatric operations.

The Company had 329,267 patient days during the second quarter of fiscal 1994, a decrease of 24,442, or 7%, as compared to 353,709 for the same period of fiscal 1993. The decrease in patient days occurred despite an increase of 2,657, or 12%, in admissions from 22,380 in the second quarter of fiscal 1993 to 25,037 in the second quarter of fiscal 1994. The Company had 649,931 patient days during the first six months of fiscal 1994, a decrease of 42,972, or 6%, as compared to 692,903 for the same period of fiscal 1993. These decreases in patient days were due primarily to a 15% decrease in the average length of stay per patient caused primarily by increasingly stringent utilization criteria imposed by third party payors regarding inpatient treatment. Admissions increased 4,908, or 12%, from 22,380 in the first half of fiscal 1993 to 25,037 in the first half of fiscal 1994.

The Company's net revenue declined from $233,160,000 in the second quarter of fiscal 1993 to $212,610,000 in the second quarter of fiscal 1994, a decrease of $20,550,000 or 9%. Of this decrease, $2,950,000 related to three hospitals which were closed during the last two quarters of fiscal 1993. The remaining decline was related to the "same store" core hospitals in operation at March 31, 1993 and 1994. Net revenue at the "same store" core hospitals decreased from $217,954,000 in the second quarter of fiscal 1993 to $198,947,000 in the second quarter of fiscal 1994, a decrease of $19,007,000 or 9%. Net revenue per equivalent patient day also declined for the "same store" core hospitals from $575 to $549, or 5%, for the same periods. The decline in net revenue was offset, in part, by a $1,407,000 increase in revenue from non-psychiatric operations, from $12,256,000 in the second quarter of fiscal 1993 to $13,663,000 in the second quarter of fiscal 1994. The Company's net revenue for the six months ended March 31, 1994 declined from $459,550,000 for the same period in fiscal 1993 to $421,427,000, a decrease of $38,123,000, or 8%. Of this decrease, $8,048,000 related to the four hospitals closed during fiscal 1993 and the removal of one hospital from the Noncore group which was previously held for sale. The remaining decline related to the "same store" core hospitals. Net revenue decreased $33,561,000, or 8%, from $430,637,000 for the six months ended March 31, 1993, to $397,076,000 for the six months ended March 31, 1994. Net revenue per equivalent patient day also decreased to $557 from $580, or 4%, for the same periods. The declines in net revenue and net revenue per equivalent patient day were due primarily to a shift in payor mix toward more Medicare, Medicaid and other cost-based business. The decline in net revenue was offset, in part, by a $3,486,000 increase in net revenue from non-psychiatric operations, from $20,865,000 in the first six months of fiscal 1993 to $24,351,000 in the first six months of fiscal 1994.
The increase was primarily due to additional reserves established in fiscal 1993 for uncollectible accounts.

The Company experienced a $10,466,000, or 6%, decrease in operating costs other than bad debt expenses to $153,147,000 for the second quarter of fiscal 1994, as compared to $163,613,000 for the second quarter of fiscal 1993. Operating costs other than bad debt expenses for the six months ended March 31, 1994 were $305,589,000, as compared to $323,367,000 for the six months ended March 31, 1993, a decline of $17,778,000, or 5% due primarily to reductions in salaries and benefits and other purchased services.

Bad debt expenses for the quarter ended March 31, 1994 decreased $334,000, or 2%, to $16,159,000 from $16,493,000 for the same period of the previous fiscal year. Bad debt expenses as a percentage of net revenue increased to 7.6% in the second quarter of fiscal 1994 from 7.1% in the second quarter of fiscal 1993. Bad debt expenses for the six months ended March 31, 1994 decreased $2,582,000, or 7%, to $32,288,000 from $34,870,000 for the same period of the previous fiscal year. Bad debt expenses as a percentage of net revenue increased to 7.7% in the first six months of fiscal 1994 from 7.6% in the first six months of fiscal 1993.

Depreciation and amortization expense increased $269,000, or 4%, from $6,635,000 in the second quarter of fiscal 1993 to $6,904,000 in the second quarter of fiscal 1994 and decreased $223,000, or 2%, from $13,802,000 for the six months ended March 31, 1993 to $13,579,000 for the six months ended March 31, 1994.

Reorganization value in excess of amounts allocable to identifiable assets (the "Excess Reorganization Value") is being amortized over the three-year period ending June 1995. During fiscal 1993, Excess Reorganization Value was reduced by approximately $21 million to reflect the recognition of tax benefits related to pre-Reorganization tax loss carry forwards, and accordingly amortization expense for the Excess Reorganization Value decreased 27%, or $2,950,000 to $7,800,000 from $10,750,000 for the second quarter of fiscal 1994 and 1993, respectively and decreased 27%, or $5,900,000, to $15,600,000 from $21,500,000 for the six months ended March 31, 1994 and 1993, respectively.

Net interest expense for the quarter and six months ended March 31, 1994 decreased 54% and 55%, respectively, from the same periods of the previous fiscal year, due to the debt reductions resulting from the sale of the general hospitals, mandatory and voluntary prepayments and scheduled payments in fiscal 1993 and the first half of fiscal 1994.

ESOP expense for the second quarter of fiscal 1994 increased $3,335,000, or 37%, to $12,300,000 from $8,965,000 for the second quarter of fiscal 1993. ESOP expense for the first half of fiscal 1994 also increased 37%, or $6,629,000, to $24,599,000 from $17,970,000 for the first half of fiscal 1993. These increases resulted primarily from changes in eligibility requirements, which increased the number of employees who participate in the ESOP.

Stock option expense for the second quarter and first half of fiscal 1994 decreased from the same periods of the previous year due to a one-time charge during the second quarter of fiscal 1993 of $21.3 million related to the vesting of certain options held by a former employee and director. Under the terms of the 1992 Stock Option Plan, upon the satisfaction of certain financial targets and the termination of his employment, all of the employee's options vested immediately and the option prices were reduced to $.25 per share. During December 1993, the former employee and director exercised approximately 2.2 million options to purchase shares of the Company's common stock and surrendered approximately 570,000 of such optioned shares as consideration for the payment of required withholding taxes. As a result, the Company was required to make withholding tax payments on behalf of the former employee of approximately $14.2 million which was charged against additional paid-in capital. This charge was offset by a tax benefit recorded of approximately $9.4 million related to additional stock option expense allowable for income tax purposes.

The financial and statistical data presented below for the fiscal years ended September 30, 1991, 1992, and 1993 is "same store" data for the core hospitals in operation as of September 30, 1993, and differs from amounts reported above, amounts previously reported and amounts presented below under "Business."
FISCAL YEAR ENDED SEPTEMBER 30

<table>
<thead>
<tr>
<th>1991</th>
<th>% CHANGE</th>
<th>1992</th>
<th>% CHANGE</th>
<th>1993</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of psychiatric hospitals</td>
<td>74</td>
<td>--</td>
<td>74</td>
<td>--</td>
<td>74</td>
</tr>
<tr>
<td>Average licensed beds</td>
<td>6,920</td>
<td>5</td>
<td>6,936</td>
<td>--</td>
<td>6,938</td>
</tr>
<tr>
<td>Licensed bed days</td>
<td>2,525,900</td>
<td>5</td>
<td>2,538,524</td>
<td>1</td>
<td>2,552,464</td>
</tr>
<tr>
<td>Total inpatient days (1)</td>
<td>1,445,614</td>
<td>(10)</td>
<td>1,388,915</td>
<td>(4)</td>
<td>1,350,835</td>
</tr>
<tr>
<td>Total equivalent inpatient days (2)</td>
<td>54,948</td>
<td>24</td>
<td>75,345</td>
<td>37</td>
<td>106,263</td>
</tr>
<tr>
<td>Total equivalent patient days</td>
<td>1,500,562</td>
<td>(9)</td>
<td>1,464,260</td>
<td>(2)</td>
<td>1,457,098</td>
</tr>
<tr>
<td>Occupancy rate (3)</td>
<td>57.2%</td>
<td>(14)</td>
<td>54.7%</td>
<td>(4)</td>
<td>53.3%</td>
</tr>
<tr>
<td>Admissions</td>
<td>70,365</td>
<td>6</td>
<td>78,597</td>
<td>11</td>
<td>85,158</td>
</tr>
<tr>
<td>Average length of stay (days)</td>
<td>20.4</td>
<td>(15)</td>
<td>17.8</td>
<td>(13)</td>
<td>15.8</td>
</tr>
<tr>
<td>Psychiatric net revenue (in thousands) (4)</td>
<td>$810,451</td>
<td>1</td>
<td>$847,349</td>
<td>5</td>
<td>$838,775</td>
</tr>
<tr>
<td>Net revenue per equivalent patient day (4)</td>
<td>$540</td>
<td>11</td>
<td>$579</td>
<td>7</td>
<td>$576</td>
</tr>
<tr>
<td>&lt;P&gt;</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

- ------------------------------

(1) Provision of care to one inpatient for one day.
(2) Represents outpatient utilization computed by dividing gross outpatient revenue by gross inpatient revenue per day.
(3) Inpatient days as a percentage of licensed bed days.
(4) Includes inpatient and outpatient revenue. Excludes revenue from non-psychiatric operations.

FISCAL 1992 COMPARED TO FISCAL 1993. The Company had 1,350,835 patient days in fiscal 1993, a decrease of 38,080, or 3%, from 1,388,915 in fiscal 1992. The decrease in patient days occurred despite an increase of 6,561, or 8%, in admissions from 78,597 in fiscal 1992 to 85,158 in fiscal 1993. The decrease in average length of stay was caused by stringent criteria regarding inpatient treatment by payors and changes in program mix.

The Company's net revenue decreased $22,798,000, or 2%, from $920,705,000 in fiscal 1992 to $897,907,000 in fiscal 1993. Of this decline, $13,410,000 resulted from the disposal of hospitals which were considered core hospitals in fiscal 1992, and $814,000 was related to non-psychiatric operations. Net revenue at the "same store" core hospitals in operation at September 30, 1993 decreased to $838,775,000 in fiscal 1993 as compared to $847,349,000 for fiscal 1992, a decrease of $8,574,000, or 1%. Net revenue per equivalent patient day also decreased 1% in fiscal 1993 from $579 in fiscal 1992 to $576 in fiscal 1993. The decrease was primarily the result of an increase in the percentage of business the Company derived from Medicare and Medicaid patients during fiscal 1993. The increase in Medicaid patients results primarily from certain state Medicaid programs which have begun reimbursing for psychiatric coverages. The Company believes the increase in Medicare patients results from new programs started in certain markets for senior patients and from the general aging of the population. Net revenue in 1993 includes approximately $8 million over the prior year from the normal settlement of reimbursement issues. In fiscal 1993, gross outpatient revenue increased 53% to $100,376,000 from $65,686,000 in fiscal 1992.

The Company's operating costs other than bad debt expenses declined from $671,208,000 in fiscal 1992 to $640,847,000 in fiscal 1993, a decrease of $30,361,000, or approximately 5%. The decrease in fiscal 1993 resulted primarily from reductions in salaries and benefits and purchased services and the sale of two facilities during the year. The reductions in salaries and benefits and purchased services were the result of the Company's continued focus on controlling its variable costs.

The Company's bad debt expense increased $2,093,000, or 3%, from $65,207,000 in fiscal 1992 to $67,300,000 in fiscal 1993. Bad debt expenses as a percentage of net revenue were 7.5% for fiscal 1993. The Company anticipates future increases in bad debt expenses due to increased deductibles and co-insurance and reduced annual and lifetime psychiatric maximum payment limits for individual patients, which will result in the Company not collecting full charges on an increasing number of patients.

Depreciation and amortization expense decreased $12,375,000, or 32%, in fiscal 1993 from $38,757,000 in fiscal 1992 to $26,382,000 in fiscal 1993 due to the writedown of depreciable property and equipment and the write-off of deferred charges which occurred upon consummation of the Reorganization and the implementation of fresh start accounting.

Net interest expense decreased $107,778,000, or 59%, in fiscal 1993 to
$74,156,000 as compared to $181,934,000 in fiscal 1992 due to the reduction of
debt upon consummation of the Reorganization and the significant debt reductions
which occurred since consummation of the Reorganization.

ESOP expense for fiscal 1993 increased $7,349,000, or 19% to $45,874,000 as
compared to $38,525,000 for fiscal 1992 due primarily to increased contributions
to the ESOP, which were required as a result of larger debt service requirements in
fiscal 1993. Also, the ESOP plan was amended to permit broader participation in
the plan which increased the number of employees eligible to receive an ESOP
contribution in calendar 1993.

Upon consummation of the Reorganization, the Company implemented the 1992
Stock Option Plan. A former employee and director of the Company was granted
options under the 1992 Stock Option Plan to purchase approximately 2.2 million
shares at exercise prices of either $4.36 per share or $9.60 per share. On March
4, 1993, all of the options issued to the former employee and director vested and the
option prices were reduced to $.25 per share, which resulted in the Company recognizing approximately $21.3 million in additional stock option expense during the second quarter of fiscal 1993. The remaining expenses related to the 1992 Stock Option Plan were due to increases in the market price of the underlying Common Stock and the impact of additional shares vesting in fiscal 1993.

As of September 30, 1993, the Company had estimated tax net operating loss
(NOL) carryforwards of approximately $171 million available to reduce future federal taxable income. These NOL carryforwards expire in 2006 and 2007 and are subject to examination by the Internal Revenue Service. Due to the ownership change which occurred as a result of the Reorganization, the Company's utilization of NOLs generated prior to the consummation of the Reorganization is significantly limited. The Internal Revenue Service is currently examining the Company's income tax returns for fiscal 1989 through 1992. Adjustments arising from such examination could reduce or eliminate the NOL carryforwards. In Management's opinion, adequate provisions have been made for any adjustments which may result from such examinations.

The Company's tax provision in fiscal 1993 results primarily from the fact
that the amortization of reorganization value in excess of amounts allocable to
identifiable assets is not deductible for tax purposes.

FISCAL 1991 COMPARED TO FISCAL 1992. The Company had 1,388,915 patient days
in fiscal 1992, a decrease of 56,699, or 4%, as compared to 1,445,614 in fiscal
1991. The decrease in patient days occurred despite an increase of 8,032, or
11%, in admissions from 70,565 in fiscal 1991 to 78,597 in fiscal 1992. The
decline in patient days was due primarily to a 13% decrease in the average
length of stay from 20.4 to 17.8 caused by changes in program mix and stringent
criteria regarding inpatient treatment by third-party payors.

Net revenue for the Company's hospitals increased to $920,705,000 in fiscal
1992 from $868,264,000 in fiscal 1991, for an increase of $52,441,000, or 6%.
Non-psychiatric net revenue increased $14,832,000 relating primarily to the
Company's general hospital which is operated by an unaffiliated third party.
Hospitals which were no longer in operation at September 30, 1993 accounted for
$711,000 of the increase. The net revenue for the Company's "same store" core
hospitals in operation at September 30, 1993 increased $36,898,000, or 5%, to
$847,349,000 in fiscal 1992 from $810,451,000 in fiscal 1991. Net revenue per
equivalent patient day for the "same store" hospitals increased from $540 in fiscal 1991 to $579 in fiscal 1992, an increase of $39, or 7%, per equivalent
patient day. These increases were due to increases in hospital charges,
increases in outpatient revenue and approximately $12.3 million in normal
settlements of open reimbursement issues related to contractual and cost-based
programs.

The Company's operating costs other than bad debt expenses increased
$14,380,000, or approximately 2%, in fiscal 1992. The increase from $656,828,000
to $671,208,000 resulted primarily from increased salaries and benefits, supply
expenses and professional fees as a result of increased admissions in the
Company's hospitals.

The Company's bad debt expense increased $13,590,000, or 26%, in fiscal 1992
to $65,207,000 from $51,617,000. Bad debt expenses as a percentage of net
revenue were 7.1% for fiscal 1992.
OPERATIONAL ACTIVITIES. During fiscal 1993, cash provided by operations decreased approximately $25.3 million, due primarily to the normal settlement of open reimbursement issues related to contractual and cost-based programs.

The number of days of net patient revenue in net patient accounts receivable was 62 days at March 31, 1994 and 61 days at September 30, 1993.

Management believes that the Company will have adequate cash flow from operations to fund its operations, capital expenditures and debt service obligations over the next year. The Company had working capital deficiencies at September 30, 1992 and 1993 and at March 31, 1994 due primarily to the retention of liabilities for cost report settlements for the general hospitals sold on September 30, 1993, and $19.5 million and $13.9 million of long-term debt classified as current at September 30, 1992 and 1993, respectively, resulting from mandatory payments made in October 1992 and 1993.

INVESTING ACTIVITIES. During fiscal 1993 and the first six months of fiscal 1994, the Company incurred approximately $11 million and $7 million, respectively, in capital expenditures, primarily for routine capital replacement. The Company also incurred expenditures of approximately $1.7 million for the acquisition of a business related to the implementation of the Company's new growth and expansion strategy. The capital outlays were financed from cash provided by operations. The Company anticipates that capital expenditures for fiscal 1994 relating to existing hospitals will be approximately $15 million. The Company also anticipates making capital expenditures of approximately $7 million during fiscal 1994 and 1995 to renovate certain of the Target Hospitals. The fiscal 1994 capital expenditures will be financed from cash provided by operations or from borrowings pursuant to the New Credit Agreement.

FINANCING ACTIVITIES. Since consummation of the Reorganization in July 1992, the Company has made reductions in its long-term debt of approximately $692.7 million as of March 31, 1994. This debt reduction was made from a portion of the net proceeds from the sale of the general hospitals ($310.3 million), sale of other assets ($27.3 million), mandatory prepayments from excess cash ($108.6 million) and voluntary and scheduled payments ($246.5 million). Capital expenditures have been funded from internally generated funds since the Reorganization.

In connection with the Reorganization, the Company entered into the Old Credit Agreement and issued the 7 1/2% Senior Subordinated Debentures. The Old Credit Agreement and the Indenture for the Old Notes imposed severe restrictions on the Company's operations. The Old Credit Agreement limited the Company to $15 million of additional indebtedness, other than borrowings under the Old Credit Agreement. Other restrictions included limitations on capital expenditures, payment of dividends on capital stock, investments and sales of assets and stock of subsidiaries. On May 2, 1994, the Company entered into the New Credit Agreement and issued the Old Notes. The net proceeds from the sale of the Old Notes, together with borrowings pursuant to the New Credit Agreement, were used to refinance the indebtedness outstanding pursuant to the Old Credit Agreement, to retire the 7 1/2% Senior Subordinated Debentures and to refinance certain existing mortgage indebtedness of certain of the subsidiaries of the Company. See "Use of Proceeds."

The Company expects to obtain increased operational and financial flexibility as a result of entering into the New Credit Agreement and issuing the Old Notes because the covenants contained in the New Credit Agreement and the Indenture for the Old Notes (which Indenture will also govern the New Notes) are less restrictive than those formerly in effect. However, the New Credit Agreement and the Indenture for the Old Notes contain a number of restrictive covenants, which, among other things, limit the ability of the Company and its Restricted Subsidiaries to incur other indebtedness, engage in transactions with affiliates, incur liens, make certain restricted payments, and enter into certain business combination and asset sale transactions. The New Credit Agreement also limits the Company's ability to incur capital expenditures and requires the Company to maintain certain specified financial ratios. A failure by the Company to maintain such financial ratios or to comply with the restrictions contained in the New Credit Agreement, the Indenture for the Old Notes or other agreements relating to the Company's debt could cause such indebtedness (and by reason of cross-acceleration provisions, other indebtedness) to become immediately due and payable. See "Description of the New Notes"; "Summary of New Credit Agreement." There are no restrictions on the ability of the Guarantors to make distributions to the Company.
Charter Medical Corporation ("Charter" or the "Company") is a leading private provider of behavioral healthcare services and one of the largest owners and operators of private psychiatric hospitals in the United States. As of March 31, 1994, the Company operated 73 psychiatric hospitals and two free-standing residential treatment centers with an aggregate capacity of 6,970 licensed beds. In addition, the Company operates 120 outpatient centers staffed by behavioral health professionals, 68 of the Company's hospitals operate partial hospitalization programs, 40 of the Company's hospitals operate intensive outpatient programs, and 14 hospitals operate residential treatment programs. The Company uses the term "psychiatric hospitals" or "hospitals" to refer to facilities licensed as acute care psychiatric hospitals and facilities licensed as residential treatment centers. A residential treatment center offers less intensive and longer stay services than do acute care psychiatric hospitals. The Company will acquire 36 psychiatric hospitals, eight chemical-dependency treatment facilities, two residential treatment centers and one physician outpatient practice from NME in connection with the Acquisition. A chemical-dependency treatment facility is a hospital that is licensed to treat only substance abuse patients. The Acquisition will increase the number of behavioral healthcare facilities operated by the Company to 121, with an aggregate capacity of 10,466 licensed beds.

Management believes that the Acquisition will assist the Company in implementing its strategy by increasing the Company's size, market position and geographic coverage. For example, the Acquisition will permit the Company to enter 16 new markets, including markets in the mid-Atlantic and northeastern United States. Management also believes that the introduction to the Target Hospitals of Charter's operating and financial control systems, continuum of care and marketing efforts, will increase the utilization and profitability of the Target Hospitals.

INDUSTRY OVERVIEW

According to industry and government estimates, mental disorders affect approximately 40 million American adults (22% of the adult population) each year. Severe mental disorders, such as schizophrenia, manic depressive illness and severe depression, affect approximately five million people (2.8% of the adult population). Substance abuse disorders affect approximately 17 million adults (9.5% of the adult population). Smaller percentages of adolescents suffer from mental or substance abuse disorders. Only a relatively small percentage, 15%, of the adults who suffer from mental or substance abuse disorders receive professional treatment. Direct expenditures in 1990, the latest year for which data are available, for treatment of persons suffering from mental and substance abuse disorders were approximately $67 billion.

Management believes that demand for behavioral healthcare services should increase commensurate with the increase in the percentage of persons who seek treatment for their behavioral health disorders. Management anticipates that the percentage of persons who seek treatment will increase because of a continuing decline in the social stigma associated with behavioral disorders and a growing recognition by the government and employers of the indirect costs (such as lost productivity, work and vehicular accidents, and social welfare costs) of failing to treat such disorders. Management further believes that direct expenditures to private providers (including clinicians and hospitals) will increase as overall demand for behavioral healthcare services increases. Because of the requirement for cost-effective delivery of behavioral healthcare services, partial hospitalization and outpatient treatment should increasingly serve as alternatives to traditional inpatient treatment.

HOSPITAL OPERATIONS

The Company's psychiatric hospitals are primarily located in well-populated urban and suburban locations in 26 primarily southern and western states in the United States. Fifteen of the Company's hospitals are affiliated with medical schools for residency and other post-graduate teaching programs. The Target Hospitals are located in 20 states. The Company does not currently operate psychiatric hospitals in five of these states: Colorado, Maryland, Minnesota, New Hampshire and New Jersey.
The financial and statistical results from operations of the Noncore Hospitals for fiscal years 1991, 1992 and 1993 are not included in the Company's consolidated financial statements or the following table.

### SELECTED PSYCHIATRIC HOSPITAL OPERATING DATA (1)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Number of psychiatric hospitals</td>
<td>80</td>
<td>91</td>
<td>80</td>
<td>79</td>
<td>74</td>
</tr>
<tr>
<td>Average licensed beds</td>
<td>6,683</td>
<td>7,660</td>
<td>7,284</td>
<td>7,288</td>
<td>7,145</td>
</tr>
<tr>
<td>Licensed bed days</td>
<td>2,439,247</td>
<td>2,795,793</td>
<td>2,658,760</td>
<td>2,667,428</td>
<td>2,607,996</td>
</tr>
<tr>
<td>Total inpatient days (2)</td>
<td>1,735,799</td>
<td>1,768,387</td>
<td>1,494,844</td>
<td>1,430,815</td>
<td>1,373,835</td>
</tr>
<tr>
<td>Total equivalent patient days (3)</td>
<td>1,773,799</td>
<td>1,818,634</td>
<td>1,551,180</td>
<td>1,508,716</td>
<td>1,481,221</td>
</tr>
<tr>
<td>Occupancy Rate (4)</td>
<td>71.1%</td>
<td>63.3%</td>
<td>56.2%</td>
<td>53.6%</td>
<td>52.7%</td>
</tr>
<tr>
<td>Admissions</td>
<td>66,042</td>
<td>74,254</td>
<td>73,120</td>
<td>81,311</td>
<td>86,794</td>
</tr>
<tr>
<td>Average Length of Stay (Days)</td>
<td>26.3</td>
<td>23.7</td>
<td>20.4</td>
<td>17.8</td>
<td>15.8</td>
</tr>
<tr>
<td>Psychiatric net revenue (in thousands) (5)</td>
<td>$846,938</td>
<td>$893,105</td>
<td>$838,167</td>
<td>$875,776</td>
<td>$853,792</td>
</tr>
<tr>
<td>Net revenue per equivalent patient day (5)</td>
<td>$477</td>
<td>$491</td>
<td>$540</td>
<td>$580</td>
<td>$576</td>
</tr>
</tbody>
</table>

(1) For fiscal 1989 and 1990, the Selected Psychiatric Hospital Operating Data includes financial or statistical data for the Noncore Hospitals.
(2) Provision of care to one inpatient for one day.
(3) Represents outpatient utilization, computed by dividing gross outpatient revenue by gross inpatient revenue per day.
(4) Inpatient days as a percentage of licensed bed days.
(5) Includes inpatient and outpatient revenue. Excludes revenue from non-psychiatric operations.

The Company's facilities provide a continuum of behavioral care for children, adolescents and adults in their service area. These services include crisis stabilization; acute psychiatric services; acute chemical dependency services; partial (day and evening) hospitalization programs; intensive adolescent weekend services; outpatient services; support group services and aftercare, including programs such as ALCOHOLICS ANONYMOUS, NARCOTICS ANONYMOUS and OVEREATERS ANONYMOUS; and residential treatment. A typical treatment program of the Company integrates physicians and other patient-care professionals, and, for those patients who do not have a personal psychiatrist or other specialist, the hospital refers the patient to a member of its medical staff.

A significant portion of psychiatric hospital admissions are provided by physician referrals, and physician relationships are an important aspect of the Company's ongoing business. Management believes that the quality of the Company's treatment programs, staff employees and physical facilities are important factors in maintaining good physician relationships.

The Company's hospitals work closely with mental health professionals, non-psychiatric physicians, emergency rooms and community agencies that come in contact with individuals who may need treatment for mental illness or substance abuse. The Company's marketing efforts are directed at increasing general awareness of mental health and addictive disease and the services offered by the Company's hospitals.

### SEASONALITY

The Company's business is seasonal in nature, with a reduced demand for certain services generally occurring in the fourth fiscal quarter and around major holidays, such as Thanksgiving and Christmas. The Company believes that business in the entire behavioral healthcare industry is seasonal and, therefore, does not expect the Acquisition to alter this aspect of the Company's business.

### COMPETITION

Each of the Company's hospitals competes with other hospitals, including psychiatric hospitals and general hospitals that have psychiatric units. Some of these hospitals are larger and have greater financial resources. Some competing hospitals are owned and operated by governmental agencies, others by nonprofit...
organizations supported by endowments and charitable contributions and others by proprietary hospital corporations. Psychiatric hospitals frequently draw patients from areas outside their immediate locale and, therefore, the Company's psychiatric hospitals may, in certain markets, compete with both local and more distant hospitals. The competitive position of a hospital is, to a significant degree, dependent upon the number and quality of physicians who practice at the hospital and who are members of its medical staff.

In order to deliver cost-effective behavioral healthcare services, most of the Company's hospitals provide a range of alternatives to traditional inpatient treatment, including day hospitalization and on-and off-campus outpatient services. These alternative services may compete with private practicing mental health professionals and, in certain markets, with non-hospital facilities that provide full-and part-day outpatient treatment.

In recent years, the competitive position of hospitals has been affected by the ability of such hospitals to obtain contracts with Preferred Provider Organizations ("PPO's"), Health Maintenance Organizations ("HMO's") and other managed care programs to provide inpatient and other services. Such contracts normally involve a discount from the hospital's established charges, but provide a base of patient referrals. These contracts also frequently provide for pre-admission certification and for concurrent length of stay reviews. The importance of obtaining contracts with HMO's and PPO's varies from market-to-market, depending on the individual market strength of the HMO's and PPO's.

State certificate of need laws place limitations on the Company's and its competitors' ability to build new hospitals and to expand existing hospitals. Protection from new competition is reduced in those states where there is no certificate of need law. The Company operates 36 hospitals in 11 states (Arizona, Arkansas, California, Indiana, Kansas, Louisiana, Nevada, New Mexico, South Dakota, Texas and Utah) which do not have certificate of need laws applicable to hospitals. Sixteen of the Target Hospitals are in seven states (Arizona, Arkansas, California, Colorado, Indiana, Louisiana and Texas) which do not have certificate of need laws applicable to hospitals.

INDUSTRY TRENDS

The Company's psychiatric hospitals have been adversely affected by factors influencing the entire psychiatric hospital industry. Factors which affect the Company include (i) the imposition of more stringent length of stay and admission criteria by non-governmental insurance and other healthcare benefit programs; (ii) the failure of reimbursement rate increases from certain third-party payors that reimburse on a per diem or other discounted basis to offset increases in the cost of providing services; (iii) an increase in the percentage of its business that the Company derives from third-party payors that reimburse on a per diem or other discounted basis; (iv) a trend toward higher deductibles and co-insurance for individual patients; (v) a trend toward limiting employee health benefits, such as reductions in annual and lifetime limits on mental health coverage; and (vi) a trend toward agreements with payors where the Company agrees to assume the risk for the provision of treatment to all members of a particular group for a specified revenue amount. In response to these industry trends, the Company (i) developed a wider array of outpatient services, such as partial hospitalization and intensive outpatient programs; (ii) decentralized hospital management to increase the Company's responsiveness to local market conditions; (iii) pursued joint ventures and affiliations with other healthcare providers; and (iv) implemented more efficient operating expense controls.

The Company's strategy is to become a nationwide integrated provider of high-quality, cost-effective behavioral healthcare services. To implement this strategy, management intends to expand the Company's partial hospitalization and outpatient programs in its existing markets and to enter approximately 30 new markets in the United States and Europe. Management also is seeking additional strategic alliances with, and additional acquisitions of, group psychiatric practices, mental health clinics, other behavioral healthcare providers and behavioral managed-care firms. Management believes that this strategy will enhance the Company's ability to obtain nationwide, area-wide and local contracts to be the exclusive or a preferred provider of behavioral healthcare services to major employers, third-party payors and managed-care firms.
HEALTHCARE REFORM

On October 27, 1993, President Clinton submitted to Congress the Administration's Proposal for comprehensive healthcare reform legislation. At present, six other comprehensive reform proposals have been introduced in the Congress, several of which are likely to be viewed by Congress as significant alternatives to the Administration's Proposal. A central component of the Administration's Proposal is the restructuring of health insurance markets through the use of "managed competition." Under the Administration's Proposal, states would be required to establish regional purchasing cooperatives, known as "regional alliances," that would be the exclusive source of insurance coverage for individuals and employers with less than 5,000 employees. All employers would be required to make available such coverage to their employees and contribute 80% of the premium, and all individuals would be required to enrol in an approved health plan. Regional alliances would contract with health plans that demonstrate an ability to provide consumers with a broad range of benefits, including hospital services. The federal government would provide subsidies to low income individuals and certain small businesses to help pay for the cost of coverage. These subsidies and other costs of the Administration's Proposal would be funded in significant part by reductions in payments by the federal Medicare and Medicaid programs to providers, including hospitals. The Administration's Proposal would also place stringent limits on the annual growth in health-plan insurance premiums.

Certain aspects of the Administration's Proposal, such as reductions in Medicare and Medicaid payments, if adopted, could adversely affect the Company's business. In fiscal 1992 and 1993, the Company obtained 29% and 38%, respectively, of its gross psychiatric patient service revenue from the Medicare and Medicaid programs. Other aspects of the Administration's Proposal, such as universal health insurance coverage, could have a positive impact on the Company's business by reducing the amount of uncompensated care provided by the Company's hospitals. No assurance can be given that any reform proposal will be adopted or implemented or that any reform proposal which is ultimately adopted will not have a material adverse effect on the Company's financial condition and results of operations.

In addition to the Administration's Proposal and other federal reform initiatives, state legislatures also have undertaken healthcare reform initiatives independent of federal reform. The States of Maine, Florida, California and Washington have adopted legislation based on managed competition. It is not possible at this time to predict what, if any, reforms will be adopted and implemented. No assurance can be given that any such reforms will not have a material adverse effect upon the Company's revenues and earnings or upon the demand for the Company's services.

SOURCES OF REVENUE

Payments are made to the Company's hospitals by patients, by various insuring organizations (including self-insured employers), by the federal and state governments under Medicare, Medicaid, CHAMPUS and other programs, and by HMO's, PPO's and other managed care programs. Amounts received under government programs, HMO, PPO and other managed care arrangements, certain self-insured employers and certain Blue Cross plans are generally less than the hospital's established charges. The approximate percentages of gross patient revenue (which is revenue before deducting contractual allowances and discounts from established billing rates) derived by the Company's psychiatric hospitals from various payment sources for the last three fiscal years were as follows:

<table>
<thead>
<tr>
<th>PERCENTAGE OF HOSPITAL GROSS REVENUE</th>
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<tr>
<td></td>
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<tr>
<td><strong>YEAR ENDED SEPTEMBER 30,</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td>1991</td>
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<tr>
<td>1992</td>
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<tr>
<td>1993</td>
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<td></td>
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<tr>
<td><strong>SIX MONTHS ENDED MARCH 31,</strong></td>
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<td>1993</td>
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<td>1994</td>
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<td></td>
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<tr>
<td>Medicare</td>
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<tr>
<td>Medicaid</td>
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</table>
The Company does not expect its current payor mix to be altered significantly as a result of the Acquisition.

Most private insurance carriers reimburse their policyholders or make direct payments to the hospitals for charges at rates specified in their policies. The patient remains responsible to the hospital for any difference between the insurance proceeds and the total charges. Certain Blue Cross programs have negotiated reimbursement rates with certain of the Company's hospitals which are less than the hospital's charges.

Most of the Company's hospitals have entered into contracts with HMO's, PPO's, certain self-insured employers and other managed care plans which provide for reimbursement at rates less than the hospital's normal charges. In addition to contracts entered into by individual hospitals with such managed care plans, the Company has entered into regional and national contracts with HMO's, PPO's, self-insured employers and other managed care plans that apply to all of the Company's hospitals in the geographic areas covered by a contract. The Company is seeking to obtain additional regional and national contracts. The Company expects its percentage of revenue from these payor sources to increase in the future. The Company believes that the Acquisition will assist the Company to obtain additional regional and national contracts by expanding the areas the Company serves.

The Medicare program has changed significantly during the past years, and these changes have had and will continue to have significant effects on the Company's hospitals. Under the Medicare provisions of the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), costs per Medicare case are determined for each of the Company's psychiatric hospitals. A target cost per case is established for each year (the "Target Rate"). If a hospital's costs per case are less than the Target Rate, the hospital receives a bonus of 50% of the difference between its actual costs per case and the Target Rate (limited to 5% of the Target Rate). These limits apply only to operating costs and do not apply to capital costs, including lease expense, depreciation and interest associated with capital expenditures. For cost reporting years that began prior to October 1, 1991, reimbursement was generally limited to the Target Rate. Effective for cost reporting years which began on or after October 1, 1991, hospitals with costs which exceed the Target Rate are paid an additional amount equal to 50% of the excess, up to 10% of the Target Rate. The Target Rate for each hospital is increased annually by the application of an "update factor" published in regulations and/or legislation.

Most of the Company's hospitals participate in state operated Medicaid programs. Federal guidelines prohibit Medicaid funding for inpatient services within freestanding psychiatric hospitals for patients between the ages of 21 and 64. Each state government is responsible for establishing the Medicaid eligibility and coverage criteria, payment methodology and funding mechanisms which apply in that state, subject to federal guidelines. Accordingly, the level of Medicaid payments received by the Company's hospitals varies from state to state. In addition to the basic payment level for patient care, several state programs include a financial benefit for hospitals which treat a disproportionately large volume of Medicaid patients as a percentage of the total patient population. These "disproportionate share" benefits are subject to annual review and revision by the related state governments and could be substantially reduced or eliminated at any point in the future. The Omnibus Budget Reconciliation Act of 1993 ("OBRA 93") prohibits disproportionate share payments to hospitals which have a Medicaid utilization rate of less than 1% effective for state fiscal years ending in 1994. Beginning in state fiscal years ending in 1995, the amount of disproportionate share payments each hospital can receive will be limited through the use of formulas based generally on the cost of providing services to Medicaid and uninsured patients. The Administration's Proposal would eliminate Medicaid disproportionate share payments. The Company received approximately $1 million, $13 million and $15 million in Medicaid
disproportionate share payments in fiscal 1991, 1992 and 1993, respectively.

Within the statutory framework of the Medicare and Medicaid programs, there are substantial areas subject to administrative rulings and interpretations which may affect payments made under either or both of such programs. In addition, federal or state governments could reduce the future funds available under such programs or adopt additional restrictions on admissions and more stringent requirements for utilization of services. These types of measures could adversely affect the Company's operations. Although the Target Rates have been increased annually, the Company does not believe these increases have been sufficient to offset inflation in hospital operating costs. Final determination of amounts payable under Medicare and certain Medicaid programs are subject to review and audit. The Company's management believes that adequate provisions have been made for any adjustments that might result from such reviews or audits.

Most of the Company's hospitals receive revenues from the CHAMPUS program. CHAMPUS provides payment for civilian medical services rendered to military dependents and retired military personnel. Effective January 1, 1989, CHAMPUS changed its method of reimbursing providers for drug and alcohol treatment services and inpatient psychiatric services. After that date, psychiatric hospitals were classified into two groups, each with different payment methods. The first group, classified as high volume CHAMPUS hospitals, are those hospitals with 25 or more CHAMPUS discharges during federal fiscal year 1988 or any fiscal year thereafter. (The Company has 52 hospitals included within this group.) These hospitals receive a per diem payment, subject to a limitation of $672 per day. The remainder of the Company's psychiatric hospitals are classified as low volume CHAMPUS hospitals. These hospitals receive a per diem based on a wage-adjusted regional rate.

Effective October 1, 1991, CHAMPUS patients became subject to annual limits on the number of psychiatric days covered by the CHAMPUS program. Covered inpatient services are generally limited to 30 days for adult acute patients, 45 days for child and adolescent acute patients, and 150 days for residential treatment center patients. These limits have reduced the revenue the Company receives from the CHAMPUS program.

The Company's Medicare revenue has been and may in the future be reduced under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by The Budget Enforcement Act of 1990 and OBRA 93 (the "Budget Acts"). These laws remain in effect through fiscal year 1998, and require that federal spending automatically be reduced in amounts determined by calculations set out in the Budget Acts, if certain requirements relating to the amount of the federal deficit are not met. Under the Budget Acts, Medicare expenditures for a fiscal year can be reduced by no more than 4%. Medicaid funding is exempt from reductions under the Budget Acts. There were no reductions in fiscal 1991, 1992 or 1993. Payment reductions under the Budget Acts, if implemented in future years, could have a material adverse effect on the Company's net revenue. However, because the actual amount of the reduction for any fiscal year may vary according to the federal deficit, the financial impact of the Budget Acts on the Company cannot be predicted.

REGULATION AND OTHER FACTORS

Operations of hospitals are subject to substantial federal, state and local government regulation. Such regulations provide for periodic inspections or other reviews by state agencies, the United States Department of Health and Human Services (the "Department") and CHAMPUS to determine compliance with their respective standards of medical care, staffing, equipment and cleanliness necessary for continued licensing or participation in the Medicare, Medicaid or CHAMPUS programs. The admission and treatment of patients at the Company's psychiatric hospitals are also subject to substantial state regulation and to federal regulation relating to confidentiality of medical records of drug and alcohol abuse patients.

The obtaining of approvals for construction of new hospitals and for renovation of and additions to existing hospitals is subject to various governmental requirements, such as approval of sites and findings of community need for additional hospital facilities and services. In addition, in certain states, as a practical matter, it is necessary to pledge to provide various amounts of uncompensated care to indigent persons in order to obtain a certificate of need. Except for Arizona, Arkansas, California, Colorado,
Indiana, Kansas, Louisiana, Nevada, New Mexico, South Dakota, Texas and Utah, all the states in which the Company presently operates hospitals or will operate a hospital following the Acquisition have adopted certificate of need or similar statutes. A certificate of need is issued for a specific maximum expenditure and the holder is required to complete the approved project within a specified time period.

Federal law contains numerous provisions designed to insure that services rendered by hospitals to Medicare and Medicaid patients are medically necessary and are of a quality which meets professionally recognized standards and to insure that claims for reimbursement under the Medicare and Medicaid programs are properly filed. Among other things, services provided at the Company's hospitals are subject to periodic review by Peer Review Organizations ("PRO's"). All hospitals which participate in the Medicare program are subject to review by PRO's. PRO activities include reviews of certain admissions and services to determine medical necessity and to determine whether quality of care meets professionally recognized standards. PRO's have the authority to recommend to the Department that a provider who is in substantial noncompliance with the medical necessity and quality of care standards of a PRO or who has grossly and flagrantly violated an obligation to render quality care be excluded from participation in the Medicare program or be required to reimburse the federal government for certain payments previously made to the provider under the Medicare program.

The Company's psychiatric hospitals have been subject to and have complied with various forms of utilization review since 1970. The Company has implemented a quality assurance program in each of its hospitals, which includes procedures for utilization review and retrospective patient care evaluation.

The Medicare and Medicaid Patient and Program Protection Act of 1987 expanded the authority of the Department to exclude from participation in the Medicare and Medicaid programs those hospitals which engage in defined prohibited activities. The Department is required under this Act to exclude from participation in the Medicare and Medicaid programs any individual or entity that has been convicted of a criminal offense relating to the delivery of services under Medicare and Medicaid or to the neglect or abuse of patients. In addition, the Department has authority to exclude from participation in the Medicare program individuals or hospitals under certain other circumstances. These include engaging in illegal remuneration arrangements with physicians and other healthcare providers, license revocation, exclusion from some other government programs (such as CHAMPUS), filing claims for excess charges or for unnecessary services, failure to comply with conditions of participation and failure to disclose certain required information or to grant proper access to hospital books and records.

The Department has authority to impose civil monetary penalties against any participant in the Medicare program which makes claims for payment for services which were not rendered or were rendered by a person or entity not properly licensed under state law. The Department also has authority to impose a penalty of not more than $2,000 for each improperly claimed service and an assessment equal to not more than twice the amount claimed for each service not rendered.

Federal law makes it a felony, subject to certain exceptions, for a hospital to make false statements relating to claims for payments under the Medicare program, to engage in illegal remuneration arrangements with physicians and other healthcare providers, to make false statements relating to compliance with the Medicare conditions of participation, or to make false claims for Medicare or Medicaid payments. A number of states have adopted laws that also make illegal under state law certain remuneration and referral arrangements with physicians and other healthcare providers.

The laws of certain states prohibit the corporate practice of medicine and limit the scope of relationships between medical practitioners and other parties. Such laws will apply to the Company's acquisition of group psychiatric practices in such states. Under such laws, the Company is prohibited from practicing medicine or exercising control over the provision of medical services. Accordingly, the Company intends to enter into management agreements that will delegate to the Company the performance of administrative management and support functions which are required by physicians. The Company believes that the services it intends to provide to such group practices will not constitute the corporate practice of medicine under applicable state laws.
In order to provide guidance to healthcare providers with respect to the statute that makes certain remuneration arrangements between hospitals and physicians and other healthcare providers illegal, the Department, in 1991 and 1992, issued final regulations outlining certain "safe harbor" practices, which, although potentially capable of inducing prohibited referrals of business, would not be subject to enforcement action under the illegal remuneration statute. The practices covered by the regulations include certain investment transactions, lease of space and equipment, personal services and management contracts, certain managed care contracts, sales of physician practices, referral services, warranties, discounts, payments to employees, group purchasing organizations and waivers of beneficiary deductibles and co-payments. Additional proposed safe harbors were published in 1993 by the Department. Certain transactions and agreements of the Company do not satisfy all the applicable proposed safe harbor regulations that relate to such transactions and agreements. However, the Company believes that such transactions and agreements do not violate the statute that makes certain remuneration arrangements illegal. There can be no assurance that (i) government enforcement agencies will not assert that certain of these arrangements are in violation of the illegal remuneration statute or (ii) the statute will ultimately be interpreted by the courts in a manner consistent with the Company's practices.

In 1989, Congress passed the Ethics in Patient Referrals Act of 1989, commonly referred to as the Stark Bill ("Stark I"). Stark I prohibited a physician from making a referral for clinical laboratory services for which payment may be made under Medicare, if the physician has a "financial relationship" with the entity to which the patient is referred. Prohibited financial relationships include both ownership and compensation arrangements, but are subject to several exceptions contained in such Act and its implementing regulations. On August 7, 1993, President Clinton signed the Physician Ownership and Referral Act of 1993 ("Stark II"), which expands the list of facilities and services to which Stark I applies, covering virtually all medical services except physician care. Stark II also extends the prohibition to include services reimbursed under Medicaid in addition to Medicare. Stark II extends the statutory provisions to the following services: inpatient and outpatient hospital services, radiology and other diagnostic services, radiation therapy, durable medical equipment, physical and occupational therapy, parenteral and enteral nutrition equipment and supplies, prosthetics and orthotics, home health services, and outpatient prescription drugs. The Act provides for civil sanctions in the event of a violation, including possible exclusion from the Medicare and Medicaid programs. The limitations or referrals contained in Stark II will become effective on January 1, 1995. Regulations implementing the statute are expected to be issued later in 1994.

In 1989, CHAMPUS adopted regulations authorizing CHAMPUS to exclude from the CHAMPUS program any provider who has committed fraud or engaged in abusive practices. The regulations permit CHAMPUS to make its own determination of abusive practices without reliance on any actions of the Department. The term "abusive practices" is defined broadly to include, among other things, the provision of medically unnecessary services, the provision of care of inferior quality, and the failure to maintain adequate medical or financial records.

A number of states have adopted hospital rate review legislation, which generally provides for state regulation of rates charged for various hospital services. Such laws are in effect in the states of Florida, Maryland and Wisconsin. The Company operates seven hospitals and five of the Target Hospitals are located in Florida. In Florida, the Health Care Board approves a budget for each hospital, which establishes a permitted level of revenues per discharge. If this level of permitted revenues per discharge is exceeded by a hospital in a particular year by more than a specified amount, certain penalties, including cash penalties, can be imposed. Six Target Hospitals are in Maryland. The Maryland Health Services Cost Review Commission establishes all rates for one of such hospitals. One Target Hospital is in Wisconsin, in which rates are reviewed through the certificate-of-need process and rate hearings are subject to local public hearing requirements.

In addition to hospital rate review legislation, a number of states have adopted or are considering state healthcare reform legislation generally designed (a) to reduce healthcare costs and insurance premiums and (b) to mandate or encourage universal health coverage. These state legislative initiatives contain a variety of mechanisms to achieve their goals, including formation of purchasing cooperatives, generally similar to the "managed
The Company's acquisition of group practices will also be subject to federal legislation which prohibits activities and arrangements which are designed to provide kickbacks or to induce the referral of business under Medicare and Medicaid programs. Many states have similar laws more broadly prohibiting kickbacks for the referral of any medically related business. Noncompliance with the federal anti-kickback legislation can result in exclusion from Medicare programs and civil and criminal penalties. Civil and criminal penalties are provided for violations of state anti-kickback laws.

Statutes and regulations in effect in states other than those in which the Company presently does business may impose requirements on the opening and operation of facilities that are more burdensome than those imposed in states in which the Company currently does business. There can be no assurance that the Company will be able to comply with any such requirements, and, as a result, the expansion of the Company's business into certain other states may be limited.

MEDICAL STAFFS AND EMPLOYEES

At September 30, 1993, approximately 1,200 licensed physicians were active members of the medical staffs of the Company's hospitals. Many of these physicians also serve on the medical staffs of other hospitals. A number of these physicians serve in administrative capacities in the Company's hospitals. Most of these physicians are independent contractors who have private practices in addition to their duties for the Company, while certain of these physicians are employees of the Company. The medical and professional affairs of each hospital are supervised by the medical staff of the hospital, under the control of its board of trustees. The Company recruits physicians to serve in administrative capacities at psychiatric hospitals and to engage in private practice in communities where the Company's hospitals are located. The Company's agreements with recruited physicians generally provide for, among other things, reimbursement of relocation and office startup expenses and a guarantee of a specified level of physician income during the recruited physician's first year of practice.

Registered nurses and certain other hospital employees are required to be licensed under the professional licensing laws of most states. The Company's hospital subsidiaries require such employees to maintain such professional licenses as a condition of employment.

At September 30, 1993, the Company had approximately 6,400 full-time and 1,900 part-time employees. The Acquisition will increase the number of the Company's full-time employees by approximately 3,700 and the number of its part-time employees by approximately 2,900. The Company's hospitals have had generally satisfactory labor relations. They have, like most hospitals, experienced a high turnover among their hourly-paid employees and nurses and also experienced rising labor costs. In common with most hospitals, the Company's hospitals in recent years have experienced difficulty in recruiting and retaining registered nurses.

LIABILITY INSURANCE

Effective June 1, 1993, Plymouth Insurance Company, Ltd. ("Plymouth"), a wholly-owned Bermuda subsidiary of the Company, provides $25 million per occurrence general and hospital professional liability insurance for the Company's hospitals, including professional liability claims for occurrences prior to September 30, 1993, relating to the general hospitals sold on that date. For general hospitals the insurance coverage is subject to a $1.5 million deductible per occurrence. Effective for the policy year beginning on June 1, 1993, the Company eliminated its self-insurance deductible for psychiatric hospitals. Between 80% and 100% of the risk of losses from $1.5 million to $25 million per occurrence has been insured or reinsured with unaffiliated insurers; and the percentage so insured varies by layer. The Company also insures with an unaffiliated insurer 100% of the risk of losses between $25 million and $100 million per occurrence. The Company's general and professional liability coverage is written on a "claims made or circumstances reported" basis.

For the five years from June 1, 1988, through May 31, 1993, the Company had a similar general and hospital professional liability insurance program. For those years, the per occurrence deductible for psychiatric and general hospitals (with respect to which the Company was self-insured) was $3 million for the year ended May 31, 1989, $2.5 million for the years ended May 31, 1990 and 1991 and...
$2 million for the years ended May 31, 1992 and 1993. The Company believes that its coverage limits are adequate.

### Hospital Properties

The following table provides information relating to the 75 psychiatric hospitals operated by the Company as of March 31, 1994. Each hospital is owned or leased and is operated by a wholly-owned subsidiary of the Company.

<table>
<thead>
<tr>
<th>Name</th>
<th>State/ Country</th>
<th>City</th>
<th>Beds</th>
<th>Date of Acquisition or Opening</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Woods (2)</td>
<td>Alabama</td>
<td>Dothan</td>
<td>75</td>
<td>June 1980</td>
</tr>
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<td>Charter Hospital of Mobile (4)</td>
<td>Alabama</td>
<td>Mobile</td>
<td>72</td>
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</tr>
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<td>Charter Hospital of Mobile (4)</td>
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<td>Mobile</td>
<td>84</td>
<td>June 1978</td>
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<tr>
<td>Charter North (2)</td>
<td>Alaska</td>
<td>Anchorage</td>
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<td>May 1984</td>
</tr>
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<td>Chandler</td>
<td>80</td>
<td>June 1987</td>
</tr>
<tr>
<td>Charter Hospital of Glendale (2)</td>
<td>Arizona</td>
<td>Glendale</td>
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<td>May 1987</td>
</tr>
<tr>
<td>Charter Vista (2)</td>
<td>Arkansas</td>
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<td>March 1983</td>
</tr>
<tr>
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<td>May 1990</td>
</tr>
<tr>
<td>Charter Hospital of Corona (2)</td>
<td>California</td>
<td>Corona</td>
<td>92</td>
<td>December 1978</td>
</tr>
<tr>
<td>Charter Oak (2)</td>
<td>California</td>
<td>Covina</td>
<td>95</td>
<td>September 1980</td>
</tr>
<tr>
<td>Charter Hospital of Long Beach (4)</td>
<td>California</td>
<td>Long Beach</td>
<td>227</td>
<td>January 1980</td>
</tr>
<tr>
<td>Charter Hospital of Sacramento (2)</td>
<td>California</td>
<td>Roseville</td>
<td>80</td>
<td>August 1988</td>
</tr>
<tr>
<td>Charter Hospital of San Diego (2)</td>
<td>California</td>
<td>San Diego</td>
<td>80</td>
<td>May 1988</td>
</tr>
<tr>
<td>Charter Hospital of Thousand Oaks (2)</td>
<td>California</td>
<td>Thousand Oaks</td>
<td>80</td>
<td>March 1990</td>
</tr>
<tr>
<td>Charter Clinic Chelsea (4)</td>
<td>England</td>
<td>London</td>
<td>45</td>
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</tr>
<tr>
<td>Charter Clinic Chelsea (4)</td>
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<td>February 1987</td>
</tr>
<tr>
<td>Charter Glade (2)</td>
<td>Florida</td>
<td>Ft. Myers</td>
<td>154</td>
<td>August 1983</td>
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<tr>
<td>Charter Hospital of Jacksonville (2)</td>
<td>Florida</td>
<td>Jacksonville</td>
<td>64</td>
<td>January 1987</td>
</tr>
<tr>
<td>Charter Hospital of Orlando-Stouch (2)</td>
<td>Florida</td>
<td>Kissimmee</td>
<td>60</td>
<td>July 1989</td>
</tr>
<tr>
<td>Charter Hospital of Panco (2)</td>
<td>Florida</td>
<td>Lutz</td>
<td>72</td>
<td>March 1990</td>
</tr>
<tr>
<td>Charter Hospital of Miami (2)</td>
<td>Florida</td>
<td>Miami</td>
<td>88</td>
<td>October 1986</td>
</tr>
<tr>
<td>Charter Hospital of Paducah (2)</td>
<td>Kentucky</td>
<td>Paducah</td>
<td>80</td>
<td>July 1985</td>
</tr>
<tr>
<td>Charter Windes (2)</td>
<td>Georgia</td>
<td>Athens</td>
<td>80</td>
<td>July 1985</td>
</tr>
<tr>
<td>Charter Lake (2)</td>
<td>Georgia</td>
<td>Macon</td>
<td>118</td>
<td>September 1982</td>
</tr>
<tr>
<td>Charter Hospital of Savannah (2)</td>
<td>Georgia</td>
<td>Savannah</td>
<td>112</td>
<td>July 1972</td>
</tr>
<tr>
<td>Charter By-the-Sea (2)</td>
<td>Georgia</td>
<td>St. Simons</td>
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<td>September 1982</td>
</tr>
<tr>
<td>Charter Roosevelt Place (2)</td>
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<td>Chicago</td>
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<td>March 1979</td>
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<tr>
<td>Charter Beacon (2)</td>
<td>Indiana</td>
<td>Fort Wayne</td>
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<td>September 1985</td>
</tr>
<tr>
<td>Charter Hospital of Northwest Indiana (2)</td>
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<td>Hobart</td>
<td>60</td>
<td>January 1990</td>
</tr>
<tr>
<td>Charter Hospital of Indianapolis (2)</td>
<td>Indiana</td>
<td>Indianapolis</td>
<td>80</td>
<td>March 1990</td>
</tr>
<tr>
<td>Charter Hospital of Lafayette (2)</td>
<td>Indiana</td>
<td>Lafayette</td>
<td>64</td>
<td>September 1986</td>
</tr>
<tr>
<td>Charter Hospital of South Bend (2)</td>
<td>Indiana</td>
<td>Granger</td>
<td>60</td>
<td>January 1990</td>
</tr>
<tr>
<td>Charter Hospital of Terre Haute (2)</td>
<td>Indiana</td>
<td>Terre Haute</td>
<td>66</td>
<td>March 1988</td>
</tr>
<tr>
<td>Charter Hospital of Overland Park (2)</td>
<td>Kansas</td>
<td>Overland Park</td>
<td>80</td>
<td>November 1986</td>
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<tr>
<td>Charter Hospital of Wichita (2)</td>
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<td>Wichita</td>
<td>80</td>
<td>November 1986</td>
</tr>
<tr>
<td>Charter Ridge (2)</td>
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<td>Lexington</td>
<td>110</td>
<td>August 1982</td>
</tr>
<tr>
<td>Charter Hospital of Louisville (2)</td>
<td>Kentucky</td>
<td>Louisville</td>
<td>66</td>
<td>October 1978</td>
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<tr>
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<td>Paducah</td>
<td>80</td>
<td>July 1985</td>
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<tr>
<td>Charter Fairmount Institute</td>
<td>Pennsylvania</td>
<td>Philadelphia</td>
<td>169</td>
<td>July 1985</td>
</tr>
<tr>
<td>Charter Hospital of Lake Charles (2)</td>
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<td>Lake Charles</td>
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<td>July 1985</td>
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<tr>
<td>Charter Hospital of Jackson (2)</td>
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<td>Shreveport</td>
<td>83</td>
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</tr>
<tr>
<td>Charter Hospital of Columbus (2)</td>
<td>Pennsylvania</td>
<td>Jackson</td>
<td>111</td>
<td>July 1985</td>
</tr>
<tr>
<td>Charter Hospital of Los Angeles (2)</td>
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<td>Columbia</td>
<td>96</td>
<td>December 1984</td>
</tr>
<tr>
<td>Charter Hospital of Las Vegas (2)</td>
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<td>Las Vegas</td>
<td>84</td>
<td>April 1986</td>
</tr>
<tr>
<td>Charter Hospital of Albuquerque (1) (4)</td>
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<td>Albuquerque</td>
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</tr>
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<td>Charlotte</td>
<td>60</td>
<td>April 1985</td>
</tr>
<tr>
<td>Charter Hospital of Greensboro (2)</td>
<td>Pennsylvania</td>
<td>Greensboro</td>
<td>100</td>
<td>July 1981</td>
</tr>
<tr>
<td>Charter Northridge (2)</td>
<td>Pennsylvania</td>
<td>Raleigh</td>
<td>85</td>
<td>September 1984</td>
</tr>
<tr>
<td>Charter Hospital of Winston-Salem (2)</td>
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<tr>
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<td>Maumee</td>
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<td>Charter Fairmount Institute</td>
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<td>Philadelphia</td>
<td>169</td>
<td>July 1985</td>
</tr>
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<td>Charter Hospital of Charleston (2)</td>
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<td>102</td>
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</tr>
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<td>Charter Hospital of Greensboro (2)</td>
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<td>Greensboro</td>
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<td>February 1983</td>
</tr>
<tr>
<td>Charter Hospital of South Carolina (2)</td>
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<td>Greensboro</td>
<td>60</td>
<td>August 1989</td>
</tr>
<tr>
<td>Charter Rivers (2)</td>
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<td>Nyon</td>
<td>69</td>
<td>June 1985</td>
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<td>Charter Hospital of Sacramento (2)</td>
<td>Tennessee</td>
<td>Memphis</td>
<td>204</td>
<td>August 1976</td>
</tr>
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<td>Charter Hospital of Austin (2)</td>
<td>Texas</td>
<td>Austin</td>
<td>108</td>
<td>January 1986</td>
</tr>
<tr>
<td>Charter Hospital of Corpus Christi (2)</td>
<td>Texas</td>
<td>Corpus Christi</td>
<td>80</td>
<td>June 1986</td>
</tr>
<tr>
<td>Charter Hospital of Ft. Worth (2)</td>
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<td>Ft. Worth</td>
<td>80</td>
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</tr>
<tr>
<td>Charter Hospital of Grapevine (2)</td>
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<td>Grapevine</td>
<td>80</td>
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</tr>
<tr>
<td>Charter Hospital of Kingwood (2)</td>
<td>Texas</td>
<td>Kingwood</td>
<td>80</td>
<td>October 1986</td>
</tr>
<tr>
<td>Charter Plains (2)</td>
<td>Texas</td>
<td>Lubbock</td>
<td>80</td>
<td>February 1984</td>
</tr>
</tbody>
</table>
All of the Company's hospitals located in the United States have been accredited by the Joint Commission on Accreditation of Healthcare Organizations (the "Joint Commission"). The Joint Commission is a national commission which establishes standards relating to the physical plant, administration, quality of patient care, governing body and medical staffs of hospitals.

The Company operates five leased hospitals, including one 150-bed general hospital, not listed above, which is managed by an unaffiliated third party. The lease and the management agreement expire in 1997. The remaining leased hospitals consist of four with terms expiring between 1996 and 2014, and one with a term expiring in 2069. The leases for two hospitals contain options to purchase these hospitals for nominal consideration at the end of their respective lease terms. The Company does not have an option to purchase the other leased hospitals.

The Company owns or leases six hospital facilities which are not operated by the Company. These facilities are located in Torrance, California, Ft. Collins, Colorado, Bradenton and West Palm Beach, Florida, Santa Teresa, New Mexico and Pasadena, Texas. Two of the facilities have been leased to other operators, with options to purchase by the lessees, and four are held for sale or lease. Five of the six hospitals are subject to a mortgage.

Sixty-nine of the Company's hospitals listed above are subject to mortgages. The stock of substantially all of the domestic subsidiaries of the Company has been pledged as collateral for the New Credit Agreement.

The Company owns 11 medical office buildings (with an aggregate of approximately 140,000 square feet), which are located near certain of the Company's hospitals. These buildings have a total of approximately 140 tenants. Five of the Company's medical office buildings are subject to mortgages.

The Company is primary lessee of office space for 105 outpatient centers located in 21 states. The leases for these centers aggregate approximately 188,000 square feet of office space, and generally have lease terms of less than five years.

The following table provides information relating to the Target Hospitals. Each Target Hospital will be owned by a wholly-owned subsidiary of the Company. Following the Acquisition, the Company intends to sell or close any Target Hospital the continued operation of which is not consistent with the Company's strategy.

<table>
<thead>
<tr>
<th>NUMBER OF LICENSED BEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE</td>
</tr>
<tr>
<td>Arkansas</td>
</tr>
<tr>
<td>Arizona</td>
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<td>California</td>
</tr>
<tr>
<td>California</td>
</tr>
<tr>
<td>California</td>
</tr>
</tbody>
</table>
COLORADO
Louisville (1) 72 -- -- 72

FLORIDA
Bradenton 60 -- -- 60
Largo 40 -- -- 40
Largo 64 -- -- 64
Orlando 60 20 -- 80
Orlando 40 -- -- 40
Atlanta 40 -- -- 40

GEORGIA
Atlanta -- -- 102 102
Smyrna (3) 108 -- -- 108
Stockbridge 50 -- -- 50

ILLINOIS
Naperville (2) 92 -- -- 92
Evansville 60 -- -- 60

INDIANA
Indianapolis 84 -- -- 84
Jeffersonville 100 -- -- 100
Michigan City 89 -- -- 89

LOUISIANA
Lafayette 70 -- -- 70

MARYLAND
Bel Air -- 51 -- 51

NUMBER OF LICENSED BEDS

<table>
<thead>
<tr>
<th>STATE</th>
<th>CITY</th>
<th>PSYCHIATRIC BEDS</th>
<th>CHEMICAL DEPENDENCY</th>
<th>RESIDENTIAL TREATMENT</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td>Maryland</td>
<td>East New Market (3)</td>
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<td>Maryland</td>
<td>Gambrills</td>
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<td>Maryland</td>
<td>Rockville (1)</td>
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<td>60</td>
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<td>Maryland</td>
<td>Woolford (3)</td>
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<tr>
<td>Minnesopa</td>
<td>Waverly</td>
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<tr>
<td>North Carolina</td>
<td>Asheville</td>
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<td>Nashua</td>
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<td>New Jersey</td>
<td>Lakehurst</td>
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<tr>
<td>New Jersey</td>
<td>Summit</td>
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<tr>
<td>Pennsylvania</td>
<td>Williamsburg (3)</td>
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<tr>
<td>South Carolina</td>
<td>Johns Island (3)</td>
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<td>--</td>
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<tr>
<td>Tennessee</td>
<td>Memphis</td>
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<td>--</td>
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<tr>
<td>Texas</td>
<td>Webster</td>
<td>106</td>
<td>--</td>
<td>44</td>
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<td>Virginia</td>
<td>Chesapeake</td>
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<td>--</td>
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<td>Virginia</td>
<td>Leesburg (4)</td>
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<td>Norfolk</td>
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<td>Richmond</td>
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<td>Virginia</td>
<td>Virginia Beach (3)</td>
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<td>--</td>
<td>61</td>
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<tr>
<td>Wisconsin</td>
<td>Brown Deer</td>
<td>80</td>
<td>--</td>
<td>--</td>
<td>80</td>
</tr>
</tbody>
</table>

DIVESTITURES AND CLOSINGS

In addition to its sale of the general hospitals, since November, 1990, the Company sold or closed twelve psychiatric facilities. The Company leases, with options to purchase by the lessees, two facilities which it previously operated prior to fiscal 1991.
INTERNATIONAL OPERATIONS

The Company owns and operates two psychiatric hospitals in London, England (a 45-bed hospital and a 78-bed hospital) and a 69-bed psychiatric hospital in Nyon, Switzerland. In July 1991, the Company began managing three psychiatric-substance abuse hospitals in Jeddah, Riyadh and Damman in the Kingdom of Saudi Arabia (with 180 beds each) pursuant to a fixed-price contract for a period of approximately three years. This contract expires during fiscal year 1994 and will not be renewed. These activities do not represent a significant portion of the Company's operations.

The Company's international operations also include two wholly-owned insurance subsidiaries in Bermuda. Plymouth provides the insurance coverage described under "Liability Insurance." The second Bermuda subsidiary has not provided any insurance coverage since October 1, 1988.

LITIGATION AND OTHER PROCEEDINGS

Certain of the Company's subsidiaries are party to general and professional liability claims incident to the ordinary course of their business. In addition, a subsidiary of the Company that operates one psychiatric hospital is subject to a federal investigation of certain of its referral practices. See "— Regulation and Other Factors." This subsidiary was among the Company's five largest hospitals based on its contribution to EBITDA during fiscal 1993. In the opinion of management, the ultimate resolution of such pending matters will not have a material adverse effect on the Company's financial position or results of operations.

The Resolution Trust Corporation ("RTC"), for itself or in its capacity as conservator or receiver for 12 financial institutions, formerly held certain debt securities that were issued by the Company prior to the Reorganization. RTC has indicated to the Company that it believes that certain financial statements and other disclosures made by the Company in connection with such debt securities contained materially misleading statements or material omissions and that such misleading statements or omissions resulted in an overvaluation of such debt securities. The Company has agreed to a tolling of the statute of limitations applicable to RTC's claims. Based on a review of relevant law and the facts known to the Company, the Company believes it has a substantial defense to a potential claim by RTC and that such claim would not have a material adverse effect on the Company's financial position or results of operations.

45

MANAGEMENT

The following table sets forth the name, age, position and other information with respect to the directors and executive officers of Charter.

<table>
<thead>
<tr>
<th>NAME AND POSITION HELD</th>
<th>AGE</th>
<th>TERM EXPIRING</th>
<th>POSITION WITH COMPANY, PRINCIPAL OCCUPATIONS</th>
<th>DURING PAST FIVE YEARS AND OTHER DIRECTORSHIPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Mac Crawford, Director, Chairman and Chief Executive Officer</td>
<td>46</td>
<td>1997</td>
<td>Chairman of the Board of Directors, President and Chief Executive Officer of the Company (since 1993); President and Chief Operating Officer of the Company (1992-1993); Executive Vice President -- Hospital Operations (1990-1992); Assistant to the President and Chairman (1990); President (1988-1990), Mulberry Street Investment Company Director since 1990.</td>
<td></td>
</tr>
<tr>
<td>Andre C. Dimitriadis, Director</td>
<td>53</td>
<td>1995</td>
<td></td>
<td>Chairman and Chief Executive Officer, LTC Properties (a healthcare real estate investment trust) (since 1992); Director of Sun Healthcare Group (since 1993); Director of</td>
</tr>
</tbody>
</table>
EXECUTIVE COMPENSATION

The following table sets forth, for the three fiscal years ended September 30, 1993, the compensation paid by the Company to the present Chief Executive Officer, the two other most highly compensated present executive officers and the former Chief Executive Officer:

SUMMARY COMPENSATION TABLE

<table>
<thead>
<tr>
<th>NAME AND PRINCIPAL POSITION</th>
<th>FISCAL YEAR</th>
<th>SALARY ($)</th>
<th>BONUS ($)</th>
<th>OTHER ANNUAL COMPENSATION ($)</th>
<th>OPTION/SAR VALUES ($)</th>
<th>ALL OTHER COMPENSATION ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Mac Crawford</td>
<td>1993</td>
<td>$500,000</td>
<td>$293,280</td>
<td>$711</td>
<td>572,990</td>
<td>$30,049</td>
</tr>
<tr>
<td>Chairman of the Board of Directors</td>
<td>1992</td>
<td>500,000</td>
<td>903,650</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawrence W. Drinkard</td>
<td>1993</td>
<td>350,000</td>
<td>197,400</td>
<td>$3,007</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>1992</td>
<td>335,000</td>
<td>489,458</td>
<td>*</td>
<td>215,000</td>
<td></td>
</tr>
<tr>
<td>and</td>
<td>1991</td>
<td>235,825</td>
<td>365,078</td>
<td>*</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Clark Wingfield</td>
<td>1993</td>
<td>225,000</td>
<td>110,790</td>
<td>$37,820</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Vice President</td>
<td>1992</td>
<td>215,000</td>
<td>217,975</td>
<td>*</td>
<td>30,000</td>
<td>$15,714</td>
</tr>
<tr>
<td>and</td>
<td>1991</td>
<td>690,696</td>
<td>605,234</td>
<td>*</td>
<td>--</td>
<td>$2,474,941</td>
</tr>
<tr>
<td>Administrative Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>William A. Fickling, Jr.</td>
<td>1993</td>
<td>415,000</td>
<td>121,011</td>
<td></td>
<td>3,986</td>
<td></td>
</tr>
<tr>
<td>Former Chairman of the Board of Directors</td>
<td>1992</td>
<td>800,000</td>
<td>726,000</td>
<td>2,220,336</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Lawrence W. Drinkard</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director, Executive Vice President</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raymond H. Kiefer</td>
<td>1992</td>
<td>335,000</td>
<td>489,458</td>
<td>*</td>
<td>215,000</td>
<td></td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Clark Wingfield</td>
<td>1993</td>
<td>225,000</td>
<td>110,790</td>
<td>$37,820</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Vice President</td>
<td>1992</td>
<td>215,000</td>
<td>217,975</td>
<td>*</td>
<td>30,000</td>
<td>$15,714</td>
</tr>
<tr>
<td>and</td>
<td>1991</td>
<td>690,696</td>
<td>605,234</td>
<td>*</td>
<td>--</td>
<td>$2,474,941</td>
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<tr>
<td>Administrative Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>William A. Fickling, Jr.</td>
<td>1993</td>
<td>415,000</td>
<td>121,011</td>
<td></td>
<td>3,986</td>
<td></td>
</tr>
<tr>
<td>Former Chairman of the Board of Directors</td>
<td>1992</td>
<td>800,000</td>
<td>726,000</td>
<td>2,220,336</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Lawrence W. Drinkard</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director, Executive Vice President</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raymond H. Kiefer</td>
<td>1992</td>
<td>335,000</td>
<td>489,458</td>
<td>*</td>
<td>215,000</td>
<td></td>
</tr>
</tbody>
</table>

AGGREGATED OPTION/SAR EXERCISES IN FISCAL 1993
AND OPTION/SAR VALUES AT SEPTEMBER 30, 1993

The following table provides information related to options exercised by the executive officers during fiscal 1993, and the number and value of options held on September 30, 1993.
EMPOWER APPOINTMENTS

Upon consummation of the Plan on July 21, 1992, the Company entered into employment agreements with Messrs. Crawford and Drinkard, for terms beginning on July 21, 1992, and ending on September 30, 1995. The agreements provide for base salaries (Mr. Crawford - $500,000 and Mr. Drinkard - $335,000) and for bonuses and life and disability insurance benefits that are competitive with similar benefits for comparable positions within the investor-owned hospital industry. The agreements also provide for severance payments upon termination without cause (including certain constructive termination events), termination due to death or disability and termination due to a change in control of the Company. Upon any such termination, the employee will be paid the greater of his base salary through September 30, 1995 or his base salary for a period of two years and amounts accrued for the employee through the date of termination under the Annual Incentive Plan and other bonus plans, if any. The terms of the two employment agreements were negotiated by the Company and a committee of unsecured creditors prior to consummation of the Plan.

DIRECTORS' FEES AND COMPENSATION

During fiscal 1993, non-employee directors received annual compensation of $18,000 and a fee of $800 for each Board meeting attended. In addition, non-employee directors were paid $200 for each committee meeting attended ($800 if the committee meeting was not held in conjunction with a Board meeting) and on February 4, 1993, each director was granted an option under the Directors' Stock Option Plan to purchase 25,000 shares of the Company's common stock for an exercise price of $14.56 per share. Effective October 1, 1993, non-employee directors receive annual compensation of $24,000 and a fee of $1,000 for each board meeting or committee meeting attended.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Board has an Audit Committee and a Compensation Committee. There is no nominating committee of the Board; nominees for director are selected by the Board of Directors.

AUDIT COMMITTEE. Audit Committee members during 1993 were Edwin M. Banks (Chairman) and Raymond H. Kiefer. The Audit Committee recommends to the Board of Directors the engagement of independent auditors of the Company, reviews the scope and results of audits of the Company, reviews the Company's internal accounting controls and the activities of the Company's internal audit staff and reviews the professional services furnished to the Company by its independent auditors.

COMPENSATION COMMITTEE. Compensation Committee members during 1993 were Andre C. Dimitriadias (Chairman) and Michael D. Hernandez, whose term as a director expired in February 1994. The Compensation Committee is responsible for establishing the policies relating to and the components of executive officer compensation.
The following table sets forth, as of March 31, 1994, information concerning ownership of shares of Common Stock by directors and officers.

<table>
<thead>
<tr>
<th>NAME</th>
<th>AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP</th>
<th>PERCENT OF TOTAL OUTSTANDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Mac Crawford</td>
<td>336,876 (1)</td>
<td>1.26%</td>
</tr>
<tr>
<td>Lawrence W. Drinkard</td>
<td>111,046 (1)</td>
<td>.42%</td>
</tr>
<tr>
<td>William E. Hale</td>
<td>3,000 (1)</td>
<td>(3)</td>
</tr>
<tr>
<td>C. Clark Wingfield</td>
<td>6,453 (1)</td>
<td>(3)</td>
</tr>
<tr>
<td>Andre C. Dimitriadis</td>
<td>10,000 (2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Raymond H. Kiefer</td>
<td>10,000 (2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Edwin M. Banks</td>
<td>10,500 (2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Michael D. Hernandez</td>
<td>10,000 (2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Gerald L. McManis</td>
<td>5,000 (2)</td>
<td>(3)</td>
</tr>
<tr>
<td>All directors and executive officers as a group (9 persons)</td>
<td>502,875 (4)</td>
<td>1.88%</td>
</tr>
</tbody>
</table>

(1) Includes 336,594, 109,599, 3,000 and 6,201 shares that Mr. Crawford, Mr. Drinkard, Mr. Hale and Mr. Wingfield, respectively, have the present right to acquire upon exercise of options and warrants.

(2) Includes 10,000 shares for Mr. Dimitriadis, Mr. Kiefer, Mr. Banks and Mr. Hernandez and 5,000 shares for Mr. McManis that each have the present right to acquire upon the exercise of options. Mr. Hernandez's term as a director of the Company expired in February 1994.

(3) Less than .1% of total outstanding.

(4) Includes 500,394 shares that the directors and executive officers have the present right to acquire upon exercise of options and warrants.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

MANAGEMENT SEVERANCE ARRANGEMENT. On July 21, 1992, the Company entered into an employment agreement with William A. Fickling, Jr., the former Chairman of the Board of Directors of the Company. The agreement provided for severance payments upon termination of his employment without cause. Mr. Fickling's employment was so terminated on March 4, 1993, and the Company recorded severance expense of approximately $2.1 million and paid Mr. Fickling approximately $243,000 in incentive bonus under the terms of the agreement. The $2.1 million severance settlement is being paid to Mr. Fickling in semi-monthly installments through September 1995.

Upon consummation of the Plan, the Company implemented the 1992 Stock Option Plan. Mr. Fickling was granted options under the 1992 Stock Option Plan to purchase approximately 2.2 million shares at exercise prices of either $4.36 per share or $9.60 per share. Under the terms of the plan, if Mr. Fickling's employment with the Company were terminated without cause and certain financial targets were satisfied, the option prices would be reduced to $.25 per share and all options would become immediately vested. On March 4, 1993, all of Mr. Fickling's options vested and the option prices were reduced to $.25 per share. As of December 31, 1993, Mr. Fickling exercised all such options.

AFFILIATE LEASE ARRANGEMENT. The Company owns 50% of the Charter Medical building in Macon, Georgia, and leases approximately 88,000 square feet of office space in such building for use as its corporate headquarters. The lease, which expires on September 30, 1994, provides for average annual rental payments of approximately $1,189,000 (approximately $13.50 average per square foot per year). Mr. Fickling and his father's estate each own 12.5% of the building. During fiscal 1993, each had an interest of approximately $149,000 in rental payments made by the Company.

BEECH STREET. On September 15, 1993, the Company sold its 19.8% ownership interest (plus its right to acquire an additional 9.6% interest for
approximately $2 million) in Beech Street of California, Inc. ("Beech Street") to the children of Mr. Fickling for approximately $5.5 million, plus the right to receive additional consideration, if certain events (i.e., a public offering of Beech Street stock or the sale of 50% or more of Beech Street's assets) occur within two years. The Company obtained a fairness opinion by an independent appraisal firm stating that the financial consideration was fair. The Company acquired its ownership interest in Beech Street in a series of related transactions beginning in May, 1989, for a total purchase price of $2,956,000. Beech Street was, prior to May, 1989, a wholly owned subsidiary of Beech Street, Inc., in which Mr. Fickling beneficially owns a majority of the outstanding capital stock. During the period of its ownership, the Company received $1,242,000 in dividend distributions from Beech Street.

Beech Street provides, among other things, utilization review services and operates preferred provider organizations ("PPOs") in various states. Under agreements effective January 1, 1991, Beech Street provides utilization review services and PPO services for the Company's self-insured medical plans. The Company paid approximately $124,000 to Beech Street during fiscal 1993 for utilization review services. Beech Street's PPO services permit the Company's employees and their covered dependents to utilize a Beech Street PPO. In fiscal 1993, the Company paid Beech Street a fixed fee per enrolled participant for PPO services (which aggregated approximately $87,000).

The Company also has agreements with Beech Street where certain of the Company's hospitals provide services to employers (and their related employee and covered dependent groups) who have entered into agreements with Beech Street to utilize a Beech Street PPO for hospital and other healthcare services. Such agreements provide for covered services to be rendered under terms (including discounts for the hospital's normal charges) which management of the Company believes are customary for hospital PPO agreements.

The Beech Street PPO reviews claims and serves as an intermediary between the Company's hospitals and the contracting employers. The Company derived approximately $21.4 million in revenues from these agreements during fiscal 1993. The aggregate discount from customary charges was 12% in fiscal 1993.

In fiscal 1993, prior to the sale of Beech Street, Beech Street paid approximately $160,000 in management fees and expense reimbursements to Mulberry Street Investment Company ("Mulberry Street"). Mulberry Street provided senior level management and financial services for Beech Street. Mr. Fickling beneficially owns all of the capital stock of Mulberry Street.

MANAGEMENT BUSINESS RELATIONSHIPS. During fiscal 1991 the Company's Board of Directors, with Mr. Fickling abstaining, authorized the payment by the Company of the reasonable legal expenses and out-of-pocket disbursements of the law firms serving as counsel to Mr. Fickling, his family and related trusts and entities in all matters reasonably related to the Restructuring, which services included not only matters relating to ownership of the Company's formerly outstanding Class B Common Stock and Series B, C and D Preferred Stock, but also services relating to other matters that were reasonable and appropriate to resolve or consider in connection with the Restructuring. During fiscal 1993 the Company paid aggregate fees and expenses of approximately $142,000 to such firms for such services.

During fiscal 1993 the Company had two agreements in which Fickling & Walker Company, a licensed real estate brokerage firm of which the estate of Mr. Fickling's father owned 50%, represented the Company in the listing of improved parcels of real estate for sale. Fickling & Walker Company received a $48,750 commission from one such sale and, should the remaining parcel be sold at its estimated sales price, would receive $46,500 in additional commission.

Gerald I. McManis, who was elected director on February 18, 1994, is the Chairman of the Board, President and owner of 92% of the stock of McManis Associates, Inc. ("MAI"), a healthcare development and management consulting firm. During fiscal 1993, MAI provided consulting services for the Company related to the development of strategic plans and a review of the Company's business processes. The Company incurred $1,003,000 in fees for such services during fiscal 1993, and reimbursed MAI $128,000 for expenses.
The Company sold the Old Notes to the Initial Purchasers on April 22, 1994 pursuant to the Purchase Agreement. The Initial Purchasers subsequently resold the Old Notes to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act. As a condition to the Purchase Agreement, the Company entered into the Registration Rights Agreement, pursuant to which the Company agreed, for the benefit of all holders of the Old Notes, that it would, at its expense, (i) as soon as practicable after the initial issuance of the Old Notes, file a registration statement with the Commission with respect to a registered offer to resell the New Notes and (ii) use its best efforts to cause such registration statement to be declared effective under the Securities Act by August 31, 1994 and cause the New Notes to be listed on a national securities exchange promptly after the consummation of the Exchange Offer. Charter also agreed that upon effectiveness of the Registration Statement, it would offer to all holders of the Old Notes an opportunity to exchange their securities for an equal principal amount of the New Notes. Further, Charter agreed that it would keep the Exchange Offer open for acceptance for not less than 20 business days, but in no event longer than 30 business days (subject to any extensions required by applicable law) after the date such Registration Statement was declared effective and would comply with Regulation 14E and Rule 13e-4 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the filing requirements of Rule 13e-4). A copy of the Registration Rights Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The term "Holder" with respect to the Exchange Offer means any person in whose name Old Notes are registered on the books of the Company or any other person who has obtained a properly completed bond power from the registered holder. The Exchange Offer is intended to satisfy certain of the Company's obligations under the Registration Rights Agreement.

Based on existing interpretations of the Staff with respect to similar transactions, the Company believes that the New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery requirements of the Securities Act; provided that such New Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in any public distribution of the New Notes. Each broker or dealer registered as such under Section 15 of the Exchange Act receiving New Notes in the Exchange Offer ("Participating Broker-Dealers") will be subject to a prospectus delivery requirement with respect to resales of such New Notes. Each Participating Broker-Dealer must acknowledge that it will deliver a resale prospectus in connection with any resale of such New Notes. The Letter of Transmittal which accompanies this Prospectus states that by so acknowledging and by delivering a resale prospectus, a Participating Broker-Dealer will be deemed not to be acting in the capacity of an "underwriter" (within the meaning of Section 2(11) of the Securities Act). This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such Participating Broker-Dealer as result of market-making or other trading activities. Pursuant to the Registration Rights Agreement, the Company has agreed to permit Participating Broker-Dealers and other persons, if any, subject to similar prospectus delivery requirements to use this Prospectus in connection with the resale of such New Notes for a period of 180 days from the date on which the Registration Statement of which this Prospectus is a part is first declared effective.

Each holder of the Old Notes who wishes to exchange its Old Notes for New Notes in the Exchange Offer will be required to make certain representations to the Company in the accompanying Letter of Transmittal, including that (i) any New Notes to be received by it will be acquired in the ordinary course of its business, (ii) it has no arrangement with any person to participate in a public distribution (within the meaning of the Securities Act) of the New Notes, and (iii) it is not an "affiliate," as defined in Rule 405 of the Securities Act of the Company, or if it is such an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable to it. In addition, each holder who is not a broker-dealer will be required to represent that it is not engaged in, and does not intend to engage in, a public distribution of the New Notes. Each Participating Broker-Dealer who receives New Notes for its own account in exchange for Old Notes that were acquired by it as a result of market-making or other trading
activities, will be required to acknowledge that it will deliver this Prospectus in connection with any resale by it of such New Notes.

As a result of both the filing and the effectiveness of the Registration Statement of which this Prospectus forms a part and to the extent the Exchange Offer is consummated prior to August 31, 1994, certain prospective increases in the per annum interest rate of the Old Notes provided for in the Registration Rights Agreement will not occur. Accordingly, subject to the aforementioned interpretations of the Staff with respect to the free transferability of the New Notes received by holders in exchange for their Old Notes pursuant to the Exchange Offer and, as set forth in such interpretations, the ability of certain holders to participate in the Exchange Offer, holders of Old Notes otherwise eligible to participate in the Exchange Offer and receive pursuant thereto freely tradeable New Notes but who elect not to tender their Old Notes for exchange, will not have any further registration rights under the Registration Rights Agreement and the Old Notes not so exchanged will remain "restricted securities" (within the meaning of the Securities Act) and subject to restrictions on transfer under the Securities Act.

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal (together, the "Exchange Offer"), the Company will accept for exchange and exchange any and all Old Notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date. The Company will issue $1,000 principal amount of New Notes in exchange for each $1,000 principal amount of outstanding Old Notes accepted in the Exchange Offer. Holders may tender some or all of their Old Notes pursuant to the Exchange Offer. However, Old Notes may be tendered only in integral multiples of $1,000.

The form and terms of the New Notes are the same as the form and terms of the Old Notes except that (i) the New Notes have been registered under the Securities Act and will not bear legends restricting the transfer thereof, (ii) the holders of the New Notes will not be entitled to certain rights under the Registration Rights Agreement, which rights will terminate when the Exchange Offer is terminated and (iii) the New Notes have been given a series designation to distinguish the New Notes from the Old Notes. The New Notes will evidence the same debt as the Old Notes and will be entitled to the benefits of the Indenture.

As of the date of this Prospectus, all $375,000,000 outstanding principal amount of the Old Notes were evidenced by global securities, registered in the name of CEDE & Co., as nominee for DTC, and held by Marine Midland Bank as securities custodian for CEDE & Co. As indicated elsewhere in this Prospectus, the Old Notes have been included in the PORTAL Market for trading among "qualified institutional buyers" pursuant to Rule 144A under the Securities Act.

For purposes of administration, the Company has fixed the close of business on , 1994 as the record date for the Exchange Offer for purposes of determining the persons to whom this Prospectus and the accompanying Letter of Transmittal will be mailed initially. There will be no fixed record date for determining generally registered holders of Old Notes entitled to participate in the Exchange Offer.

Holders of Old Notes do not have any appraisal or dissenters' rights under the General Corporation Law of Delaware or the Indenture in connection with the Exchange Offer. The Company intends to conduct the Exchange Offer in accordance with Regulation 14E and Rule 13e-4 under the Exchange Act (other than the filing requirements of Rule 13e-4).

The Company shall be deemed to have accepted validly tendered Old Notes when, as and if the Company has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering Holders for the purpose of receiving the New Notes from the Company.

If any tendered Old Notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein under "--Conditions" or otherwise, the certificates for any such unaccepted Old Notes will be returned, without expense, to the tendering Holder thereof as promptly as practicable after the Expiration Date. See "--Procedures for Tendering."
Holders who tender Old Notes in the Exchange Offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the Letter of Transmittal, transfer taxes with respect to the exchange of Old Notes pursuant to the Exchange Offer. The Company will pay all charges and expenses, other than transfer taxes, in certain circumstances, in connection with the Exchange Offer. See "-- Fees and Expenses."

EXPIRATION DATE; EXTENSIONS; AMENDMENTS

The term "Expiration Date" shall mean 5:00 p.m., New York City time, on , 1994, unless the Company, in its sole discretion, extends the Exchange Offer, in which case the term "Expiration Date" shall mean the latest date and time to which the Exchange Offer is extended.

In order to extend the Exchange Offer, the Company will notify the Exchange Agent of any extension by oral or written notice and will mail to the registered Holders an announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

The Company reserves the right, in its sole discretion, (i) to delay accepting any Old Notes, to extend the Exchange Offer or to terminate the Exchange Offer if any of the conditions set forth below under "-- Conditions" shall not have been satisfied, by giving oral or written notice of such delay, extension or termination to the Exchange Agent or (ii) to amend the terms of the Exchange Offer in any manner. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the registered Holders. If the Exchange Offer is amended in a manner determined by the Company to constitute a material change, the Company will promptly disclose such amendment by means of a prospectus supplement that will be distributed to the registered Holders, and the Company will extend the Exchange Offer in accordance with applicable rules of the Commission and published interpretations of the Staff, for a period of five to ten business days, depending upon the significance of the amendment and the manner of disclosure to the registered Holders, if the Exchange Offer would otherwise expire during such five to ten business day period.

52

Without limiting the manner in which the Company may choose to make public announcement of any delay, extension, amendment or termination of the Exchange Offer, the Company shall have no obligation to publish, advertise or otherwise communicate any such public announcement, other than by making a timely release to the Dow Jones News Service.

INTEREST ON THE NEW NOTES

Each New Note will bear interest from its date of original issuance. Holders of Old Notes that are accepted for exchange and exchanged for New Notes will receive, in cash, accrued interest thereon to, but not including, the original issuance date of the New Notes. Such interest will be paid on the first interest payment date for the New Notes. Interest on the Old Notes accepted for exchange and exchanged in the Exchange Offer will cease to accrue on the date next preceding the date of original issuance of the New Notes. The New Notes will bear interest (as do the Old Notes) at a rate per annum of 11 1/4%, which interest will be payable semi-annually on each April 15 and October 15, commencing on October 15, 1994.

PROCEDURES FOR TENDERING

Only a Holder of Old Notes may participate in the Exchange Offer. The tender to the Exchange Agent of Old Notes by a Holder thereof as set forth below and the acceptance thereof by the Company will constitute a binding agreement between the tendering Holder and the Company upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal. Except as set forth below, a Holder who wishes to tender Old Notes for exchange pursuant to the Exchange Offer must transmit a properly completed and duly executed Letter of Transmittal, including all other documents required by such Letter of Transmittal, to the Exchange Agent at one of the addresses set forth below under "Exchange Agent" on or prior to the Expiration Date. In addition, either (i) certificates for such Old Notes must be received by the Exchange Agent together with the Letter of Transmittal or (ii) a timely Book-Entry Confirmation (as hereinafter defined) of such Old Notes, if such procedure is available, into the Exchange Agent's account at the Depositary (the "Book Entry Transfer Facility") pursuant to the procedure for book-entry
transfer described below, must be received by the Exchange Agent prior to the Expiration Date, or (iii) the Holder must comply with the guaranteed delivery procedures described below.

By executing the accompanying Letter of Transmittal, each Holder will thereby make to the Company the representations set forth above in the third paragraph under the heading "-- Purpose and Effect of the Exchange Offer."

The tender by a Holder and the acceptance thereof by the Company will constitute an agreement between such Holder and the Company in accordance with the terms and subject to the conditions set forth herein and in the accompanying Letter of Transmittal.

THE METHOD OF DELIVERY OF OLD NOTES AND THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDER. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE DELIVERY TO THE EXCHANGE AGENT BEFORE THE EXPIRATION DATE. NO LETTER OF TRANSMITTAL OR OLD NOTE SHOULD BE SENT TO THE COMPANY. HOLDERS MAY REQUEST THEIR RESPECTIVE BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES OR NOMINEES TO EFFECT THE ABOVE TRANSACTIONS FOR SUCH HOLDERS.

Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered Holder promptly and instruct such registered Holder to tender on such beneficial owner's behalf. See "Instruction to Registered Holder and/or Book-Entry Transfer Facility Participant from Owner" included with the Letter of Transmittal.

Signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an Eligible Institution (as defined below) unless the Old Notes tendered pursuant thereto are tendered (i) by a registered Holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution.

In the event that signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantee must be by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (an "Eligible Institution").

If the Letter of Transmittal is signed by a person other than the registered Holder of any Old Notes listed therein, such Old Notes must be endorsed or accompanied by a properly completed bond power, signed by such registered Holder as such registered Holder’s name appears on such Old Notes with the signature thereon guaranteed by an Eligible Institution.

If the Letter of Transmittal or any Old Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by the Company, evidence satisfactory to the Company of their authority to so act must be submitted with the Letter of Transmittal.

The Exchange Agent and DTC have confirmed to the Company that any financial institution that maintains a direct account with DTC (a "Participant") may utilize DTC's Automated Tender Offer Program ("ATOP") to tender Old Notes for exchange in the Exchange Offer. The Exchange Agent will request that DTC establish an account with respect to the Old Notes for purposes of the Exchange Offer within two business days after the date of this Prospectus. Any Participant may effect book-entry delivery of Old Notes by causing DTC to record the transfer of the tendering Participant's beneficial interests in the global Old Notes into the Exchange Agent's account in accordance with DTC's ATOP procedures for such transfer. However, the exchange of New Notes for Old Notes so tendered only will be made after timely confirmation (a "Book-Entry Confirmation") of such book-entry transfer of Old Notes into the Exchange Agent's account, and timely receipt by the Exchange Agent of an Agent's Message (as defined below) and any other documents required by the Letter of Transmittal. The term "Agent's Message" as used herein means a message, transmitted by DTC and received by the Exchange Agent and forming part of a...
Book-Entry Confirmation, which states that DTC has received an express acknowledgment from a Participant tendering Old Notes for exchange which are the subject of such Book-Entry Confirmation that such Participant has received and agrees to be bound by the terms and conditions of the Letter of Transmittal, and that the Company may enforce such agreement against such Participant.

All questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered Old Notes and withdrawal of tendered Old Notes will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any and all Old Notes not properly tendered or any Old Notes the Company’s acceptance of which would, in the opinion of counsel for the Company, be unlawful. The Company also reserves the right to waive any defects, irregularities or conditions of tender as to particular Old Notes. The Company’s interpretation of the terms and conditions of the Exchange Offer (including the instructions in the Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes must be cured within such time as the Company shall determine. Although the Company intends to notify Holders of defects or irregularities with respect to tenders of Old Notes, neither the Company, the Exchange Agent nor any other person shall incur any liability for failure to give such notification. Tenders of Old Notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Old Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering Holders, unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

GUARANTEED DELIVERY PROCEDURES

Holders who wish to tender their Old Notes and (i) whose Old Notes are not immediately available, (ii) who cannot deliver their Old Notes, the Letter of Transmittal or any other required documents to the Exchange Agent or (iii) who cannot complete the procedures for book-entry transfer, prior to the Expiration Date, may effect a tender if:

(a) the tender is made through an Eligible Institution;

(b) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the Holder, the certificate number(s) of such Old Notes and the principal amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that, within five New York Stock Exchange trading days after the Expiration Date, the Letter of Transmittal (or facsimile thereof) together with the certificate(s) representing the Old Notes (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent’s account at the Book-Entry Transfer Facility), and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent; and

(c) such properly completed and executed Letter of Transmittal (or facsimile thereof), as well as the certificate(s) representing all tendered Old Notes in proper form for transfer (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent’s account at the Book-Entry Transfer Facility), and all other documents required by the Letter of Transmittal are received by the Exchange Agent within five New York Stock Exchange trading days after the Expiration Date.

Upon request to the Exchange Agent, a Notice of Guaranteed Delivery will be sent to Holders who wish to tender their Old Notes according to the guaranteed delivery procedures set forth above.

WITHDRAWAL OF TENDERS

Except as otherwise provided herein, tenders of Old Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw a tender of Old Notes in the Exchange Offer, a written or facsimile transmission notice of withdrawal must be received by the Exchange Agent at its address set forth herein prior to 5:00 p.m., New York City time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having deposited the Old Notes to be withdrawn (the “Depositor”), (ii) identify the Old Notes to be withdrawn (including the certificate number(s) and
principal amount of such Old Notes, or, in the case of Old Notes transferred by
book-entry transfer, the name and number of the account at the Book-Entry
Transfer Facility to be credited), (iii) be signed by the Holder in the same
manner as the original signature on the Letter of Transmittal by which such Old
Notes were tendered (including any required signature guarantees) or be
accompanied by documents of transfer sufficient to have the Trustee with respect
to the Old Notes register the transfer of such Old Notes into the name of the
person withdrawing the tender and (iv) specify the name in which any such Old
Notes are to be registered, if different from that of the Depositor. All
questions as to the validity, form and eligibility (including time of receipt)
of such notices will be determined by the Company, whose determination shall be
final and binding on all parties. Any Old Notes so withdrawn will be deemed not
to have been validly tendered for purposes of the Exchange Offer and no New
Notes will be issued with respect thereto unless the Old Notes so withdrawn are
validly retendered. Any Old Notes which have been tendered but which are not
accepted for exchange, will be returned to the Holder thereof without cost to
such Holder as soon as practicable after withdrawal, rejection of tender or
termination of the Exchange Offer. Properly withdrawn Old Notes may be
retendered by following one of the procedures described above under "--
Procedures for Tendering" at any time prior to the Expiration Date.

CONDITIONS

Notwithstanding any other term of the Exchange Offer, the Company shall not
be required to accept for exchange, or exchange New Notes for, any Old Notes,
and may terminate or amend the Exchange Offer as provided herein before the
acceptance of such Old Notes, if:

(a) any action or proceeding is instituted or threatened in any court or
by or before any governmental agency with respect to the Exchange Offer
which, in the sole judgment of the Company, might

materially impair the ability of the Company to proceed with the Exchange
Offer or any material adverse development has occurred in any existing
action or proceeding with respect to the Company or any of its subsidiaries; or

(b) any change, or any development involving a prospective change, in
the business or financial affairs of the Company or any of its subsidiaries
has occurred which, in the sole judgment of the Company, might materially
impair the ability of the Company to proceed with the Exchange Offer; or

(c) any law, statute, rule, regulation or interpretation by the Staff is
proposed, adopted or enacted, which, in the sole judgment of the Company,
might materially impair the ability of the Company to proceed with the Exchange Offer or materially impair the contemplated benefits of the
Exchange Offer to the Company; or

(d) any governmental approval has not been obtained, which approval the
Company shall, in its sole discretion, deem necessary for the consummation
of the Exchange Offer as contemplated hereby.

If the Company determines in its sole discretion that any of the conditions
are not satisfied, the Company may (i) refuse to accept any Old Notes and return
all tendered Old Notes to the tendering Holders, (ii) extend the Exchange Offer
and retain all Old Notes tendered prior to the expiration of the Exchange Offer,
subject, however, to the rights of Holders to withdraw such Old Notes (see "--
Withdrawal of Tenders") or (iii) waive such unsatisfied conditions with respect
to the Exchange Offer and accept all properly tendered Old Notes which have not
been withdrawn. If such waiver constitutes a material change to the Exchange
Offer, the Company will promptly disclose such waiver by means of a prospectus
supplement that will be distributed to the registered Holders, and the Company
will extend the Exchange Offer, in accordance with applicable rules of the
Commission and published interpretation of the Staff, for a period of five to
ten business days, depending upon the significance of the waiver and the manner
of disclosure to the registered Holders, if the Exchange Offer would otherwise
expire during such five to ten business day period.

EXCHANGE AGENT

Marine Midland Bank has been appointed as Exchange Agent for the Exchange
Offer. Questions and requests for assistance, requests for additional copies of
this Prospectus or of the Letter of Transmittal and requests for Notices of
Guaranteed Delivery should be directed to the Exchange Agent addressed as follows:

Marine Midland Bank
Corporate Trust Operations
140 Broadway - "A" Level
New York, New York 10005-1180

Telephone: (212) 658-6433
Facsimile: (212) 658-6425

FEES AND EXPENSES

The expenses of soliciting tenders will be borne by the Company. The principal solicitation is being made by mail; however, additional solicitation may be made by telegraph, telephone or in person by officers and regular employees of the Company and its affiliates.

The Company has not retained any dealer-manager in connection with the Exchange Offer and will not make any payments to brokers or others soliciting acceptances of the Exchange Offer. The Company, however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith and will reimburse the Holders of the Old Notes for the reasonable fees and expenses of not more than one firm of counsel designated by the holders of a majority in principal amount of the Old Notes outstanding within the meaning of the Indenture to act as counsel for all Holders of Old Notes in connection therewith.

The cash expenses to be incurred in connection with the Exchange Offer will be paid by the Company. Such expenses include fees and expenses of the Exchange Agent and Trustee, accounting and legal fees and printing costs, among others.

The Company will pay all transfer taxes, if any, applicable to the exchange of Old Notes pursuant to the Exchange Offer. If, however, certificates representing New Notes or Old Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered Holder of the Old Notes tendered, or if tendered Old Notes are registered in the name of any person other than the person signing the Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Old Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered Holder or any other persons) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering Holder.

ACCOUNTING TREATMENT

The New Notes will be recorded at the same carrying value as the Old Notes, which is face value, as reflected in the Company's accounting records on the date of the exchange. Accordingly, no gain or loss for accounting purposes will be recognized.

TERMINATION OF CERTAIN RIGHTS

Holders of the New Notes will not be entitled to the benefits of the Registration Rights Agreement, pursuant to which the Company agreed, for the benefit of holders of the Old Notes, that it would, at its expense, (i) as soon as practicable after the initial issuance of the Old Notes, file a registration statement with the Commission with respect to a registered offer to exchange the Old Notes for the New Notes and (ii) use its best efforts to cause such registration statement to be declared effective under the Securities Act by August 31, 1994 and to cause the New Notes to be listed on a national securities exchange promptly after the consummation of the Exchange Offer.

In addition, pursuant to the Registration Rights Agreement, in the event that applicable interpretations of the Staff do not permit the Company to effect the Exchange Offer or for any other reason the Exchange Offer is not consummated by August 31, 1994, or if the Initial Purchasers so request with respect to Old Notes not eligible to be exchanged for New Notes in the Exchange Offer or if any holder of Old Notes is not eligible to participate in the Exchange Offer or does not receive freely tradeable New Notes in the Exchange Offer, the Company will, at its expense, (a) promptly file a shelf registration
statement (a "Shelf Registration Statement") permitting resales from time to time of the Old Notes, (b) use its best efforts to cause such registration statement to become effective and (c) use its best efforts to keep such registration statement current and effective until three years from the date it becomes effective or such shorter period that will terminate when all the Old Notes covered by such registration statement have been sold pursuant thereto. The Company, at its expense, will provide to each holder of the Old Notes copies of the prospectus that is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement has become effective and take certain other actions as are required to permit unrestricted resales of the Old Notes from time to time. A holder of Old Notes who sells such Old Notes pursuant to the Shelf Registration Statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement which are applicable to such holder (including certain indemnification obligations).

In the event that the Exchange Offer is not consummated pursuant to its terms or the Shelf Registration Statement is not declared effective on or prior to August 31, 1994, the interest rate borne by the Old Notes shall be increased by 50 basis points per annum following such date. Such interest rate will increase by an additional 25 basis points per annum at the beginning of each subsequent 60-day period, up to a maximum aggregate increase of 150 basis points per annum. Upon the consummation of the Exchange Offer or the effectiveness of the Shelf Registration Statement, as the case may be, the interest rate borne by the Old Notes will be reduced from and including the date on which either event occurs by the amount of any such increase over 11 1/4%. See "-- Resales of the New Notes" and "-- Consequences of Failure to Exchange."

CONSEQUENCES OF FAILURE TO EXCHANGE

The Old Notes that are not exchanged for New Notes pursuant to the Exchange Offer will remain "restricted securities" (within the meaning of the Securities Act). Accordingly, prior to the date that is three years after the later of the date of the original issue thereof and the last date on which the Company or any affiliate of the Company was the owner of such Old Notes (the "Resale Restriction Termination Date"), such Old Notes may be resold only (i) to the Company, (ii) to a person whom the seller reasonably believes is a "qualified institutional buyer" purchasing for its own account or for the account of another "qualified institutional buyer" in compliance with the resale limitations of Rule 144A, (iii) to an "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) that is an institution (an "Institutional Accredited Investor") that, prior to such transfer, furnishes to the Trustee a written certification containing certain representations and agreements relating to the restrictions on transfer of the Notes (the form of which letter can be obtained from the Trustee), (iv) pursuant to the limitations on resale provided by Rule 144 under the Securities Act (if available), (v) pursuant to the resale provisions of Rule 904 of Regulation S under the Securities Act, (vi) pursuant to an effective registration statement under the Securities Act or (vii) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such account be at all times within its control and to compliance with applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

RESALES OF THE NEW NOTES

With respect to resales of New Notes, based on existing interpretations of the Staff, the Company believes that the New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery requirements of the Securities Act; provided such New Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in any public distribution of the New Notes. Each Participating Broker-Dealer receiving New Notes in the Exchange Offer will be subject to a prospectus delivery requirement with respect to resales of such New Notes. Each Participating Broker-Dealer must acknowledge that it will deliver a
resale prospectus in connection with any resale of such New Notes. The Letter of Transmittal which accompanies this Prospectus states that by so acknowledging and by delivering a resale prospectus, a Participating Broker-Dealer will be deemed not to be acting in the capacity of an "underwriter" (within the meaning of Section 2(11) of the Securities Act). This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such Participating Broker-Dealer as result of market making or other trading activities. Pursuant to the Registration Rights Agreement, the Company has agreed to permit Participating Broker-Dealers and other persons, if any, subject to similar prospectus delivery requirements to use this Prospectus in connection with the resale of such New Notes for a period of 180 days from the date on which the Registration Statement of which this Prospectus is a part is first declared effective.

Each holder of the Old Notes who wishes to exchange its Old Notes for New Notes in the Exchange Offer will be required to make certain representations to the Company and to the Participating Broker-Dealer. The Letter of Transmittal, including the following statements, shall be delivered by Participating Broker-Dealers in connection with their resales of Old Notes in connection with the Exchange Offer: (i) any resale of such Old Notes will be made in the ordinary course of its business, (ii) it has no arrangement with any person to participate in a public distribution (within the meaning of the Securities Act) of the New Notes, and (iii) it is not an "affiliate," as defined in Rule 405 of the Securities Act of the Company, or if it is such an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable to it. In addition, each holder who is not a broker-dealer will be required to represent that it is not engaged in, and does not intend to engage in, a public distribution of the New Notes. Each Participating Broker-Dealer who receives New Notes for its own account in exchange for Old Notes that were acquired by it as a result of market-making or other trading activities, will be required to acknowledge that it will deliver a prospectus in connection with any resale of such Old Notes. For a description of the procedures for certain resales by broker-dealers, see "Plan of Distribution."

58

PLAN OF DISTRIBUTION

Each Participating Broker-Dealer that holds Old Notes that were acquired for its own account as a result of market-making or other trading activities (other than Old Notes acquired directly from the Company), may exchange such Old Notes for New Notes pursuant to the Exchange Offer. However, a Participating Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Securities Act and, therefore, will be required to deliver a prospectus satisfying the requirements of the Act in connection with any resales by it of such New Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Notes received in exchange for Old Notes in satisfaction of such prospectus-delivery requirement. The delivery by a Participating Broker-Dealer of this Prospectus in connection with resales of New Notes shall not be deemed to be an admission by such Participating Broker-Dealer that it is an "underwriter" within the meaning of the Act. The Company has agreed that it shall cause the Registration Statement of which this Prospectus is a part to remain current and continuously effective for a period of 180 days from the date on which such Registration Statement was first declared effective and that it shall supplement or amend from time to time this Prospectus to the extent necessary to permit this Prospectus (as so supplemented or amended) to be delivered by Participating Broker-Dealers in connection with their resales of New Notes.

The Company will not receive any proceeds from any sale of New Notes by Participating Broker-Dealers or otherwise. New Notes received by Participating Broker-Dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through dealers who may receive compensation in the form of commissions, concessions or allowances from any such Participating Broker-Dealer and/or the purchasers of any such New Notes. Any Broker-Dealer that resells New Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of New Notes and any commissions, concessions or allowances received by any such persons may be deemed to be underwriting compensation under the
Securities Act. The accompanying Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period 180 days from the date on which the Registration Statement of which this Prospectus is a part is first declared effective, the Company will deliver to each holder of New Notes, without charge, as many copies of this Prospectus and any amendment or supplement to this Prospectus as such person may reasonably request. The Company has agreed to pay all expenses incident to the Exchange Offer other than commissions, concessions or allowances of any brokers or dealers and certain transfer taxes and will indemnify the holders of the New Notes (including any Participating Broker-Dealers) against certain liabilities, including liabilities under the Securities Act, or to the extent such indemnification is unavailable or insufficient, to contribute to any payments that such Participating Broker-Dealers may be required to make in respect thereof.

DESCRIPTION OF THE NEW NOTES

GENERAL

The New Notes will be issued under the Indenture, dated May 2, 1994, among the Company, the Guarantors and Marine Midland Bank, as trustee (the "Trustee"), pursuant to which the Old Notes were issued. For purposes of the following summary, the Old Notes and the New Notes shall be collectively referred to as the "Notes." The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and in effect on the Closing Date. The Notes are subject to all such terms, and holders of the Notes are referred to the Indenture and the Trust Indenture Act for a statement thereof. The following summary of certain provisions of the Indenture does not purport to be complete and is qualified in its entirety by reference to the Indenture, including the definitions therein of certain terms used below. A copy of the Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The definitions of certain terms used in the following summary are set forth below under "Certain Definitions." Copies of the Indenture will be made available to prospective purchasers of the Notes upon request.

The Notes will be general unsecured obligations of the Company, subordinate in right of payment to all Senior Indebtedness of the Company, and senior or pari passu in right of payment to all existing and future subordinated Indebtedness of the Company.

SUBSIDIARY GUARANTEES

The Company's payment obligations under the Notes are jointly and severally guaranteed by the Guarantors. The obligations of each Guarantor under its Guarantee are unconditional and absolute, irrespective of any invalidity, illegality, unenforceability of any Note or the Indenture or any extension, compromise, waiver or release in respect of any obligation of the Company or any other Subsidiary Guarantor under any Note or the Indenture, or any modification or amendment of or supplement to the Indenture.

The obligations of any Guarantor under its Guarantee are subordinated, to the same extent as the obligations of the Company in respect of the Notes, to the prior payment in full in cash of all Senior Indebtedness of such Guarantor, which will include any guarantee issued by such Guarantor of any Senior Indebtedness, including Indebtedness under the New Credit Agreement. The obligations of each Guarantor under its Guarantee are limited to the extent necessary to ensure that such Guarantee does not constitute a fraudulent conveyance under applicable law. See "Investment Considerations -- Holding Company Structure." Each Guarantor that makes a payment or distribution under its Guarantee shall be entitled to a contribution from each other Guarantor so long as exercise of such right does not impair the rights of holders of Notes under any Guarantee. A Guarantor shall be released and discharged from its obligations under its Guarantee under certain limited circumstances, including (i) upon the sale of all or such Guarantor, (ii) upon the consummation of any transaction whereupon such Guarantor becomes a Permitted Joint Venture, and (iii) upon the consummation of any transaction whereupon the Company's and its Restricted Subsidiaries' Investment in such Guarantor constitutes a Permitted Minority Interest.
Separate financial statements of the Guarantors are not included herein because such Guarantors are jointly and severally liable with respect to the Notes, and the aggregate consolidated net assets, earnings and equity of the Guarantors are substantially equivalent to the net assets, earnings and equity of the Company on a consolidated basis.

**PRINCIPAL, MATURITY AND INTEREST**

The Notes are limited in aggregate principal amount to $375 million and will mature on April 15, 2004. Interest on the Notes will accrue at the rate of 11 1/4% per annum and will be payable semi-annually on each April 15 and October 15, commencing on October 15, 1994, to the holder of record on the immediately preceding April 1 and October 1, whether or not a business day. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance. Interest will be computed on the basis of a 360-day year, comprised of twelve 30-day months. The Notes will be payable both as to principal and interest at the office or agency of the Company maintained for such purpose within the City of New York, Borough of Manhattan or, at the option of the Company, payment of interest may be made by check mailed to the holders of the Notes at their respective addresses set forth in the register of holders of Notes. Unless otherwise designated by the Company, the Company's office or agency maintained for such purpose in the City of New York, Borough of Manhattan will be the office of the Trustee. The Notes will be issued in denominations of $1,000 and integral multiples thereof.

**OPTIONAL REDEMPTION**

The Notes are not redeemable at the option of the Company prior to April 15, 1999. Thereafter, the Notes will be subject to redemption at the option of the Company, in whole or in part, at the redemption prices (expressed as a percentage of the principal amount) set forth below, plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the twelve-month period beginning April 15 of the years indicated below:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>REDEMPTION PRICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>105.625%</td>
</tr>
<tr>
<td>2000</td>
<td>103.750%</td>
</tr>
<tr>
<td>2001</td>
<td>101.875%</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>100.000%</td>
</tr>
</tbody>
</table>

**SINKING FUND**

The Notes are not subject to the benefit of any sinking fund.

**SELECTION AND NOTICE**

If less than all of the Notes are to be redeemed at any time, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not listed on a national securities exchange, on a pro rata basis, provided that Notes shall be redeemed in principal amounts of $1,000 or integral multiples thereof. Notice of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

**CHANGE OF CONTROL**

Upon the occurrence of a Change of Control, each holder of the Notes shall...
have the right to require the repurchase of such holder's Notes in whole or in part pursuant to the offer described below (the "Change of Control Offer") at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. Within 10 days following any Change of Control, the Company shall mail a notice to the Trustee and to each holder stating: (i) that the Change of Control Offer is being made pursuant to the "Change of Control" provision of the Indenture and that all Notes tendered and not subsequently withdrawn will be accepted for payment and paid for by the Company; (ii) the purchase price and the purchase date (which shall not be less than 30 days nor more than 60 days after the date such notice is mailed) (the "Change of Control Payment Date"); (iii) that any Note not tendered will continue to accrue interest and shall continue to be governed by the terms of the Indenture in all respects; (iv) that, unless the Company defaults in the payment thereof, all Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest on and after the Change of Control Payment Date; (v) that holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes to be purchased to the Paying Agent at the address specified in the notice prior to the close of business on the business day next preceding the Change of Control Payment Date; (vi) that holders will be entitled to withdraw their election on the terms and conditions set forth in such notice; and (vii) that holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each such new Note issued shall be in a principal amount of $1,000 or integral multiples thereof.

On (or, in the case of clause (ii) of this paragraph, at the Company's election, before) the Change of Control Payment Date, the Company shall (i) accept for payment all Notes or portions thereof tendered and not theretofore withdrawn, pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent immediately available funds sufficient to pay the purchase price of all Notes or portions thereof accepted for payment, and (iii) deliver or cause to be delivered to the Trustee all Notes so tendered, together with an officer's certificate specifying the Notes or portions thereof tendered to the Company. The Paying Agent shall promptly mail to each holder of Notes so tendered payment in an amount equal to the purchase price for such Notes, and the Trustee shall promptly authenticate and mail to such holder one or more certificates evidencing new Notes equal in principal amount to any unpurchased portion of the Notes surrendered; provided that each such new Note shall be in a principal amount of $1,000 or integral multiples thereof. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Company will comply with the requirements of Regulation 14E and Rule 13e-4 (other than the filing requirements of such rule) under the Exchange Act, and any other securities laws and regulations thereunder that are applicable in connection with the repurchase of the Notes resulting from a Change of Control.

SUBORDINATION

The Indebtedness evidenced by the Notes (including, without limitation, principal, premium, if any, and interest) will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness.

Upon any distribution to creditors upon any liquidation, dissolution, winding up, bankruptcy, reorganization, assignment for the benefit of creditors, marshalling of assets and liabilities, insolvency, receivership or similar proceedings relating to the Company, the holders of Senior Indebtedness will be entitled to receive payment in full of all obligations with respect to Senior Indebtedness before the holders of Notes receive any direct or indirect payment (excluding certain permitted equity or subordinated securities) on account of principal of, premium, if any, or interest on the Notes.

Upon the final maturity of any Specified Senior Indebtedness by lapse of time, acceleration (unless waived, rescinded or annulled) or otherwise, all principal thereof and accrued and unpaid interest thereon and all accrued and unpaid expenses, fees and other amounts in respect thereof, shall first be paid in full in Cash, or such payment duly provided for in Cash or in a manner otherwise satisfactory to the holders of such Specified Senior Indebtedness, before any direct or indirect payment (excluding certain permitted equity or subordinated securities) is made on account of principal of, premium, if any, or interest on the Notes (other than amounts already deposited for defeasance or redemption pursuant to applicable provisions of the Indenture).
The Company may not directly or indirectly pay principal of, premium, if any, or interest on the Notes and may not acquire or defease any Notes for Cash or property (in each case, excluding certain permitted equity or subordinated securities) if (i) a default in the payment of principal of or interest on any Specified Senior Indebtedness or in the payment of any letter of credit commission under the New Credit Agreement occurs and is continuing that permits, or upon the lapse of time would permit, the holders (or their agent) of such Specified Senior Indebtedness to accelerate its maturity or the maturity of which has been accelerated (a "Payment Default"); or (ii) a default, other than a Payment Default, on any Specified Senior Indebtedness occurs and is continuing that permits the holders (or the agent) of such Specified Senior Indebtedness to accelerate its maturity (a "Non-Payment Default"), and such default is either the subject of judicial proceedings or the Trustee or the Paying Agent receives a notice of the default from a Person who may give it pursuant to the terms of the Indenture. The Trustee in making any payment to the holders shall be entitled to assume that no Payment Default or Non-Payment Default has occurred unless it has received written notice to the contrary at least one business day prior to such payment. A Payment Default or Non-Payment Default with respect to Specified Senior Indebtedness does not suspend the rights of the Trustee or the holders of the Notes to accelerate the maturity of the Notes. See "Events of Default and Remedies."

The Trustee or the Paying Agent shall resume payments on the Notes, and the Company may acquire the Notes, upon the earlier of (a) in the case of a Payment Default, the date such Payment Default is cured or waived, or (b) in the case of a Non-Payment Default, the 179th day after receipt of notice if the default is not the subject of judicial proceedings, if otherwise permitted under the terms of the Indenture at that time.

During any consecutive 360-day period, only one such 179-day period may commence during which payment of principal of or interest on the Notes may not be made. No Non-Payment Default with respect to Specified Senior Indebtedness which existed or was continuing on the date of the commencement of any such 179-day period will be, or can be, made the basis for the commencement of a second such 179-day period, whether or not within a period of 360 consecutive days, unless such default has been cured or waived for a period of not less than 90 consecutive days.

As of March 31, 1994, giving pro forma effect to the Financing Transactions, the aggregate outstanding principal amount of Senior Indebtedness of the Company and the Guarantors would have been approximately $232.4 million. See "Capitalization."

CERTAIN COVENANTS

LIMITATION ON RESTRICTED PAYMENTS. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, (i) declare or pay any dividend or make any distribution on account of the Company's or any of its Restricted Subsidiaries' Capital Stock or other Equity Interests (other than dividends or distributions payable to the Company or any of its Restricted Subsidiaries or payable in shares of Capital Stock or other Equity Interests of the Company other than Redeemable Stock), (ii) purchase, repurchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company or any of its Subsidiaries from any Person (other than from the Company or any of its Restricted Subsidiaries); (iii) purchase, repurchase, redeem, prepay, defease, or otherwise acquire or retire for value (A) any Indebtedness of the Company that is subordinated in right of payment to the Notes or the Guarantees thereof, prior to scheduled maturity, repayment or sinking fund payment of (B) any Indebtedness of any Unrestricted Subsidiary or (iv) make Investments other than Permitted Investments (the foregoing actions set forth in clauses (i) through (iv) being referred to as "Restricted Payments"), if:

(a) at the time of such Restricted Payment, a Default or Event of Default shall have occurred and be continuing or shall occur as a consequence thereof; or

(b) such Restricted Payment, together with the aggregate of all other Restricted Payments made on or after the Closing Date exceeds the sum of (A) $30 million, (B) 50% of the Consolidated Net Income of the Company accrued on a cumulative basis for the period beginning on the first day of the first month following the Closing Date and ending on the last day
of the last month immediately preceding the month in which such Restricted Payment occurs (or, if aggregate cumulative Consolidated Net Income for such period is a deficit, minus 100% of such deficit), (C) 100% of the aggregate net cash proceeds received by the Company after the Closing Date from the issuance or sale of Capital Stock or other Equity Interests of the Company (other than such Capital Stock or other Equity Interests issued or sold to a Subsidiary of the Company and other than Redeemable Stock), (D) the aggregate net cash proceeds received on or after the Closing Date by the Company from the issuance or sale of debt securities of the Company that have subsequently been converted into or exchanged for Capital Stock or other Equity Interests of the Company (other than Redeemable Stock) plus the aggregate Cash received by the Company at the time of such conversion or exchange, (E) 100% of the aggregate Cash received by the Company after the Closing Date upon the exercise of options or warrants (whether issued prior to or after the Closing Date) to purchase the Company's Capital Stock and (F) 100% of the aggregate net cash proceeds received by the Company or any Restricted Subsidiaries after the Closing Date on account of the return of Investments (other than the return of Permitted Investments in Unrestricted Subsidiaries) in such Unrestricted Subsidiaries; or

(c) immediately after such Restricted Payment, the Company would not be permitted to incur $1.00 of additional Indebtedness pursuant to the first paragraph of "-- LIMITATION ON ADDITIONAL INDEBTEDNESS" below.

The foregoing provisions will not prohibit (i) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture; (ii) to the extent required under applicable law, or if the failure to do so would create a material risk of disqualification of the ESOP under the Internal Revenue Code, the acquisition by the Company of its common stock from the ESOP or from participants and beneficiaries of the ESOP; (iii) the acquisition by the Company or any of its Restricted Subsidiaries of Equity Interests of the Company or such Restricted Subsidiary, if the exclusive consideration for such acquisition is the issuance by the Company or such Restricted Subsidiary of its Equity Interests; (iv) the purchase, redemption or acquisition by the Company, for nominal consideration, of rights under the Rights Plan prior to such time as such rights have become exercisable; (v) the redemption, repurchase, acquisition or retirement of Indebtedness of the Company or its Restricted Subsidiaries being concurrently refinanced by Refinancing Indebtedness permitted under "-- LIMITATION ON ADDITIONAL INDEBTEDNESS" below; (vi) the purchase, repayment, redemption, prepayment, defeasance, acquisition or retirement of any Indebtedness, if the exclusive consideration therefor is the issuance by the Company of its Equity Interests; (vii) the redemption, repurchase, acquisition or retirement of Equity Interests in a Permitted Joint Venture, provided that (A) after giving effect to such transaction, the Company's Consolidated Interest Coverage Ratio is at least 2.00 to 1.0x, (B) no Default or Event of Default has occurred and is continuing or would result therefrom, (C) if consideration for such transaction is in excess of $5 million, such transaction is approved by a majority of the Disinterested Directors of the Company and (D) if consideration for such transaction is in excess of $25 million, the Company has received an opinion from a nationally recognized investment banking firm that such transaction is fair to the Company, from a financial point of view; (viii) dividend payments to the holders of minority interests in Permitted Joint Ventures, ratably in accordance with their respective Equity Interests or, if not ratably, then in accordance with the priorities set forth in the respective organizational documents for, and agreements among holders of Equity Interests in, such Permitted Joint Ventures; (ix) the Guarantee of Indebtedness of a Permitted Joint Venture if the Incurrence of such Indebtedness is permitted under "-- LIMITATION ON ADDITIONAL INDEBTEDNESS" below and if such Guarantee is a Permitted Investment pursuant to clause (f) of the definition thereof; or (x) the acquisition or retirement of options and warrants upon the exercise thereof.

The Company shall deliver to the Trustee within 60 days after the end of each of the Company's first three fiscal quarters (120 days after the end of the Company's first quarter in which each Restricted Payment is made under the first paragraph of this covenant, an officer's certificate setting forth each Restricted Payment made in such fiscal quarter, stating that each such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the "Limitation on Restricted Payments" covenant were
computed, which calculations may be based on the Company's financial statements included in filings required under the Exchange Act for such quarter or such year. For purposes of calculating the aggregate amount of Restricted Payments that are permitted under clause (b) of the first paragraph of "-- LIMITATIONS ON RESTRICTED PAYMENTS," the amounts expended for Restricted Payments permitted under clauses (i) through (x) above shall be excluded.

LIMITATION ON PAYMENT RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES. The Indenture provides that the Company shall not, and shall not permit any of its Restricted Subsidiaries to, from and after the Closing Date, directly or indirectly, create or otherwise cause or permit to exist or become effective, or enter into any agreement with any Person that would cause, any encumbrance or restriction on the ability of any Restricted Subsidiary to (A) pay dividends or make any other distributions on its Capital Stock, the Capital Stock of any of its Restricted Subsidiaries or on any other interest or participation in, or measured by, its profits, which interest or participation is owned by the Company or any of its Restricted Subsidiaries, (B) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries, (C) make loans or advances to the Company or any of its domestic Restricted Subsidiaries, (D) transfer any of its properties or assets to the Company or any of its domestic Restricted Subsidiaries or (E) in the case of a Restricted Subsidiary that is required to be a Guarantor pursuant to the "Additional Guarantors" covenant, execute a Guarantee of the Notes or any renewals or refinancings thereof, except, in each case, for such encumbrances or restrictions existing under or by reason of (1) applicable law and regulation, (2) the Indenture, (3) the New Credit Agreement, and any replacement or substitute facility or facilities thereof, in each case to the extent that such encumbrances and restrictions are not materially more restrictive on the Company and its Restricted Subsidiaries than those contained in the New Credit Agreement as in effect on the Closing Date, (4) instruments evidencing Indebtedness of another Person which is assumed by, or which otherwise becomes the obligation of, such Restricted Subsidiary in connection with the acquisition by such Restricted Subsidiary of another Person (whether pursuant to a purchase of Equity Interests or assets) or in connection with any transaction whereby such Restricted Subsidiary becomes a Permitted Joint Venture, provided that (a) such Indebtedness was not originally incurred in connection with or in anticipation of such acquisition or other transaction, (b) such restrictions apply only to such Restricted Subsidiary and its Subsidiaries and (c) except in the case of an acquisition or other transaction whereby such Restricted Subsidiary becomes a Permitted Joint Venture, immediately after such acquisition or other transaction, substantially all of such Restricted Subsidiary's operations or assets consist of those acquired, (5) restrictions upon the transfer of property or assets subject to Liens permitted under the "Limitation on Liens" covenant below, or (6) restrictions which are contained in instruments evidencing Indebtedness which refinances or refunds the Indebtedness described in clauses (3) and (4).

ANTI-LAYERING. The Indenture provides that the Company shall not incur, create, assume, guarantee or otherwise become liable for any Indebtedness that is subordinated in right of payment to any Senior Indebtedness and senior in any respect in right of payment to the Notes.

LIMITATION ON ADDITIONAL INDEBTEDNESS. The Indenture provides that the Company shall not, and shall not permit any of its Restricted Subsidiaries, directly or indirectly, to create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness, unless, after giving PRO FORMA effect to the incurrence of such Indebtedness and the application of any of the proceeds therefrom to repay Indebtedness, the Consolidated Interest Coverage Ratio of the Company for the four fiscal quarters ending immediately prior to the date such additional Indebtedness is created, incurred, issued, assumed or guaranteed will be at least 2.25 to 1.0x, provided that such calculation shall give PRO FORMA effect to the acquisition of any Person, business, property or assets made since the first day of such four fiscal quarter period as if such acquisition had occurred at the beginning of such four quarter period.

The foregoing limitations shall not apply to (i) Indebtedness under the New Credit Agreement or any replacement or substitute facility or facilities thereof (provided that the New Credit Agreement or any replacement or substitute facility or facilities, including unused commitments, shall not at any time exceed $300 million in aggregate outstanding principal amount (including the available undrawn amount of any letters of credit issued under the New Credit Agreement or any replacement or substitute facility or facilities
Indebtedness incurred in connection with the acquisition of real property by the Company or its Restricted Subsidiaries; (x) Guarantees by any Senior Indebtedness, (xi) Guarantees by any Restricted Subsidiary of any Indebtedness of the Company that is pari passu with or subordinate in right of payment to the Notes, provided that (A) in the case of a Guarantee of Indebtedness that is pari passu with the Notes, such Guarantee is pari passu to the Guarantees of the Notes, and (B) in the case of a Guarantee of Indebtedness that is subordinate to the Notes, such Guarantee is similarly subordinated to the Guarantees of the Notes, (xii) Guarantees by the Company of Indebtedness of any Restricted Subsidiary that does not constitute Senior Indebtedness, provided that (A) in the case of the Company's Guarantee of Indebtedness of a Guarantor that is subordinate to such Guarantor's Guarantee of the Notes, the Company's Guarantee of such Indebtedness is similarly subordinated to the Notes, and (B) in all other cases, the Company's Guarantee of such Indebtedness is on a pari passu basis with the Notes, and (xiii) Indebtedness other than that permitted pursuant to the foregoing clauses (i) through (xii) provided that the aggregate outstanding amount of such additional Indebtedness does not at any time exceed $50 million, all or any portion of which Indebtedness, notwithstanding clause (i) above, may be incurred pursuant to the New Credit Agreement or any replacement or substitute facility or facilities thereof.

LIMITATION ON LIENS. The Indenture provides that the Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any of their respective assets, now owned or hereinafter acquired, securing any Indebtedness that is pari passu with or subordinate in right of payment to the Notes, unless the Notes are equally and ratably secured; PROVIDED that, if such Indebtedness which expressly by its terms is subordinate or junior in right of payment to any other Indebtedness of the Company is expressly subordinate to the Notes, the Liens securing such subordinate or junior Indebtedness shall be subordinate and junior to the Lien securing the Notes with the same relative priority as such subordinate or junior Indebtedness shall have with respect to the Notes. The Company and its Restricted Subsidiaries may at any time, directly or indirectly, create, incur, assume or suffer to exist any Lien on any of their respective assets, now owned or hereafter acquired, securing any Senior Indebtedness or any Non-Recourse Indebtedness permitted under the "Limitation on Additional Indebtedness" covenant.

LIMITATION ON SALE OF SUBSIDIARY SHARES. The Indenture provides that the Company shall not (i) sell, pledge, hypothecate or otherwise convey or dispose of any Equity Interests of a Restricted Subsidiary except to a Restricted Subsidiary or (ii) permit a Restricted Subsidiary to issue or sell any Equity Interests of such Restricted Subsidiary to any Person other than to the Company or to another Restricted Subsidiary; PROVIDED that (a) the Company and its Restricted Subsidiaries may consummate an Asset Sale of all of the Equity Interests owned by the Company and its Restricted Subsidiaries of such
Restricted Subsidiary, (b) the Company may pledge, hypothecate or otherwise grant a Lien on any Equity Interests of any Restricted Subsidiary to the extent permitted under the "Limitation on Liens" covenant, and (c) the Company may sell or otherwise convey or dispose of any Equity Interest in such Restricted Subsidiary, and such Restricted Subsidiary may issue or sell any Equity Interest to any Person other than to the Company or to another Restricted Subsidiary, if (i) immediately after the consummation of such transaction such Restricted Subsidiary is or becomes a Permitted Joint Venture, provided that (A) after giving effect to such transaction, the Company's Consolidated Interest Coverage Ratio is at least 2.00 to 1.0x, (B) no Default or Event of Default has occurred and is continuing or would result therefrom, (C) if such transaction involves the issuance or sale of Equity Interests having a fair market value in excess of $5 million, the transaction is approved by a majority of the Disinterested Directors of the Company, (D) if such transaction involves the issuance or sale of Equity Interests having a fair market value in excess of $25 million, the Company has received an opinion from a nationally recognized investment banking firm that such transaction is fair to the Company, from a financial point of view, and (E) the sum of (x) the Book Value of assets of such Restricted Subsidiary immediately prior to the transaction pursuant to which it became a Permitted Joint Venture, together with the Book Value of assets of all other Guarantors which have become Permitted Joint Ventures (determined for each such Guarantor as of the time immediately prior to the transaction pursuant to which it became a Permitted Joint Venture) and (y) the aggregate Book Values of Permitted Minority Investments of the Company and its Restricted Subsidiaries (the Book Value of each such Permitted Minority Investment determined as of the date such Investment was made), does not exceed $100 million; (ii) the Company's and its Restricted Subsidiaries' Investment in such Person becomes a Permitted Minority Investment, provided that (A) after giving effect to such transaction, the Company's Consolidated Interest Coverage Ratio is at least 2.00 to 1.0x, (B) no Default or Event of Default has occurred and is continuing or would result therefrom, (C) the sum of (x) the Book Value of such Permitted Minority Investment, together with the aggregate Book Values of all other Permitted Minority Investments of the Company and its Restricted Subsidiaries (the Book Value of each such Permitted Minority Investment determined as of the date such Investment was made) and (y) the aggregate Book Value of assets of all Guarantors that have become Permitted Joint Ventures (determined for each such Guarantor as of the time immediately prior to the transaction pursuant to which it became a Permitted Joint Venture), do not exceed $100 million, (D) if such transaction involves the issuance or sale of Equity Interests having a fair market value in excess of $25 million, the Company shall have received an opinion from a nationally recognized investment banking firm that such transaction is fair to the Company, from a financial point of view; or (iii) the Company's and its Restricted Subsidiaries' Investment in such Person otherwise constitutes a Permitted Investment.

LIMITATION ON USE OF PROCEEDS FROM ASSET SALES. The Indenture provides that the Company and its Restricted Subsidiaries shall not, directly or indirectly, consummate any Asset Sale with or to any Person other than the Company or a Restricted Subsidiary, unless (i) the Company or the Restricted Subsidiary, as the case may be, receives consideration at the time of any such Asset Sale at least equal to the fair market value of the asset sold or otherwise disposed of, (ii) at least 60% of the net proceeds from such Asset Sale are received in Cash at closing (unless (A) such Asset Sale is a lease, (B) such Asset Sale is in connection with the creation of, Investment in, or issuance or sale of Equity Interests by, a Permitted Joint Venture, or (C) such Asset Sale is in connection with the making of, or would result in, a Permitted Minority Investment) and (iii) with respect to any Asset Sale involving the Equity Interest of any Restricted Subsidiary (unless (A) such Restricted Subsidiary is, or as a result of such Asset Sale would be, a Permitted Joint Venture, or (B) as a result of such Asset Sale, the Company's and its Restricted Subsidiaries' Investment in such Restricted Subsidiary would constitute a Permitted Minority Investment), the Company shall sell all of the Equity Interests of such Restricted Subsidiary it owns. Within 270 days after the receipt of Net Cash Proceeds in respect of any Asset Sale, the Company must use all such Net Cash Proceeds either to invest in properties and assets in the healthcare or a healthcare related business (including, without limitation, a capital investment in the Company or any of its Restricted Subsidiaries) or to reduce Senior Indebtedness; PROVIDED, that when any non-Cash proceeds are liquidated, such proceeds (to the extent they are
Net Cash Proceeds) will be deemed to be Net Cash Proceeds at that time. When the aggregate amount of Excess Proceeds (as defined below) exceeds $10 million, the Company shall make an offer (the "Excess Proceeds Offer") to apply the Excess Proceeds to repurchase the Notes at a purchase price equal to 100% of the principal amount of such Notes, plus accrued and unpaid interest to the date of purchase. The Excess Proceeds Offer shall be made substantially in accordance with the procedures for a Change of Control Offer described under "-- CHANGE OF CONTROL" above. To the extent that the aggregate principal amount of the Notes (plus accrued interest thereon) tendered pursuant to the Excess Proceeds Offer is less than the Excess Proceeds, the Company may use such deficiency, or a portion thereof, for general corporate purposes. If the aggregate principal amount of the Notes surrendered by holders thereof exceeds the amount of Excess Proceeds, the Company shall select the Notes to be purchased in accordance with the procedures described above under "-- SELECTION AND NOTICE." "Excess Proceeds" shall mean any Net Cash Proceeds from an Asset Sale that is not invested or used to reduce Senior Indebtedness as provided in the second sentence of this paragraph. Notwithstanding the foregoing, any Asset Sale which results in Net Cash Proceeds of less than $3 million and all Asset Sales (including any Asset Sales which results in Net Cash Proceeds of less than $3 million) in any twelve consecutive-month period which result in Net Cash Proceeds of less than $10 million in the aggregate shall not be subject to the requirement of clause (ii) of the first sentence above.

The Company will comply with the requirements of Regulation 14E and Rule 13e-4 (other than the filing requirements of such rule) under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes pursuant to an Excess Proceeds Offer.

LIMITATION ON TRANSACTIONS WITH AFFILIATES. The Indenture provides that neither the Company nor any of its Restricted Subsidiaries shall enter into any transaction or series of related transactions with (including, without limitation, the making of any Investment or guarantee in, to or for the benefit of), sell, lease, transfer or otherwise dispose of any of its properties or assets to, or for the benefit of, purchase or lease any property or assets from, or enter into an amendment of any contract, agreement with, or for the benefit of, any Affiliate of the Company or any of its Subsidiaries (other than the Company or any of its Restricted Subsidiaries), unless (i) such transaction or series of transactions is on terms that are substantially as favorable to the Company or the relevant Restricted Subsidiary, as the case may be, as those that could have been obtained in a comparable transaction on an arm's length basis from a Person that is not an Affiliate and (ii) except in the case of any transaction solely between the Company or a Restricted Subsidiary on the one hand and a Permitted Joint Venture on the other hand, including the formation and initial capitalization of such Permitted Joint Venture, (A) with respect to a transaction or series of related transactions involving aggregate payments in excess of $1 million but less than $15 million, a majority of the Disinterested Directors of the Company shall approve by a resolution determining in good faith that such transaction or series of related transactions comply with the clause (i) above, and (B) with respect to a transaction or series of related transactions involving aggregate payments in excess of $15 million (other than cash transactions pursuant to insurance agreements with the Insurance Subsidiaries), the Company shall have received an opinion from a nationally recognized investment banking firm or, with respect to a transaction or a series of related transactions requiring the valuation of real property, a nationally recognized real estate appraisal firm, that such transaction or series of related transactions is fair to the Company, from a financial point of view.

MERGER, CONSOLIDATION OR SALE OF ASSETS. The Indenture provides that the Company shall not consolidate with, merge with or into, or transfer all or substantially all of its assets (in one transaction or a series of related transactions) to, any Person or permit any party to merge with or into it unless: (i) the Company shall be the continuing Person, or the Person (if other than the Company) formed by such consolidation or into or with which the Company is merged or to which the properties and assets of the Company, substantially as an entity, are transferred shall be a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, all the obligations of the Company under the Notes and the Indenture and the Indenture remains in full force and effect; (ii) immediately before and immediately after giving effect to such transaction, no Event of Default and no Default shall have occurred and be continuing; (iii) immediately after giving effect to such transaction on a pro
forma basis, the Consolidated Net Worth of the surviving entity is at least
equal to the Consolidated Net Worth of the Company immediately prior to such
transaction; and (iv) except in the case of a triangular merger for the sole
purpose of forming a holding company, the surviving entity could, after giving
pro forma effect to such transaction, incur $1.00 of Indebtedness pursuant to
the first paragraph of "-- LIMITATION ON ADDITIONAL INDEBTEDNESS" above. The
Indenture also provides that no Restricted Subsidiary shall consolidate with, or
merge with or into, any Person or permit any party to merge with or into it
unless the continuing Person, or the Person formed by such consolidation or into
or with which a Restricted Subsidiary is merged is the Company or a Restricted
Subsidiary, provided that if any Guarantor consolidates into, or merges with or
into, a Restricted Subsidiary, either (i) such Restricted Subsidiary is or
becomes a Guarantor; or (ii) immediately after the consummation of such
transaction such Guarantor is a Permitted Joint Venture, provided that (A) after
giving effect to such transaction, the Company's Consolidated Interest Coverage
Ratio is at least 2.00 to 1.0x, (B) no Default or Event of Default has occurred
and is continuing or would result therefrom, (C) if such transaction involves a
Guarantor with assets having a fair market value in excess of $5 million, the
transaction is approved by a majority of the Disinterested Directors of the
Company, (D) if such transaction involves a Guarantor having assets with a fair
market value in excess of $25 million, the Company has received an opinion from
a nationally recognized investment banking firm that such transaction is fair to
the Company, from a financial point of view, and (E) the sum of (x) the Book
Value of assets of such Guarantor immediately prior to such transaction,
together with the Book Value of assets of all other Guarantors which have become
Permitted Joint Ventures (determined for each such Guarantor as of the time
immediately prior to the transaction pursuant to which it became a Permitted
Joint Venture) and (y) the
aggregate Book Values of Permitted Minority Investments of the Company and its
Restricted Subsidiaries (the Book Value of each such Permitted Minority
Investment determined as of the date such Investment was made), does not exceed
$100 million; or (iii) immediately after the consummation of such transaction
the Company's and its Restricted Subsidiaries' Investment in such Guarantor
becomes a Permitted Minority Investment, provided that (A) after giving effect
to such transaction, the Company's Consolidated Interest Coverage Ratio is at
least 2.00 to 1.0x, (B) no Default or Event of Default has occurred and is
continuing or would result therefrom, (C) the sum of (x) the Book Value of such
Permitted Minority Investment, together with the aggregate Book Values of all
other Permitted Minority Investments of the Company and its Restricted
Subsidiaries (the Book Value of each such Permitted Minority Investment
determined as of the date such Investment was made), and (y) the aggregate Book
Value of assets of all Guarantors that have become Permitted Joint Ventures
(determined for each such Guarantor as of the time immediately prior to the
transaction pursuant to which it became a Permitted Joint Venture), does not exceed
$100 million, (D) if such Permitted Minority Investment is in excess of
$5 million, the Permitted Minority Investment is approved by a majority of the
Disinterested Directors of the Company and (E) if such Permitted Minority
Investment is in excess of $25 million, the Company has received an opinion from
a nationally recognized investment banking firm that the Permitted Minority
Investment is fair to the Company from a financial point of view.

ADDITIONAL GUARANTORS. The Indenture provides that, after the Closing Date,
the Company shall cause any Person which shall at any time be a Subsidiary of
the Company, including any present Subsidiary of the Company which is not
included among the Guarantors executing the Indenture, to become a Guarantor
promptly after the date on which such Subsidiary first becomes a Guarantor under
the New Credit Agreement or a Significant Subsidiary; PROVIDED, HOWEVER, that
the Company shall not be required to cause any Permitted Joint Venture or any
Unrestricted Subsidiary to become a Guarantor.

PAYMENT FOR CONSENT. The Indenture provides that neither the Company nor
any of its Subsidiaries shall, directly or indirectly, pay or cause to be paid
any consideration, whether by way of interest, fee or otherwise, to any holder
of any Notes for or as an inducement to obtaining any consent, waiver or
amendment of, or direction in respect of, any of the terms or provisions of the
Indenture or the Notes, unless such consideration is offered or agreed to be
paid, and paid, to all holders of the Notes which so consent, waive, agree or
direct to amend in the time frame set forth in solicitation documents relating
to such consent, waiver, agreement or direction.

PROVISIONS OF REPORTS AND OTHER INFORMATION. The Indenture provides that at
all times while any Note is outstanding, the Company shall timely file with the
EVENTS OF DEFAULT AND REMEDIES

The Indenture provides that each of the following constitutes an Event of Default: (i) default for 30 days in payment of interest on the Notes; (ii) default in payment when due of principal of or premium, if any, on the Notes, whether at maturity, or upon acceleration, redemption or otherwise; (iii) failure by the Company to comply in any respect with any of its other agreements in the Indenture or the Notes which failure continues for 30 days after receipt of a written notice from the Trustee or holders of at least 25% of the aggregate principal amount of the Notes then outstanding, specifying such Default and requiring that it be remedied; (iv) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness (other than Non-Recourse Indebtedness) for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness is now existing or hereafter created, which default results from the failure to pay any such Indebtedness at its stated final maturity or results in the acceleration of such Indebtedness prior to its stated final maturity and the principal amount of such Indebtedness is at least $15 million, or the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been accelerated, aggregates $30 million or more; (v) failure by the Company or any Restricted Subsidiary to pay certain final judgments aggregating in excess of $10 million which judgments are not stayed within 60 days after their entry; (vi) except as permitted by the Indenture, the unenforceability or invalidity of any Guarantee of the Notes, or the disaffirmance thereof by any Guarantor; and (vii) certain events of bankruptcy or insolvency with respect to the Company and its Restricted Subsidiaries.

If the Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each holder of the Notes notice of the Event of Default within 90 days after it becomes known to the Trustee, unless such Event of Default has been cured or waived. Except in the case of an Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its trust officers in good faith determines that withholding the notice is in the interest of the holders of the Notes.

If an Event of Default (other than an Event of Default resulting from bankruptcy, insolvency or reorganization) occurs and is continuing, the Trustee or the holders of at least 25% of the principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by such holders) (the “Acceleration Notice”), may, and the Trustee at the request of such holders shall, declare all unpaid principal of, premium, if any, and accrued interest on such Notes to be due and payable, (i) immediately if no amount is outstanding and no commitment is in effect under the Specified Senior Indebtedness or (ii) if any amount is outstanding or any commitment is in effect under the Specified Senior Indebtedness, upon the earlier of (A) five business days after delivery of the Acceleration Notice by the Trustee or the holders, as the case may be, to the Company and the agent or another designated representative of the holders of each and any Specified Senior Indebtedness outstanding or (B) acceleration of the Specified Senior Indebtedness, and thereupon the Trustee may, at its discretion, proceed to protect and enforce the rights of the holders of the Notes by appropriate judicial proceedings. Upon a declaration of acceleration, such principal, premium, if any, and accrued interest shall be due and payable. If an Event of Default resulting from certain events of bankruptcy, insolvency or reorganization occurs, all unpaid principal of, premium, if any, and accrued interest on the Notes then outstanding shall IPSO FACTO become and be immediately due and payable without any declaration or other act on the part of the Company, the Trustee or any holder. The holders of
at least 66 2/3% of the aggregate principal amount of the Notes outstanding by
notice to the Trustee may rescind an acceleration and its consequences, except
an acceleration due to default in payment of principal or interest on the Notes
upon conditions provided in the Indenture. Subject to certain restrictions set
forth in the Indenture, the holders of at least a 66 2/3% of the aggregate
principal amount of the outstanding Notes by notice to the Trustee may waive an
existing Default or Event of Default and its consequences, except a Default in
the payment of principal of, premium, if any, or interest on, such Notes or a
Default under a provision which requires consent of all holders to amend. When a
Default or Event of Default is waived, it is cured and ceases to exist, but no
waiver shall extend to any subsequent or other Default or impair any consequent
right. A holder of Notes may not pursue any remedy with respect to the Indenture
or the Notes unless: (i) the holder gives to the Trustee written notice of a
continuing Event of Default; (ii) the holders of at least 25% in principal
amount of such Notes outstanding make a written request to the Trustee to pursue
the remedy; (iii) such holder or holders offer to the Trustee indemnity or
security satisfactory to the Trustee against any loss, liability or expense; (iv) the
Trustee does not comply with the request within 30 days after receipt thereof
and the offer of indemnity or security; and (v) during such 30-day period the holders of 66 2/3% of the aggregate principal amount of the
outstanding Notes do not give the Trustee a direction which is inconsistent with
the request.

The Company is required to deliver to the Trustee annually a statement
regarding compliance with the Indenture, and the Company is required, upon
becoming aware of any Default or Event of Default, to deliver a statement to the
Trustee specifying such Default or Event of Default.

DEFEASANCE AND DISCHARGE OF THE INDENTURE AND THE NOTES

The Indenture provides that the Company may, at its option and at any time,
elect to have the obligations of the Company discharged with respect to the
outstanding Notes ("legal defeasance"). Such legal defeasance means that the
Company shall be deemed to have paid and discharged the entire indebtedness
represented by the outstanding Notes, except for (i) the rights of holders of
outstanding Notes to receive solely out of the trust described below payments in
respect of the principal of, premium, if any, and interests on such Notes when
such payments are due, (ii) the obligations of the Company with respect to the
Notes concerning issuing temporary Notes, registration of Notes, replacing
mutilated, destroyed, lost or stolen Notes and the maintenance of an office or
agency for payment and money for security payments held in trust, (iii) the
rights, powers, trusts, duties and immunities of the Trustee, and (iv) the
defeasance provisions of the indenture.

The Company and the Guarantors may, at their option and at any time, elect
to have their obligations under the provisions "Certain Covenants" and "Change
of Control" discharged with respect to the outstanding Notes and the Guarantees
thereof ("covenant defeasance"). Such covenant defeasance means that, with
respect to the outstanding Notes and the Guarantees thereof, the Company and the
Guarantors may omit to comply with and shall have no liability in respect of any
term, condition or limitation set forth in any such provisions and such omission
to comply shall not constitute a Default or an Event of Default.

In order to exercise defeasance, (i) the Company must have irrevocably
deposited with the Trustee, in trust, for the benefit of the holders of the
Notes, cash in U.S. Dollars, U.S. Government Obligations (as defined in the
Indenture), or a combination thereof, in such amounts as will be sufficient, in
the opinion of a nationally recognized firm of independent public accountants,
to pay the principal of, premium, if any, and interest on the outstanding Notes
on the stated maturity of such principal (and premium, if any) or installment of
interest or upon redemption; (ii) the Company shall have delivered to the
Trustee an opinion of counsel stating that the holders of the outstanding Notes
will not recognize income, gain or loss for federal income tax purposes as a
result of such defeasance and will be subject to federal income tax on the same
amounts, in the same manner and at the same times as would have been the case if
such defeasance had not occurred, which such opinion, in the case of legal
defeasance, will state that (A) the Company has received from, or there has been
published by, the Internal Revenue Service a ruling or (B) since the Closing
Date there has been a change in the applicable federal income tax laws or
regulations or (C) there exists controlling precedent to such effect; (iii) no
Default or Event of Default shall have occurred and be continuing on the date of
such deposit; (iv) such defeasance shall not result in a breach or violation of
or constitute a default under any material agreement or instrument to which the
Company is a party or by which it is bound; and (v) the Company shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to such defeasance have been satisfied.

TRANSFER AND EXCHANGE

A holder may transfer or exchange Notes in accordance with the Indenture. The Registrar may require a holder, among other things, to furnish appropriate endorsements and transfer documents, and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar is not required to register a transfer or exchange of any Note selected for redemption except for the unredeemed portion of any Note being redeemed in part. Also, the Registrar is not required to register a transfer or exchange of any Note for a period of 15 days before the mailing of a notice of redemption offer.

The registered holder of a Note will be treated as the owner of it for all purposes.

AMENDMENT, SUPPLEMENT AND WAIVER

Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the holders of 66 2/3% of the aggregate principal amount of the Notes then outstanding, and any existing Default or compliance with any provision may be waived (other than a continuing Default or Event of Default in the payment of principal or interest on any Note) with the consent of the holders of 66 2/3% of the aggregate principal amount of the then outstanding Notes.

Without the consent of each holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting holder of Notes) (i) reduce the percentage of principal amount of the Notes whose holders must consent to an amendment or waiver, (ii) change the stated maturity or the time or currency of payment of the principal of, premium, if any, or any interest on, any Note or alter the redemption provisions with respect thereto, (iii) make any change in the subordination provisions of the Indenture that adversely affects the rights of any holder of the Notes under the subordination provisions of the Indenture, (iv) waive a default in the payment of the principal of, premium, if any, or interest on, any Note, (v) make any change to the "Change of Control" provisions of the Indenture or the provisions relating to the Excess Proceeds Offer, (vi) make any change to the "Anti-Layering" covenant, the "Additional Guarantors" covenant or the "Payment for Consent" covenant of the Indenture, (vii) make any change in the guarantee provisions of this Indenture that adversely affects the rights of any holder of the Notes or (viii) make any change in the provision of the Indenture containing the terms described in this paragraph.

Notwithstanding the foregoing, without the consent of any holder of the Notes, the Company, the Guarantors and the Trustee may amend or supplement the Indenture or the Notes to cure any ambiguity, defect or inconsistency, to provide for certificated or uncertificated Notes in addition to or in place of certificated or uncertificated Notes, to provide for the assumption of the Company's obligations to holders of the Notes in the case of a merger or consolidation, to make any change that does not adversely affect the rights of any holder of the Notes, to supplement the Indenture to provide for additional Guarantors or to comply with any requirement of the Commission in connection with the qualification of the Indenture or the Trustee under the Trust Indenture Act.

CONCERNING THE TRUSTEE

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest, it must eliminate such conflict within 90 days or apply to the Commission for permission to continue or resign.

The holders of 66 2/3% of the aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee,
subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care and skill of a prudent man under the circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any of the holders of the Notes, unless they shall have offered to the Trustee security or indemnity satisfactory to it against any loss, liability or expense.

FORM AND BOOK-ENTRY PROCEDURES

GLOBAL NOTE; BOOK-ENTRY FORM. The New Notes will initially be evidenced by three global certificates ("Global Notes") in definitive, fully registered form, without coupons, in the name of CEDE & Co. or another designated nominee ("DTC's Nominee") of DTC. Beneficial interests in the Global Notes will be exchangeable for certificated Notes as set forth in the Indenture. So long as DTC or DTC's Nominee is the registered holder and owner of a Global Note evidencing the New Notes, the New Notes may be, will be considered the sole owner and holder of the underlying New Notes for all purposes of such New Notes and under the Indenture.

In connection with the issuance of the New Notes, DTC will credit on its book-entry registration and transfer system the respective principal amounts of New Notes evidenced by the Global Notes deposited with it to the accounts of institutions that directly maintain accounts with DTC or DTC's Nominee ("Participants"). Ownership of beneficial interests in the Global Notes will be limited to participants or Persons for whom such participants serve as nominee or custodian. Ownership of beneficial interests in the Global Notes will be identified on, and the transfer of those ownership interests will be effected only through, records maintained by DTC (with respect to participants' interests) or such participants (with respect to the beneficial owners for whom such participants serve as nominee or custodian). Beneficial owners will not receive written confirmation from DTC or DTC's Nominee of their purchase of Notes, but instead, should receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant in DTC's system through which the beneficial owner executed the purchase transaction. Transfers of beneficial ownership interests in the Global Notes will be effected by entries made on the books of participants acting on behalf of beneficial owners.

Payment of principal of, premium, if any, and interest on the Global Notes will be made to DTC or DTC's Nominee, as the case may be, as the registered owner and holder thereof.

DTC or DTC's Nominee, upon receipt of any payment of principal or interest in respect of a Global Note evidencing any Notes held by it or DTC's Nominee, will immediately credit direct participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note for such Notes as reflected in the records maintained by DTC or DTC's Nominee. Payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name." Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in accordance with DTC's customary procedures and will be settled in next-day funds. The laws of certain U.S. states require that certain Persons take only physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons may be limited. Because DTC can act only on behalf of its direct participants, who, in turn, act on behalf of indirect participants and certain banks, the ability of a Person having a beneficial interest in a Global Note to pledge such interest to Persons or entities that do not participate directly in the DTC system, or otherwise take actions in respect of such interest or exercise rights of beneficial ownership in the Global Notes, may be affected by the lack of a physical certificate evidencing such interest.

DTC will take action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose DTC account interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has
DTC is (i) a limited purpose trust company organized under the banking laws of the State of New York (and is a "banking organization" within the meaning of such laws), (ii) a member of the Federal Reserve System, (iii) a "clearing corporation" within the meaning of the New York Uniform Commercial Code, as amended, and (iv) a "Clearing Agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. Direct participants in the DTC services system include securities brokers and dealers, commercial banks, trust companies and clearing corporations, and may include certain other organizations. DTC is owned by a number of its direct participants and by each of the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Indirect access to the DTC system is available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the Commission.

Neither DTC nor DTC's Nominee will consent or vote in any manner with respect to the Notes. Pursuant to its customary procedures, in the case of any matter as to which the consent or vote of holders of the Notes is sought, DTC will mail an Omnibus Proxy to the Company as soon as practicable after the record date for the determination of holders eligible to consent or vote on the matter to be acted upon. The Omnibus Proxy serves to assign DTC's Nominee's right to consent or vote to the direct participants whose accounts it maintains as of the record date.

Notices of redemption and repurchase with respect to Notes held by direct participants in the DTC system will be forwarded to DTC's Nominee. In the case of a partial redemption, DTC's practice is to determine, by lot, the amount of the beneficial interest in the Notes to be redeemed of each of its direct participants.

Beneficial owners who elect to participate in a tender offer or purchase of their securities, must provide notice of such election, through its participant (direct or indirect) in DTC's system, to the appropriate depositary, tender or purchase agent, and effect delivery of their Notes by causing the direct participant in DTC's system to transfer the indirect participant's interest in the Notes, as reflected in DTC's records, to such depositary, tender or purchase agent. The requirement for physical delivery of certificates evidencing the Notes in connection with the aforementioned transactions will be deemed satisfied when the beneficial ownership rights in the Global Notes are transferred by direct participants on DTC's records.

The conveyance of all notices and other communications by DTC to its direct participants, among DTC's participants (direct and indirect) and by DTC's participants (direct and indirect) to owners of beneficial interests in the Notes is governed by customary arrangements among them, subject to statutory or regulatory requirements in effect with respect thereto from time to time.

Although DTC has agreed to the foregoing procedures to facilitate transfers of interest in the Global Notes among participants of DTC, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC or its participants of their respective obligations under the rules and procedures governing their operations.

The information set forth above concerning DTC and DTC's book-entry system has been obtained from sources believed by the Company to be reliable, but the Company assumes no responsibility for the accuracy thereof.

CERTAIN DEFINITIONS

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"Affiliate" of any specified Person means any other Person directly or
indirectly controlling or controlled by or under direct or indirect common control with such specified Person. A Person shall be deemed to "control" (including the correlative meanings, the terms "controlling," "controlled by," and "under common control with") another Person if the controlling Person (a) possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of voting securities, by agreement or otherwise, or (b) owns, directly or indirectly, 10% or more of any class of the issued and outstanding equity securities of the controlled Person.

"Asset Sale" means, with respect to any Person, the sale, lease, conveyance, disposition or other transfer by such Person of any of its assets (including by way of a sale-and-leaseback and including the sale or other transfer of any Equity Interests in any Restricted Subsidiary) which results in Net Cash Proceeds of $1 million or more. However, the following shall not constitute an Asset Sale: (i) unless part of a disposition including other assets or operations, (A) dispositions of Cash and Cash Equivalents, (B) payments on or in respect of non-Cash proceeds of Asset Sales, and (C) dispositions of Investments by foreign subsidiaries of the Company in Cash and instruments or securities or in certificates of deposit (or comparable instruments) with banks; (ii) the lease of (A) office space in a medical building to healthcare professionals or healthcare goods or services companies for their use or sublease to a similar user or (B) any portion of a hospital (unless the portions of any such hospital so leased in separate transactions constitute more than 50% of such hospital), in the ordinary course of business and in a manner consistent with either past practices or the healthcare industry generally, and (iii) the issuance or sale by the Company of any Equity Interests in the Company.

"Average Life" means, as of the date of determination, with respect to any debt security, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment (assuming the exercise by the obligor of such debt security of all unconditional (other than as to the giving of notice) extension options of each such scheduled payment date) of such debt security multiplied by the amount of such principal payment by (ii) the sum of all such principal payments.

"Book Value" means, with respect to the assets of any Person, the book value of assets of such Person, net of depreciation and other charges and reserves taken with respect to such assets in accordance with GAAP.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease which would at such time be so required to be capitalized on the balance sheet in accordance with GAAP.

"Capital Stock" means any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock (including, without limitation, common and preferred stock), excluding warrants, options or other rights to acquire Capital Stock.

"Cash" means money or currency or a credit balance in a Deposit Account.

"Cash Equivalents" means (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency, instrumentality or sponsored corporation thereof which are rated at least A or the equivalent thereof by Standard & Poor's Corporation or at least A-2 or the equivalent thereof by Moody's Investor Services, Inc., and in each case having maturities of not more than one year from the date of acquisition, (ii) time deposits and certificates of deposit of any domestic commercial bank of recognized standing, having capital and surplus in excess of $100 million with maturities of not more than one year from the date of acquisition, (iii) repurchase obligations with a term of not more than thirty days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (ii) above or any government securities dealer and (iii) commercial paper rated at least A-1 or the equivalent thereof by Standard & Poor's Corporation or at least P-1 or the equivalent thereof by Moody's Investor Services, Inc., in each case maturing within one year after the date of acquisition.

"Change of Control" means (a) the sale, lease, transfer or other disposition in one or more related transactions of all or substantially all of the Company's assets, or the sale of substantially all of the Capital Stock or assets of the
Company's Subsidiaries that constitutes a sale of substantially all of the Company's assets, to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), (b) the merger or consolidation of the Company with or into another corporation, or the merger of another corporation into the Company or any other transaction, with the effect, in any such case, that the stockholders of the Company immediately prior to such transaction hold 50% or less of the total voting power entitled to vote in the election of directors, managers or trustees of the surviving corporation or, in the case of a triangular merger, the parent corporation of the surviving corporation resulting from such merger, consolidation or such other transaction, (c) any Person (except for the parent corporation of the surviving corporation in a triangular merger) or group acquires beneficial ownership of a majority in interest of the voting power or voting Capital Stock of the Company, or (d) the liquidation or dissolution of the Company.

"Closing Date" means May 2, 1994.

"Consolidated Interest Coverage Ratio" means the ratio of (A) Consolidated Net Income plus the sum of Interest Expense, taxes, depreciation and amortization of the Company and its Restricted Subsidiaries (to the extent such items were taken into account in computing the Net Incomes of the Company and each of such Restricted Subsidiaries for the preceding four fiscal quarters to (B) the Interest Expense of the Company and its Restricted Subsidiaries for the preceding four fiscal quarters; provided that if the Company or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays or redeems any Indebtedness subsequent to the commencement of the period for which the Consolidated Interest Coverage Ratio is being calculated but prior to the event for which the calculation of the Consolidated Interest Coverage Ratio is made, then the Consolidated Interest Coverage Ratio will be calculated giving pro forma effect to any such incurrence, assumption, guarantee or redemption of Indebtedness, or such issuances or redemption of preferred stock, as if the same had occurred at the beginning of the applicable period. In making such calculations on a pro forma basis, interest attributable to Indebtedness bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period.

"Consolidated Net Assets" means, with respect to any Person, the assets of such Person and its Subsidiaries, less intangible assets of such Person and its Subsidiaries (including, without limitation,
nfranchises, patents, patent applications, trademarks and tradenames, goodwill, excess reorganization value, research and development expenses, and write-ups in the book value of any assets), on a consolidated basis, determined in accordance with GAAP.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP, plus the sum of the amount allocated to excess reorganization value, ESOP expense and consolidated stock option expense (to the extent such items were taken into account in computing the Net Incomes of such Person and its Subsidiaries); provided, however, that (i) the Net Income of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid to the Parent Person or a Restricted Subsidiary, (ii) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded and (iii) the cumulative effect of a change in accounting principles shall be excluded.

"Consolidated Net Worth" of the Company means consolidated stockholders' equity as determined in accordance with GAAP.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Deposit Account" means a demand, savings, passbook, money market or like account with a commercial bank, savings and loan association or like organization or a government securities dealer, other than an account evidenced by a negotiable certificate of deposit.

"Disinterested Director" means, with respect to any specific transaction, any director of the Company that does not have a direct or indirect interest (other than any interest resulting solely from such director's ownership of
"Equity Interests" means (a) Capital Stock, warrants, options or other rights to acquire Capital Stock (but excluding any debt security which is convertible into, or exchangeable for, Capital Stock), and (b) limited and general partnership interests, interests in limited liability companies, joint venture interests and other ownership interests in any Person.

"ESOP" means the Employee Stock Ownership Plan of the Company as established on September 1, 1988, and effective as of January 1, 1988, as from time to time amended, and/or the trust created in accordance with such plan pursuant to the Trust Agreement between the Company and the trustee named therein, executed as of September 1, 1988, as the context in which the term "ESOP" is used permits.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession, as in effect on the Closing Date.

"Guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"Guarantor" means (i) each of the Company's Subsidiaries on the Closing Date (other than Permitted Joint Ventures and Unrestricted Subsidiaries) and (ii) each other Person that executes a Guarantee of the obligations of the Company under the Notes and the Indenture from time to time in accordance with the provisions of the "Additional Guarantors" covenant, and their respective successors and assigns; PROVIDED, HOWEVER, that "Guarantor" shall not include any Person that is released from its Guarantee of the obligations of the Company under the Notes and the Indenture as provided under "-- SUBSIDIARY GUARANTEES" above.

"Indebtedness" of any Person means, without duplication, (i) indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than trade payables on terms of 365 days or less incurred in the ordinary course of business), (ii) all Capital Lease Obligations of such Person, (iii) all guarantees of such Person in respect of Indebtedness of others, (iv) at the date of determination thereof, the aggregate amount of all unreimbursed drawings in respect of letters of credit issued for the account of such Person (less the amount of Cash and Cash Equivalents on deposit securing such letters of credit) and (v) all indebtedness, obligations or other liabilities of such person or of others for borrowed money secured by a Lien on any property of such Person, whether or not such indebtedness, obligations or liabilities are assumed by such Person; PROVIDED, HOWEVER, that all or any portion of Indebtedness that becomes the subject of a defeasance (whether a legal defeasance or a "covenant" or "in substance" defeasance) shall, at all times that such defeasance remains in effect, cease to be treated as Indebtedness for purposes of this Indenture.

"Interest Expense" of any Person means, for any period for which the determination thereof is to be made, (A) the sum of the aggregate amount of (i) interest in respect of Indebtedness (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing), (ii) all but the principal component of rentals in respect of Capital Lease Obligations, paid, accrued or scheduled to be paid or accrued by such Person during such period, (iii) capitalized interest and (iv) amortization of original issue discount and deferred financing costs, all as determined in accordance with GAAP, less (B) interest expense attributable to Unrestricted Subsidiaries.

"Investment" means, when used with respect to any Person, any direct or indirect advance, loan or other extension of credit (other than the creation of receivables in the ordinary course of business) or capital contribution by such Person (by means of transfers of property (other than Equity Interests in the Company) to others or payments for property or services for the account or use of others, or otherwise) to any other Person, or any direct or indirect purchase or other acquisition by such Person of a beneficial interest in capital stock, bonds, notes, debentures or other securities issued by any other Person, or any
Guarantee by such Person of the Indebtedness of any other Person (in which case such Guarantee shall be deemed an Investment in such other Person in an amount equal to the aggregate amount of Indebtedness so guaranteed).

"Insurance Subsidiaries" means, collectively, Golden Isle Assurance Company, Plymouth Insurance Company, Ltd., and any successors to any of the foregoing.

"Lien" means any mortgage, pledge, security interest, charge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), or security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement, other than notice filings not perfecting a security interest, under the Uniform Commercial Code or comparable law of any jurisdiction, domestic or foreign, in respect of any of the foregoing).

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds of such Asset Sale in the form of Cash or Cash Equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not the interest, component thereof) when received in the form of Cash or Cash Equivalents (except to the extent such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary of the Company), casualty loss insurance proceeds, condemnation awards and proceeds from the conversion of other property received when converted to Cash or Cash Equivalents, net of (i) brokerage commissions and other fees and expenses related to such Asset Sale, (ii) provision for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Subsidiaries, taken as a whole, (iii) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either, (A) in the case of a sale of all of the Equity Interests in any Restricted Subsidiary, is a direct obligation of such Restricted Subsidiary or (B) is required to be paid in connection with such sale and (iv) appropriate amounts to be provided by the Company or any Restricted Subsidiary of the Company as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP, excluding, however, any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with any Asset Sale (including, without limitation, dispositions pursuant to sale-and-leaseback transactions), and excluding any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss.

"New Credit Agreement" means (a) the Second Amended and Restated Credit Agreement, dated as of the Closing Date, among the Company, the banks and other financial institutions named therein and Bankers Trust Company, as Agent, (b) the Second Amended and Restated Subsidiary Credit Agreement, dated as of the Closing Date, among certain Subsidiaries of the Company named therein, the banks and other financial institutions named therein and Bankers Trust Company, as Agent, and (c) each note, guaranty, mortgage, pledge agreement, security agreement and other instruments and documents from time to time entered into pursuant to or in respect of either such credit agreement or any such guaranty, as each such credit agreement and other documents may be amended, restated, supplemented, extended, renewed or otherwise modified from time to time.

"Non-Recourse Indebtedness" shall mean any Indebtedness of the Company or any of its Restricted Subsidiaries if the holder of such Indebtedness has no recourse, direct or indirect, absolute or contingent, to the general assets of the Company or any of its Restricted Subsidiaries.

"Permitted Investments" means (a) any Investments in the Company or in a Restricted Subsidiary other than a Permitted Joint Venture; (b) any Investments in Cash or Cash Equivalents; (c) Investments by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment (i) such Person becomes a Restricted Subsidiary of the Company or (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or, is liquidated into, the Company or a Restricted Subsidiary; (d) loans and advances to employees not exceeding $500,000 per
individual at any one time and $5 million outstanding in the aggregate at any one time; (e) Investments in Group Practice Affiliates, Inc. and its Subsidiaries, and in the Technologies and Management Information Unit and its Subsidiaries, not to exceed $70 million in the aggregate at any one time; (f) Investments in a Permitted Joint Venture, provided that (A) after giving effect to such Investment, the Company's Consolidated Interest Coverage Ratio is at least 2.00 to 1.0x, (B) no Default or Event of Default has occurred and is continuing or would result therefrom, (C) if such Investment in such Permitted Joint Venture is in excess of $5 million, such Investment is approved by a majority of the Disinterested Directors of the Company and (D) if such Investment in such Permitted Joint Venture is in excess of $25 million, the Company has received an opinion from a nationally recognized investment banking firm that such Investment is fair to the Company, from a financial point of view; (g) Permitted Minority Investments, provided that (A) after giving effect to such Investments, the Company's Consolidated Interest Coverage Ratio is at least 2.00 to 1.0x, (B) no Default or Event of Default has occurred and is continuing or would result therefrom, (C) the sum of (x) the Book Value of such Permitted Minority Investment together with the aggregate Book Values of all other Permitted Minority Investments of the Company and its Restricted Subsidiaries (the Book Value of each such Permitted Minority Investment determined as of the date such Investment was made), and (y) the aggregate Book Value of assets of all Guarantors that have become Permitted Joint Ventures (determined for each such Guarantor as of the time immediately prior to the transaction pursuant to which it became a Permitted Joint Venture), does not exceed $100 million, (D) if such Permitted Minority Investment is in excess of $5 million, the Permitted Minority Investment is approved by a majority of the Disinterested Directors of the Company and (E) if such Permitted Minority Investment is in excess of $25 million, the Company has received an opinion from a nationally recognized investment banking firm that the Permitted Minority Investment is fair to the Company, from a financial point of view; (h) Investments constituting non-Cash proceeds of Asset Sales; (i) Investments by foreign subsidiaries of the Company in Cash and instruments or securities of the highest grade investment available in local currencies or in certificates of deposit (or comparable instruments) with banks with which such Subsidiary regularly transacts business; (j) Investments in foreign Unrestricted Subsidiaries not to exceed at any one time the equivalent in foreign currencies of $25 million in U.S. Dollars in the aggregate; and (k) additional Investments not to exceed $10 million outstanding at any one time.

"Permitted Joint Venture" means a Subsidiary of the Company (i) which is not a Wholly-owned Subsidiary of the Company, (ii) which is in a healthcare or a healthcare related business and (iii) in which the Company or any Restricted Subsidiary (A) has at least a majority of the Equity Interests and (B) is entitled to elect or appoint the directors, managers or trustees thereof, as applicable.

"Permitted Minority Investment" means any Investment in any Person (i) which is in the healthcare or healthcare related business and (ii) in which the Company and its Restricted Subsidiaries (A) have less than a majority of the Equity Interests or (B) are not entitled to elect or appoint the directors, managers or trustees thereof, as applicable.

"Person" means any individual, corporation, partnership, joint venture, incorporated or unincorporated association, joint-stock company, limited liability company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

"Redeemable Stock" means any Equity Interest which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable before the stated maturity of the Notes), or upon the happening of any event, matures or is mandatorily redeemable, in whole or in part, prior to the stated maturity of the Notes.

"Restricted Subsidiary" means each of the Subsidiaries of the Company that has not been designated an Unrestricted Subsidiary.

"Rights Plan" means the Company's Share Purchase Rights Plan, dated July 21, 1992, as amended, restated, supplemented or otherwise modified from time.

"Senior Indebtedness" means the principal of and premium, if any, and interest on (such interest on Senior Indebtedness, wherever referred to in the Indenture, is deemed to include interest accruing after the filing of a petition initiating any proceeding pursuant to any bankruptcy law in accordance with and
at the rate (including any rate applicable upon any default or event of default, to the extent lawful) specified in any document evidencing the Senior Indebtedness, whether or not the claim for such interest is allowed as a claim after such filing in any proceeding under such bankruptcy law) and other amounts (including, but not limited to, fees, expenses, reimbursement obligations in respect of letters of credit and indemnities) due or payable from time to time on or in connection with any Indebtedness of the Company or any of its Restricted Subsidiaries incurred pursuant to the first paragraph of the "Limitations on Additional Indebtedness" covenant described above or permitted under clauses (i), (ii), (iv), (vi), (viii), (x) and (xiii) of the second paragraph of the "-- LIMITATIONS ON ADDITIONAL INDEBTEDNESS" described above, in each case whether outstanding on the Closing Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or purporting to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Notes. Notwithstanding anything to the contrary in the foregoing, Senior Indebtedness shall not include (a) any Indebtedness of the Company to any of its Subsidiaries or other Affiliates, (b) any Indebtedness incurred after the Closing Date that is contractually subordinated in right of payment to any Senior Indebtedness, and (c) amounts owed (except to banks and other financial institutions) for goods, materials or services purchased in the ordinary course of business or for compensation to employees.

"Significant Subsidiary" means any Subsidiary of the Company which has total assets in excess of $1 million or which holds the capital stock of a Significant Subsidiary.

"Specified Senior Indebtedness" means Senior Indebtedness under the New Credit Agreement or any replacement or substitute facility or facilities thereof and each single issue of other Senior Indebtedness having an outstanding principal balance of $50 million or more.

"Subsidiary" means any corporation, association, limited or general partnership, limited liability company, joint venture or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other Equity Interests entitled (without regard to the occurrence of any contingency) to vote generally in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"Technologies and Management Information Unit" means the Subsidiary of the Company formed or to be formed for the purpose of conducting management and information systems businesses, which may include Strategic Advantage, Inc.

"Unrestricted Subsidiary" means (i) any of Group Practice Affiliates, Inc. and its Subsidiaries, and the Technologies and Management Information Unit and its Subsidiaries, (ii) the Insurance Subsidiaries, (iii) certain foreign Subsidiaries of the Company, (iv) any Subsidiary of the Company or a Restricted Subsidiary (a) that, at the time of determination, shall be designated by the Board of Directors of the Company as an Unrestricted Subsidiary as provided below and (b) all of the Indebtedness of which shall be non-recourse to the Company and its Restricted Subsidiaries and (v) any Subsidiary of an Unrestricted Subsidiary; provided that, notwithstanding clause (iv)(b) above, the Company or any Subsidiary of the Company may guarantee, endorse, agree to provide funds for the payment or maintenance of, or otherwise become directly or indirectly liable with respect to, Indebtedness of an Unrestricted Subsidiary but only to the extent that the Company or such Subsidiary could make an Investment in such Unrestricted Subsidiary pursuant to the "Limitation on Restricted Payments" covenant and any such guarantee, endorsement or agreement shall be deemed an incurrence of Indebtedness by the Company or such Subsidiary for purposes of the "Limitation on Additional Indebtedness" covenant. The Board of Directors may designate any newly-acquired or newly-formed Subsidiary to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of any Restricted Subsidiary. Any such designation by the Board of Directors of the Company shall be evidenced by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Company giving effect to such designation and an officers' certificate certifying that such designation complied with the foregoing conditions.

"Wholly-owned Subsidiary" of any Person means any Subsidiary of such Person to the extent 95% or more of the entire voting share capital of such Subsidiary is owned by such Person (either directly or indirectly through Wholly-owned
Concurrently with the sale of the Old Notes, the Company amended and restated its existing credit agreement by entering into a second amended and restated credit agreement dated as of May 2, 1994, with the banks and other financial institutions named therein, BTCo as agent and First Union National Bank of North Carolina ("First Union") as co-agent (the "New Company Credit Agreement"), and certain subsidiaries of the Company ("Subsidiary Borrowers") amended and restated their existing credit agreement by entering into a second amended and restated subsidiary credit agreement, dated as of May 2, 1994, with the banks and other financial institutions named therein, BTCo as agent and First Union as co-agent (the "New Subsidiary Credit Agreement"). BTCo, the agent under the Company and the Subsidiary Borrowers' existing credit agreements, will continue to serve as agent (the "Agent") under the New Company Credit Agreement and the New Subsidiary Credit Agreement. The following is a summary of the material terms of the New Company Credit Agreement and the New Subsidiary Credit Agreement. This summary is not a complete description of the New Company Credit Agreement and the New Subsidiary Credit Agreement and is qualified in its entirety by reference to the terms of the New Company Credit Agreement and the New Subsidiary Credit Agreement, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus is a part.

THE FACILITY

The New Company Credit Agreement provides for a five-year reducing, revolving credit facility in favor of the Company in an aggregate committed amount of up to $300 million (the "Revolving Credit Commitment"). The Revolving Credit Commitment also will be available to the Subsidiary Borrowers under the New Subsidiary Credit Agreement. Extensions of credit under the Revolving Credit Commitment will be subject to certain customary conditions precedent and may take the form of revolving loans or letters of credit (up to an aggregate amount for letters of credit of $275 million) and shall be used (i) to refinance certain mortgage indebtedness of certain subsidiaries of the Company in the principal amount of approximately $14.7 million and the loans to certain subsidiaries of the Company outstanding under the existing credit agreements in the principal amount of approximately $46.8 million, which refinancing occurred on May 2, 1994, (ii) for continued credit enhancement of certain currently outstanding variable rate demand notes issued by or for the benefit of certain Subsidiary Borrowers, (iii) to pay the fees, costs and expenses incurred by the Company in connection with the Acquisition, the sale of the Notes and the entering into of the New Credit Agreement, and (iv) for working capital and other general corporate purposes, including to finance in part the Acquisition and to finance other permitted acquisitions and investments. At May 2, 1994, approximately $134.6 million in loans and letters of credit were outstanding under the Revolving Credit Commitment. The Company also expects to borrow additional amounts under the Revolving Credit Commitment in connection with the Acquisition. No more than $200 million of the Revolving Credit Commitment will be available prior to the consummation of the initial closing of the Acquisition.

COMMITMENT REDUCTIONS AND REPAYMENTS

The Revolving Credit Commitment will automatically be reduced by the amounts and on the dates indicated below:

<table>
<thead>
<tr>
<th>AMOUNT</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000,000</td>
<td>March 31, 1996</td>
</tr>
<tr>
<td>50,000,000</td>
<td>March 31, 1997</td>
</tr>
<tr>
<td>50,000,000</td>
<td>March 31, 1998</td>
</tr>
<tr>
<td>175,000,000</td>
<td>March 31, 1999</td>
</tr>
</tbody>
</table>

In addition to the scheduled reductions above and certain other mandatory reductions, the Revolving Credit Commitment shall be reduced (i) by an amount equal to 70% (or if a default or an event of default exists, 100%) of the net proceeds of certain asset sales, (ii) by an amount equal to 25% (or if a default or an event of default exists, 100%) of the net proceeds of certain issuances or
sales of the Company's capital stock or other equity interests, except that no such reduction shall be required if the Company meets specified financial ratios and no default or event of default has occurred and is continuing, and (iii) by an amount equal to the principal amount of permitted subordinated indebtedness (including, without limitation, the

Notes) subject to a required repurchase or repurchase offer by the Company as a result of any asset sale. All such reductions described in the foregoing clauses (i) through (iii) shall be applied first on a pro rata basis to all scheduled reductions of the Revolving Credit Commitment other than the last scheduled reduction of the Revolving Credit Commitment, and thereafter to the last scheduled reduction.

INTEREST

The loans outstanding under the Revolving Credit Commitment bear interest at a rate per annum equal to (a) the sum of the Base Lending Rate plus 3/4%, or (b) at the option of the Company, the sum of the maximum reserve-adjusted one, two, three or six-month LIBOR plus 1 3/4%. The Base Lending Rate is the higher of (x) the rate announced from time to time as BTCo's prime lending rate, (y) the Federal Reserve's reported weekly average dealer offering rate for three-month certificates of deposit, adjusted for maximum reserves, plus 1/2 of 1%, and (z) the Federal Funds Rate plus 1/2 of 1%.

The applicable interest rates for loans bearing interest on the basis of the Base Lending Rate or LIBOR will be reduced by 1/4 of 1% per annum if at any time the Company meets a specified financial ratio and the Company's permitted subordinated indebtedness is given certain specified ratings by Standard & Poor's Corporation and Moody's Investors Services, Inc. and will be reduced by an additional 1/4 of 1% per annum if at any time the Company meets a certain more restrictive financial ratio and the Company's permitted subordinated indebtedness is given certain specified higher ratings by Standard & Poor's Corporation and Moody's Investors Services, Inc.

Overdue principal and, to the extent permitted by law, overdue interest shall bear interest at a rate per annum equal to the greater of (i) the sum of the Base Lending Rate plus 2.75% per annum, and (ii) the sum of the interest rate otherwise applicable to such overdue amount plus 2.00% per annum.

COMMISSIONS, FEES AND EXPENSES

The Company and the Subsidiary Borrowers will pay, on a monthly basis in arrears, a commitment commission equal to 1/2 of 1% per annum of the daily average unutilized Revolving Credit Commitment. The commitment commission will be reduced to 3/8 of 1% per annum if at any time the Company meets a specified financial ratio and the Company's permitted subordinated indebtedness is given specified ratings by Standard & Poor's Corporation and Moody's Investors Services, Inc.

The Company and the Subsidiary Borrowers will pay, on a monthly basis in arrears, a letter of credit commission equal to 1.75% per annum of the daily average amount available to be drawn under letters of credit under the New Company Credit Agreement or the New Subsidiary Credit Agreement. Letter of credit commissions will be reduced at all times and to the extent that the interest rate for Base Rate Loans provided above is reduced. The Company will also pay customary fees to issuing banks in connection with the issuance of letters of credit.

The Agent will receive an annual fee, payable in advance in an amount previously agreed upon, as compensation for its services as Agent. The Company has reimbursed the Agent for all reasonable out-of-pocket expenses and costs in connection with the arrangement and commitment of the Revolving Credit Commitment, the preparation, execution and delivery of documentation evidencing the Revolving Credit Commitment, and will reimburse the Agent for such expenses and costs in connection with the preparation, execution and delivery of documentation relating to waivers, consents and amendments thereof, including the reasonable attorneys' fees and expenses of the Agent's counsel. In addition to the foregoing, the Company paid to BTCo for its account certain fees for the arrangement and commitment of the Revolving Credit Commitment.

GUARANTEES

The New Company Credit Agreement and the New Subsidiary Credit Agreement are
guaranteed by substantially all of the Company's existing subsidiaries and will also be guaranteed by each future 95% or more owned restricted subsidiary (other than certain foreign subsidiaries) of the Company having assets in excess of $500,000 or owning capital stock of such a subsidiary (collectively, the "Subsidiary Guarantors"). The Company shall continue to guarantee the obligations of the Subsidiary Borrowers under the New Subsidiary Credit Agreement.

SELECTION

The Company's and the Subsidiary Borrowers' obligations under the New Credit Agreement, and the Company's and the Subsidiary Guarantors' guarantees of such obligations, are secured by substantially the same collateral securing the existing credit agreements, which includes substantially all of the real and personal property of the Company and its domestic subsidiaries, including pledges of all or a portion of the capital stock of substantially all of the Company's operating subsidiaries. Future Subsidiary Guarantors will be required to secure their respective guarantees of the New Company Credit Agreement and the New Subsidiary Credit Agreement with their respective personal property (other than the personal property of unrestricted subsidiaries and certain foreign subsidiaries) but, subject to certain exceptions, shall not be required to grant liens on any of their respective real property.

AFFIRMATIVE, NEGATIVE AND FINANCIAL COVENANTS

The New Company Credit Agreement and the New Subsidiary Credit Agreement contain affirmative covenants usual for facilities of this type and contain negative covenants restricting the Company and its restricted subsidiaries from, among other things, (i) incurring certain additional indebtedness and contingent liabilities, (ii) making certain asset sales, (iii) making certain advances, investments and loans, (iv) making certain acquisitions, (v) creating certain liens, (vi) entering into certain mergers, consolidations, joint ventures, partnerships, leases and sale-and-leaseback transactions, (vii) paying certain dividends and effecting certain other transactions involving the capital stock of the Company and its restricted subsidiaries, (viii) entering into certain transactions with affiliates, (ix) making capital expenditures, (x) incurring restrictions affecting dividends and other payments from subsidiaries, (xi) issuing subsidiary stock, and (xii) making voluntary prepayments or redemptions of subordinated indebtedness. In addition, the New Company Credit Agreement requires the Company to comply with certain financial covenants that will be tested on a quarterly basis.

EVENTS OF DEFAULT

The New Company Credit Agreement and the New Subsidiary Credit Agreement contain default provisions usual for facilities of this type, and also include an event of default for any change in control of the Company, as defined in substantially the same manner as the definition of Change of Control contained herein. See "Description of the New Notes."

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE EXCHANGE OFFER

The exchange of Old Notes for New Notes pursuant to the Exchange Offer should not constitute a material modification of the Old Notes and, accordingly, such exchange should not constitute an exchange for federal income tax purposes. Accordingly, such exchange should have no federal income tax consequences to holders of Old Notes, either to those who exchange their Old Notes for New Notes or those who do not so exchange their Old Notes, and each holder of Old Notes would continue to be required to include interest on the Old Notes in its gross income in accordance with its method of accounting for federal income tax purposes.

If the exchange of Old Notes for New Notes constitutes an exchange for federal income tax purposes, and both the Old Notes and the New Notes constitute "securities" for federal income tax purposes (which determination generally is made by reference to the initial term of the debt instrument, with debt instruments with initial terms of ten years or more being generally treated as securities and debt instruments with initial terms of less than five years being generally treated as not securities), a holder of Old Notes would recognize no gain or loss on the consummation of the Exchange Offer. If, in such event, the Old Notes or the New Notes did not constitute securities, (i) a holder would recognize gain or loss for federal income tax purposes in an amount equal to the
difference between (a) the "issue price" of the New Notes and (b) the holder's adjusted tax basis in the Old Notes exchanged therefor, and (ii) (a) gain, if any, recognized by a holder on the exchange generally would be capital gain (if the Old Notes were held by such holder as capital assets), and would be short-term capital gain if the holder's holding period in the Old Notes was not more than one year, (b) a holder's initial tax basis in the New Notes would be their "issue price" determined on the date of the exchange, and (c) a holder's holding period for the New Notes would begin on the day after the date of the exchange. In each case, depending on the issue price of the New Notes, which would be determined on the date of exchange, a holder might be required to include original issue discount in gross income for federal income tax purposes in advance of the receipt of cash in respect thereof.

LEGAL MATTERS

The legality of the New Notes offered hereby will be passed upon for Charter by King & Spalding, 191 Peachtree Street, Atlanta, Georgia 30303-1763.

EXPERTS

The consolidated financial statements and schedules of Charter included in this Prospectus and elsewhere in this Registration Statement have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

The combined financial statements of the Selected Psychiatric Hospitals of National Medical Enterprises, Inc. as of May 31, 1993, and for each of the years in the two-year period ended May 31, 1993 included herein and in the Registration Statement have been so included in reliance upon the report of KPMG Peat Marwick, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

Charter has filed with the Commission a Registration Statement on Form S-4 under the Securities Act for the Registration of the New Notes offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain items of which are contained in exhibits and schedules to the Registration Statement as permitted by the rules and regulations of the Commission. For further information with respect to the Company and the New Notes offered hereby, reference is made to the Registration Statement, including the exhibits thereto, and financial statements and notes filed as a part thereof. Statements made in this Prospectus concerning the contents of any document referred to herein are not necessarily complete. With respect to each such document filed with the Commission as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

Charter is subject to the informational requirements of the Exchange Act, and, in accordance therewith, files reports, proxy statements and other information with the Commission. Copies of such material can be obtained from the Public Reference Section of the Commission, at Room 1024, Judiciary Plaza, 450 Fifth Street, NW, Washington, D.C. 20549 at prescribed rates. In addition, such reports, proxy statements and other information can be inspected and copied at public reference facilities referred to above and at Regional Offices of the Commission located at Room 1400, Northwestern Atrium Center, 500 West Madison Street, Chicago, Illinois 60661 and Seven World Trade Center, New York, New York 10048. Charter's Common Stock is listed for trading on the American Stock Exchange and reports, proxy statements and other information concerning Charter may be inspected at the office of the American Stock Exchange, 86 Trinity Place, New York, New York. If, at any time, Charter is not subject to the information requirements of the Exchange Act, Charter has agreed to furnish to holders of the New Notes, financial statements, including notes thereto and with respect to annual reports, an auditor's report by an accounting firm of established national reputation and a "Management's Discussion and Analysis of Financial Condition and Results of Operations," and any other information that would be required by Form 10-K, Form 10-Q and Form 8-K.
As discussed in Notes 1 and 2, the Company's reorganization plan was confirmed by the U.S. Bankruptcy Court on July 8, 1992 and became effective on...
July 21, 1992 (effective on July 31, 1992 for financial reporting purposes). In accordance with Statement of Position No. 90-7 of the American Institute of Certified Public Accountants, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," the Company was required to account for the reorganization using fresh start reporting. Accordingly, all consolidated financial statements prior to July 31, 1992 are not comparable to the consolidated financial statements for periods after the implementation of fresh start reporting.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the index to the exhibits and financial statement schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Atlanta, Georgia
November 15, 1993
(except with respect to the matters discussed in Notes 14 and 15, as to which the date is May 13, 1994)

F-2

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)

ASSETS

<table>
<thead>
<tr>
<th></th>
<th>SEPTEMBER 30, 1992</th>
<th>SEPTEMBER 30, 1993</th>
</tr>
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<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, including cash equivalents of $104,710 in 1992 and $60,242 in 1993, at cost which approximates market</td>
<td>$140,803</td>
<td>$86,002</td>
</tr>
<tr>
<td>Accounts receivable, less allowance for doubtful accounts of $30,272 in 1992 and $28,843 in 1993</td>
<td>127,698</td>
<td>119,638</td>
</tr>
<tr>
<td>Supplies</td>
<td>5,784</td>
<td>5,051</td>
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<tr>
<td>Other current assets</td>
<td>16,457</td>
<td>21,224</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>290,742</td>
<td>233,915</td>
</tr>
<tr>
<td><strong>Assets Restricted for Settlement of Unpaid Claims</strong></td>
<td>67,456</td>
<td>81,608</td>
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<tr>
<td><strong>Property and Equipment</strong></td>
<td>101,892</td>
<td>96,886</td>
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<tr>
<td>Buildings and improvements</td>
<td>324,921</td>
<td>310,649</td>
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<tr>
<td>Equipment</td>
<td>82,940</td>
<td>67,421</td>
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<tr>
<td>Accumulated depreciation</td>
<td>486,753</td>
<td>473,956</td>
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<tr>
<td>Construction in progress</td>
<td>486,440</td>
<td>443,858</td>
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<tr>
<td><strong>Other Long-Term Assets</strong></td>
<td>12,922</td>
<td>928</td>
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<tr>
<td><strong>Reorganization Value in Excess of Amounts Allocable to Identifiable Assets</strong></td>
<td>121,709</td>
<td>57,201</td>
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<tr>
<td><strong>Net Assets of Discontinued Operations</strong></td>
<td>319,638</td>
<td>---</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>486,762</td>
<td>444,786</td>
</tr>
</tbody>
</table>

| Other current assets  | 16,457            | 21,224            |
| Total Current Assets  | 290,742           | 233,915           |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<table>
<thead>
<tr>
<th></th>
<th>SEPTEMBER 30, 1992</th>
<th>SEPTEMBER 30, 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$50,735</td>
<td>$52,264</td>
</tr>
<tr>
<td>Accrued salaries and wages</td>
<td>32,120</td>
<td>28,298</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>127,604</td>
<td>109,600</td>
</tr>
<tr>
<td>Current income taxes payable</td>
<td>12,329</td>
<td>11,479</td>
</tr>
<tr>
<td>Current maturities of long-term debt and capital lease obligations</td>
<td>73,956</td>
<td>70,957</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>296,144</td>
<td>272,598</td>
</tr>
<tr>
<td>Long-Term Debt and Capital Lease Obligations</td>
<td>846,839</td>
<td>350,205</td>
</tr>
<tr>
<td>Deferred Income Tax Liabilities</td>
<td>32,569</td>
<td>38,789</td>
</tr>
<tr>
<td>Reserve for Unpaid Claims</td>
<td>98,346</td>
<td>99,675</td>
</tr>
<tr>
<td>Deferred Credits and Other Long-Term Liabilities</td>
<td>28,876</td>
<td>19,621</td>
</tr>
<tr>
<td><strong>Stockholders' Equity (Deficit)</strong></td>
<td>6,207</td>
<td>6,250</td>
</tr>
</tbody>
</table>

Common Stock, par value $0.25 per share
Authorized — 80,000,000 shares
Issued and outstanding — 24,827,656 shares in 1992 and 25,001,042 shares in 1993.
The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>$ 868,264</td>
<td>$ 777,855</td>
<td>$ 142,850</td>
<td>$ 897,907</td>
</tr>
<tr>
<td>Costs and expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>654,828</td>
<td>563,600</td>
<td>107,608</td>
<td>640,847</td>
</tr>
<tr>
<td>Bad debt expenses tax provision</td>
<td>53,567</td>
<td>35,403</td>
<td>14,804</td>
<td>67,300</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>48,659</td>
<td>35,126</td>
<td>3,631</td>
<td>26,382</td>
</tr>
<tr>
<td>Amortization of reorganization value in excess of amounts allocable to identifiable assets</td>
<td>--</td>
<td>--</td>
<td>7,167</td>
<td>42,678</td>
</tr>
<tr>
<td>Interest net</td>
<td>232,218</td>
<td>169,244</td>
<td>12,690</td>
<td>74,156</td>
</tr>
<tr>
<td>Deferred compensation expense</td>
<td>5,061</td>
<td>3,190</td>
<td>--</td>
<td>38,416</td>
</tr>
<tr>
<td>Provision for restructuring of operations</td>
<td>49,000</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Loss from continuing operations before income taxes, reorganization items and extraordinary item</td>
<td>(167,157)</td>
<td>(81,681)</td>
<td>(8,126)</td>
<td>(59,620)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>--</td>
<td>4,259</td>
<td>1,054</td>
<td>1,874</td>
</tr>
<tr>
<td>Loss from continuing operations before reorganization items and extraordinary item</td>
<td>(167,157)</td>
<td>(81,681)</td>
<td>(8,126)</td>
<td>(59,620)</td>
</tr>
<tr>
<td>Reorganization items:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional fees and other expenses</td>
<td>--</td>
<td>(6,156)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Extraordinary item - gain (loss) on early extinguishment or discharge of debt (net of income tax benefit of $5,298 in 1993)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$ (135,042)</td>
<td>$ 747,967</td>
<td>$ (7,196)</td>
<td>$ 52,227</td>
</tr>
<tr>
<td>Average number of common shares outstanding (2)</td>
<td>--</td>
<td>24,828</td>
<td></td>
<td>24,875</td>
</tr>
<tr>
<td>Earnings (Loss) per common share (2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from continuing operations before extraordinary item</td>
<td>--</td>
<td>$ (.33)</td>
<td></td>
<td>$ (1.59)</td>
</tr>
<tr>
<td>Income (Loss) from discontinued operations and gain on disposal of discontinued operations</td>
<td>--</td>
<td>--</td>
<td>.04</td>
<td>(.16)</td>
</tr>
<tr>
<td>Loss before extraordinary item</td>
<td>--</td>
<td>--</td>
<td>(.29)</td>
<td>(.35)</td>
</tr>
<tr>
<td>Extraordinary loss on early extinguishment of debt</td>
<td>--</td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>--</td>
<td>--</td>
<td>$ (.29)</td>
<td>$ (.29)</td>
</tr>
</tbody>
</table>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

F-3
## CHARTER MEDICAL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
## (IN THOUSANDS)

<table>
<thead>
<tr>
<th></th>
<th>YEAR ENDED</th>
<th>TEN MONTHS</th>
<th>TWO MONTHS</th>
<th>YEAR ENDED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SEPTEMBER 30,</td>
<td>JULY 31,</td>
<td>SEPTEMBER 30,</td>
<td>SEPTEMBER 30,</td>
</tr>
<tr>
<td>Common Stock:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of period</td>
<td>$ --</td>
<td>$ --</td>
<td>$ 6,207</td>
<td>$ 6,207</td>
</tr>
<tr>
<td>Consummation of the Restructuring</td>
<td>--</td>
<td>6,207</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Exercise of options and warrants</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>43</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>--</td>
<td>6,207</td>
<td>6,207</td>
<td>6,250</td>
</tr>
<tr>
<td>Class B Common Stock:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of period</td>
<td>3,679</td>
<td>3,537</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Consummation of the Restructuring</td>
<td>--</td>
<td>(3,537)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Other</td>
<td>(142)</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>3,537</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Additional Paid-in Capital:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of period</td>
<td>34,850</td>
<td>39,891</td>
<td>199,412</td>
<td>198,623</td>
</tr>
<tr>
<td>Deferred compensation and stock option expense (credit)</td>
<td>5,061</td>
<td>3,190</td>
<td>(789)</td>
<td>38,416</td>
</tr>
<tr>
<td>Cumulative foreign currency translation gain (loss)</td>
<td>--</td>
<td>364,888</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Adjust accounts to fair value</td>
<td>--</td>
<td>3,993</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Exercise of options and warrants</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>542</td>
</tr>
<tr>
<td>Fresh start equity reclassifications</td>
<td>--</td>
<td>(212,550)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>39,891</td>
<td>199,412</td>
<td>198,623</td>
<td>237,581</td>
</tr>
<tr>
<td>Accumulated deficit:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of period</td>
<td>(843,883)</td>
<td>(945,222)</td>
<td>--</td>
<td>(7,196)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(130,042)</td>
<td>747,967</td>
<td>(7,196)</td>
<td>(52,227)</td>
</tr>
<tr>
<td>Fresh start equity reclassifications</td>
<td>--</td>
<td>215,479</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Cumulative redeemable preferred stock dividend</td>
<td>(24,853)</td>
<td>(18,224)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Other</td>
<td>53,526</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>(495,222)</td>
<td>--</td>
<td>(7,196)</td>
<td>(59,423)</td>
</tr>
<tr>
<td>Unearned Compensation under ESOP:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of period</td>
<td>(238,760)</td>
<td>(240,461)</td>
<td>(193,990)</td>
<td>(187,128)</td>
</tr>
<tr>
<td>ESOP expense (credit)</td>
<td>(3,962)</td>
<td>33,714</td>
<td>4,811</td>
<td>45,874</td>
</tr>
<tr>
<td>ESOP expense of discontinued operations</td>
<td>2,261</td>
<td>12,757</td>
<td>2,051</td>
<td>18,530</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>(240,461)</td>
<td>(193,990)</td>
<td>(187,128)</td>
<td>(122,724)</td>
</tr>
<tr>
<td>Warrants Outstanding:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of period</td>
<td>57,519</td>
<td>3,993</td>
<td>283</td>
<td>283</td>
</tr>
<tr>
<td>Exercise of options and warrants</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>(9)</td>
</tr>
<tr>
<td>Adjust accounts to fair value</td>
<td>--</td>
<td>283</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Reversal of warrant accretion</td>
<td>(53,526)</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>3,993</td>
<td>283</td>
<td>283</td>
<td>274</td>
</tr>
<tr>
<td>Cumulative Foreign Currency Adjustments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of period</td>
<td>1,661</td>
<td>(17)</td>
<td>(365)</td>
<td>(4,660)</td>
</tr>
<tr>
<td>Foreign currency translation gain</td>
<td>(1,678)</td>
<td>3,088</td>
<td>(365)</td>
<td>(4,295)</td>
</tr>
<tr>
<td>Fresh start equity reclassifications</td>
<td>(3,071)</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>(17)</td>
<td>(365)</td>
<td>(4,660)</td>
<td>--</td>
</tr>
<tr>
<td>Total Stockholders' Equity (Deficit)</td>
<td>$(1,138,279)</td>
<td>11,912</td>
<td>$10,424</td>
<td>$57,298</td>
</tr>
</tbody>
</table>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

F-5

## CHARTER MEDICAL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## (IN THOUSANDS)

<table>
<thead>
<tr>
<th></th>
<th>YEAR ENDED</th>
<th>TEN MONTHS</th>
<th>TWO MONTHS</th>
<th>YEAR ENDED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SEPTEMBER 30,</td>
<td>JULY 31,</td>
<td>SEPTEMBER 30,</td>
<td>SEPTEMBER 30,</td>
</tr>
<tr>
<td>Cash Flows From Operating Activities</td>
<td>$ (130,042)</td>
<td>$ 747,967</td>
<td>$ (7,196)</td>
<td>$ (52,227)</td>
</tr>
</tbody>
</table>
Adjustments to reconcile net income (loss) to net cash provided by operating activities:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Income) Loss from discontinued operations</td>
<td>57,115</td>
<td>24,211</td>
<td>930</td>
<td>14,703</td>
</tr>
<tr>
<td>Gain on sale of discontinued operations</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>48,659</td>
<td>35,126</td>
<td>10,798</td>
<td>69,060</td>
</tr>
<tr>
<td>Non-cash portion of provision for restructuring of operations</td>
<td>12,828</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>ESOP expense (credit)</td>
<td>(3,962)</td>
<td>33,714</td>
<td>4,811</td>
<td>45,874</td>
</tr>
<tr>
<td>Deferred compensation and stock option expense</td>
<td>5,041</td>
<td>3,190</td>
<td>(789)</td>
<td>38,416</td>
</tr>
<tr>
<td>Non-cash interest expense</td>
<td>78,796</td>
<td>38,245</td>
<td>917</td>
<td>7,866</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>251,874</td>
<td>(671,026)</td>
<td>45,556</td>
<td>142,185</td>
</tr>
</tbody>
</table>

Other adjustments to reconcile net income (loss)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable, net</td>
<td>27,388</td>
<td>(133)</td>
<td>10,960</td>
<td>7,909</td>
</tr>
<tr>
<td>Other current assets</td>
<td>643</td>
<td>7,492</td>
<td>(685)</td>
<td>(2,541)</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>1,178</td>
<td>8,761</td>
<td>4,71</td>
<td>(5,239)</td>
</tr>
<tr>
<td>Accounts payable and other current liabilities</td>
<td>105,762</td>
<td>76,354</td>
<td>25,401</td>
<td>(30,443)</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>(4,858)</td>
<td>1,585</td>
<td>942</td>
<td>1,482</td>
</tr>
<tr>
<td>Reserve for unpaid claims</td>
<td>11,418</td>
<td>7,349</td>
<td>(1,479)</td>
<td>4,119</td>
</tr>
<tr>
<td>Reorganization items</td>
<td>--</td>
<td>(20,208)</td>
<td>(6,161)</td>
<td>--</td>
</tr>
<tr>
<td>Professional fees and other expenses</td>
<td>(65,004)</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Extraordinary (gain) loss on early extinguishment or discharge of debt</td>
<td>(730,589)</td>
<td>--</td>
<td>8,561</td>
<td>--</td>
</tr>
<tr>
<td>Other</td>
<td>6,076</td>
<td>7,810</td>
<td>1,300</td>
<td>(5,925)</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>251,874</td>
<td>(671,026)</td>
<td>45,556</td>
<td>142,185</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities                     | 121,832      | 76,941       | 38,360       | 89,958       |

Cash flows from investing activities:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>(11,699)</td>
<td>(8,868)</td>
<td>(1,430)</td>
<td>(11,101)</td>
</tr>
<tr>
<td>Increase in assets restricted for settlement of unpaid claims</td>
<td>(5,866)</td>
<td>1,629</td>
<td>(16,438)</td>
<td>(14,152)</td>
</tr>
<tr>
<td>Proceeds from sale of assets (including discontinued operations)</td>
<td>36,586</td>
<td>3,008</td>
<td>--</td>
<td>384,173</td>
</tr>
<tr>
<td>Cash flows from discontinued operations</td>
<td>33,940</td>
<td>33,812</td>
<td>10,977</td>
<td>42,487</td>
</tr>
</tbody>
</table>

Net cash provided by (used in) investing activities           | 52,541       | 26,323       | (6,891)      | 371,407      |

Cash flows from financing activities:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments on debt and capital lease obligations</td>
<td>(68,835)</td>
<td>(120,197)</td>
<td>(42,931)</td>
<td>(533,942)</td>
</tr>
<tr>
<td>Proceeds from issuance of debt</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Proceeds from exercise of stock options and warrants</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>576</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(68,835)</td>
<td>(120,197)</td>
<td>(42,931)</td>
<td>(516,166)</td>
</tr>
</tbody>
</table>

Net increase (decrease) in cash and cash equivalents          | 105,538      | 157,471      | 11,461       | (54,801)     |

Cash and cash equivalents at beginning of period               | 167,736      | 152,265      | 140,803      | 86,002       |

Cash and cash equivalents at end of period                     | 275,595      | 23,545       | 747          | (15,415)     |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

F-6

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1993

1. STRUCTURE OF THE COMPANY

DISCONTINUED OPERATIONS

On September 30, 1993, the Company sold its general hospitals and the related assets for a total sales price of approximately $338 million. The Company retained the assets and liabilities relating to these subsidiaries for professional liability claims incurred and cost report settlements for periods prior to September 30, 1993. Summarized results of the operations of the general hospitals were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>$ 305,650</td>
<td>$ 275,595</td>
<td>$ 57,431</td>
<td>$ 346,835</td>
</tr>
<tr>
<td>Operating and bad debt expenses</td>
<td>249,956</td>
<td>226,123</td>
<td>46,612</td>
<td>284,372</td>
</tr>
<tr>
<td>Amortization of reorganization value in excess of amounts allocable to identifiable assets</td>
<td>--</td>
<td>--</td>
<td>5,333</td>
<td>32,000</td>
</tr>
<tr>
<td>Other expenses (1)</td>
<td>18,544</td>
<td>25,927</td>
<td>4,939</td>
<td>45,874</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$ 37,150</td>
<td>$ 23,545</td>
<td>$ 747</td>
<td>$(15,415)</td>
</tr>
</tbody>
</table>

---------

(1) Includes the effect of reorganization.
(1) Included in these amounts are income taxes and interest expense related to
debt specifically identifiable as debt of the general hospitals. Such
interest expense is not material.

On September 15, 1993, the Company sold its interest in Beech Street of
California, Inc. ("Beech Street") (see Note 12). Beech Street operates preferred
provider networks and provides utilization review services to third parties.
Immediately prior to the sale, the Company owned 71.1% of the voting stock and
19.8% of the equity ownership of Beech Street. The operations of Beech Street
were consolidated with the Company. Summarized results of Beech Street's
operations were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>TWO MONTHS</th>
<th>YEAR ENDED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SEPTEMBER 30, 1993</td>
<td>SEPTEMBER 30, 1992</td>
</tr>
<tr>
<td>Net revenue</td>
<td>$ 14,400</td>
<td>$ 16,671</td>
</tr>
<tr>
<td>Operating, bad debt and minority interest expenses</td>
<td>13,623</td>
<td>15,819</td>
</tr>
<tr>
<td>Other expenses, including income taxes</td>
<td>812</td>
<td>186</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$(35)</td>
<td>$666</td>
</tr>
</tbody>
</table>

The net assets, results of operations and the gains on the sales of the
general hospitals and Beech Street have been reported in the accompanying
financial statements as discontinued operations. Therefore, the financial
statements for all prior periods presented have been restated to segregate these
amounts from continuing operations.

CONSUMMATION OF THE RESTRUCTURING

On June 2, 1992, the Company filed a voluntary petition under chapter 11 of the
United States Bankruptcy Code in the United States Bankruptcy Court for the
District of Delaware (the "Court"). The prepackaged plan of reorganization (the
"Plan") effected a restructuring of the Company's debt and equity capitalization
(the "Restructuring"). No subsidiaries of the Company were included in the
filing. The Court confirmed the Company's Plan on July 8, 1992, and the Plan
became effective on July 21, 1992 (the "Effective Date"). The consummation of
the Plan resulted in, among other things, (i) a reduction of

approximately $700 million in long-term debt, (ii) elimination of $233 million
of preferred stock and (iii) the issuance of approximately 24.8 million shares of
Common Stock to certain holders of debt securities, the preferred
stockholders and common stockholders.

As a result of the consummation of the Plan, the financing under the $880
Million Credit Agreement between the Company and certain banks dated September
1, 1988, was replaced by new facilities under the Amended and Restated Credit
Agreement dated July 21, 1992, among the Company and certain banks (the "Credit
Agreement"). The Credit Agreement includes the Tranche A facility (the "Tranche A
Facility"), the Tranche B facility (the "Tranche B Facility") and a new
facility (the "Tranche C Facility") in the maximum principal amount of $75
million, subject to availability.

Upon consummation of the Plan, the Company recognized an extraordinary gain
on debt discharge of approximately $731 million which represented forgiveness of
debt, principal and interest, reduced by the estimated fair value of common
stock issued to certain debtholders of the Company. The Company's long-term debt
was stated at the present value of amounts to be paid, based on market interest
rates on July 31, 1992. This adjustment to present value resulted in an
aggregate carrying amount for the Company's long-term debt which was less than
the aggregate principal amount thereof, and will result in the amortization of
the difference into interest expense over the terms of the debt instruments or,
upon extinguishment of the debt prior to scheduled maturity, will result in a
loss on debt extinguishment.

2. FRESH START REPORTING

The Company has accounted for the Restructuring by using the principles of
fresh start accounting, as required by AICPA Statement of Position 90-7,
"Financial Reporting by Entities in Reorganization Under the Bankruptcy Code."
For accounting purposes, the Company assumed that the Plan was consummated on
July 31, 1992. Under the principles of fresh start accounting, the Company's
total assets were recorded at their assumed reorganization value, with the
reorganization value allocated to identifiable tangible assets on the basis of
their estimated fair value. Accordingly, the Company's property and equipment
was reduced and its intangible assets were written off. In addition, the
Company's accumulated deficit, common stock in treasury and cumulative foreign
currency adjustments were eliminated. The excess of the reorganization value
over the value of identifiable assets is reported as "reorganization value in
excess of amounts allocable to identifiable assets" (the "Excess Reorganization
Value").

The total reorganization value assigned to the Company's assets was
estimated by calculating projected cash flows before debt service requirements,
for a five-year period, plus an estimated terminal value of the Company
(calculated using a multiple of approximately six (6) on projected EBDIT (which
is net revenue less operating and bad debt expenses)), each discounted back to
its present value using a discount rate of 12% (representing the estimated
after-tax weighted cost of capital). This amount was approximately $1.2 billion
and was increased by (i) the estimated net realizable value of assets to be sold
and (ii) estimated cash in excess of normal operating requirements. The above
calculations resulted in an estimated reorganization value of approximately $1.3
billion, of which the Excess Reorganization Value was $225 million, of which
$129 million related to continuing operations. The Excess Reorganization Value
is being amortized over three years.

As a result of the implementation of fresh start accounting, the financial
statements of the Company after consummation of the Plan are not comparable to
the Company's financial statements of prior periods.

F-8

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1993

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements of the Company include the accounts of
the Company and its subsidiaries. All significant intercompany accounts and
transactions have been eliminated in consolidation. Certain prior year amounts
have been reclassified to conform with the fiscal 1993 presentation.

For accounting purposes, the Company assumed that the Plan was consummated
on July 31, 1992. The consolidated financial statements as of and for the two
months ended September 30, 1992 and the year ended September 30, 1993 are
presented for the Company after the consummation of the Plan. As discussed
above, these statements were prepared under the principles of fresh start
accounting and are not comparable to the statements of prior periods. Accordingly,
a line has been used to separate the financial statements of the Company after the consummation of the Plan from those of the Company prior to
the consummation of the Plan.

PROPERTY AND EQUIPMENT

As a result of the adoption of fresh start accounting, property and
equipment were adjusted to their estimated fair value as of July 31, 1992 and
historical accumulated depreciation was eliminated. Expenditures for renewals
and improvements are charged to the property accounts; however, replacements,
maintenance and repairs which do not improve or extend the life of the
respective assets are expensed currently. The Company removes the cost and
related accumulated depreciation from the accounts for property sold or retired,
and any resulting gain or loss is included in operations. Amortization of capital lease assets is included in depreciation expense. Depreciation is provided substantially on the straight-line method for financial reporting purposes; however, certain subsidiaries use accelerated methods for income tax purposes. Upon implementation of fresh start accounting, the average of the remaining useful lives of buildings and improvements was approximately 22 years. The general range of estimated useful lives is three to ten years for equipment.

EXCESS REORGANIZATION VALUE

Excess Reorganization Value is being amortized on a straight-line basis over three years. Amortization expense for the two months ended September 30, 1992 and the year ended September 30, 1993 was $7.2 million and $42.7 million, respectively. The unamortized Excess Reorganization Value of $58.6 million attributable to the general hospitals sold on September 30, 1993, reduced the gain from the disposal of such hospitals. Excess Reorganization Value was reduced by approximately $21 million during fiscal 1993 to reflect the recognition of tax benefits related to pre-Plan tax loss carryforwards. (See Note 8.)

FOREIGN CURRENCY

Changes in the cumulative translation of foreign currency assets and liabilities are presented as a separate component of stockholders' equity (deficit). Gains and losses resulting from foreign currency transactions, which were not material, are included in operations as incurred.

NET REVENUE

Net revenue is based on established billing rates, less estimated allowances for patients covered by Medicare and other contractual reimbursement programs and discounts from established billing rates. Amounts received by the Company for treatment of patients covered by Medicare and other contractual reimbursement programs, which may be based on cost of services provided or predetermined rates, are generally less than the established billing rates of the Company's hospitals. Final determination of amounts earned under contractual reimbursement programs is subject to review and audit by the appropriate agencies. Management believes that adequate provision has been made for any adjustments that may result from such reviews.

F-9

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1993

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHARITY CARE

The Company provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policies. Because the Company does not pursue collection of amounts determined to be charity care, they are not reported as revenue. For fiscal year 1991 and the ten months ended July 31, 1992, the Company provided, at its established billing rates, approximately $34.2 million and $30 million, respectively, of such care. For the two months ended September 30, 1992 and the year ended September 30, 1993, the Company provided, at its established billing rates, approximately $5.8 million and $35.7 million, respectively, of such care.

INTEREST, NET

The Company records interest expense net of capitalized interest and interest income. Interest income for fiscal year 1991, the ten months ended July 31, 1992, the two months ended September 30, 1992 and the year ended September 30, 1992 was approximately $8 million, $6.7 million, $.8 million, and $3.6 million, respectively.

CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid interest-bearing investments with a maturity of three months or less when purchased, consisting primarily of money market instruments.
ASSETS RESTRICTED FOR THE SETTLEMENT OF UNPAID CLAIMS

Assets restricted for the settlement of unpaid claims include marketable securities which are carried at amortized cost, which approximates market value. Transfer of such investments from the insurance subsidiaries to the Company or any of its other subsidiaries is subject to approval under the Credit Agreement and by certain regulatory authorities.

NET LOSS PER COMMON SHARE

Net loss per common share for the two months ended September 30, 1992 and the year ended September 30, 1993 was computed based on the weighted average number of shares of Common Stock outstanding during the period. Common stock equivalents (primarily options outstanding under the 1992 Stock Option Plan) were not dilutive and therefore were not included in the calculation.

Per share amounts for the periods ended September 30, 1991 and July 31, 1992 have not been presented because they are not meaningful due to the implementation of fresh start accounting and the substantial change in the number of shares outstanding subsequent to the consummation of the Plan.

4. PROVISION FOR RESTRUCTURING OF OPERATIONS

In response to its financial difficulties in fiscal 1990, the Company developed an operating plan, which included a divestiture plan for certain hospitals. During the fourth quarter of fiscal 1991, the Company recorded, in addition to amounts recorded in fiscal 1990, a charge of $45 million to reflect revised estimates of the net recoverable value, closing costs and estimated net operating losses to the estimated disposal date of certain facilities and additional fees for certain financial advisors and legal costs for the Restructuring. The additional fees were the result of the additional time required to complete the Restructuring.

Since September 1990, in addition to the general hospital sale discussed in Note 1, the Company has sold nine facilities for an aggregate sales price of $61.6 million. The Company also sold a substantially completed psychiatric hospital in October 1992. The Company has leased two facilities, with options to purchase by the lessees.

F-10

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1993

4. PROVISION FOR RESTRUCTURING OF OPERATIONS (CONTINUED)

The Company is also attempting to sell or lease five other hospitals, the related medical office buildings and a number of parcels of unimproved real estate. The consolidated balance sheet as of September 30, 1993, includes the following amounts related to assets held for disposition (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$490</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>25,634</td>
</tr>
<tr>
<td>Other assets</td>
<td>12</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>6,964</td>
</tr>
</tbody>
</table>

5. BENEFIT PLANS

The Company maintains an Employee Stock Ownership Plan (the "ESOP"), a noncontributory retirement plan that enables eligible employees to participate in the ownership of the Company. The ESOP borrowed approximately $455 million from the Company to acquire its ownership interest. At September 30, 1993, the ESOP owed the Company approximately $107.6 million.

The Company has recorded unearned compensation to reflect the cost of Common Stock purchased by the ESOP but not yet allocated to participants' accounts. In the period that shares are allocated, or projected to be allocated, to participants, ESOP expense is recorded and unearned compensation is reduced. Interest expense on the remaining portion of the debt incurred to finance the ESOP transaction amounted to $26,965,000 and $16,169,000 for fiscal 1991 and the ten months ended July 31, 1992, respectively, and $2,472,000 and $10,380,000 for the two months ended September 30, 1992 and fiscal 1993, respectively, and is
The Internal Revenue Service has ruled that the ESOP qualifies under Section 401 of the Internal Revenue Code of 1986, as amended. Such determination allows the Company to deduct its contributions to the ESOP for federal income tax purposes.

In settlement of a class action lawsuit in April 1992, the Company agreed to (i) reduce by $30 million certain of the amounts owed to the Company by the ESOP; (ii) make payments totalling approximately $12 million for certain participants of the ESOP with such payments made through contributions to the 401-K Plan (as defined below), or in the event of the termination of such participants, directly to the participants and (iii) pay approximately $500,000 to certain former employees. The Company included, in the provision for restructuring of operations recorded in fiscal 1991, accruals for this settlement.

During fiscal 1992, the Company reinstated its cash accumulation plan (the "401-K Plan"), which had been discontinued as of January 1, 1988, upon the adoption of the ESOP. Effective January 1, 1992, employee participants could elect to voluntarily contribute up to 5% of their compensation to the 401-K Plan. Upon consummation of the Restructuring, on July 21, 1992, the 401-K Plan was amended and restated. Effective October 1, 1992, the Company began making contributions to the 401-K Plan based on employee compensation and contributions. The Company makes a discretionary contribution of 2% of each employee's compensation and matches 50% of each employee's contribution up to 3% of their compensation. During the year ended September 30, 1993, the Company made contributions of $2,539,000 to the 401-K Plan.

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1993

6. LONG-TERM DEBT AND LEASES

Information with regard to the Company's long-term debt and capital lease obligations at September 30, 1992 and 1993 follows (in thousands):
obligations during the five years subsequent to September 30, 1993, follow: 1994 -- $70,957,000; 1995 -- $31,868,000; 1996 -- $15,138,000; 1997 -- $69,405,000; and 1998 -- $1,638,000.

The consolidated statement of operations for the year ended September 30, 1993 includes an extraordinary after-tax loss of $8,561,000 on early extinguishment of debt. This loss includes interest and fees incurred upon the retirement of the Senior Secured Notes, certain debt under the Credit Agreement and mortgages on the general hospitals and the write-off of the unamortized discount or premium remaining on the Bank Financing as a result of the prepayments made during 1993.

CREDIT AGREEMENT

The Bank Financing consists of the Tranche A Facility, the Tranche B Facility and the Tranche C Facility.

TRANCHE A FACILITY

Loans outstanding under the Tranche A Facility bear interest, payable monthly in arrears, at the following per annum rates: (i) from July 21, 1992 to and including June 30, 1993, Bankers Trust Company's Prime Lending Rate (the "Prime Rate", 6.0% at September 30, 1993); (ii) from July 1, 1993 to and including June 30, 1995, the Prime Rate plus .5% per annum; (iii) from July 1, 1995 to and including June 30, 1996, the Prime Rate plus .75% per annum; and (iv) from July 1, 1996 to September 30, 1997, the date of maturity, the Prime Rate plus 1% per annum.

F-12

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1993

6. LONG-TERM DEBT AND LEASES (CONTINUED)

In addition, the Tranche A Facility provides for the support of letters of credit securing certain outstanding industrial development bonds. Borrowings pursuant to the Tranche A Facility with respect to letter of credit drawings will bear interest at the Prime Rate plus 1.5% per annum for the first $40 million drawn and the Prime Rate plus 1% per annum for amounts drawn in excess of $40 million, in each case payable monthly in arrears. The Tranche A Facility requires the payment of a commission in connection with the support of letters of credit equal to 1.5% per annum, and the issuing banks' commitment also provides for the payment of a commission, in each case based on the daily average maximum aggregate amount that can be drawn under the letters of credit. As of September 30, 1993, letters of credit totalling approximately $73 million were outstanding under the Tranche A Facility.

TRANCHE B FACILITY

The financial institutions participating in the Tranche B Facility were allowed to select between two interest rate options. Accordingly, approximately 75% of the borrowings outstanding pursuant to the Tranche B Facility bear interest at a fixed rate of 8.375% per annum, with the remaining portion bearing interest at a rate per annum equal to 85% of the interest rate applicable to the Tranche A Facility, in each case payable monthly in arrears.

Under the federal income tax laws, certain financial institutions are eligible to exclude from their gross income 50% of the interest received on loans of the type contemplated by the Tranche B Facility. The Credit Agreement provides that if an eligible holder of a loan under the Tranche B Facility loses any right to such interest exclusion, then the Company will be required to reimburse such holder in an amount based on the tax benefits lost by such holder plus penalties, interest and additions to the tax assessed against such holder. In addition, the interest rate on such loan will be increased by an amount sufficient to reimburse such holder for the loss of any such tax benefits. In the event mandatory principal repayments, as described below, with respect to the Tranche B Facility exceed applicable federal income tax limitations for purposes of deductibility, such excess will be applied instead to loans under the Tranche A Facility.

TRANCHE C FACILITY
Borrowings pursuant to the Tranche C Facility may not exceed the lesser of $75 million or the aggregate amount of the Company's voluntary prepayments of loans outstanding under the Tranche A and Tranche B Facilities. Loans outstanding under the Tranche C Facility bear interest at the same rates applicable to the Tranche A Facility. The Company may permanently reduce the banks' commitment with respect to the Tranche C Facility, subject to certain minimum amounts. The conditions to borrowings under the Tranche C Facility include the absence of any default or event of default under the Credit Agreement and a minimum borrowing of $5 million. The Company pays a commitment fee equal to .5% per annum on the daily average amount of available commitment under the Tranche C Facility. The Company currently has an available commitment of $50 million under the Tranche C Facility.

MANDATORY PREPAYMENTS

The Company is required to make certain prepayments to the Banks, which consist of (i) 80% of Excess Cash Flow (which, as defined by the Credit Agreement, is net income or loss adjusted for all non-cash items and certain cash items affecting net income or loss, plus certain other cash inflows (for example, certain asset sales proceeds), reduced by debt service requirements, capital expenditures and certain other cash outflows (for example, cash income tax payments) for each fiscal year), (ii) 100% of the Excess Cash (which, as defined by the Credit Agreement, is the amount by which cash and cash equivalents, as adjusted for certain items, exceeds $100 million as of each September 30) and (iii) 75% of net proceeds of asset sales. On October 14, 1993, the Company made prepayments totalling $13.9 million to the Banks which represented estimated Excess Cash at September 30, 1993 and such amounts are included in current maturities at September 30, 1993. Additionally, on October 6, 1993, the Company made mandatory prepayments of approximately $3.2 million to the Banks which represented asset sale proceeds.

SCHEDULED PRINCIPAL PAYMENTS

The Company is required to make principal payments, with respect to the Tranche A Facility, of (i) $2.5 million on each March 31 and September 30 through September 30, 1995, (ii) $5 million each on March 31 and September 30, 1996, (iii) $25 million on March 31, 1997 and (iv) the remaining balance due on September 30, 1997. The Company is also required to make payments of approximately $23 million each on the Tranche B Facility on March 31 and September 30, 1994, approximately $14.3 million on March 31, 1995 and the remaining balance due on September 30, 1995.

Any mandatory prepayments made by the Company on the Tranche A Facility and the Tranche B Facility, including the October 1993 prepayments discussed above, are applied to the final payments, while voluntary prepayments are applied at the option of the Company.

COVENANTS

The Credit Agreement contains certain financial tests, including amounts and ratios related to operating income, debt service payments and net worth. Additionally, the Credit Agreement and indenture for the Debentures place restrictions and limitations on the Company. Restrictions and limitations are placed on, among other things, additional indebtedness, capital expenditures, payments of dividends on capital stock, investments and sales of assets and stock of subsidiaries.

COLLATERAL

The obligations of the Company under the Credit Agreement are guaranteed by substantially all of the Company's domestic subsidiaries and are secured by a pledge of the stock of substantially all of the Company's subsidiaries, by a pledge of accounts receivable and by mortgages on substantially all of the real estate of the Company's domestic subsidiaries.
SENIOR SECURED NOTES

The Senior Secured Notes were issued upon consummation of the Plan in the original principal amount of approximately $234.8 million. On September 30, 1993, the Company purchased and placed in an irrevocable trust U.S. Treasury securities which matured in the amount of $158.8 million for the purpose of redeeming the Senior Secured Notes. The redemption of the Senior Secured Notes occurred on November 15, 1993. This defeasance transaction resulted in the removal of the debt and related accrued interest from the balance sheet as of September 30, 1993.

DEBENTURES

Upon consummation of the Plan, the Debentures were issued in the principal amount of $200 million with a maturity date of February 15, 2003. The Debentures bear interest at a rate of 7.5% per annum, payable semi-annually on February 15 and August 15, and are redeemable at the option of the Company, in whole or in part, at specified redemption prices. However, the Credit Agreement prohibits the Company from redeeming the Debentures.

The Debentures are general unsecured obligations of the Company subordinated in right of payment to the obligations outstanding under the Credit Agreement. The obligations of the Company under the indenture for the Debentures are guaranteed on a subordinated basis by substantially all of the Company's domestic subsidiaries.

F-14

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1993

6. LONG-TERM DEBT AND LEASES (CONTINUED)

At September 30, 1993 the carrying amount and fair value of the Debentures was $156 million and $176 million, respectively. The estimated fair value of the Company's Debentures is based upon the bid price on September 30, 1993, from quotes obtained by the Company. The fair value of the Company's other long-term debt obligations approximates their respective carrying amounts.

LEASES

The Company leases certain hospital facilities, some of which may be purchased during the term or at expiration of the leases. The book value of capital leased assets was approximately $8.3 million at September 30, 1993. The leases, which expire through 2069, generally require the Company to pay all maintenance, property tax and insurance costs.

At September 30, 1993, aggregate amounts of future minimum payments under operating leases were as follows: 1994 -- $5 million; 1995 -- $3.9 million; 1996 -- $2.8 million; 1997 -- $1 million; 1998 -- $.6 million; subsequent to 1998 -- $31.5 million.

Operations for the year ended September 30, 1991, and the ten months ended July 31, 1992, included rental expenses on operating leases of $13.4 million and $10.4 million, respectively. Operations for the two months ended September 30, 1992 and the year ended September 30, 1993, included rental expenses on operating leases of $1.9 million and $11.3 million, respectively.

7. STOCKHOLDERS' EQUITY

Pursuant to the Company's Restated Certificate of Incorporation, the Company is authorized to issue 80 million shares of Common Stock, $.25 par value per share, and 10 million shares of Preferred Stock, without par value. Under the terms of the Plan, approximately 24,828,000 shares of Common Stock were issued to certain holders of debt securities, the preferred stockholders, and common stockholders. No shares of Preferred Stock have been issued as of September 30, 1993.

COMMON STOCK

The Company is prohibited from paying dividends (other than dividends payable in shares of Common Stock) on its Common Stock under the terms of the Credit Agreement and the Debentures.
The 1992 Stock Option Plan provides for the issuance of 3,437,939 options to purchase Common Stock. A summary of changes in options outstanding and other related information is as follows:

<table>
<thead>
<tr>
<th></th>
<th>TEN MONTHS ENDED JULY 31, 1992</th>
<th>TWO MONTHS ENDED SEPTEMBER 30, 1992</th>
<th>YEAR ENDED SEPTEMBER 30, 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of period</td>
<td>--</td>
<td>3,416,826</td>
<td>3,416,826</td>
</tr>
<tr>
<td>Granted</td>
<td>3,416,826</td>
<td>--</td>
<td>21,750</td>
</tr>
<tr>
<td>Cancelled</td>
<td>--</td>
<td>--</td>
<td>(27,000)</td>
</tr>
<tr>
<td>Exercised</td>
<td>--</td>
<td>--</td>
<td>(183,500)</td>
</tr>
<tr>
<td></td>
<td>--</td>
<td>3,416,826</td>
<td>3,228,076</td>
</tr>
<tr>
<td>Option prices</td>
<td>$4.36 - $9.60</td>
<td>$4.36 - $9.60</td>
<td>$.25 - $16.875</td>
</tr>
<tr>
<td>Price range of exercised options</td>
<td>--</td>
<td>--</td>
<td>$4.36</td>
</tr>
<tr>
<td>Average exercise price</td>
<td>--</td>
<td>--</td>
<td>$4.36</td>
</tr>
</tbody>
</table>

The exercise price of certain options will be reduced if a change in control of the Company occurs prior to July 1995 or, in the case of termination of employment of certain optionees without cause, if certain financial targets included in the Stock Option Plan are achieved.

Options issued pursuant to the 1992 Stock Option Plan are exercisable upon vesting and expire through October 2000. As of September 30, 1993, 85% of the options outstanding were vested. The remaining...

F-15

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1993

7. STOCKHOLDERS' EQUITY (CONTINUED)

options vest over the next two fiscal years if the Company achieves certain financial targets. If a change in control of the Company occurs, all options vest immediately prior to such event, and upon termination of employment of certain optionees without cause, all options granted to such optionees vest immediately, provided certain financial targets have been met.

Upon the termination of the employment of the Company's former Chairman of the Board on March 4, 1993, and under the provisions of the 1992 Stock Option Plan, all of the former employee's options vested and the option prices were reduced to $.25 per share. Such options totalled 2,220,336 at September 30, 1993 and expire in April 1994. As a result, the Company recognized approximately $21.3 million in additional stock option expense during the second quarter of fiscal 1993.

RIGHTS PLAN

Also upon consummation of the Plan, the Company adopted a Share Purchase Rights Plan (the "Rights Plan"). Pursuant to the Rights Plan, each share of Common Stock also represents one Share Purchase Right (collectively, the "Rights"). The Rights trade automatically with the underlying shares of Common Stock. Upon becoming exercisable, but prior to the occurrence of certain events, each Right initially entitles its holder to buy one share of Common Stock from the Company at an exercise price of $60.00. The Rights will be distributed and become exercisable only if a person or group acquires, or announces its intention to acquire, Common Stock exceeding certain levels, as specified in the Rights Plan. Upon the occurrence of such events, the exercise price of each Right reduces to one-half of the then current market price. The Rights also give the holder certain rights in an acquiring company's common stock. The Company is entitled to redeem the Rights at a price of $.01 per Right at any time prior to the distribution of the Rights. The Rights have no voting power until exercised.

COMMON STOCK WARRANTS

The Company has two series of warrants outstanding, the 2002 Warrants and the 2006 Warrants.

In connection with the Plan, the Company issued 114,690 of the 2002 Warrants.
to purchase one share each of the Company's Common Stock. These warrants, which expire on June 30, 2002, have an exercise price of $5.24 per share. During fiscal 1993, 3,713 shares were issued from the exercise of these warrants.

The 2006 Warrants, which expire on September 1, 2006, were subject to certain adjustments as a result of the Plan, and accordingly, 146,791 of such warrants are currently outstanding with an exercise price of $38.70 per share.

8. INCOME TAXES

Concurrent with the adoption of fresh start accounting, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Deferred income taxes are provided at the enacted marginal rates on the difference between the financial statement and income tax bases of assets and liabilities. Deferred income tax provisions or benefits are based on the change in the deferred tax assets and liabilities from period to period.

F-16

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1993

8. INCOME TAXES (CONTINUED)

The provision (benefit) for income taxes attributable to continuing operations consisted of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes currently payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal..................</td>
<td>$ 500</td>
<td>$ 14</td>
<td>$ 3</td>
<td>$ 181</td>
</tr>
<tr>
<td>State....................</td>
<td>1,592</td>
<td>1,055</td>
<td>113</td>
<td>315</td>
</tr>
<tr>
<td>Foreign..................</td>
<td>1,100</td>
<td>803</td>
<td>461</td>
<td>986</td>
</tr>
<tr>
<td>Deferred income taxes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal..................</td>
<td>(500)</td>
<td>2,387</td>
<td>477</td>
<td>370</td>
</tr>
<tr>
<td>State....................</td>
<td>(1,592)</td>
<td>--</td>
<td>--</td>
<td>(39)</td>
</tr>
<tr>
<td>Foreign..................</td>
<td>(1,100)</td>
<td>--</td>
<td>--</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>$ --</td>
<td>$ 4,259</td>
<td>$ 1,054</td>
<td>$ 1,874</td>
</tr>
</tbody>
</table>

The Company's income tax provision (benefit) attributable to continuing operations differs from that computed based on the statutory federal income tax rate for the following reasons (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax benefit at federal statutory income tax rate...........</td>
<td>$ (44,214)</td>
<td>$ (26,323)</td>
<td>$ (2,404)</td>
<td>$ (13,117)</td>
</tr>
<tr>
<td>State income taxes, net of federal income tax benefit...............</td>
<td>--</td>
<td>699</td>
<td>75</td>
<td>180</td>
</tr>
<tr>
<td>Amortization of Excess Reorganization Value.........................</td>
<td>--</td>
<td>--</td>
<td>2,437</td>
<td>14,831</td>
</tr>
<tr>
<td>Losses for which no tax benefit has been recorded..................</td>
<td>44,214</td>
<td>26,323</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Other -- net..................</td>
<td>--</td>
<td>3,560</td>
<td>946</td>
<td>(20)</td>
</tr>
<tr>
<td></td>
<td>$ --</td>
<td>$ 4,259</td>
<td>$ 1,054</td>
<td>$ 1,874</td>
</tr>
</tbody>
</table>

The Company's income tax provision (benefit) attributable to continuing operations differs from that computed based on the statutory federal income tax rate for the following reasons (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
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<td>$ (26,323)</td>
<td>$ (2,404)</td>
<td>$ (13,117)</td>
</tr>
<tr>
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<td>--</td>
<td>699</td>
<td>75</td>
<td>180</td>
</tr>
<tr>
<td>Amortization of Excess Reorganization Value.........................</td>
<td>--</td>
<td>--</td>
<td>2,437</td>
<td>14,831</td>
</tr>
<tr>
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<td>44,214</td>
<td>26,323</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Other -- net..................</td>
<td>--</td>
<td>3,560</td>
<td>946</td>
<td>(20)</td>
</tr>
<tr>
<td></td>
<td>$ --</td>
<td>$ 4,259</td>
<td>$ 1,054</td>
<td>$ 1,874</td>
</tr>
</tbody>
</table>

The Company's income tax provision (benefit) attributable to continuing operations differs from that computed based on the statutory federal income tax rate for the following reasons (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
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<td>$ (44,214)</td>
<td>$ (26,323)</td>
<td>$ (2,404)</td>
<td>$ (13,117)</td>
</tr>
<tr>
<td>State income taxes, net of federal income tax benefit...............</td>
<td>--</td>
<td>699</td>
<td>75</td>
<td>180</td>
</tr>
<tr>
<td>Amortization of Excess Reorganization Value.........................</td>
<td>--</td>
<td>--</td>
<td>2,437</td>
<td>14,831</td>
</tr>
<tr>
<td>Losses for which no tax benefit has been recorded..................</td>
<td>44,214</td>
<td>26,323</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Other -- net..................</td>
<td>--</td>
<td>3,560</td>
<td>946</td>
<td>(20)</td>
</tr>
<tr>
<td></td>
<td>$ --</td>
<td>$ 4,259</td>
<td>$ 1,054</td>
<td>$ 1,874</td>
</tr>
</tbody>
</table>
Under the federal income tax laws, the Company was not required to include in its federal taxable income any cancellation of debt income as a result of the debt forgiven pursuant to the Plan. Accordingly, no income taxes have been provided on the $731 million extraordinary gain on debt discharge in the statement of operations for the ten months ended July 31, 1992.

As of September 30, 1993, the Company has estimated tax net operating loss ("NOL") carryforwards of approximately $171 million available to reduce future federal taxable income. These NOL carryforwards expire in 2006 and 2007 and are subject to examination by the Internal Revenue Service. Due to the ownership change which occurred as a result of the Restructuring, the Company's utilization of NOLs generated prior to the Effective Date is significantly limited. Based on these limitations and certain other factors, the Company has recorded a valuation allowance against the entire amount of the NOL deferred tax asset and other deferred tax assets that, in management's opinion, are not likely to be recovered. During 1993, due in part to the sale of the general hospitals, net income tax benefits of approximately $21.5 million were realized from the utilization of the pre-Effective Date NOLs and were recorded as a reduction in Excess Reorganization Value.

F-17

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1993

8. INCOME TAXES (CONTINUED)

Components of the net deferred income tax liability at September 30, 1992 and 1993 are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>SEPTEMBER 30, 1992</th>
<th>SEPTEMBER 30, 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and depreciation</td>
<td>$33,803</td>
<td>$14,991</td>
</tr>
<tr>
<td>Long-term debt and interest</td>
<td>24,626</td>
<td>17,049</td>
</tr>
<tr>
<td>Other</td>
<td>39,765</td>
<td>66,968</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>98,194</td>
<td>99,008</td>
</tr>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating loss carryforwards</td>
<td>(132,351)</td>
<td>(66,122)</td>
</tr>
<tr>
<td>Self-insurance reserves</td>
<td>(44,305)</td>
<td>(47,307)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(28,952)</td>
<td>(25,397)</td>
</tr>
<tr>
<td>Stock option expense</td>
<td>(896)</td>
<td>(14,898)</td>
</tr>
<tr>
<td>Tax capitalization of costs expensed for book purposes</td>
<td>(12,062)</td>
<td>(10,030)</td>
</tr>
<tr>
<td>Other</td>
<td>(20,907)</td>
<td>(29,879)</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>(239,473)</td>
<td>(193,633)</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>161,848</td>
<td>133,414</td>
</tr>
<tr>
<td>Deferred tax assets after valuation allowance</td>
<td>(77,625)</td>
<td>(60,219)</td>
</tr>
<tr>
<td>Net deferred tax liabilities</td>
<td>$20,569</td>
<td>$38,789</td>
</tr>
</tbody>
</table>

The reduction in the valuation allowance during 1993 was primarily due to the realization of NOL deferred tax assets discussed above.

The Revenue Reconciliation Act of 1993 increased the federal statutory corporate tax rate from 34% to 35%, effective January 1, 1993. The effect of the increase was not material to the Company.

The Internal Revenue Service is currently examining the Company's income tax returns for fiscal 1989 and 1990. In management's opinion, adequate provisions have been made for any adjustments which may result from these examinations.

9. OTHER ACCRUED LIABILITIES

Other accrued liabilities include amounts due health insurance programs of
$74.8 million and $59.4 million at September 30, 1992 and 1993, respectively.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Below is supplemental cash flow information related to the year ended September 30, 1991, the ten months ended July 31, 1992, the two months ended September 30, 1992 and the year ended September 30, 1993 (see Note 1 for a discussion of the non-cash financing activities related to the consummation of the Plan) (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>YEAR ENDED</th>
<th>TEN MONTHS ENDED</th>
<th>TWO MONTHS ENDED</th>
<th>YEAR ENDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal and state income taxes paid, net of refunds received</td>
<td>$1,616</td>
<td>$2,944</td>
<td>$269</td>
<td>$11,136</td>
</tr>
<tr>
<td>Payments to ESOP</td>
<td>51,561</td>
<td>40,697</td>
<td>23,000</td>
<td>69,123</td>
</tr>
<tr>
<td>Interest paid, net of amounts capitalized</td>
<td>72,723</td>
<td>69,658</td>
<td>6,803</td>
<td>74,167</td>
</tr>
</tbody>
</table>

11. COMMITMENTS AND CONTINGENCIES

The Company is self-insured for a substantial portion of its general and professional liability risks. The reserves for self-insured general and professional liability losses, including loss adjustment expenses, are based on actuarial estimates using the Company's historical claims experience adjusted for current industry trends. The reserve for unpaid claims is adjusted, as such claims mature, to reflect revised actuarial estimates based on actual experience. While management and its actuaries believe that the present reserve is reasonable, ultimate settlement of losses may vary from the amount provided.

In addition to general and professional liability claims, the Company is subject to other claims, suits, surveys and investigations. This includes a federal investigation of certain business practices of a subsidiary of the Company that operates one psychiatric hospital. In the opinion of management, the ultimate resolution of such other pending matters will not have a material adverse effect on the Company's financial position or results of operations.

During 1990 a lawsuit was filed against the Company, the Company's independent accountants and five members of the Company's Board of Directors from September 1, 1988, until April 2, 1990 (the "Bondholder Litigation"). The complaint alleged that certain financial statements and other disclosures filed with the Securities and Exchange Commission contained materially misleading financial information. During fiscal 1992, the parties to the lawsuit reached a settlement. However, Resolution Trust Corporation ("RTC"), for itself and in its capacity as conservator or receiver for 12 financial institutions, requested exclusion from the Bondholder Litigation. Based on a review of relevant law and the facts known to the Company, the Company believes that it has substantial defenses to a potential claim by RTC and that such a claim would not have a material adverse effect on the Company's financial position or results of operations.

12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company owns 50% of the Charter Medical Building in Macon, Georgia, and leases space in such building for use as its corporate headquarters. The lease, which expires on September 30, 1994, provides for an average annual rental of approximately $1,189,000. Mr. William A. Fickling, Jr., a former Director and former Chairman of the Board of Directors of the Company, and his father's estate own 25% of the building. In the opinion of management, such office space has been leased on terms as favorable as could be obtained from an unaffiliated party. As a result of the Company's partnership interest in the building, the Company received distributions of approximately $300,000 in fiscal 1993.

On September 15, 1993, the Company sold its ownership interest in Beech Street to the children of Mr. Fickling for approximately $5.5 million, plus the right to receive additional consideration, if certain events (e.g. a public offering of Beech Street stock or if Beech Street sells 50% or more of its assets) occur within two years. The Company obtained a fairness opinion by an
independent appraisal firm stating that the financial consideration was fair. The Company acquired its ownership interest in a series of related transactions beginning in May 1989, for a total purchase price of $2,956,000. During the period of its ownership, the Company received $1,242,000 in dividend distributions from Beech Street.

Beech Street was, prior to May 1989, a wholly owned subsidiary of Beech Street, Inc., in which Mr. Fickling beneficially owns a majority of the outstanding stock.

The Company also has agreements with Beech Street where certain of the Company's hospitals provide services to employers (and their related employee and covered dependent groups) who have entered into agreements with Beech Street to utilize a Beech Street Preferred Provider Organization ("PPO") for hospital and other healthcare services. Such agreements provide for covered services to be rendered under terms (including discounts from the hospital's normal charges) which management of the Company believes are customary for hospital PPO agreements. The Beech Street PPO reviews claims and serves as an intermediary between the Company's hospitals and the contracting employers. The Company derived approximately $11.5 million, $14.8 million and $21.4 million in revenue from these agreements during fiscal 1991, 1992 and 1993, respectively. The aggregate discount from customary charges was 17% in fiscal 1991 and 1992 and was 12% in fiscal 1993.

Stanley S. Trotman, Jr., a Director of the Company from 1978 until July 1992, is a Managing Director of Kidder, Peabody & Company, Inc. ("Kidder"). While Mr. Trotman served as a Director, Kidder provided certain financial advisory services to the Company. During fiscal 1991 and 1992, the Company incurred approximately $1.7 million and $4.9 million, respectively, in fees and expenses with respect to such services.

The following is a summary of the quarterly results of operations for the years ended September 30, 1992 and 1993. Amounts presented below differ from amounts previously reported in the Company's Quarterly Reports on Form 10-Q due to the restatement of the consolidated financial statements to reflect as discontinued operations the sale of certain subsidiaries in the fourth quarter of fiscal 1993. Information for the fourth quarter of 1992 and loss per share data for 1992 are not presented because they are not meaningful due to the implementation of fresh start accounting and the consummation of the Restructuring. See Notes 1 and 2.

<table>
<thead>
<tr>
<th>Fiscal Quarters</th>
<th>First</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
</tr>
</thead>
<tbody>
<tr>
<td>(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992 Net revenue</td>
<td>$226,115</td>
<td>$241,184</td>
<td>$228,016</td>
<td></td>
</tr>
<tr>
<td>Loss from continuing operations</td>
<td>(41,116)</td>
<td>(28,555)</td>
<td>(21,477)</td>
<td></td>
</tr>
<tr>
<td>Income from discontinued operations</td>
<td>5,262</td>
<td>6,984</td>
<td>9,000</td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>(35,854)</td>
<td>(21,571)</td>
<td>(12,477)</td>
<td></td>
</tr>
<tr>
<td>1993 Net revenue</td>
<td>$226,390</td>
<td>$233,160</td>
<td>$231,737</td>
<td>$206,620</td>
</tr>
<tr>
<td>Loss from continuing operations before extraordinary item</td>
<td>(4,028)</td>
<td>(16,879)</td>
<td>(2,473)</td>
<td>(16,240)</td>
</tr>
<tr>
<td>Income (Loss) from discontinued operations and gain on disposal of discontinued operations</td>
<td>3,196</td>
<td>2,812</td>
<td>2,872</td>
<td>4,834</td>
</tr>
<tr>
<td>Loss before extraordinary item</td>
<td>(7,224)</td>
<td>(19,691)</td>
<td>(5,345)</td>
<td>(11,406)</td>
</tr>
<tr>
<td>Net loss</td>
<td>(7,224)</td>
<td>(19,691)</td>
<td>(5,345)</td>
<td>(19,967)</td>
</tr>
</tbody>
</table>
14. SEGMENT INFORMATION ON GUARANTOR SUBSIDIARIES

Separate financial statements of the Guarantors are not presented in the accompanying financial statements because the Guarantors are jointly, severally and unconditionally liable under the guarantee, and the Company believes the condensed consolidating financial information presented below is more meaningful information in understanding the financial position of the Guarantor Subsidiaries. There are no restrictions on the ability of the Guarantor Subsidiaries to make distributions to Charter Medical Corporation (Parent Company). The table below shows supplemental selected financial information for the Guarantors, which is presented for the purpose of additional analysis and should be reviewed in conjunction with the consolidated financial statements. This table reflects the Guarantors under the 11 1/4% Senior Subordinated Notes and the New Credit Agreement consummated in May 1994 (See Note 15).

<table>
<thead>
<tr>
<th>Net Income (Loss)</th>
<th>GUARANTOR SUBSIDIARIES</th>
<th>NONGUARANTOR SUBSIDIARIES</th>
<th>CORPORATION</th>
<th>CONSOLIDATED ELIMINATION</th>
<th>CONSOLIDATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>(IN THOUSANDS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year Ended September 30, 1991</td>
<td>$76,087</td>
<td>$4,356</td>
<td>$61,731</td>
<td>$--</td>
<td>$130,042</td>
</tr>
<tr>
<td>Ten Months Ended July 31, 1992</td>
<td>235,212</td>
<td>6,565</td>
<td>850,614</td>
<td>--</td>
<td>747,967</td>
</tr>
<tr>
<td>Two Months Ended September 30, 1992</td>
<td>(10,778)</td>
<td>2,765</td>
<td>817</td>
<td>--</td>
<td>(7,196)</td>
</tr>
<tr>
<td>Year Ended September 30, 1993</td>
<td>(8,896)</td>
<td>9,402</td>
<td>(52,733)</td>
<td>--</td>
<td>(52,227)</td>
</tr>
<tr>
<td>EBITDA (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year Ended September 30, 1991</td>
<td>233,515</td>
<td>5,817</td>
<td>(23,042)</td>
<td>(56,471)</td>
<td>159,819</td>
</tr>
<tr>
<td>Ten Months Ended July 31, 1992</td>
<td>237,087</td>
<td>8,511</td>
<td>(31,422)</td>
<td>(50,324)</td>
<td>163,852</td>
</tr>
<tr>
<td>Two Months Ended September 30, 1992</td>
<td>40,214</td>
<td>3,992</td>
<td>(12,220)</td>
<td>(11,248)</td>
<td>20,438</td>
</tr>
<tr>
<td>Year Ended September 30, 1993</td>
<td>395,475</td>
<td>11,475</td>
<td>(89,970)</td>
<td>(137,220)</td>
<td>189,760</td>
</tr>
<tr>
<td>Net Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year Ended September 30, 1991</td>
<td>1,244,221</td>
<td>35,144</td>
<td>(56,960)</td>
<td>(354,241)</td>
<td>868,246</td>
</tr>
<tr>
<td>Ten Months Ended July 31, 1992</td>
<td>1,093,725</td>
<td>31,660</td>
<td>(32,104)</td>
<td>(315,426)</td>
<td>777,855</td>
</tr>
<tr>
<td>Two Months Ended September 30, 1992</td>
<td>206,745</td>
<td>6,429</td>
<td>(3,437)</td>
<td>(66,887)</td>
<td>142,850</td>
</tr>
<tr>
<td>Year Ended September 30, 1993</td>
<td>1,373,895</td>
<td>42,507</td>
<td>(31,861)</td>
<td>(446,634)</td>
<td>897,907</td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>September 30, 1992</td>
<td>334,409</td>
<td>10,197</td>
<td>46,447</td>
<td>(100,311)</td>
<td>290,742</td>
</tr>
<tr>
<td>September 30, 1993</td>
<td>190,174</td>
<td>4,590</td>
<td>63,780</td>
<td>(26,629)</td>
<td>231,015</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>September 30, 1992</td>
<td>1,064,481</td>
<td>65,299</td>
<td>925,888</td>
<td>(1,047,212)</td>
<td>1,008,456</td>
</tr>
<tr>
<td>September 30, 1993</td>
<td>869,371</td>
<td>73,431</td>
<td>735,161</td>
<td>(1,071,592)</td>
<td>606,271</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>September 30, 1992</td>
<td>181,843</td>
<td>3,666</td>
<td>152,969</td>
<td>(41,334)</td>
<td>296,144</td>
</tr>
<tr>
<td>September 30, 1993</td>
<td>156,346</td>
<td>1,361</td>
<td>134,743</td>
<td>(13,852)</td>
<td>272,598</td>
</tr>
<tr>
<td>Noncurrent Liabilities (2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>September 30, 1992</td>
<td>246,673</td>
<td>41,545</td>
<td>703,433</td>
<td>979</td>
<td>992,630</td>
</tr>
<tr>
<td>September 30, 1993</td>
<td>137,566</td>
<td>47,857</td>
<td>335,647</td>
<td>(12,780)</td>
<td>508,290</td>
</tr>
<tr>
<td>Intercompany Transactions Asset (Liability) (3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>September 30, 1992</td>
<td>83,172</td>
<td>899</td>
<td>(84,063)</td>
<td>(8)</td>
<td>--</td>
</tr>
<tr>
<td>September 30, 1993</td>
<td>250,707</td>
<td>1,269</td>
<td>(251,942)</td>
<td>(34)</td>
<td>--</td>
</tr>
<tr>
<td>Net Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>September 30, 1992</td>
<td>1,054,546</td>
<td>31,184</td>
<td>31,870</td>
<td>(1,107,176)</td>
<td>10,424</td>
</tr>
<tr>
<td>September 30, 1993</td>
<td>1,022,340</td>
<td>30,072</td>
<td>76,609</td>
<td>(1,071,723)</td>
<td>57,298</td>
</tr>
</tbody>
</table>

---

(1) Net revenue less operating and bad debt expenses.
(2) Of the debt related to the New Credit Agreement, only $63,315,000 and $184,523,000 has been recorded on the individual subsidiaries' books at September 30, 1993 and 1992, respectively.
(3) This column represents receivables and payables between subsidiaries in the consolidated group, resulting from transactions between the various entities, and is included in Net Assets.
(4) Relates primarily to Guarantor Subsidiaries whose operations were sold or closed.

15. SUBSEQUENT EVENTS

On March 30, 1994 the Company announced that it had entered into an asset purchase agreement with National Medical Enterprises, Inc. ("NME") providing for the purchase of substantially all of the assets of 36 psychiatric hospitals, eight chemical-dependency treatment facilities, two residential treatment centers and one physician outpatient practice (including related outpatient facilities and other associated assets, the "Target Hospitals"). The purchase price for the Target Hospitals will be approximately $151.9 million in cash plus...
an additional cash amount, estimated to be approximately $50 million, subject to adjustment, for the net working capital of the Target Hospitals at the closing of the acquisition. The Target Hospitals have an aggregate capacity of 3,496 licensed beds and are located in 20 states. During their fiscal year ended May 31, 1993 and the six month period ended November 30, 1993, the Target Hospitals had, respectively, approximately 40,000 and 19,000 patient admissions, net revenue of approximately $407.5 million and $177.5 million and Target Hospital EBITDA (defined as net revenue less operating expenses and bad debt expenses) of approximately $55.1 million and $23.9 million.

Subject to obtaining licensure and other regulatory approvals, the Company anticipates that it will purchase the Target Hospitals in multiple closings.

On May 2, 1994 the Company entered into a Second Amended and Restated Credit Agreement with certain financial institutions for a five-year reducing, revolving credit facility in an aggregate committed amount of $300 million (the "Revolving Credit Agreement"). Proceeds from the Revolving Credit Agreement were or will be used (i) to refinance certain mortgage indebtedness of certain subsidiaries of the Company in the principal amount of approximately $14.7 million and the loans to certain subsidiaries of the Company outstanding under the Credit Agreement in the principal amount of approximately $46.8 million, (ii) for continued credit enhancement of certain currently outstanding variable rate demand notes issued by or for the benefit of certain subsidiaries of the Company and (iii) for working capital and other general corporate purposes, including to finance, in part, the acquisition of the Target Hospitals and to finance other permitted acquisitions and investments. As of May 2, 1994, approximately $134.6 million in loans and letters of credit were outstanding under the Revolving Credit Agreement.

The Revolving Credit Agreement will be reduced by the amounts and on the dates indicated below:

<table>
<thead>
<tr>
<th>AMOUNT</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000,000</td>
<td>March 31, 1996</td>
</tr>
<tr>
<td>50,000,000</td>
<td>March 31, 1997</td>
</tr>
<tr>
<td>50,000,000</td>
<td>March 31, 1998</td>
</tr>
<tr>
<td>175,000,000</td>
<td>March 31, 1999</td>
</tr>
</tbody>
</table>

In addition to the scheduled reductions above, the Revolving Credit Agreement shall be reduced (i) by an amount equal to 70% (or if a default or an event of default exists, 100%) of the net proceeds of certain asset sales, (ii) by an amount equal to 25% (or if a default or an event of default exists, 100%) of the net proceeds of certain issuances or sales of the Company's capital stock or other equity interests, except that no such reduction shall be required if the Company meets specified financial ratios and no default or event of default has occurred and is continuing, and (iii) by an amount equal to the principal amount of permitted subordinated indebtedness (including, without limitation, the Notes (as defined below)) subject to a required repurchase or repurchase offer by the Company as a result of any asset sale. All such reductions described in the foregoing clauses (i) through (iii) shall be applied first on a pro rata basis to all scheduled reductions of the Revolving Credit Agreement other than the last scheduled reduction of the Revolving Credit Agreement, and thereafter to the last scheduled reduction.

The loans outstanding under the Revolving Credit Agreement will bear interest (subject to certain potential adjustments) at a rate per annum equal to (a) the sum of the Base Lending Rate plus 3/4%, or (b) at the option of the Company, the sum of the maximum reserve-adjusted one, two, three or six-month LIBOR plus 1 3/4%. The Base Lending Rate is the higher of (x) the rate announced from time to time as Bankers Trust Company's prime lending rate, (y) the Federal Reserve's reported weekly average dealer offering rate for three-month certificates of deposit, adjusted for maximum reserves, plus 1/2 of 1%, and (z) the Federal Funds Rate plus 1/2 of 1%.

Also on May 2, 1994, the Company issued $375 million of 11.25% Senior Subordinated Notes which mature on April 15, 2004 (the "Notes") and are general unsecured obligations of the Company. Interest on the Notes is payable semi-annually on each April 15 and October 15, commencing on October 15, 1994. Proceeds of $181.8 million from the sale of the Notes were used to defease, and
will be used on June 9, 1994 to redeem, the Company's outstanding 7.5% Senior Subordinated Debentures due 2003. Certain remaining proceeds will be used, along with proceeds from the

Revolving Credit Agreement, to finance the acquisition of NME facilities discussed above. The Notes are guaranteed on an unsecured senior subordinated basis by substantially all of the Company's existing subsidiaries and certain subsidiaries created after the issuance of the Notes.

The Notes are not redeemable at the option of the Company prior to April 15, 1999. Thereafter, the Notes will be subject to redemption at the option of the Company, in whole or in part, at the redemption prices (expressed as a percentage of the principal amount) set forth below, plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the twelve-month period beginning April 15 of the years indicated below:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PRICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>105.625%</td>
</tr>
<tr>
<td>2000</td>
<td>103.750%</td>
</tr>
<tr>
<td>2001</td>
<td>101.875%</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>100.000%</td>
</tr>
</tbody>
</table>

The indenture for the Notes contains certain covenants, which among other things, restrict the Company's ability and the ability of certain of the Company's subsidiaries to pay dividends, make unscheduled payments on indebtedness that is subordinated in right of payment to the Notes or make certain investments. The covenants also place limitations on the Company's ability to incur additional indebtedness or liens and places restrictions on the use of proceeds from asset sales.

CHARTER MEDICAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)

ASSETS

<table>
<thead>
<tr>
<th></th>
<th>SEPTEMBER 30, 1993</th>
<th>MARCH 31, 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$86,002</td>
<td>$40,535</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>119,638</td>
<td>129,117</td>
</tr>
<tr>
<td>Supplies</td>
<td>5,051</td>
<td>4,933</td>
</tr>
<tr>
<td>Other current assets</td>
<td>15,798</td>
<td>13,748</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>231,915</td>
<td>196,540</td>
</tr>
<tr>
<td><strong>Property and Equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>95,886</td>
<td>93,850</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>310,649</td>
<td>307,768</td>
</tr>
<tr>
<td>Equipment</td>
<td>67,421</td>
<td>69,017</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td>473,956</td>
<td>470,435</td>
</tr>
<tr>
<td><strong>Construction in progress</strong></td>
<td>427,526</td>
<td>427,526</td>
</tr>
<tr>
<td><strong>Other Long-Term Assets</strong></td>
<td>444,786</td>
<td>429,720</td>
</tr>
<tr>
<td><strong>Reorganization Value in Excess of Amounts Allocable to Identifiable Assets, net</strong></td>
<td>57,201</td>
<td>41,601</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>838,186</strong></td>
<td><strong>768,056</strong></td>
</tr>
</tbody>
</table>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities
The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these balance sheets.

F-25
CHARTER MEDICAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

FOR THE QUARTER ENDED MARCH 31, FOR THE SIX MONTHS ENDED MARCH 31,

Net Revenue................................. $ 233,160 $ 212,610 $ 459,550 $ 421,427

Costs and Expenses..........................
Operating expenses........................... 163,613 153,147 323,367 305,589
Bad debt expense............................. 16,493 16,159 34,870 32,288
Depreciation and amortization.............. 6,635 6,904 13,802 13,579
Amortization of reorganization value in excess of amounts allocable to identifiable assets................................. 10,750 7,800 21,500 15,600
ESOP expense................................ 8,965 12,300 17,970 24,599
Stock option expense........................ 29,016 656 31,277 6,851

253,795 205,384 480,093 415,291

Income (Loss) from continuing operations before income taxes................. (16,879) (7,226) (25,907) (2,743)

Provision for (Benefit from) income taxes............................................. (2,812) -- (6,008) --
Income (Loss) from continuing operations............................... (16,879) (1,123) (26,915) (2,743)

Loss from discontinued operations (net of income tax provision of $3,178 and $6,123 for the quarter and six months, respectively)...
(2,812) -- (6,008) --
Net Income (Loss).......................... (19,691) (1,123) (26,915) (2,743)

Average Number of Common Shares Outstanding................................. 24,857 26,750 24,842 25,936

Earnings per common share:
Income (Loss) from continuing operations.................................. $ (1,681) $.04 (1.08) (0.11)
Loss from discontinued operations................................................. (.11) -- (.24) --
Net Income (Loss).................................................. (1,792) $.04 (1.32) (0.11)

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

F-26
CHARTER MEDICAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)
(IN THOUSANDS)
The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.
The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

NOTE A -- BASIS OF PRESENTATION
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments considered necessary for a fair presentation, have been included. These financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended September 30, 1993, included in the Company's Annual Report on Form 10-K.

NOTE B -- NATURE OF BUSINESS
The Company's business is seasonal in nature, with a reduced demand for certain services generally occurring in the fourth fiscal quarter and around major holidays, such as Thanksgiving and Christmas. The Company's business is also subject to general economic conditions and other factors. Accordingly, the results of operations for the interim periods are not necessarily indicative of the results expected for the year.

NOTE C -- SUPPLEMENTAL CASH FLOW INFORMATION
Below is supplemental cash flow information related to the six months ended March 31, 1993 and 1994:

<table>
<thead>
<tr>
<th>FOR THE SIX MONTHS ENDED MARCH 31,</th>
<th>1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>(IN THOUSANDS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes paid, net of refunds received</td>
<td>$9,525</td>
<td>$8,532</td>
</tr>
<tr>
<td>Interest paid, net of amounts capitalized</td>
<td>$36,184</td>
<td>$16,331</td>
</tr>
<tr>
<td>Payments to ESOP</td>
<td>$52,669</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

NOTE D -- LONG-TERM DEBT AND LEASES
Information with regard to the Company's long-term debt and capital lease obligations at September 30, 1993 and March 31, 1994 follows (in thousands):

<table>
<thead>
<tr>
<th>SEPTEMBER 30, MARCH 31, 1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing under the Credit Agreement:</td>
<td></td>
</tr>
<tr>
<td>Tranche A Facility (6.75% at March 31, 1994)</td>
<td>$93,871</td>
</tr>
<tr>
<td>Tranche B Facility (5.7375% to 8.375% at March 31, 1994)</td>
<td>$67,619</td>
</tr>
<tr>
<td>8% to 16% Mortgage and other collateralized notes payable through 1998...</td>
<td>$21,502</td>
</tr>
<tr>
<td>Variable rate secured notes due through 2013 (2.15% to 2.5% at March 31, 1994)</td>
<td>$64,175</td>
</tr>
<tr>
<td>7.5% Swiss Bonds due currently</td>
<td>$6,443</td>
</tr>
<tr>
<td>2.2% to 11.5% Capital lease obligations due through 2014</td>
<td>$11,965</td>
</tr>
</tbody>
</table>
NOTE D -- LONG-TERM DEBT AND LEASES (CONTINUED)

The Company made a mandatory payment under the Credit Agreement of approximately $3.1 million in January 1994 which represented actual excess cash over estimated excess cash at September 30, 1993. Additionally, in January 1994 the Company made a voluntary prepayment under the Credit Agreement of $30 million.

On March 1, 1994 the Company made a mandatory prepayment under the Credit Agreement of approximately $1.9 million which represented 75% of net proceeds from asset sales and on March 31, 1994 made a scheduled payment of $2.5 million.

NOTE E -- CONTINGENCIES

GENERAL AND PROFESSIONAL LIABILITY

The Company is self-insured for a substantial portion of general and professional liability risks. The reserves for self-insured general and professional liability losses, including loss adjustment expenses, are based on actuarial estimates using the Company's historical claims experience adjusted for current industry trends. The reserve for unpaid claims is adjusted as such claims mature, to reflect revised actuarial estimates based on actual experience. While management and its actuaries believe that the present reserve is reasonable, ultimate settlement of losses may vary from the amount provided.

LITIGATION

In addition to general and professional liability claims, the Company is subject to other claims, suits, surveys and investigations. This includes a federal investigation of certain business practices of a subsidiary of the Company that operates one psychiatric hospital. In the opinion of management, the ultimate resolution of such other pending legal proceedings will not have a material adverse effect on the Company's financial position or results of operations.

NOTE F -- ACQUISITION

On March 30, 1994 the Company announced that it had entered into an asset purchase agreement with National Medical Enterprises, Inc. ("NME") providing for the purchase of substantially all of the assets of 36 psychiatric hospitals, eight chemical-dependency treatment facilities, two residential treatment centers and one physician outpatient practice (including related outpatient facilities and other associated assets, the "Target Hospitals"). The purchase price for the Target Hospitals will be approximately $151.9 million in cash plus an additional cash amount, estimated to be approximately $50 million, subject to adjustment, for the net working capital of the Target Hospitals at the closing of the acquisition. The Target Hospitals have an aggregate capacity of 3,496 licensed beds and are located in 20 states. During their fiscal year ended May 31, 1993 and the six month period ended November 30, 1993, the Target Hospitals had, respectively, approximately 40,000 and 19,000 patient admissions, net revenue of approximately $407.5 million and $177.5 million and Target Hospital EBITDA (defined as net revenue less operating expenses and bad debt expenses) of approximately $55.1 million and $23.9 million.

Subject to obtaining licensure and other regulatory approvals, the Company anticipates that it will purchase the Target Hospitals in multiple closings.

NOTE G -- SUBSEQUENT EVENTS

On May 2, 1994 the Company entered into a Second Amended and Restated Credit Agreement with certain financial institutions for a five-year reducing, revolving credit facility in an aggregate committed amount of $300 million (the "Revolving Credit Agreement"). Proceeds from the Revolving Credit Agreement were or will be used (i) to refinance certain mortgage indebtedness of certain subsidiaries of the Company in the principal amount of approximately $14.7
Company outstanding under the Credit Agreement in the principal amount of approximately $46.8 million, (ii) for continued credit enhancement of certain currently outstanding variable rate demand notes issued by or for the benefit of certain subsidiaries of the Company, and (iii) for working capital and other general corporate purposes, including to finance, in part, the acquisition of the Target Hospitals and to finance other permitted acquisitions and investments. As of May 2, 1994, approximately $134.6 million in loans and letters of credit were outstanding under the Revolving Credit Agreement.

The Revolving Credit Agreement will be reduced by the amounts and on the dates indicated below:

<table>
<thead>
<tr>
<th>AMOUNT</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000,000</td>
<td>March 31, 1996</td>
</tr>
<tr>
<td>50,000,000</td>
<td>March 31, 1997</td>
</tr>
<tr>
<td>50,000,000</td>
<td>March 31, 1998</td>
</tr>
<tr>
<td>175,000,000</td>
<td>March 31, 1999</td>
</tr>
</tbody>
</table>

In addition to the scheduled reductions above, the Revolving Credit Agreement shall be reduced (i) by an amount equal to 70% (or if a default or an event of default exists, 100%) of the net proceeds of certain asset sales, (ii) by an amount equal to 25% (or if a default or an event of default exists, 100%) of the net proceeds of certain issuances or sales of the Company's capital stock or other equity interests, except that no such reduction shall be required if the Company meets specified financial ratios and no default or event of default has occurred and is continuing, and (iii) by an amount equal to the principal amount of permitted subordinated indebtedness (including, without limitation, the Notes (as defined below)) subject to a required repurchase or repurchase offer by the Company as a result of any asset sale. All such reductions described in the foregoing clauses (i) through (iii) shall be applied first on a pro rata basis to all scheduled reductions of the Revolving Credit Agreement, and thereafter to the last scheduled reduction.

The loans outstanding under the Revolving Credit Agreement will bear interest (subject to certain potential adjustments) at a rate per annum equal to (a) the sum of the Base Lending Rate plus 3/4%, or (b) at the option of the Company, the sum of the maximum reserve-adjusted one, two, three or six-month LIBOR plus 1 3/4%. The Base Lending Rate is the higher of (x) the rate announced from time to time as Bankers Trust Company's prime lending rate, (y) the Federal Reserve's reported weekly average dealer offering rate for three-month certificates of deposit, adjusted for maximum reserves, plus 1/2 of 1%, and (z) the Federal Funds Rate plus 1/2 of 1%.

Also on May 2, 1994, the Company issued $375 million of 11.25% Senior Subordinated Notes which mature on April 15, 2004 (the "Notes") and are general unsecured obligations of the Company. Interest on the Notes is payable semi-annually on each April 15 and October 15, commencing on October 15, 1994. Proceeds of $181.8 million from the sale of the Notes were used to defease, and will be used on June 9, 1994 to redeem, the Company's outstanding 7.5% Senior Subordinated Debentures due 2003. Certain remaining proceeds will be used, along with proceeds from the Revolving Credit Agreement, to finance the acquisition of NME facilities discussed above. The Notes are guaranteed on an unsecured senior subordinated basis by substantially all of the Company's existing subsidiaries and certain subsidiaries created after the issuance of the Notes.
NOTE G -- SUBSEQUENT EVENTS (CONTINUED)

The Notes are not redeemable at the option of the Company prior to April 15, 1999. Thereafter, the Notes will be subject to redemption at the option of the Company, in whole or in part, at the redemption prices (expressed as a percentage of the principal amount) set forth below, plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the twelve-month period beginning April 15 of the years indicated below:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>REDEMPTION PRICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>105.625%</td>
</tr>
<tr>
<td>2000</td>
<td>103.750%</td>
</tr>
<tr>
<td>2001</td>
<td>101.875%</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>100.000%</td>
</tr>
</tbody>
</table>

The indenture for the Notes contains certain covenants which, among other things, restrict the Company's ability and the ability of certain of the Company's subsidiaries to pay dividends, make unscheduled payments on indebtedness that is subordinated in right of payment to the Notes or make certain investments. The covenants also place limitations on the Company's ability to incur additional indebtedness or liens and places restrictions on the use of proceeds from asset sales.

The Board of Directors
National Medical Enterprises, Inc. and
Charter Medical Corporation:

We have audited the accompanying combined balance sheets of the Selected Psychiatric Hospitals of National Medical Enterprises, Inc. (the "Selected Psychiatric Hospitals") as of May 31, 1993 and the related combined statements of operations, owners' equity and cash flows for each of the years in the two-year period ended May 31, 1993. These combined financial statements are the responsibility of management of National Medical Enterprises, Inc. ("NME"). Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

As discussed in Note 9 to the combined financial statements, NME and certain of its subsidiaries at May 31, 1993 were engaged in various lawsuits and were the subject of governmental investigations concerning possible improper practices, some of which may have involved practices of certain of the Selected Psychiatric Hospitals. Subsequent to May 31, 1993, the majority of these lawsuits were settled, and in April, 1994, NME reached an agreement-in-principle with certain Federal government agencies which, upon execution, will finalize all open investigations of NME by the federal government and its agencies. While NME agreed to pay substantial amounts as part of these settlements and agreements, none of these amounts have been reflected in the accompanying combined financial statements as they have not been allocated to specific facilities.

In our opinion, except for the effects on the combined financial statements of such adjustments, if any, as might be necessary had the Company been able to determine the amount of the settlements and agreements described in the preceding paragraph that are applicable to the Selected Psychiatric Hospitals, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Selected Psychiatric
SELECTED PSYCHIATRIC HOSPITALS OF NATIONAL MEDICAL ENTERPRISES, INC.

COMBINED BALANCE SHEET
MAY 31, 1993
(DOLLARS IN THOUSANDS)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$4,071</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance for bad debts</td>
<td>56,944</td>
</tr>
<tr>
<td>Inventories of supplies, at cost</td>
<td>2,265</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>2,605</td>
</tr>
<tr>
<td>Total current assets</td>
<td>65,885</td>
</tr>
<tr>
<td>Other long term assets</td>
<td>9,192</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>286,462</td>
</tr>
<tr>
<td>Preopening costs and other intangible assets, at cost, net of accumulated amortization of $24,502</td>
<td>18,101</td>
</tr>
<tr>
<td>$379,640</td>
<td></td>
</tr>
</tbody>
</table>

LIABILITIES AND STOCKHOLDERS' EQUITY

<table>
<thead>
<tr>
<th>Current liabilities:</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current portion of long-term debt</td>
<td>$198</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>18,667</td>
</tr>
<tr>
<td>Employee compensation and benefits</td>
<td>10,137</td>
</tr>
<tr>
<td>Allowance for loss on sale of selected hospitals</td>
<td>6,464</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>9,247</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>44,713</td>
</tr>
<tr>
<td>Long-term debt, net of current portion</td>
<td>6,196</td>
</tr>
<tr>
<td>Minority interest</td>
<td>4,390</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>1,925</td>
</tr>
<tr>
<td>Due to owners and affiliates</td>
<td>137,395</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td></td>
</tr>
<tr>
<td>Owners' equity</td>
<td>185,021</td>
</tr>
<tr>
<td>$379,640</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to combined financial statements.
### Combined Statements of Cash Flows

#### National Medical Enterprises, Inc.

**Selected Psychiatric Hospitals of**

**Years Ended May 31, 1992 and 1993**

(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$(1,293)</td>
<td>$(23,066)</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td>$(1,293)</td>
<td>$(23,066)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>32,137</td>
<td>21,826</td>
</tr>
<tr>
<td>Provision for minority interest</td>
<td>1,652</td>
<td>1,185</td>
</tr>
<tr>
<td>Provision for loss on sale of selected hospitals</td>
<td>2,200</td>
<td>4,262</td>
</tr>
<tr>
<td>Non-cash income tax benefit</td>
<td>(439)</td>
<td>(13,121)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>11,723</td>
<td>11,232</td>
</tr>
<tr>
<td>Inventories of supplies</td>
<td>435</td>
<td>2</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(486)</td>
<td>4,664</td>
</tr>
<tr>
<td>Accounts payable and other accrued expenses</td>
<td>3,904</td>
<td>131</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>(1,465)</td>
<td>(840)</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>(260)</td>
<td>(181)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities:</strong></td>
<td>85,992</td>
<td>(336)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(31,077)</td>
<td>(30,421)</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>(185)</td>
<td>(4,399)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities:</strong></td>
<td>(31,095)</td>
<td>(34,820)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>4,111</td>
<td>0</td>
</tr>
<tr>
<td>Principal payments on long term debt and capitalized leases</td>
<td>(1,688)</td>
<td>(635)</td>
</tr>
<tr>
<td>Net change in amounts due from parent and affiliates</td>
<td>(53,667)</td>
<td>41,582</td>
</tr>
<tr>
<td>Dividends paid to owners</td>
<td>(6,186)</td>
<td>(3,685)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities:</strong></td>
<td>(57,430)</td>
<td>37,262</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>2,106</td>
<td>2,533</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>4,498</td>
<td>1,965</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period:</strong></td>
<td>6,604</td>
<td>4,071</td>
</tr>
</tbody>
</table>

*See accompanying notes to combined financial statements.*

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**F-35**

**SELECTED PSYCHIATRIC HOSPITALS OF NATIONAL MEDICAL ENTERPRISES, INC.**

**COMBINED STATEMENTS OF CASH FLOWS**

**YEARS ENDED MAY 31, 1992 AND 1993**

(Dollars in Thousands)

---

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total owners' equity</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SELECTED PSYCHIATRIC HOSPITALS OF
NATIONAL MEDICAL ENTERPRISES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
MAY 31, 1992 AND 1993

1. SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared in connection with the acquisition by certain subsidiaries of Charter Medical Corporation (Charter) of substantially all of the assets of the 36 psychiatric hospitals, eight chemical-dependency treatment facilities, two residential treatment centers and one physician outpatient practice, including related outpatient facilities and other associated assets, (collectively the "Selected Hospitals") from various subsidiaries of National Medical Enterprises, Inc. ("NME"), which transaction is described in more detail in Note 10.

The combined financial statements present the historical combined financial position and results of operations of the Selected Hospitals and, as a result, include certain assets and liabilities of the Selected Hospitals that Charter will not acquire or assume as part of the transaction described in Note 10.

Several of the Selected Hospitals are owned and/or operated by partnerships in which NME currently owns an interest. It is anticipated that NME's interest in these partnerships will be transferred as part of the transaction described in Note 10. These Selected Hospitals have been consolidated in the financial statements with the respective minority interests being recorded. Significant intercompany accounts and transactions between the Selected Hospitals have been eliminated.

NET OPERATING REVENUES

Net operating revenues consist primarily of net patient service revenues which are based on the hospitals' established billing rates less allowances and discounts principally for patients covered by Medicare, Medicaid and other contractual programs. These allowances and discounts were $324,555,000 in 1992 and $255,103,000 in 1993. Payments under these programs are based on either predetermined rates or the costs of services. Settlements for retrospectively determined rates are estimated in the period in which the related services are rendered and are adjusted in future periods as final settlements are determined. Management believes that adequate provision has been made for adjustments that may result from final determination of amounts earned under these programs. Approximately 19% of net operating revenues in 1992 and approximately 29% of net operating revenues in 1993 is from the participation of the Selected Hospitals in Medicare and Medicaid programs.

The Selected Hospitals provide care without charge or at amounts substantially less than their established rates to patients who meet certain financial or economic criteria. Because the Selected Hospitals do not pursue collection of amounts determined to qualify as charity care, they are not reported as gross revenue and are not included in deductions from revenue or in operating and administrative expenses.

Bad debt expense for estimated uncollectible accounts receivable, net of recoveries, is included in operating and administrative expenses and was $36,812,000 in 1992 and $20,273,000 in 1993.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, net of accumulated depreciation. The Selected Hospitals principally use the straight-line method of depreciation for buildings, improvements and equipment over their estimated
useful lives as follows: buildings and improvements -- generally 20 to 50 years; equipment -- 3 to 15 years.

INTANGIBLE ASSETS

Preopening costs are generally amortized over 3 to 5 years. Costs in excess of the fair value of identifiable net assets of purchased businesses are generally amortized over 40 years. The straight-line method is used to amortize most intangible assets.

SELECTED PSYCHIATRIC HOSPITALS OF NATIONAL MEDICAL ENTERPRISES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
MAY 31, 1992 AND 1993

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

Capital leases are recorded at the beginning of the lease term as assets and liabilities at the lower of the present value of the minimum lease payments or the fair value of the assets.

CASH EQUIVALENTS

The Selected Hospitals treat highly liquid investments with an original maturity of three months or less as cash equivalents.

INCOME TAXES

The operations of the Selected Hospitals are included in the NME consolidated Federal income tax return and in various unitary and consolidated State income tax returns. NME charges or credits the Selected Hospitals for amounts from applicable separate State income tax returns, if any, and allocates to such hospitals a charge or credit for current and deferred income tax expense attributable to consolidated and unitary Federal and State income taxes. Such allocations are recorded as Due to Owners and Affiliates.

Deferred taxes assets and liabilities attributable to timing differences of the Selected Hospitals are recorded on the books of an affiliate.

2. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, cash equivalents, accounts receivable, accounts payable and interest payable approximates fair value because of the short maturity of these instruments. The fair value of the Selected Hospitals' long-term debt, (i) calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loans, or (2) based on current rates available for debt of the same remaining maturities available to NME, also approximates carrying value.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at May 31, 1993 (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$33,483</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>265,554</td>
</tr>
<tr>
<td>Constructions in progress</td>
<td>2,195</td>
</tr>
<tr>
<td>Equipment</td>
<td>73,006</td>
</tr>
<tr>
<td>Facilities under capital leases</td>
<td>1,548</td>
</tr>
<tr>
<td></td>
<td>375,786</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>89,324</td>
</tr>
<tr>
<td></td>
<td>$286,462</td>
</tr>
</tbody>
</table>

4. RELATED PARTY TRANSACTIONS

Certain Selected Hospitals participate in the NME cash management program
which requires that cash deposits be transferred to NME-controlled bank accounts. In this system, generally all cash accounts are zero-balance accounts. Increases and decreases in the NME intercompany account are principally a function of cash flow and accrued interest (10% in 1992 and 1993) and noncash entries for certain overhead and expense transfers.

Total interest expense recognized relating to balances with NME and NME-owned entities was $10,680,000 and $11,058,000 for the years ended May 31, 1992 and 1993, respectively.

4. RELATED PARTY TRANSACTIONS (CONTINUED)

Operating and administrative expenses include gross insurance premiums of approximately $7,470,000 and $9,563,000 paid to Health Facilities Insurance Corporation, Ltd. (HFIC), a wholly owned subsidiary of NME, for professional and other insurance coverage for the years ended May 31, 1992 and 1993, respectively.

NME provides certain management and administrative services to the Selected Hospitals for which it charges a fee. Each of the Selected Hospitals is allocated a portion of the fee based on a specified percentage of gross revenues earned. Fees of $78,020,000 and $65,351,000 were paid to NME for the years ended May 31, 1992 and 1993, respectively. Of these amounts, $11,058,000 and $12,099,000 are reported as operating and administrative expenses in the accompanying statements of operations for the years ended May 31, 1992 and 1993, respectively.

5. LONG-TERM DEBT

Long-term debt of the Selected Hospitals at May 31, 1993 is as follows (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes secured by property, plant and equipment at rates ranging from 6% to 11.25%</td>
<td>$5,423</td>
</tr>
<tr>
<td>Obligations under capital leases at rates ranging from 4.8% to 14.71%</td>
<td>971</td>
</tr>
<tr>
<td>Less current portion</td>
<td>198</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Minimum principal payments on long-term debt for the five years subsequent to May 31, 1993</td>
<td>$5,196</td>
</tr>
</tbody>
</table>

Interest paid to third parties totaled $668,000 and $915,000 during the years ended May 31, 1992 and 1993, respectively.
6. INCOME TAX BENEFIT

Income tax benefits allocated by NME for the years ended May 31 consist of the following amounts (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>($2,051)</td>
<td>($16,219)</td>
</tr>
<tr>
<td>State</td>
<td>2,247</td>
<td>(2,166)</td>
</tr>
<tr>
<td></td>
<td>196</td>
<td>(18,385)</td>
</tr>
<tr>
<td>Deferred taxes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>(6)</td>
<td>4,144</td>
</tr>
<tr>
<td>State</td>
<td>(629)</td>
<td>1,120</td>
</tr>
<tr>
<td></td>
<td>(635)</td>
<td>5,264</td>
</tr>
<tr>
<td>Total tax benefit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>($439)</td>
<td>($13,121)</td>
</tr>
</tbody>
</table>

Effective June 1, 1993, NME adopted Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" (SFAS 109). Among other provisions, this standard requires deferred tax balances to be determined using enacted tax rates for the years in which the taxes will actually be paid or refunds received. At May 31, 1993, deferred tax accounts recorded by an affiliate applicable to the Selected Hospitals’ timing differences reflect the statutory rates that were in effect when the deferrals were initiated. Upon adoption, such deferred tax accounts applicable to the temporary differences of Selected Hospitals will be adjusted and the affiliate will recognize an income tax benefit on account of the change of method. Selected Hospitals will continue receive an allocation of current and deferred income tax expense, modified to reflect the principles contained in SFAS 109.

The main difference between the Federal statutory rate of 34% and the effective tax rate is attributable to state income taxes, net of Federal income tax benefit.

7. LEASE OBLIGATIONS

Future minimum lease payments for operating leases for the next five years are as follows (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>$4,489</td>
</tr>
<tr>
<td>1995</td>
<td>4,935</td>
</tr>
<tr>
<td>1996</td>
<td>3,383</td>
</tr>
<tr>
<td>1997</td>
<td>3,388</td>
</tr>
<tr>
<td>1998</td>
<td>3,025</td>
</tr>
<tr>
<td>Thereafter</td>
<td>3,439</td>
</tr>
<tr>
<td></td>
<td>$22,659</td>
</tr>
</tbody>
</table>

Rental expense under operating leases, including contingent rent expense and short-term leases, was $10,365,000 in 1992 and $9,333,000 in 1993.

8. PROFESSIONAL AND GENERAL LIABILITY INSURANCE

The professional and comprehensive general liability risks of the Selected Hospitals are insured by HFIC. The coverage provided is limited to $25,000,000 per occurrence with an annual aggregate limit of $25,000,000. HFIC reinsures risks in excess of $500,000 per occurrence with major insurance carriers.
8. PROFESSIONAL AND GENERAL LIABILITY INSURANCE (CONTINUED)

The Selected Hospitals also have umbrella coverage with major insurance carriers for losses above the limits provided by HFIC. The excess coverage provided is limited to $75,000,000 per occurrence with an annual aggregate limit of $75,000,000.

Management believes that adequate provision has been made for adjustments that may result from final determination of amounts earned under the Medicare/Medicaid and other contractual programs described in Note 1. Such amounts, however, are necessarily based upon estimates and the amounts ultimately realized may vary substantially from these estimates.

9. OTHER CONTINGENCIES

UNUSUAL LEGAL PROCEEDINGS

At May 31, 1993, NME and certain of its subsidiaries, including those that own the Selected Hospitals, were involved in significant lawsuits and governmental investigations concerning possible improper practices related principally to its psychiatric business. The suits sought compensatory and punitive damages and, in some cases, attorneys fees. At May 31, 1993, neither the ultimate disposition of the unusual lawsuits, investigations and claims nor the amount of liabilities or losses arising from them could be determined. Furthermore, at May 31, 1993, NME and NME’s subsidiaries expected to incur substantial legal charges until these matters could be disposed of, for which NME established a reserve. As of August 31, 1993, NME recorded additional reserves to estimate the cost of the ultimate disposition of the significant lawsuits, the majority of which have been settled subsequent to August 31, 1993. In April, 1994, NME reached an agreement-in-principle with the Civil Division and Criminal Division of the Department of Justice, and the Department of Health and Human Services which upon execution will bring to a close all open investigations of NME (and its subsidiaries and affiliates) by the federal government and its agencies. As a result, NME recorded an additional reserve at February 28, 1994 to estimate the costs of the ultimate disposition of all federal and state investigations.

The aggregate amount of the reserves recorded in connection with these settlements and agreements as of February 28, 1994 amounted to $690,000,000. These settlements and agreements were reached in the aggregate and were not allocated or apportioned to individual facilities. Accordingly, none of these reserves have been reflected in the accompanying combined financial statements, nor has any provision for any liability resulting from the ultimate disposition of these matters been recognized in such financial statements.

10. SUBSEQUENT EVENTS

On November 30, 1993, NME decided to discontinue its psychiatric business by disposing of substantially all of its psychiatric hospitals and substance abuse facilities. Accordingly, the Selected Hospitals included in these financial statements have been written down by approximately $165,000 to their realizable value as of November 30, 1993.

On March 29, 1994, NME entered into an asset sale agreement (the "Asset Sale Agreement") with Charter to sell substantially all the assets of the Selected Hospitals to certain subsidiaries of Charter. The transaction is subject to review under the Hart-Scott-Rodino Act and other regulatory approvals.

Under the terms of the Asset Sale Agreement, the aggregate purchase price for substantially all of the assets (excluding working capital) of the Selected Hospitals is approximately $152 million. If one or more of the Selected Hospitals is not acquired due to certain conditions, the purchase price will be adjusted. Pursuant to the Asset Sale Agreement, certain working capital items also are to be sold to Charter for additional consideration equal to their net book value as of closing.

On May 13, 1994, NME and Charter announced that they have received a request from the Federal Trade Commission for additional information. As a result of
this request, Charter and NME expect a delay in the initial phase of the transaction closing beyond the previously scheduled date of May 31, 1994.

### Selected Psychiatric Hospitals of National Medical Enterprises, Inc.

#### Unaudited Combined Condensed Balance Sheet

**February 28, 1994**

**(Dollars in Thousands)**

<table>
<thead>
<tr>
<th>Assets</th>
<th>1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,019</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$65,707</td>
<td></td>
</tr>
<tr>
<td>Inventories of supplies</td>
<td>$2,328</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$3,122</td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>$205,119</td>
<td></td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>$1,553</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$206,672</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Owners' Equity</th>
<th>1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current portion of long-term debt</td>
<td>$680</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>9,107</td>
<td></td>
</tr>
<tr>
<td>Employee compensation and benefits</td>
<td>8,529</td>
<td></td>
</tr>
<tr>
<td>Accrued insurance</td>
<td>12,270</td>
<td></td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>9,170</td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>39,756</td>
<td></td>
</tr>
<tr>
<td>Long-term debt, net of current portion</td>
<td>5,169</td>
<td></td>
</tr>
<tr>
<td>Minority interests</td>
<td>4,710</td>
<td></td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>1,446</td>
<td></td>
</tr>
<tr>
<td>Due to owners and affiliates</td>
<td>75,505</td>
<td></td>
</tr>
<tr>
<td>Owners' equity</td>
<td>80,086</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$206,672</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying note to unaudited combined condensed financial statements.
See accompanying note to unaudited combined condensed financial statements.

F-45

SELECTED PSYCHIATRIC HOSPITALS OF
NATIONAL MEDICAL ENTERPRISES, INC.

NOTE TO UNAUDITED COMBINED CONDENSED INTERIM FINANCIAL STATEMENTS
NINE MONTHS ENDED FEBRUARY 28, 1993 AND 1994

The unaudited combined condensed interim financial statements present the historical combined financial position and results of operations of the Selected Hospitals and, as a result, include certain assets and liabilities of the Selected Hospitals that Charter will not acquire or assume as part of the transaction. These financial statements reflect the adjustments that are, in the opinion of NME, necessary to present fairly the combined financial position and results of operations for the periods indicated. The adjustments are of a normal recurring nature, except for those items discussed in Notes 6 and 9 to the combined financial statements as of May 31, 1992 and May 31, 1993 and for the write-down of assets to realizable value discussed below.

It is presumed that users of this interim financial information have read or have access to the combined financial statements of the Selected Hospitals for the preceding fiscal year (which appear elsewhere herein) and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. Accordingly, footnote and other disclosure which would substantially duplicate the disclosure in the annual financial statements contained elsewhere herein has been omitted. The interim financial information herein is not necessarily representative of operations for a full year for various reasons, including levels of occupancy, interest rates, facility acquisitions and disposals, revenue allowance and discount fluctuations, the timing of price changes, fluctuations in quarterly tax rates and the recording
of unusual reserves. These same considerations apply to all year-to-year comparisons.

On November 30, 1993, NME decided to discontinue its psychiatric business by disposing of substantially all of its psychiatric hospitals and substance abuse facilities. Accordingly, the Selected Hospitals included in these financial statements have been written down to their realizable value as of November 30, 1993.

During the nine months ended February 28, 1994, NME adopted the provisions of Financial Accounting Standards No. 109, "Accounting for Income Taxes", and, accordingly, changed its tax allocation method to conform with the provisions of that statement. The allocated current and deferred income tax expense was not materially different than that which would have been allocated under NME's previous tax allocation methodology.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE EXCHANGE OFFERING. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY CHARTER OR THE INITIAL PURCHASERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

TABLE OF CONTENTS

Summary........................................ 1
The Company.................................... 9
Investment Considerations...................... 9
The Acquisition................................ 14
Use of Proceeds................................ 15
Capitalization.................................. 16
Selected Historical Consolidated Financial and Statistical Information........... 17
Target Hospital Selected Financial Information... 19
Unaudited Pro Forma Financial Information..... 20
Management's Discussion and Analysis of Financial Condition and Results of Operations......................... 25
Business....................................... 32
Management..................................... 46
Executive Compensation......................... 47
Security Ownership of Certain Beneficial Owners and Management.................... 48
Certain Relationships and Related Transactions................................................. 49
The Exchange Offer................................ 50
Plan of Distribution............................. 59
Description of the Notes........................ 60
Summary of New Credit Agreement............... 81
Certain Federal Income Tax Consequences of the Exchange Offer....................... 83
Legal Matters................................... 84
Experts........................................ 84
Available Information........................... 84
Index to Financial Statements.................. F-1

$375,000,000
CHARTER MEDICAL CORPORATION
OFFER TO EXCHANGE ITS
11 1/4% SERIES A
SENIOR SUBORDINATED
NOTES DUE 2004
FOR ANY AND ALL OF ITS
OUTSTANDING
11 1/4% SENIOR SUBORDINATED
NOTES DUE 2004

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PROSPECTUS
-----------------------------

, 1994

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company is a Delaware corporation. Section 145 of the Delaware General Corporation Law (the "DGCL") provides that a Delaware corporation has the power to indemnify its officers and directors in certain circumstances.

Subsection (a) of Section 145 of the DGCL empowers a corporation to indemnify any director or officer, or former director or officer, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of his service as director, officer, employee or agent of the corporation, or his service, at the corporation's request, as a director, officer, employee or agent of another corporation or enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding provided that such director or officer acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, provided that such director or officer had no reasonable cause to believe his conduct was unlawful.

Subsection (b) of Section 145 empowers a corporation to indemnify any director or officer, or former director or officer, who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit provided that such director or officer acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such director or officer shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such director or officer is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 145 further provides that to the extent a director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections (a) or (b) or in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith; provided that indemnification provided for by Section 145 or granted pursuant thereto shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and empowers the corporation to purchase and maintain insurance on behalf of a director or officer of the corporation against any liability asserted against him or incurred by him in any such capacity or arising out of his status as such whether or not the corporation would have the power to
Article VII of the By-laws of the Company provide in substance that the Company shall indemnify directors and officers against all liability and related expenses incurred in connection with the affairs of the Company if: (a), in the case of action not by or in the right of the Company, the director or officer acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and (with respect to a criminal proceeding) had no reasonable cause to believe his conduct was unlawful; and (b), in the case of actions by or in the right of the Company, the director or officer acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, provided that no indemnification shall be made for a claim as to which the director or officer is adjudged liable for negligence or misconduct unless (and only to the extent that) an appropriate court determines that, in view of all the circumstances, such person is fairly and reasonably entitled to indemnity.

II-1

In addition, Section 102(b)(7) of the DGCL permits Delaware corporations to include a provision in their certificates of incorporation eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provisions shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) for unlawful payment of dividends or other unlawful distributions, or (iv) for any transactions from which the director derived an improper personal benefit. Article Twelfth of the Company's Certificate of Incorporation sets for such a provision.

For the undertaking with respect to indemnification, see Item 22 herein.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

2(a) Incorporation, Conveyance and Stock Purchase Agreement, dated August 16, 1993, among Quorum, Inc. and Charter Medical Corporation, et al., which was filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, dated as of September 30, 1993, and which is incorporated herein by reference.

2(b) Amendment No. 1 to the Exhibit 2.1 agreement, dated September 30, 1993, which was filed as Exhibit 2.2 to the Company's Current Report on Form 8-K, dated as of September 30, 1993, and which is incorporated herein by reference.

2(c) Asset Sale Agreement, dated March 29, 1994, between National Medical Enterprises, Inc., as Seller and Charter Medical Corporation, as Buyer, which was filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994, and which is incorporated herein by reference.

Exhibits 2(a), 2(b) and 2(c) do not contain copies of the exhibits and schedules to such agreements. Such agreements describe such exhibits and schedules. The Company agrees to furnish supplementally to the Commission, upon request, a copy of any omitted exhibit or schedule to such agreements.

3(a) Restated Certificate of Incorporation of the Company which was filed as Exhibit 3(a) to the Company's Annual Report on Form 10-K dated as of September 30, 1992, and is incorporated herein by reference.

3(b) Bylaws of the Company, as amended, which was filed as Exhibit 3(a) to the Company's Quarterly Report on Form 10-Q dated as of March 31, 1993, and is incorporated herein by reference.

4(a) Indenture, dated as of May 2, 1994, among the Company, the Guarantors listed therein and Marine Midland Bank, as Trustee, relating to the 11 1/4% Senior Subordinated Notes due April 15, 2004 of the Company.

4(b) Form of Class A Common Stock Purchase Warrant Certificate, dated September 1, 1988, for warrants sold to designee of Drexel Burnham Lambert Incorporated, which was filed as Exhibit 4.4 to the Company's Current Report on Form 8-K, dated September 1, 1988, and is incorporated herein by reference.

4(c) Common Stock Purchase Warrant Certificate, dated September 1, 1988, for warrants sold to certain institutional investors, which was filed as Exhibit 4.3 to the Company's Current Report on Form 8-K, dated September 1, 1988, and is incorporated herein by reference.

4(d) Warrant and Common Stock Registration and Participation Rights Agreement, dated as of September 1, 1988, among WAF Acquisition Corporation, the Company, William A. Pickling, Jr., certain affiliates of William A. Pickling, Jr. and the purchasers of the warrants issued on September 1, 1988, which was
filed as Exhibit 4(h) to the Company's Annual Report on Form 10-K dated as of September 30, 1988, and is incorporated herein by reference.

4(e) Second Amended and Restated Credit Agreement, dated as of May 2, 1994, among the Company, the financial institutions listed therein, Bankers Trust Company, as Agent, and First Union National Bank of North Carolina, as Co-Agent.

4(f) Second Amended and Restated Subsidiary Credit Agreement, dated as of May 2, 1994, among certain subsidiaries of the Company, the financial institutions listed therein, Bankers Trust Company, as Agent, and First Union National Bank of North Carolina, as Co-Agent.

4(g) Second Amended and Restated Company Stock and Notes Pledge Agreement, dated as of May 2, 1994, between the Company and Bankers Trust Company, as Collateral Agent.

4(h) Second Amended and Restated Subsidiary Stock and Notes Pledge Agreement, dated as of May 2, 1994, among various subsidiaries of the Company and Bankers Trust Company, as Collateral Agent.

4(i) Second Amended and Restated Subsidiary Pledge and Security Agreement, dated as of May 2, 1994, among various subsidiaries of the Company and Bankers Trust Company, as Collateral Agent.

4(j) Second Amended and Restated Company Pledge and Security Agreement (ESOP collateral), dated as of May 2, 1994, between the Company and Bankers Trust Company, as Collateral Agent.

4(k) Second Amended and Restated FINCO Pledge and Security Agreement I, dated as of May 2, 1994, between CMFC, Inc. and Bankers Trust Company, as Collateral Agent.

4(l) Second Amended and Restated Subsidiary Guaranty, dated as of May 2, 1994, executed by various subsidiaries of the Company.

4(m) Second Amended and Restated Company Collateral Accounts Assignment Agreement, dated as of May 2, 1994, between the Company and Bankers Trust Company, as Agent.

4(n) Company Pledge and Security Agreement, dated as of May 2, 1994, between the Company and Bankers Trust Company, as Collateral Agent.

4(o) Second Amended and Restated FINCO Pledge and Security Agreement II, dated as of May 2, 1994, between CMCI, Inc. and Bankers Trust Company, as Collateral Agent.

4(p) Second Amended and Restated Subsidiary Guaranty, dated as of May 2, 1994, executed by the Company.

4(q) Second Amended and Restated Subsidiary Collateral Accounts Assignment Agreement, dated as of May 2, 1994, among various subsidiaries of the Company and Bankers Trust Company, as Agent.

4(r) Form of Amended and Restated Indenture of Mortgage, Deed to Secure Debt, Deed of Trust, Security Agreement and Assignment of Leases and Rents executed as of July 21, 1992, by 44 subsidiaries of the Company for the benefit of Bankers Trust Company, as Agent, and various trustees as shown on individual subsidiary cover pages attached, which was filed as Exhibit 4(q) to the Company's Current Report on Form 8-K dated as of July 21, 1992, and is incorporated herein by reference.

4(s) Form of Indenture of Mortgage, Deed to Secure Debt, Deed of Trust, Security Agreement and Assignment of Leases and Rents executed as of July 21, 1992, by 40 subsidiaries of the Company for the benefit of Bankers Trust Company, as Agent, and various trustees as shown on individual subsidiary cover pages attached, which was filed as Exhibit 4(q) to the Company's Current Report on Form 8-K dated as of July 21, 1992, and is incorporated herein by reference.

4(t) Form of Indenture of Mortgage, Deed to Secure Debt, Deed of Trust, Security Agreement and Assignment of Leases and Rents; Amended Indenture of Mortgage, Deed to Secure Debt, Deed of Trust, Security Agreement and Assignment of Leases and Rents; and Consolidated Agreement, executed as of May 2, 1994, by 71 subsidiaries of the Company and Bankers Trust Company, as Agent, and various trustees as shown on individual subsidiary cover pages attached. The Registrants agree, pursuant to (b)(iii) of Item 601 of Regulation S--K, to furnish to the Commission, upon request, a copy of each agreement relating to long-term debt not being registered, where the total amount of debt under each such agreement does not exceed 10% of the Registrants' respective total assets on a consolidated basis.

4(u) Purchase Agreement, dated April 22, 1994, between the Company and Bear, Stearns & Co. Inc. and BT Securities Corporation.

4(v) Exchange and Registration Rights Agreement, dated April 22, 1994 between the Company and Bear, Stearns & Co. Inc. and BT Securities Corporation.

5 Opinion of King & Spalding as to the legality of the securities being
Opinion of King & Spalding as to tax matters.

Written description of Corporate Annual Incentive Plan for the year ended September 30, 1993, which was filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993, and is incorporated herein by reference.

1989 Non-Qualified Deferred Compensation Plan of the Company, adopted on January 1, 1989, as amended, which was filed as Exhibit 10(f) to the Company's Annual Report on Form 10-K dated as of September 30, 1989, and is incorporated herein by reference.

Written description of Corporate Annual Incentive Plan for the year ended September 30, 1993 which was filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993 and which is incorporated herein by reference.

Directors' Stock Option Plan of the Company which was filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993 and which is incorporated herein by reference.

Employment Agreement, dated July 21, 1992, between the Company and William A. Fickling, Jr., Chairman of the Board of Directors and Chief Executive Officer of the Company which was filed as Exhibit 10(e) to the Company's Annual Report on Form 10-K dated September 30, 1992 and which is incorporated herein by reference.

Employment Agreement, dated July 21, 1992, between the Company and E. Mac Crawford, Director, President and Chief Operating Officer of the Company which was filed as Exhibit 10(f) to the Company's Annual Report on Form 10-K dated September 30, 1992 and which is incorporated herein by reference.

Employment Agreement, dated July 21, 1992, between the Company and Lawrence W. Drinkard, Director and Senior Vice President - Finance (principal financial officer) of the Company which was filed as Exhibit 10(g) to the Company's Annual Report on Form 10-K dated September 30, 1992 and which is incorporated herein by reference.

1994 Stock Option Plan of the Company.

Statement regarding computation of per share earnings.

Statement regarding computation of ratios.

List of subsidiaries of the Registrants.

Consent of Arthur Andersen & Co.

Consent of KPMG Peat Marwick.

Consent of King & Spalding (included in opinion filed as Exhibit 5).

Powers of Attorney.

Statement of Eligibility and Qualification on Form T-1 of Marine Midland Bank, as Trustee, under the Indenture relating to the Senior Subordinated Notes due April 15, 2004.

Form of Letter of Transmittal (Proof of May 18, 1994)

Form of Notice of Guaranteed Delivery (Proof of May 18, 1994)

Form of Instruction to Registered Holder and/or Book-Entry Transfer Facility Participant from Owner (Proof of May 18, 1994)

Form of Exchange Agent Agreement between the Company and Marine Midland Bank (Proof of May 18, 1994)

(b) Financial Statement Schedules

The following financial statement schedules are set forth on pages S-1 through S-4 hereof.


V -- Property and Equipment

VI -- Accumulated Depreciation, Depletion and Amortization of Property and Equipment

VIII -- Valuation and Qualifying Accounts

X -- Supplemental Income Statement Information

All other schedules are omitted as the required information is presented in the Company's consolidated financial statements or related notes or such schedules are not applicable.

ITEM 22. UNDERTAKINGS.

(a) The Registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:
(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The Registrants hereby undertake to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of this Registration Statement through the date of responding to the request.

(c) The Registrants hereby undertake to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in this Registration Statement when it became effective.

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrants pursuant to the foregoing provisions, or otherwise, the Registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by a Registrant of expenses incurred or paid by a director, officer or controlling person of such Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, such Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.
Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities indicated on May 18, 1994.

CHARTER MEDICAL CORPORATION
E. Mac Crawford ............................  President and Chairman of the Board of Directors (principal executive officer)
Lawrence W. Drinkard ........................ Executive Vice President -- Finance and Director (principal financial officer)
John R. Day .................................  Vice President -- Controller (principal accounting officer)
Edwin M. Banks .............................. Director
Andre C. Dimitriadis ........................ Director
Raymond H. Kiefer ........................... Director
Gerald L. McManis ........................... Director

AMBULATORY RESOURCES, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ............................ Director and Vice President
W. Stephen Love ............................. President
Charlotte A. Sanford ....................... Treasurer

* In the case of Charter Medical of England Limited as Director

ATLANTA MOB, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ............................ Director and Vice President
W. Stephen Love ............................. President
Charlotte A. Sanford ....................... Treasurer

BELTWAY COMMUNITY HOSPITAL, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ............................ Director and Vice President
Joseph C. Little ............................ President
Charlotte A. Sanford ....................... Treasurer

C.A.C.O. SERVICES, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ............................ Director and Vice President
Joseph C. Little ............................ President
Charlotte A. Sanford ....................... Treasurer

CCM, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ............................ Director and Vice President
Joan Kradlak ................................. President
Charlotte A. Sanford ....................... Treasurer

CMCI, INC.
Glenn A. McRae ............................. Director

CMFC, INC.
Glenn A. McRae ............................. Director

II-7
CHARTER APPALACHIAN HALL BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush .................................. Director
Margie M. Smith .................................. Director
Howard A. McLure .................................. Director
Lawrence W. Drinkard .............................. President
Charlotte A. Sanford .............................. Treasurer

CHARTER ARBOR INDY BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush .................................. Director
Margie M. Smith .................................. Director
Howard A. McLure .................................. Director
Lawrence W. Drinkard .............................. President
Charlotte A. Sanford .............................. Treasurer

CHARTER AUGUSTA BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae .................................. Director
Joseph M. Cobern .................................. Director
John C. McCauley ................................. Director and Vice President
Elbert T. McQueen ................................. President
Charlotte A. Sanford .............................. Treasurer

CHARTER BAY HARBOR BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush .................................. Director
Margie M. Smith .................................. Director
Howard A. McLure .................................. Director
Lawrence W. Drinkard .............................. President
Charlotte A. Sanford .............................. Treasurer

CHARTER BEACON BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae .................................. Director
Joseph M. Cobern .................................. Director
John C. McCauley ................................. Director and Vice President

CHARTER BEHAVIORAL HEALTH SYSTEM AT FAIR OAKS, INC.
James M. Filush .................................. Director
Margie M. Smith .................................. Director
Howard A. McLure .................................. Director
Lawrence W. Drinkard .............................. President
Charlotte A. Sanford .............................. Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM AT HIDDEN BROOK, INC.
James M. Filush .................................. Director
Joseph M. Cobern .................................. Director
John C. McCauley ................................. Director and Vice President
Vernon S. Westrich ................................. President
Charlotte A. Sanford .............................. Treasurer

II-9
Margie M. Smith ............................  Director
Howard A. McLure ...........................  Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM AL"OS ALTOS, INC.
James M. Filush ............................  Director
Margie M. Smith ............................  Director
Howard A. McLure ...........................  Director
Lawrence W. Drinkard ....................... President
Charlotte A. Sanford ........................ Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM AT POTOMAC RIDGE, INC.
James M. Filush ............................  Director
Margie M. Smith ............................  Director
Howard A. McLure ...........................  Director
Lawrence W. Drinkard ....................... President
Charlotte A. Sanford ........................ Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM AT WARWICK MANOR, INC.
James M. Filush ............................  Director
Margie M. Smith ............................  Director
Howard A. McLure ...........................  Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF ATHENS, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ............................ Director and Vice President
Elbert T. McQueen ........................... President
Charlotte A. Sanford ........................ Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF AUSTIN, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ............................ Director and Vice President
David A. Richardson ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF BAYWOOD, INC.
James M. Filush ............................  Director
Margie M. Smith ............................  Director
Howard A. McLure ...........................  Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF BRADENTON, INC.
James M. Filush ............................  Director
Margie M. Smith ............................  Director
Howard A. McLure ...........................  Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF CANOGA PARK, INC.
James M. Filush ............................  Director
Margie M. Smith ............................  Director
Howard A. McLure ...........................  Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF CENTRAL GEORGIA, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ............................ Director and Vice President
Elbert T. McQueen ........................... President
Charlotte A. Sanford ........................ Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF CHARLESTON, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
Elbert T. McQueen ..........................  President
Charlotte A. Sanford ........................ Treasurer
CHARTER BEHAVIORAL HEALTH SYSTEM OF CHARLOTTESVILLE, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
Jon C. O'Shaughnessy ........................ President
Charlotte A. Sanford ........................ Treasurer

II-12

CHARTER BEHAVIORAL HEALTH SYSTEM OF CHICAGO, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
Vernon S. Westrich .......................... President
Charlotte A. Sanford ........................ Treasurer
CHARTER BEHAVIORAL HEALTH SYSTEM OF CHULA VISTA, INC.
James M. Filush .............................  Director
Margie M. Smith .............................  Director
Howard A. McLure ........................... Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer
CHARTER BEHAVIORAL HEALTH SYSTEM OF COLUMBIA, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
Vernon S. Westrich .......................... President
Charlotte A. Sanford ........................ Treasurer

II-13

David A. Richardson ........................ President
Charlotte A. Sanford ........................ Treasurer
CHARTER BEHAVIORAL HEALTH SYSTEM OF DALLAS, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
David A. Richardson ........................ President
Charlotte A. Sanford ........................ Treasurer
CHARTER BEHAVIORAL HEALTH SYSTEM OF EVANSVILLE, INC.
James M. Filush .............................  Director
Margie M. Smith .............................  Director
Howard A. McLure ........................... Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer
CHARTER BEHAVIORAL HEALTH SYSTEM OF FORT WORTH, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
Jim R. Johnson .............................. President
Charlotte A. Sanford ........................ Treasurer
CHARTER BEHAVIORAL HEALTH SYSTEM OF JACKSON, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
David A. Richardson ........................ President
Charlotte A. Sanford ........................ Treasurer
CHARTER BEHAVIORAL HEALTH SYSTEM OF JACKSONVILLE, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ..........................  Director
John C. McCauley ...........................  Director and Vice President
Elbert T. McQueen ..........................  President
Charlotte A. Sanford ........................  Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF JEFFERSON, INC.
James M. Filush ............................  Director
Margie M. Smith ..............................  Director
Howard A. McLure ...........................  Director
Lawrence W. Drinkard .......................  President
Charlotte A. Sanford ........................  Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF KANSAS CITY, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
Vernon S. Westrich ..........................  President
Charlotte A. Sanford ........................  Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF LAKE CHARLES, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
David A. Richardson .........................  President
Charlotte A. Sanford ........................  Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF LAKEWOOD, INC.
James M. Filush ............................  Director
Margie M. Smith ..............................  Director
Howard A. McLure ...........................  Director
Lawrence W. Drinkard .......................  President
Charlotte A. Sanford ........................  Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF MICHIGAN CITY, INC.
James M. Filush ............................  Director
Margie M. Smith ..............................  Director
Howard A. McLure ...........................  Director
Lawrence W. Drinkard .......................  President
Charlotte A. Sanford ........................  Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF MOBILE, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
Elbert T. McQueen ...........................  President
Charlotte A. Sanford ........................  Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF NASHUA, INC.
James M. Filush ............................  Director
Margie M. Smith ..............................  Director
Howard A. McLure ...........................  Director

Lawrence W. Drinkard ........................  President
Charlotte A. Sanford ........................  Treasurer
CHARTER BEHAVIORAL HEALTH SYSTEM OF NEVADA, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
William E. Hale ......................... President
Charlotte A. Sanford .................... Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF NEW MEXICO, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
David A. Richardson .................... President
Charlotte A. Sanford .................... Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF NORTHERN CALIFORNIA, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
William E. Hale ......................... President
Charlotte A. Sanford .................... Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF NORTHWEST ARKANSAS, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
Vernon S. Westrich ..................... President
Charlotte A. Sanford .................... Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF NORTHWEST INDIANA, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
Vernon S. Westrich ..................... President
Charlotte A. Sanford .................... Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF PADUCAH, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
Vernon S. Westrich ..................... President
Charlotte A. Sanford .................... Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF SAN JOSE, INC.
Glenn A. McRae ......................... Director
James M. Filush ........................ Director
Margie M. Smith ......................... Director
Howard A. McLure ....................... Director
Lawrence W. Drinkard ................. President
Charlotte A. Sanford .................... Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF SAINT LOUIS, INC.
Glenn A. McRae ......................... Director
James M. Filush ........................ Director
Margie M. Smith ......................... Director
Howard A. McLure ....................... Director
Lawrence W. Drinkard ................. President
Charlotte A. Sanford .................... Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF SAVANNAH, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
Vernon S. Westrich ..................... President
Charlotte A. Sanford .................... Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF SOUTHERN CALIFORNIA, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
Joseph C. Little ......................... President
Charlotte A. Sanford .................... Treasurer

CHARTER BEHAVIORAL HEALTH SYSTEM OF ROCKFORD, INC.
James M. Filush ........................ Director
Margie M. Smith ......................... Director
Howard A. McLure ....................... Director
Lawrence W. Drinkard ................. President
Charlotte A. Sanford .................... Treasurer

II-18
CHARTER CONTRACT SERVICES, INC.
Glenn A. McRae ......................... Director
John C. McCauley ....................... Director and Vice President
Joseph M. Cobern ....................... Director
Vernon S. Westrich ...................... President
Charlotte A. Sanford ................. Treasurer

CHARTER COVE FORGE BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush ......................... Director
Margie M. Smith ......................... Director
Howard A. McLure ...................... Director
Lawrence W. Drinkard ................. President
Charlotte A. Sanford ............... Treasurer

CHARTER CRESTED PINE BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush ......................... Director
Margie M. Smith ......................... Director
Howard A. McLure ...................... Director
Lawrence W. Drinkard ................. President
Charlotte A. Sanford ............... Treasurer

CHARTER FAIRBRIDGE BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush ......................... Director
Margie M. Smith ......................... Director
Howard A. McLure ...................... Director
Lawrence W. Drinkard ................. President
Charlotte A. Sanford ............... Treasurer

CHARTER FAIRMOUNT BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae ......................... Director

CHARTER FENWICK HALL BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush ......................... Director
Margie M. Smith ......................... Director
Howard A. McLure ...................... Director
Lawrence W. Drinkard ................. President
Charlotte A. Sanford ............... Treasurer

CHARTER FOREST BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
David A. Richardson .................... President
Charlotte A. Sanford ............... Treasurer

CHARTER FINANCIAL OFFICES, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
W. Stephen Love ......................... President
Charlotte A. Sanford ............... Treasurer

CHARTER FOREST BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President
David A. Richardson .................... President
Charlotte A. Sanford ............... Treasurer

CHARTER GRAPEVINE BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ....................... Director
John C. McCauley ....................... Director and Vice President

David A. Richardson .................... President
Charlotte A. Sanford .......................... Treasurer
CHARTER HOSPITAL OF ST. LOUIS, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER HOSPITAL OF TORRANCE, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
Joseph C. Little ........................... President
Charlotte A. Sanford ........................ Treasurer
CHARTER INDIANAPOLIS BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
Joseph C. Little ........................... President
Charlotte A. Sanford ........................ Treasurer

CHARTER LAFAYETTE BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
Vernon S. Westrich ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER LAKEHURST BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush ............................ Director
Margie M. Smith ............................ Director
Howard A. McLure .......................... Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER LAKESIDE BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
Jon C. O'Shaughnessy ....................... President
Charlotte A. Sanford ........................ Treasurer

CHARTER LAUREL HEIGHTS BEHAVIORAL HEALTH SYSTEM, INC.
Margie M. Smith ............................ Director
Howard A. McLure .......................... Director
James M. Filush ............................ Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER LAUREL OAKS BEHAVIORAL HEALTH SYSTEM, INC.
Howard A. McLure .......................... Director
Margie M. Smith ............................ Director
James M. Filush ............................ Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER LINDEN OAKS BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush ............................ Director
Margie M. Smith ............................ Director
Howard A. McLure .......................... Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer

CHARTER LITTLE ROCK BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
Vernon S. Westrich ........................ President
Charlotte A. Sanford ....................... Treasurer
CHARTER LOUISVILLE BEHAVIORAL HEALTH SYSTEM, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
Vernon S. Westrich .......................... President
Charlotte A. Sanford ........................ Treasurer
CHARTER MEADOWS BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush ............................ Director
II-30
Margie M. Smith ............................ Director
Howard A. McLure ............................ Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer
CHARTER MOB OF CHARLOTTESVILLE, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
Jon C. O'Shaughnessy ........................ President
Charlotte A. Sanford ........................ Treasurer
CHARTER MEDFIELD BEHAVIORAL HEALTH SYSTEM, INC.
James M. Filush ............................ Director
Howard A. McLure ............................ Director
Margie M. Smith ............................ Director
Lawrence W. Drinkard ........................ President
Charlotte A. Sanford ........................ Treasurer
CHARTER MEDICAL -- CALIFORNIA, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
David A. Richardson ........................ President
Charlotte A. Sanford ........................ Treasurer
CHARTER MEDICAL -- CLAYTON COUNTY, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
II-31
Donna Y. Wood .............................. President
Charlotte A. Sanford ........................ Treasurer
CHARTER MEDICAL -- CLEVELAND, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
W. Stephen Love .............................. President
Charlotte A. Sanford ........................ Treasurer
CHARTER MEDICAL -- DALLAS, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
Joseph C. Little ............................ President
Charlotte A. Sanford ........................ Treasurer
CHARTER MEDICAL -- LONDON, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
William E. Hale ............................. President
Charlotte A. Sanford ........................ Treasurer
CHARTER MEDICAL -- NEW YORK, INC.
Glenn A. McRae ............................. Director
Joseph M. Cobern ........................... Director
John C. McCauley ........................... Director and Vice President
William H. Freeman, Jr. ..................... President
CHARTER MEDICAL (CAYMAN ISLANDS) LTD.
John C. McCauley ......................... Director
Glenn A. McRae ......................... Director
Joseph M. Cobern ......................... President
Charlotte A. Sanford ................... Treasurer
CHARTER MEDICAL EXECUTIVE CORPORATION
Glenn A. McRae ......................... Director
Joseph M. Cobern ......................... Director
John C. McCauley ......................... Director and Vice President
C. Clark Wingfield ....................... President
Charlotte A. Sanford ................... Treasurer
CHARTER MEDICAL INFORMATION SERVICES, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ......................... Director
John C. McCauley ......................... Director and Vice President
C. Clark Wingfield ....................... President
Charlotte A. Sanford ................... Treasurer
CHARTER MEDICAL INTERNATIONAL, INC.
Glenn A. McRae ......................... Director
John C. McCauley ......................... Director and Vice President
Joseph M. Cobern ......................... President
Charlotte A. Sanford ................... Treasurer
CHARTER MEDICAL INTERNATIONAL, S.A., INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ......................... Director
John C. McCauley ......................... Director and Vice President

E. Mac Crawford ......................... President
Charlotte A. Sanford ................... Treasurer
CHARTER MEDICAL MANAGEMENT COMPANY
Glenn A. McRae ......................... Director
Joseph M. Cobern ......................... Director
John C. McCauley ......................... Director and Vice President
E. Mac Crawford ......................... President
Charlotte A. Sanford ................... Treasurer
CHARTER MEDICAL OF EAST VALLEY, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ......................... Director
John C. McCauley ......................... Director and Vice President
William E. Hale ......................... President
Charlotte A. Sanford ................... Treasurer
CHARTER MEDICAL OF ENGLAND LIMITED
James Michael Filush ..................... Director
Charlotte A. Sanford ................... Director
Howard Alex McLure ..................... Director
CHARTER MEDICAL OF NORTH PHOENIX, INC.
Glenn A. McRae ......................... Director
Joseph M. Cobern ......................... Director
John C. McCauley ......................... Director and Vice President
William E. Hale ......................... President
Charlotte A. Sanford ................... Treasurer
CHARTER MEDICAL OF ORANGE COUNTY, INC.
Glenn A. McRae ......................... Director
MANDARIN MEADOWS, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
William H. Freeman, Jr. ...........................  President
Charlotte A. Sanford ..........................  Treasurer

METROPOLITAN HOSPITAL, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
W. Stephen Love .............................  President
Charlotte A. Sanford ..........................  Treasurer

MIDDLE GEORGIA HOSPITAL, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
W. Stephen Love .............................  President
Charlotte A. Sanford ..........................  Treasurer

PACIFIC-CHARTER MEDICAL, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
David A. Richardson ........................  President
Charlotte A. Sanford ..........................  Treasurer

PEACHFORD PROFESSIONAL, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
W. Stephen Love .............................  President
Charlotte A. Sanford ..........................  Treasurer

RIVOLI, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
W. Stephen Love .............................  President
Charlotte A. Sanford ..........................  Treasurer

SHALLOWFORD COMMUNITY HOSPITAL, INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
W. Stephen Love .............................  President
Charlotte A. Sanford ..........................  Treasurer

SISTEMAS DE TERAPIA RESPIRATORIA S.A., INC.
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
Jon C. O'Shaughnessy ........................  President
Charlotte A. Sanford ..........................  Treasurer

STUART CIRCLE HOSPITAL CORPORATION
Glenn A. McRae .............................  Director
Joseph M. Cobern ...........................  Director
John C. McCauley ...........................  Director and Vice President
W. Stephen Love .............................  President
Charlotte A. Sanford ..........................  Treasurer

TAMPA BAY BEHAVIORAL HEALTH ALLIANCE, INC.
Joseph M. Cobern ...........................  Director
Glenn A. McRae .............................  Director
John C. McCauley ...........................  Director and Vice President
Jon C. O'Shaughnessy ........................  President
Charlotte A. Sanford ..........................  Treasurer

II-46

II-47
### SCHEDULE V -- PROPERTY AND EQUIPMENT

**IN THOUSANDS**

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>BALANCE AT BEGINNING OF PERIOD</th>
<th>RETIREMENTS AND/OR DISPOSITIONS</th>
<th>OTHER CHANGES AND (DEDUCT)</th>
<th>BALANCE AT END OF PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YEAR ENDED SEPTEMBER 30, 1993</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$101,892</td>
<td>$--</td>
<td>$4,824</td>
<td>$(1,251) (C)</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>324,521</td>
<td>1,909</td>
<td>16,474</td>
<td>(2,283) (C)</td>
</tr>
<tr>
<td>Equipment</td>
<td>62,940</td>
<td>2,692</td>
<td>3,043</td>
<td>1,001 (A) (277) (C)</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,322</td>
<td>2,400</td>
<td>--</td>
<td>(2,595) (A) (156) (C)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$491,075</td>
<td>$11,101</td>
<td>$19,341</td>
<td>$(7,951)</td>
</tr>
</tbody>
</table>

**TWO MONTHS ENDED SEPTEMBER 30, 1992**

(SEE NOTE 2):

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>BALANCE AT BEGINNING OF PERIOD</th>
<th>RETIREMENTS AND/OR DISPOSITIONS</th>
<th>OTHER CHANGES AND (DEDUCT)</th>
<th>BALANCE AT END OF PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$101,727</td>
<td>$--</td>
<td>$--</td>
<td>$(165) (C)</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>324,534</td>
<td>469</td>
<td>37</td>
<td>435 (A) (477) (C)</td>
</tr>
<tr>
<td>Equipment</td>
<td>61,320</td>
<td>1,601</td>
<td>74</td>
<td>168 (A) (10) (C) (550) (A)</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,632</td>
<td>160</td>
<td>--</td>
<td>(504) (A) (354) (C) (550) (A)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$489,213</td>
<td>$2,230</td>
<td>$111</td>
<td>$(257)</td>
</tr>
</tbody>
</table>

**TEN MONTHS ENDED JULY 31, 1992**

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>BALANCE AT BEGINNING OF PERIOD</th>
<th>RETIREMENTS AND/OR DISPOSITIONS</th>
<th>OTHER CHANGES AND (DEDUCT)</th>
<th>BALANCE AT END OF PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$93,052</td>
<td>$--</td>
<td>$350</td>
<td>$816 (C) (335) (E) (8,229) (B)</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>575,877</td>
<td>1,227</td>
<td>3,540</td>
<td>12,848 (A) (1,781) (E) (1,857) (B)</td>
</tr>
<tr>
<td>Equipment</td>
<td>147,817</td>
<td>4,021</td>
<td>2,321</td>
<td>472 (B) (444)</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>11,091</td>
<td>2,820</td>
<td>--</td>
<td>(13,320) (A) (29) (C) (1,270) (B) (258) (B)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$897,837</td>
<td>$8,688</td>
<td>$6,211</td>
<td>$(340,481)</td>
</tr>
</tbody>
</table>

**YEAR ENDED SEPTEMBER 30, 1991**

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>BALANCE AT BEGINNING OF PERIOD</th>
<th>RETIREMENTS AND/OR DISPOSITIONS</th>
<th>OTHER CHANGES AND (DEDUCT)</th>
<th>BALANCE AT END OF PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$97,759</td>
<td>$42</td>
<td>3,798</td>
<td>$(813) (C) (138) (E) (8,292) (B)</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>587,741</td>
<td>2,681</td>
<td>20,031</td>
<td>14,786 (A) (1,418) (B) (793) (E)</td>
</tr>
<tr>
<td>Equipment</td>
<td>147,088</td>
<td>5,908</td>
<td>4,790</td>
<td>966 (A) (334) (C) (35) (E) (1,036) (F) (7,237) (C) (57) (C) (304) (G) (686) (E) (2,141) (F)</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>18,448</td>
<td>3,068</td>
<td>--</td>
<td>11,091</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$851,036</td>
<td>$11,699</td>
<td>$28,619</td>
<td>$(6,279)</td>
</tr>
</tbody>
</table>
(A) Reclassification of completed construction to property and equipment.
(B) Adjust accounts to fair value pursuant to the implementation of fresh start accounting.
(C) Adjustment for foreign currency translation.
(D) Write-off of construction costs of discontinued projects.
(E) Property reclassifications.
(F) Adjustment to net realizable value of assets.

### SCHEDULE VI -- ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION

**OF PROPERTY AND EQUIPMENT**

*(IN THOUSANDS)*

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>BALANCE AT BEGINNING OF PERIOD</th>
<th>RETIREMENTS AND/OR DISPOSITIONS</th>
<th>OTHER CHANGES</th>
<th>BALANCE AT END OF PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>YEAR ENDED SEPTEMBER 30, 1993:</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>3,399</td>
<td>14,402</td>
<td>287</td>
<td>(750) (A)</td>
</tr>
<tr>
<td>Equipment</td>
<td>914</td>
<td>11,980</td>
<td>235</td>
<td>750 (A)</td>
</tr>
<tr>
<td>-</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>TWO MONTHS ENDED SEPTEMBER 30, 1992 (SEE NOTE 2):</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>--</td>
<td>2,765</td>
<td>--</td>
<td>(72) (A)</td>
</tr>
<tr>
<td>Equipment</td>
<td>--</td>
<td>920</td>
<td>49</td>
<td>677</td>
</tr>
<tr>
<td>-</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>TEN MONTHS ENDED JULY 31, 1992:</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>108,233</td>
<td>14,799</td>
<td>1,512</td>
<td>2 (A)</td>
</tr>
<tr>
<td>Equipment</td>
<td>74,431</td>
<td>12,879</td>
<td>1,184</td>
<td>70 (A)</td>
</tr>
<tr>
<td>-</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>YEAR ENDED SEPTEMBER 30, 1991:</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>91,658</td>
<td>16,741</td>
<td>3,006</td>
<td>3,129 (A)</td>
</tr>
<tr>
<td>Equipment</td>
<td>62,565</td>
<td>15,730</td>
<td>2,381</td>
<td>1,253 (A)</td>
</tr>
<tr>
<td>-</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS

*(IN THOUSANDS)*

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>BALANCE AT BEGINNING OF PERIOD</th>
<th>CHARGED TO COSTS AND EXPENSES</th>
<th>OTHER ACCOUNTS -- DESCRIBE</th>
<th>BALANCE AT END OF PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>YEAR ENDED SEPTEMBER 30, 1993:</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>30,272</td>
<td>67,300</td>
<td>19,598 (A)</td>
<td>89,272 (C)</td>
</tr>
<tr>
<td>-</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
| **S-2**

(A) Property reserve reclassifications.
(B) Adjustment for foreign currency translation.
(C) Other reclassifications and adjustments.
(D) Write-off of accumulated depreciation pursuant to the implementation of fresh start accounting.
## SCHEDULE X -- SUPPLEMENTAL INCOME STATEMENT INFORMATION

(IN THOUSANDS)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement costs</td>
<td>$39,393</td>
<td>$6,485</td>
<td>$31,996</td>
<td>$37,104</td>
</tr>
<tr>
<td>Amortization of intangible assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized preopening costs</td>
<td>(A)</td>
<td>(A)</td>
<td>(A)</td>
<td>11,500</td>
</tr>
<tr>
<td>Capitalized start-up costs</td>
<td>(A)</td>
<td>(A)</td>
<td>(A)</td>
<td>764</td>
</tr>
<tr>
<td>Covenant not to compete</td>
<td>(A)</td>
<td>(A)</td>
<td>(A)</td>
<td>478</td>
</tr>
<tr>
<td>Goodwill</td>
<td>(A)</td>
<td>(A)</td>
<td>(A)</td>
<td>1,219</td>
</tr>
<tr>
<td>Other</td>
<td>(A)</td>
<td>(A)</td>
<td>(A)</td>
<td>426</td>
</tr>
<tr>
<td>Amortization of reorganization value in excess of amounts allocable to identifiable assets</td>
<td>$42,678</td>
<td>$7,167</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

**<FN>**

- ------------------------

(A) Recoveries of amounts previously charged to income.
(B) Included in provision for restructuring of operations or reorganization items.
(C) Accounts written off.

---

**<FN>**

(A) Certain items noted in Rule 12-11 of Regulation S-X have been excluded from the above schedule on the basis that each is less than 1% of net revenue as reported in the related Consolidated Statements of Operations.
Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994, and which is incorporated herein by reference. Exhibit No. 2(a), 2(b) and 2(c) do not contain copies of the exhibits and schedules to such agreements. Such agreements describe such exhibits and schedules. The Company agrees to furnish supplementally to the Commission, upon request, a copy of any omitted exhibit or schedule to such agreements.

3(a) Restated Certificate of Incorporation of the Company which was filed as Exhibit 3(a) to the Company's Annual Report on Form 10-K dated as of September 30, 1992, and is incorporated herein by reference.

3(b) Bylaws of the Company, as amended, which was filed as Exhibit 3(a) to the Company's Quarterly Report on Form 10-Q as of March 31, 1993, and is incorporated herein by reference.

4(a) Indenture, dated as of May 2, 1994, among the Company, the Guarantors listed therein and Marine Midland Bank, as Trustee, relating to the 11 1/4% Senior Subordinated Notes due April 15, 2004 of the Company, which was filed as Exhibit 4.7 to the Company's Current Report on Form 8-K, dated September 1, 1998, and is incorporated herein by reference.

4(b) Form of Class A Common Stock Purchase Warrant Certificate, dated September 1, 1988, for warrants sold to designees of Drexel Burnham Lambert Incorporated, which was filed as Exhibit 4.6 to the Company's Current Report on Form 8-K, dated September 1, 1998, and is incorporated herein by reference.

4(c) Form of Class A Common Stock Purchase Warrant Certificate, dated September 1, 1988, for warrants sold to certain institutional investors, which was filed as Exhibit 4.3 to the Company's Current Report on Form 8-K, dated September 1, 1998, and is incorporated herein by reference.

4(d) Warrant and Common Stock Registration and Participation Rights Agreement, dated as of September 1, 1988, among WAF Acquisition Corporation, the Company, William A. Fickling, Jr., certain affiliates of William A. Fickling, Jr. and the purchasers of the warrants issued on September 1, 1988, which was filed as Exhibit 4(h) to the Company's Annual Report on Form 10-K as of September 30, 1988, and is incorporated herein by reference.

4(e) Second Amended and Restated Credit Agreement, dated as of May 2, 1994, among the Company, the financial institutions listed therein, Bankers Trust Company, as Agent, and First Union National Bank of North Carolina, as Co-Agent.

4(f) Second Amended and Restated Subsidiary Credit Agreement, dated as of May 2, 1994, among certain subsidiaries of the Company, the financial institutions listed therein, Bankers Trust Company, as Agent, and First Union National Bank of North Carolina, as Co-Agent.

4(g) Second Amended and Restated Company Stock and Notes Pledge Agreement, dated as of May 2, 1994, between the Company and Bankers Trust Company, as Collateral Agent.

4(h) Second Amended and Restated Subsidiary Stock and Notes Pledge Agreement, dated as of May 2, 1994, among various subsidiaries of the Company and Bankers Trust Company, as Collateral Agent.

4(i) Second Amended and Restated Subsidiary Pledge and Security Agreement, dated as of May 2, 1994, among various subsidiaries of the Company and Bankers Trust Company, as Collateral Agent.

4(j) Second Amended and Restated Company Pledge and Security Agreement (ESOP collateral), dated as of May 2, 1994, between the Company and Bankers Trust Company, as Collateral Agent.

4(k) Second Amended and Restated FINCO Pledge and Security Agreement I, dated as of May 2, 1994, between CMGI, Inc. and Bankers Trust Company, as Collateral Agent.

4(l) Second Amended and Restated Subsidiary Guaranty, dated as of May 2, 1994, executed by various subsidiaries of the Company.

4(m) Second Amended and Restated Company Collateral Accounts Assignment Agreement, dated as of May 2, 1994, between the Company and Bankers Trust Company, as Agent.

4(n) Company Pledge and Security Agreement, dated as of May 2, 1994, between the Company and Bankers Trust Company, as Collateral Agent.

4(o) Second Amended and Restated FINCO Pledge and Security Agreement II, dated as of May 2, 1994, between CMCI, Inc. and Bankers Trust Company, as Collateral Agent.

4(p) Second Amended and Restated Company Guaranty, dated as of May 2, 1994, executed by the Company.

4(q) Second Amended and Restated Subsidiary Collateral Accounts Assignment Agreement, dated as of May 2, 1994, among various subsidiaries of the Company and Bankers Trust Company, as Agent.

4(r) Form of Amended and Restated Indenture of Mortgage, Deed to Secure Debt, Deed of Trust, Security Agreement and Assignment of Leases and Rents executed as of July 21, 1992, by 44 subsidiaries of the Company for the benefit of Bankers Trust Company, as Agent, and various trustees as shown on individual subsidiary cover pages attached, which was filed as Exhibit 4(q) to the Company's Current Report on Form 8-K dated as of July 21, 1992, and is incorporated herein by reference.

4(s) Form of Indenture of Mortgage, Deed to Secure Debt, Deed of Trust, Security Agreement and Assignment of Leases and Rents executed as of July 21, 1992, by 40 subsidiaries of the Company for the benefit of Bankers Trust Company, as Agent, and various trustees as shown on individual subsidiary cover pages attached, which was filed as Exhibit 4(q) to the Company's Current Report on Form 8-K dated as of July 21, 1992, and is incorporated herein by reference.

4(t) Form of Indenture of Mortgage, Deed to Secure Debt, Deed of Trust, Security Agreement and Assignment of Leases and Rents; Amended Indenture of Mortgage, Deed to Secure Debt, Deed of Trust, Security Agreement and Assignment of Leases and Rents; and Consolidated Agreement, executed as of May 2, 1994, by 71 subsidiaries of the Company and Bankers Trust Company, as Agent, and various trustees as shown on individual subsidiary cover pages attached. The Registrants agree to (b)(ii) of Item 601 of Regulation S-K, to furnish supplementally to the Commission, upon request, a copy of each agreement relating to long-term debt not being registered, where the total amount of debt under each such agreement does not exceed 10% of the Registrants' respective total assets on a consolidated basis.

4(u) Purchase Agreement, dated April 22, 1994, between the Company and Bear, Stearns & Co. Inc. and BT Securities Corporation.

4(v) Exchange and Registrations, dated April 22, 1994 between the Company and Bear, Stearns & Co. Inc. and BT Securities Corporation.

5 Opinion of King & Spalding as to the legality of the securities being registered.
THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSON EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) WHO IS AN INSTITUTION (AN "INSTITUTIONAL ACCREDITED INVESTOR"), (2) AGREES THAT IT WILL NOT, PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE DATE OF ORIGINAL ISSUANCE OF THIS NOTE AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (THE "RESALE RESTRICTION TERMINATION DATE"), RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE, EXCEPT (A) TO THE ISSUER, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH THE RESALE PROVISIONS OF RULE 144A UNDER THE SECURITIES ACT, (C) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE TRUSTEE A WRITTEN CERTIFICATION CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE), (D) PURSUANT TO THE RESALE LIMITATIONS PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH ACCOUNT BE AT ALL TIMES WITHIN ITS CONTROL AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IF THE PROPOSED TRANSFERRER IS AN INSTITUTIONAL ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE ISSUER SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO,

THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE RESALE RESTRICTION TERMINATION DATE.

No.   $_______

CUSIP No.______

CHARTER MEDICAL CORPORATION

11 1/4% SENIOR SUBORDINATED NOTES DUE 2004

CHARTER MEDICAL CORPORATION, a Delaware corporation (the "Company"), promises to pay to

, or registered assigns, the principal sum of Dollars on April 15, 2004.


Record Dates: April 1 and October 1.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.
IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

CHARTER MEDICAL CORPORATION

By: ___________________________
  Name: 
  Title: 

[Seal]

Attest:

By: _______________________
  Name: 
  Title: 

Dated:

Trustee's Certificate of Authentication

This is one of the 11 1/4% Senior Subordinated Notes due 2004 described in the within-mentioned Indenture.

MARINE MIDLAND BANK,
  as Trustee

By: _______________________
  Authorized Signatory

[FORM OF REVERSE SIDE RESTRICTED SECURITY]

CHARTER MEDICAL CORPORATION

11 1/4% Senior Subordinated Notes due 2004

(1) INTEREST

Charter Medical Corporation, a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. Interest will be payable semi-annually on each interest payment date, commencing October 15, 1994. Interest on the Securities will accrue from the most recent date to which interest has been paid, or if no interest has been paid, from May 2, 1994. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Company shall pay interest on overdue principal and interest on overdue installments of interest, to the extent lawful, at the rate per annum borne by the Securities.

(2) METHOD OF PAYMENT

The Company will pay interest on the Securities (except defaulted interest) to the persons who are registered Holders at the close of business on April 1 and October 1 immediately preceding the interest payment date even if the Security is cancelled on registration of transfer or registration of exchange (other than with respect to the purchase of Securities pursuant to an offer to purchase Securities made in connection with Section 5.14 or 5.15 of the Indenture after such record date). Holders must surrender Securities to a
Paying Agent to collect principal payments. The Company will pay principal, premium, if any, and interest in money of the United States that, at the time of payment, is legal tender for payment of public and private debts. However, the Company may pay principal and interest by its check payable in such money. It may mail an interest payment to a Securityholder's registered address.

(3) PAYING AGENT AND REGISTRAR

Initially, the Trustee will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent or Registrar without notice, other than notice to the Trustee. The Company or any Subsidiary or an Affiliate of either of them may act as Paying Agent or Registrar.

(4) INDENTURE AND GUARANTEES

The Company issued the Securities under an Indenture, dated as of May 2, 1994 (the "Indenture"), among the Company, the Guarantors named therein and thereafter becoming parties thereto and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended and as in effect on the date of the Indenture (the "TIA") and as provided in the Indenture. Each Security is guaranteed, jointly and severally, by the Guarantors pursuant to Article 3 of the Indenture. The Guarantees are subordinated to all Senior Indebtedness to the extent provided in the Indenture. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the TIA for a statement of those terms.

The Securities are senior subordinated, general unsecured obligations of the Company limited to $375,000,000 aggregate principal amount. This Security is one of the Restricted Securities referred to in the Indenture. The Securities issued under the Indenture include the Restricted Securities and any Unrestricted Securities, as defined below, issued in exchange for the Restricted Securities pursuant to the Indenture. Except in certain circumstances specified in the Indenture, the Restricted Securities and the Unrestricted Securities are treated as a single class of securities under the Indenture.

(5) OPTIONAL REDEMPTION

The Securities are redeemable as a whole or in part, at any time on and after April 15, 1999 at the option of the Company at the following redemption prices (expressed as a percentage of the principal amount) together with accrued and unpaid interest thereon to the Redemption Date if redeemed in the twelve-month period commencing April 15 of the years indicated below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>105.625%</td>
</tr>
<tr>
<td>2000</td>
<td>103.750%</td>
</tr>
<tr>
<td>2001</td>
<td>101.875%</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>100.000%</td>
</tr>
</tbody>
</table>

(6) NOTICE OF REDEMPTION

Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at the Holder's registered address. Securities in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000 of principal amount.
(7) REQUIREMENT THAT THE COMPANY OFFER TO PURCHASE SECURITIES UNDER CERTAIN CIRCUMSTANCES

Subject to the terms and conditions of the Indenture, the Company shall become immediately obligated to offer to purchase the Securities pursuant to Section 5.14 of the Indenture after the occurrence of a Change in Control of the Company at a price equal to 101% of aggregate principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. In addition, to the extent that there are Net Cash Proceeds from Asset Sales which are not reinvested in a healthcare or a healthcare-related business or used to reduce Senior Indebtedness as provided in Section 5.15 of the Indenture, the Company will be obliged to offer to apply such Net Cash Proceeds to the purchase of Securities at 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase, in accordance with Section 5.15 of the Indenture.

(8) SUBORDINATION

The Securities are subordinated to all Senior Indebtedness (as defined in the Indenture). To the extent provided in the Indenture, Senior Indebtedness must be paid before the Securities may be paid. The Company agrees, and each Securityholder by accepting a Security agrees, to such subordination and authorizes the Trustee to give effect thereto.

A-6

(9) DENOMINATIONS; TRANSFER; EXCHANGE

The Securities are in registered form, without coupons, in denominations of $1,000 in principal amount and integral multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not transfer or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed.

(10) PERSONS DEEMED OWNERS

The registered Holder of this Security may be treated as the owner of this Security for all purposes.

(11) AMENDMENT; WAVER

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least 66-2/3% of the aggregate principal amount of the Securities at the time outstanding and (ii) certain defaults or noncompliance with certain provisions may be waived with the written consent of the Holders of at least 66-2/3% of the aggregate principal amount of the Securities at the time outstanding. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company, the Guarantors and the Trustee may amend the Indenture or the Securities to cure any ambiguity, defect or inconsistency, or to comply with Article 6 of the Indenture, or to provide for certificated or uncertificated Securities in addition to or in place of certificated or uncertificated Securities, or to comply with any requirements of the Securities and Exchange Commission in connection with the qualification of the Indenture under the TIA, or to supplement the Indenture to provide for additional Guarantors or to make any change that does not adversely affect the rights of any Securityholder.

A-7

(12) DEFAULTS AND REMEDIES

Under the Indenture, Events of Default include (i) default in payment of the principal amount, premium, if any, or interest, in respect of the Securities when the same becomes due and payable subject, in the case of
interest, to the grace period contained in the Indenture; (ii) failure by the Company to comply with its other agreements in the Indenture or the Securities, subject to notice and lapse of time; (iii) failure to pay at stated final maturity or the acceleration prior to such maturity of certain other indebtedness of the Company or any of its Restricted Subsidiaries; (iv) certain final judgments against the Company or any of its Restricted Subsidiaries which remain undischarged; (v) except as permitted by the Indenture, the unenforceability or invalidity of any Guarantee of the Securities; or (vi) certain events of bankruptcy or insolvency involving the Company and any of its Restricted Subsidiaries. If an Event of Default occurs and is continuing, the Trustee, or the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding, may declare all the Securities to be due and payable (i) immediately if no amount is outstanding and no commitment is in effect under Specified Senior Indebtedness or (ii) if any amount is outstanding or any commitment is in effect under Specified Senior Indebtedness, upon the earlier of (A) five Business Days after delivery of the Acceleration Notice by the Trustee or the Holders, as the case may be, to the Company and the agent or another designated representative of the holders of each and any Specified Senior Indebtedness outstanding or (B) acceleration of the Specified Senior Indebtedness, and thereupon the Trustee may, at its discretion, proceed to protect and enforce the rights of the Holders of the Securities by appropriate judicial proceedings. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities becoming due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of at least 66-2/3% of the aggregate principal amount of the Securities at the time outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default (except a Default

A-8

in payment of amounts specified in clause (i) above) if it determines that withholding notice is in their interests.

(13) TRUSTEE DEALINGS WITH THE COMPANY

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

(14) NO RECOURSE AGAINST OTHERS

A director, Officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

(15) AUTHENTICATION

This Security shall not be valid until an authorized officer of the Trustee manually signs the Trustee's Certificate of Authentication on the reverse side of this Security.

(16) ABBREVIATIONS

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gifts to Minors Act).

(17) UNCLAIMED MONEY

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent will pay the money back to the
Company at its request. After that, Holders entitled to money must look to the Company for payment.

A-9

(18) DISCHARGE PRIOR TO MATURITY

If the Company deposits with the Trustee or Paying Agent money or U.S. Government Obligations sufficient to pay the principal of and interest on the Securities to maturity, the Company will be discharged from the Indenture except for certain Sections thereof.

(19) SUCCESSOR

When a successor Person to the Company assumes all the obligations of its predecessor under the Securities and the Indenture, such predecessor shall be released from those obligations.

(20) REGISTRATION RIGHTS

Pursuant to the Exchange and Registration Rights Agreement among the Company and the Initial Purchasers of the Securities, the Company has agreed to file, as soon as practicable, a registration statement under the Securities Act, and to use its best efforts to cause such registration statement to become effective by August 31, 1994 and, upon becoming effective, to make available to all Holders of Securities an opportunity to exchange the Restricted Securities for the Company's 11 1/4% Senior Subordinated Notes Due 2004 (the "Unrestricted Securities"), in like principal amounts and having identical terms as the Restricted Securities, other than restrictions on transferability as provided on the face of this Security and provisions relating to this paragraph. The Holders of the Restricted Securities shall be entitled to receive certain additional interest payments in the event such exchange offer is not consummated and upon certain other conditions, all pursuant to and in accordance with the terms of the Exchange and Registration Rights Agreement. Within five Business Days after the occurrence of an event so resulting in such additional interest payments, the Company shall provide the Trustee with an Officers' Certificate describing such event and providing the Trustee with all necessary details relating to the payment of such interest, including, without limitation, the interest rate, the effective date of such interest rate and the method of calculating interest.

(21) GOVERNING LAW

THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS MADE AND PERFORMED WHOLLY WITHIN THE STATE OF NEW YORK AND WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

A-10

NEW YORK, APPLICABLE TO CONTRACTS MADE AND PERFORMED WHOLLY WITHIN THE STATE OF NEW YORK AND WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

A-11

ASSIGNMENT FORM

To assign this Security, fill in the form below:

(I) or (we) assign and transfer this Security to:

- --------------------------------------------------------------------------------

(insert assignee's social security or tax I.D. number)

- --------------------------------------------------------------------------------

- --------------------------------------------------------------------------------

- --------------------------------------------------------------------------------

- --------------------------------------------------------------------------------
(print or type assignee's name, address and zip code)

and irrevocably appoint ________________________________________________________

_________________________ agent to transfer this Security on the books of the

Company. The agent may substitute another to act for him.

Dated: ______________________      Signature:___________________________________

(Sign exactly as your name appears

on the other side of this Security)

Signature

Guarantee:______________________________________________________________________

In connection with any transfer of any of the Securities evidenced by this
certificate occurring prior to the date that is three years after the later of
the date of original issuance of such Securities and the last date, if any, on
which such Securities were owned by the Company or any Affiliate of the Company,
the undersigned confirms that such Securities are being transferred:

CHECK ONE BOX BELOW

(1) __ to the Company or a subsidiary thereof; or

(2) __ to a Qualified Institutional Buyer in compliance with Rule 144A under

the Securities Act; or

(3) __ to an "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or

(7) under the Securities Act) that is an institution and that has

furnished to the Trustee a signed letter containing certain

representations and agreements and an opinion of counsel (the forms of

which can be obtained from the Trustee); or

(4) __ pursuant to resale limitations of Rule 144 under the Securities Act; or

(5) __ pursuant to the resale limitations of Rule 904 of Regulation S under

the Securities Act; or

(6) __ pursuant to another available exemption from the registration

requirements of the Securities Act.

Unless one of the boxes is checked, the Trustee will refuse to register any of
the Securities evidenced by this certificate in the name of any person other
than the registered Holder thereof; PROVIDED that if box (3), (4), (5) or (6) is
checked, the assignee shall provide the Company and the Trustee with an opinion
of counsel in form and substance satisfactory to the Company and the Trustee and
the Company or the Trustee may require, prior to registering any such transfer
of the Securities, in its sole discretion, such other certifications and
information as the Trustee or the Company has reasonably requested to confirm
that such transfer is being made pursuant to an exemption from, or in a
transaction not subject to, the registration requirements of the Securities Act.

Signature Guarantee:                    Signature

- --------------------------------        ----------------------------------------
OPTION OF HOLDER TO ELECT PURCHASE

If you receive a notice pursuant to Section 5.14 ("Change in Control Offer") or Section 5.15 ("Excess Proceeds Offer") of the Indenture and you wish to elect to have all or any portion of this Security purchased by Charter pursuant to such notice, check the applicable boxes:

/ / Change in Control Offer:       / / Excess Proceeds Offer:

  in whole / /                        in whole / /
in part / /                           in part / /
Amount to be purchased: $ _______    Amount to be purchased: $ _______

Dated: ____________________         Signature:______________________________
(Sign exactly as your name appears on the other side of this Security)

Signature
Guarantee:__________________________________________________________________

Social Security Number or Taxpayer Identification Number:____________________________

A-14

EXHIBIT B

[FORM OF FACE OF UNRESTRICTED SECURITY]

No. ____________________________  $_______

CUSIP No.___________

CHARTER MEDICAL CORPORATION

11 1/4% SENIOR SUBORDINATED NOTES DUE 2004

CHARTER MEDICAL CORPORATION, a Delaware corporation (the "Company"), promises to pay to

, or registered assigns, the principal sum of Dollars on April 15, 2004.


Record Dates: April 1 and October 1.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

B-1

IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.
CHARTER MEDICAL CORPORATION

By:_____________________________________
Name:_________________________________
Title:_________________________________

[Seal]

Attest:

By: _______________________
Name:______________________
Title:______________________

Dated:

Trustee's Certificate of Authentication

This is one of the 11 1/4% Senior Subordinated Notes due 2004 described in the within-mentioned Indenture.

MARINE MIDLAND BANK,
as Trustee

By: _______________________
Authorized Signatory

B-2

[FORM OF REVERSE SIDE UNRESTRICTED SECURITY]

CHARTER MEDICAL CORPORATION

11 1/4% Senior Subordinated Notes due 2004

1. INTEREST

Charter Medical Corporation, a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. Interest will be payable semi-annually on each interest payment date, commencing October 15, 1994. Interest on the Securities will accrue from the most recent date to which interest has been paid, or if no interest has been paid, from May 2, 1994. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Company shall pay interest on overdue principal and interest on overdue installments of interest, to the extent lawful, at the rate per annum borne by the Securities.

2. METHOD OF PAYMENT

The Company will pay interest on the Securities (except defaulted interest) to the persons who are registered Holders at the close of business on April 1 and October 1 immediately preceding the interest payment date even if the Security is cancelled on registration of transfer or registration of exchange (other than with respect to the purchase of Securities pursuant to an offer to purchase Securities made in connection with Section 5.14 or 5.15 of the Indenture after such record date). Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal, premium, if any, and interest in money of the United States that, at the time of payment, is legal tender for payment of public and private debts. However, the Company may pay principal and interest by its check payable in such money. It
may mail an interest payment to a Securityholder's registered address.

3. PAYING AGENT AND REGISTRAR

Initially, the Trustee will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent or Registrar without notice, other than notice to the Trustee. The Company or any Subsidiary or an Affiliate of either of them may act as Paying Agent or Registrar.

4. INDENTURE AND GUARANTEES

The Company issued the Securities under an Indenture, dated as of May 2, 1994 (the "Indenture"), among the Company, the Guarantors named therein and thereafter becoming parties thereto and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended and as in effect on the date of the Indenture (the "TIA") and as provided in the Indenture. Each Security is guaranteed, jointly and severally, by the Guarantors pursuant to Article 3 of the Indenture. The Guarantees are subordinated to all Senior Indebtedness to the extent provided in the Indenture. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the TIA for a statement of those terms.

The Securities are senior subordinated, general unsecured obligations of the Company limited to $375,000,000 aggregate principal amount. This Security is one of the Unrestricted Securities referred to in the Indenture, which were issued in exchange for the Restricted Securities pursuant to the Indenture. Except in certain circumstances specified in the Indenture, the Restricted Securities and the Unrestricted Securities are treated as a single class of securities under the Indenture.

5. OPTIONAL REDEMPTION

The Securities are redeemable as a whole or in part, at any time on and after April 15, 1999 at the option of the Company at the following redemption prices (expressed as a percentage of the principal amount) together with accrued and unpaid interest thereon to the Redemption Date if redeemed in the twelve-month period commencing April 15 of the years indicated below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>105.625%</td>
</tr>
<tr>
<td>2000</td>
<td>103.750%</td>
</tr>
<tr>
<td>2001</td>
<td>101.875%</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>100.000%</td>
</tr>
</tbody>
</table>

6. NOTICE OF REDEMPTION

Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at the Holder's registered address. Securities in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000 of principal amount.

7. REQUIREMENT THAT THE COMPANY OFFER TO PURCHASE SECURITIES UNDER CERTAIN CIRCUMSTANCES

Subject to the terms and conditions of the Indenture, the Company shall become immediately obligated to offer to purchase the Securities pursuant
to Section 5.14 of the Indenture after the occurrence of a Change in Control of the Company at a price equal to 101% of aggregate principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. In addition, to the extent that there are Net Cash Proceeds from Asset Sales which are not reinvested in a healthcare or a healthcare-related business, or used to reduce Senior Indebtedness as provided in Section 5.15 of this Indenture, the Company will be obliged to offer to apply such Net Cash Proceeds to the purchase of Securities at 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase, in accordance with Section 5.15 of the Indenture.

8. SUBORDINATION

The Securities are subordinated to all Senior Indebtedness (as defined in the Indenture). To the extent provided in the Indenture, Senior Indebtedness must be paid before the Securities may be paid. The Company agrees, and each Securityholder by accepting a Security agrees, to such subordination and authorizes the Trustee to give effect thereto.

9. DENOMINATIONS; TRANSFER; EXCHANGE

The Securities are in registered form, without coupons, in denominations of $1,000 in principal amount and integral multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not transfer or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed.

10. PERSONS DEEMED OWNERS

The registered Holder of this Security may be treated as the owner of this Security for all purposes.

11. AMENDMENT; WAIVER

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least 66-2/3% of the aggregate principal amount of the Securities at the time outstanding and (ii) certain defaults or noncompliance with certain provisions may be waived with the written consent of the Holders of at least 66-2/3% of the aggregate principal amount of the Securities at the time outstanding. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company, the Guarantors and the Trustee may amend the Indenture or the Securities to cure any ambiguity, defect or inconsistency, or to comply with Article 6 of the Indenture, or to provide for certificated or uncertificated Securities in addition to or in place of certificated or uncertificated Securities, or to comply with any requirements of the Securities and Exchange Commission in connection with the qualification of the Indenture under the TIA, or to supplement the Indenture to provide for additional Guarantors or to make any change that does not adversely affect the rights of any Securityholder.

12. DEFAULTS AND REMEDIES

Under the Indenture, Events of Default include (i) default in payment of the principal amount, premium, if any, or interest, in respect of the Securities when the same becomes due and payable subject, in the case of interest, to the grace period contained in the Indenture; (ii) failure by the Company to comply with its other agreements in the Indenture or the Securities, subject to notice and lapse of time; (iii) failure to pay at stated final maturity or the acceleration prior to such maturity of certain other indebtedness of the Company or any of its Restricted Subsidiaries; (iv) certain final judgments against the Company or any of its Restricted Subsidiaries which
remain undischarged; (v) except as permitted by the Indenture, the unenforceability or invalidity of any Guarantee of the Securities; or (vi) certain events of bankruptcy or insolvency involving the Company and any of its Restricted Subsidiaries. If an Event of Default occurs and is continuing, the Trustee, or the Holders of at least 25\% in aggregate principal amount of the Securities at the time outstanding, may declare all the Securities to be due and payable (i) immediately if no amount is outstanding and no commitment is in effect under Specified Senior Indebtedness or (ii) if any amount is outstanding or any commitment is in effect under Specified Senior Indebtedness, upon the earlier of (A) five Business Days after delivery of the Acceleration Notice by the Trustee or the Holders, as the case may be, to the Company and the agent or another designated representative of the holders of each and any Specified Senior Indebtedness outstanding or (B) acceleration of the Specified Senior Indebtedness, and thereupon the Trustee may, at its discretion, proceed to protect and enforce the rights of the Holders of the Securities by appropriate judicial proceedings. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities becoming due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of at least 66-2/3\% of the aggregate principal amount of the Securities at the time outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default (except a Default in payment of amounts specified in clause (i) above) if it determines that withholding notice is in their interests.

13. TRUSTEE DEALINGS WITH THE COMPANY

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

14. NO RE COURSE AGAINST OTHERS

A director, Officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

15. AUTHENTICATION

This Security shall not be valid until an authorized officer of the Trustee manually signs the Trustee's Certificate of Authentication on the reverse side of this Security.

16. ABBREVIATIONS

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (tenants in common), TEN ENT (tenants by the entireties), JT TEN (joint tenants with right of survivorship and not as tenants in common), CUST (custodian), and U/G/M/A (Uniform Gifts to Minors Act).

17. UNCLAIMED MONEY

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent will pay the money back to the Company at its request. After that, Holders entitled to money must look to the Company for payment.
18. DISCHARGE PRIOR TO MATURITY

If the Company deposits with the Trustee or Paying Agent money or U.S. Government Obligations sufficient to pay the principal of and interest on the Securities to maturity, the Company will be discharged from the Indenture except for certain Sections thereof.

19. SUCCESSOR

When a successor Person to the Company assumes all the obligations of its predecessor under the Securities and the Indenture, such predecessor shall be released from those obligations.

20. GOVERNING LAW

THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS MADE AND PERFORMED WHOLLY WITHIN THE STATE OF NEW YORK AND WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

ASSIGNMENT FORM

To assign this Security, fill in the form below:
(I) or (we) assign and transfer this Security to:
- --------------------------------------------------------------------------------
  (insert assignee's social security or tax I.D. number)
- --------------------------------------------------------------------------------
- --------------------------------------------------------------------------------
- --------------------------------------------------------------------------------
- --------------------------------------------------------------------------------
  (print or type assignee's name, address and zip code)

and irrevocably appoint ____________________________ agent to transfer this Security on the books of the Company.
The agent may substitute another to act for him.

Dated: ____________________________ Signature: ____________________________
(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: ____________________________

OPTION OF HOLDER TO ELECT PURCHASE

If you receive a notice pursuant to Section 5.14 ("Change in Control Offer") or Section 5.15 ("Excess Proceeds Offer") of the Indenture and you wish to elect to have all or any portion of this Security purchased by the Company pursuant to such notice, check the applicable boxes:

/ / Change in Control Offer:       / / Excess Proceeds Offer:
  in whole / / in whole / /
  in part / / in part / /
Any Restricted Global Security authenticated and delivered hereunder shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Non-Global Security) in substantially the following form:

**THIS SECURITY IS A RESTRICTED GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITORY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.**

Unless this certificate is presented by an authorized representative of the Depository Trust Company, a New York Corporation ("DTC"), to the company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO. or in such other name as is requested by an authorized representative of DTC, any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, CEDE & CO., has an interest herein.

Any Unrestricted Global Security authenticated and delivered hereunder shall bear a legend in substantially the following form:

**UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**
Charter Medical Corporation
577 Mulberry Street
Macon, Georgia  31298

Dear Sirs:

In connection with our proposed purchase of $ aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 (the "Notes") of Charter Medical Corporation (the "Issuer"), we confirm that:

1. We have received a copy of the Offering Memorandum (the "Offering Memorandum"), dated April 22, 1994, as amended and supplemented, relating to the Notes and such other information as we deem necessary in order to make our investment decision.

2. We understand that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Indenture dated as of May 2, 1994 relating to the Notes (the "Indenture") and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "Securities Act").

3. We understand that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, on our own behalf and on behalf of any account for which we are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will agree, not to offer, sell or otherwise transfer such Notes prior to the date which is three years after the later of the date of original issue of such Notes and the last date on which the Issuer or any affiliate of the Issuer was the owner of such Notes (the "Resale Restriction Termination Date"), except (A) to the Issuer or any subsidiary thereof, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined therein), (C) to an institutional "accredited investor" (as defined below) that, prior to such transfer, furnishes to the Trustee (as defined in the Indenture), a signed letter, substantially identical to this letter, containing certain representations and agreements relating to the restrictions on transfer of the Notes (the form of which letter can be obtained from the Trustee), (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act, if available, (E) pursuant to an effective registration statement under the Securities Act or (F) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such account be at all times within its control and to compliance with applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date, and we further agree to provide to any person purchasing any of the Notes from us a notice advising such purchaser that resales of the Notes are restricted as stated herein.

4. We understand that, on any proposed resale of any Notes, we will be required to furnish to the Trustee and the Issuer an opinion of counsel in form and substance satisfactory to the Trustee and the Issuer, and such other certifications and information as either of them may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect.

5. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.
6. We are acquiring the Notes purchased by us for our own account for investment purposes or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion and, in any case, not with a view to any public resale, offering or distribution of the Notes in violation of the Securities Act.

E-2

You and the Trustee are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

_________________________
Name:
Title:

E-3

EXHIBIT F

GUARANTORS OF THE CHARTER MEDICAL CORPORATION SENIOR SUBORDINATED NOTES DUE 2004

DOMESTIC SUBSIDIARIES:

1. Ambulatory Resources, Inc.
2. Atlanta MOB, Inc.
3. Beltway Community Hospital, Inc.
4. CCM, Inc.
12. Charter Behavioral Health System at Hidden Brook, Inc.
13. Charter Behavioral Health System at Los Altos, Inc.
15. Charter Behavioral Health System at Warwick Manor, Inc.
17. Charter Behavioral Health System of Austin, Inc.
27. Charter Behavioral Health System of Corpus Christi, Inc.
28. Charter Behavioral Health System of Dallas, Inc.
29. Charter Behavioral Health System of Evansville, Inc.
30. Charter Behavioral Health System of Fort Worth, Inc.
32. Charter Behavioral Health System of Jacksonville, Inc.
34. Charter Behavioral Health System of Kansas City, Inc.
35. Charter Behavioral Health System of Lafayette, Inc.
Charter Behavioral Health System of Lakewood, Inc.
Charter Behavioral Health System of Michigan City, Inc.
Charter Behavioral Health System of Mobile, Inc.
Charter Behavioral Health System of Nashua, Inc.
Charter Behavioral Health System of Nevada, Inc.
Charter Behavioral Health System of New Mexico, Inc.
Charter Behavioral Health System of Northern California, Inc.
Charter Behavioral Health System of Northwest Arkansas, Inc.
Charter Behavioral Health System of Northwest Indiana, Inc.
Charter Behavioral Health System of Paducah, Inc.
Charter Behavioral Health System of Rockford, Inc.
Charter Behavioral Health System of San Jose, Inc.
Charter Behavioral Health System of Savannah, Inc.
Charter Behavioral Health System of Southern California, Inc.
Charter Behavioral Health System of Tampa Bay, Inc.
Charter Behavioral Health System of Texarkana, Inc.
Charter Behavioral Health System of the Inland Empire, Inc.
Charter Behavioral Health System of Toledo, Inc.
Charter Behavioral Health System of Tucson, Inc.
Charter Behavioral Health System of Virginia Beach, Inc.
Charter Behavioral Health System of Visalia, Inc.
Charter Behavioral Health System of Washington D.C., Inc.
Charter Behavioral Health System of Waverly, Inc.
Charter Behavioral Health System of Winston-Salem, Inc.
Charter Behavioral Health System of Yorba Linda, Inc.
Charter Behavioral Health System of Atlanta, Inc.
Charter Brawner Behavioral Health System, Inc.
Charter Canyon Behavioral Health System, Inc.
Charter Canyon Springs Behavioral Health System, Inc.
Charter Centennial Peaks Behavioral Health System, Inc.
Charter Colonial Institute, Inc.
Charter Community Hospital, Inc.
Charter Community Hospital of Des Moines, Inc.
Charter Contract Services, Inc.
Charter Cove Forge Behavioral Health System, Inc.
Charter Crescent Pines Behavioral Health System, Inc.
Charter Fairbridge Behavioral Health System, Inc.
Charter Fairmount Behavioral Health System, Inc.
Charter Fenwick Hall Behavioral Health System, Inc.
Charter Financial Offices, Inc.
Charter Forest Behavioral Health System, Inc.
Charter Grapevine Behavioral Health System, Inc.
Charter Greeensboro Behavioral Health System, Inc.
Charter Health Management of Texas, Inc.
Charter Hospital of Columbus, Inc.
Charter Hospital of Denver, Inc.
Charter Hospital of Ft. Collins, Inc.
Charter Hospital of Laredo, Inc.
Charter Hospital of Miami, Inc.
Charter Hospital of Mobile, Inc.
Charter Hospital of Northern New Jersey, Inc.
Charter Hospital of Santa Teresa, Inc.
Charter Hospital of St. Louis, Inc.
Charter Hospital of Torrance, Inc.
Charter Indianapolis Behavioral Health System, Inc.
Charter Lafayette Behavioral Health System, Inc.
Charter Lakehurst Behavioral Health System, Inc.
Charter Lakeside Behavioral Health System, Inc.
Charter Laurel Heights Behavioral Health System, Inc.
Charter Laurel Oaks Behavioral Health System, Inc.
Charter Linden Oaks Behavioral Health System, Inc.
<table>
<thead>
<tr>
<th>Number</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>98</td>
<td>Charter Little Rock Behavioral Health System, Inc.</td>
</tr>
<tr>
<td>99</td>
<td>Charter Louisville Behavioral Health System, Inc.</td>
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<tr>
<td>100</td>
<td>Charter Meadows Behavioral Health System, Inc.</td>
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<tr>
<td>101</td>
<td>Charter Medfield Behavioral Health System, Inc.</td>
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<tr>
<td>102</td>
<td>Charter Medical Executive Corporation</td>
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<td>103</td>
<td>Charter Medical Information Services, Inc.</td>
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<td>105</td>
<td>Charter Medical Management Company</td>
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<td>106</td>
<td>Charter Medical of East Valley, Inc.</td>
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<td>107</td>
<td>Charter Medical of North Phoenix, Inc.</td>
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<td>108</td>
<td>Charter Medical of Orange County, Inc.</td>
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<td>109</td>
<td>Charter Medical - California, Inc.</td>
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<td>110</td>
<td>Charter Medical - Clayton County, Inc.</td>
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<td>111</td>
<td>Charter Medical - Cleveland, Inc.</td>
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<td>Charter Medical - Dallas, Inc.</td>
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<td>113</td>
<td>Charter Medical - Long Beach, Inc.</td>
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<td>114</td>
<td>Charter Medical - New York, Inc.</td>
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<tr>
<td>115</td>
<td>Charter Mental Health Options, Inc.</td>
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<td>116</td>
<td>Charter Mid-South Behavioral Health System, Inc.</td>
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<td>117</td>
<td>Charter Milwaukee Behavioral Health System, Inc.</td>
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<td>118</td>
<td>Charter Mission Viejo Behavioral Health System, Inc.</td>
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<td>119</td>
<td>Charter MOB of Charlottesville, Inc.</td>
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<td>120</td>
<td>Charter North Behavioral Health System, Inc.</td>
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<td>121</td>
<td>Charter North Counseling Center, Inc.</td>
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<td>122</td>
<td>Charter Northbrooke Behavioral Health System, Inc.</td>
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<td>123</td>
<td>Charter Northridge Behavioral Health System, Inc.</td>
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<tr>
<td>124</td>
<td>Charter Northside Hospital, Inc.</td>
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<td>125</td>
<td>Charter Oak Behavioral Health System, Inc.</td>
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<tr>
<td>126</td>
<td>Charter of Alabama, Inc.</td>
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<td>127</td>
<td>Charter Palms Behavioral Health System, Inc.</td>
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<td>128</td>
<td>Charter Peachford Behavioral Health System, Inc.</td>
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<td>129</td>
<td>Charter Pines Behavioral Health System, Inc.</td>
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<td>130</td>
<td>Charter Plains Behavioral Health System, Inc.</td>
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<tr>
<td>131</td>
<td>Charter Psychiatric Hospitals, Inc.</td>
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<tr>
<td>132</td>
<td>Charter Real Behavioral Health System, Inc.</td>
</tr>
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<td>133</td>
<td>Charter Regional Medical Center, Inc.</td>
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<td>134</td>
<td>Charter Richmond Behavioral Health System, Inc.</td>
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<td>135</td>
<td>Charter Ridge Behavioral Health System, Inc.</td>
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<td>136</td>
<td>Charter Rivers Behavioral Health System, Inc.</td>
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<td>137</td>
<td>Charter San Diego Behavioral Health System, Inc.</td>
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<td>138</td>
<td>Charter Serenity Lodge Behavioral Health System, Inc.</td>
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<td>139</td>
<td>Charter Sioux Falls Behavioral Health System, Inc.</td>
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<td>140</td>
<td>Charter South Bend Behavioral Health System, Inc.</td>
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<td>141</td>
<td>Charter Springs Behavioral Health System, Inc.</td>
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<td>142</td>
<td>Charter Springwood Behavioral Health System, Inc.</td>
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<tr>
<td>143</td>
<td>Charter Suburban Hospital of Mesquite, Inc.</td>
</tr>
<tr>
<td>144</td>
<td>Charter Terre Haute Behavioral Health System, Inc.</td>
</tr>
<tr>
<td>145</td>
<td>Charter Thousand Oaks Behavioral Health System, Inc.</td>
</tr>
<tr>
<td>146</td>
<td>Charter Tidewater Behavioral Health System, Inc.</td>
</tr>
<tr>
<td>147</td>
<td>Charter Treatment Center of Michigan, Inc.</td>
</tr>
<tr>
<td>148</td>
<td>Charter Westbrook Behavioral Health System, Inc.</td>
</tr>
<tr>
<td>149</td>
<td>Charter White Oak Behavioral Health System, Inc.</td>
</tr>
<tr>
<td>150</td>
<td>Charter Wichita Behavioral Health System, Inc.</td>
</tr>
<tr>
<td>151</td>
<td>Charter Woods Behavioral Health System, Inc.</td>
</tr>
<tr>
<td>152</td>
<td>Charter Woods Hospital, Inc.</td>
</tr>
<tr>
<td>153</td>
<td>Charter - Provo School, Inc.</td>
</tr>
<tr>
<td>154</td>
<td>Charterton/LaGrange, Inc.</td>
</tr>
<tr>
<td>155</td>
<td>Charter-By-The-Sea Behavioral Health System, Inc.</td>
</tr>
<tr>
<td>156</td>
<td>CMCI, Inc.</td>
</tr>
<tr>
<td>157</td>
<td>CMFC, Inc.</td>
</tr>
<tr>
<td>158</td>
<td>CMSF, Inc.</td>
</tr>
<tr>
<td>159</td>
<td>CPS Associates, Inc.</td>
</tr>
<tr>
<td>160</td>
<td>C.A.C.O. Services, Inc.</td>
</tr>
<tr>
<td>161</td>
<td>Desert Springs Hospital, Inc.</td>
</tr>
<tr>
<td>162</td>
<td>Employee Assistance Services, Inc.</td>
</tr>
<tr>
<td>163</td>
<td>Florida Health Facilities, Inc.</td>
</tr>
<tr>
<td>164</td>
<td>Gulf Coast EAP Services, Inc.</td>
</tr>
<tr>
<td>165</td>
<td>Gwinnett Immediate Care Center, Inc.</td>
</tr>
</tbody>
</table>
166. HCS, Inc.
167. Holcomb Bridge Immediate Care Center, Inc.
168. Hospital Investors, Inc.
169. Mandarin Meadows, Inc.

Page 4

170. Metropolitan Hospital, Inc.
171. Middle Georgia Hospital, Inc.
172. Pacific - Charter Medical, Inc.
173. Peachford Professional Network, Inc.
174. Rivoli, Inc.
175. Shallowford Community Hospital, Inc.
176. Sistemas De Terapia Respiratoria S.A., Inc.
177. Stuart Circle Hospital Corporation
178. Tampa Bay Behavioral Health Alliance, Inc.
179. Western Behavioral Systems, Inc.

FOREIGN SUBSIDIARIES:

1. Charter Medical (Cayman Islands) Ltd.
3. Charter Medical of England Limited

Page 5

CHARTER MEDICAL CORPORATION,

Company,

The parties named herein, and to be added hereto, as GUARANTORS,

and

MARINE MIDLAND BANK,

Trustee

________________________________________________________

INDENTURE

Dated as of May 2, 1994

________________________________________________________

$375,000,000

11 1/4% Senior Subordinated Notes due April 15, 2004

CROSS REFERENCE TABLE[1]
<table>
<thead>
<tr>
<th>TIA Section</th>
<th>Indenture Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>310(a)(1)</td>
<td>8.10</td>
</tr>
<tr>
<td>(a)(2)</td>
<td>8.10</td>
</tr>
<tr>
<td>(a)(3)</td>
<td>N.A. [2]</td>
</tr>
<tr>
<td>(a)(4)</td>
<td>N.A.</td>
</tr>
<tr>
<td>(b)</td>
<td>8.08; 8.10</td>
</tr>
<tr>
<td>(c)</td>
<td>N.A.</td>
</tr>
<tr>
<td>311(a)</td>
<td>8.11</td>
</tr>
<tr>
<td>(b)</td>
<td>8.11</td>
</tr>
<tr>
<td>(c)</td>
<td>N.A.</td>
</tr>
<tr>
<td>312(a)</td>
<td>2.05</td>
</tr>
<tr>
<td>(b)</td>
<td>12.03</td>
</tr>
<tr>
<td>(c)</td>
<td>12.03</td>
</tr>
<tr>
<td>313(a)</td>
<td>8.06</td>
</tr>
<tr>
<td>(b)(1)</td>
<td>N.A.</td>
</tr>
<tr>
<td>(b)(2)</td>
<td>8.06</td>
</tr>
<tr>
<td>(c)</td>
<td>8.06</td>
</tr>
<tr>
<td>(d)</td>
<td>8.06</td>
</tr>
<tr>
<td>314(a)</td>
<td>5.02; 12.02</td>
</tr>
<tr>
<td>(b)</td>
<td>N.A.</td>
</tr>
<tr>
<td>(c)(1)</td>
<td>12.04</td>
</tr>
<tr>
<td>(c)(2)</td>
<td>12.04</td>
</tr>
<tr>
<td>(c)(3)</td>
<td>N.A.</td>
</tr>
<tr>
<td>(d)</td>
<td>N.A.</td>
</tr>
<tr>
<td>(e)</td>
<td>12.05</td>
</tr>
<tr>
<td>(f)</td>
<td>N.A.</td>
</tr>
<tr>
<td>315(a)</td>
<td>8.01</td>
</tr>
<tr>
<td>(b)</td>
<td>8.05</td>
</tr>
<tr>
<td>(c)</td>
<td>8.01</td>
</tr>
<tr>
<td>(d)</td>
<td>8.01</td>
</tr>
<tr>
<td>(e)</td>
<td>7.11</td>
</tr>
<tr>
<td>316(a)(last sentence)</td>
<td>2.09</td>
</tr>
<tr>
<td>(a)(1)(A)</td>
<td>7.05</td>
</tr>
<tr>
<td>(a)(1)(B)</td>
<td>7.04</td>
</tr>
<tr>
<td>(a)(2)</td>
<td>N.A.</td>
</tr>
<tr>
<td>(b)</td>
<td>7.07</td>
</tr>
<tr>
<td>317(a)(1)</td>
<td>7.08</td>
</tr>
<tr>
<td>(a)(2)</td>
<td>7.09</td>
</tr>
<tr>
<td>(b)</td>
<td>2.04</td>
</tr>
<tr>
<td>318(a)</td>
<td>12.01</td>
</tr>
</tbody>
</table>

[1]. Note: This Cross Reference Table shall not, for any purpose, be deemed to be part of this Indenture.


---

TABLE OF CONTENTS

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions ........................................... 1
SECTION 1.02. Other Definitions ................................. 16
SECTION 1.03. Incorporation by Reference of Trust
  Indenture Act .................................................. 16
SECTION 1.04. Rules of Construction ............................ 17
SECTION 1.05. Acts of Holders ................................. 17

ARTICLE 2
THE SECURITIES
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.01</td>
<td>Form and Dating</td>
<td>19</td>
</tr>
<tr>
<td>2.02</td>
<td>Execution and Authentication; Aggregate Principal Amount</td>
<td>20</td>
</tr>
<tr>
<td>2.03</td>
<td>Registrar and Paying Agent</td>
<td>21</td>
</tr>
<tr>
<td>2.04</td>
<td>Paying Agent To Hold Money in Trust</td>
<td>22</td>
</tr>
<tr>
<td>2.05</td>
<td>Securityholder Lists</td>
<td>22</td>
</tr>
<tr>
<td>2.06</td>
<td>Transfer and Exchange</td>
<td>23</td>
</tr>
<tr>
<td>2.07</td>
<td>Replacement Securities</td>
<td>33</td>
</tr>
<tr>
<td>2.08</td>
<td>Outstanding Securities</td>
<td>33</td>
</tr>
<tr>
<td>2.09</td>
<td>Treasury Securities</td>
<td>34</td>
</tr>
<tr>
<td>2.10</td>
<td>Temporary Securities</td>
<td>34</td>
</tr>
<tr>
<td>2.11</td>
<td>Cancellation</td>
<td>34</td>
</tr>
<tr>
<td>2.12</td>
<td>Defaulted Interest</td>
<td>35</td>
</tr>
<tr>
<td>2.13</td>
<td>CUSIP Number</td>
<td>35</td>
</tr>
<tr>
<td>2.14</td>
<td>Deposit of Moneys</td>
<td>35</td>
</tr>
<tr>
<td>2.15</td>
<td>Global Securities</td>
<td>36</td>
</tr>
<tr>
<td>3.01</td>
<td>Guarantee</td>
<td>37</td>
</tr>
<tr>
<td>3.02</td>
<td>Obligation of the Guarantors Unconditional</td>
<td>38</td>
</tr>
<tr>
<td>3.03</td>
<td>Waiver Relating to Guarantees</td>
<td>39</td>
</tr>
<tr>
<td>3.04</td>
<td>Subordination of Guarantees</td>
<td>39</td>
</tr>
<tr>
<td>3.05</td>
<td>Waiver of Subrogation Rights</td>
<td>40</td>
</tr>
<tr>
<td>3.06</td>
<td>Release of Guarantees</td>
<td>40</td>
</tr>
<tr>
<td>3.07</td>
<td>Contribution of Guarantors</td>
<td>40</td>
</tr>
<tr>
<td>3.08</td>
<td>Reinstatement of Guarantees</td>
<td>40</td>
</tr>
<tr>
<td>4.01</td>
<td>Right to Redeem; Notices to Trustee</td>
<td>41</td>
</tr>
<tr>
<td>4.02</td>
<td>Intentionally Omitted</td>
<td>41</td>
</tr>
<tr>
<td>4.03</td>
<td>Selection of Securities to Be Redeemed</td>
<td>41</td>
</tr>
<tr>
<td>4.04</td>
<td>Notice of Redemption</td>
<td>41</td>
</tr>
<tr>
<td>4.05</td>
<td>Effect of Notice of Redemption</td>
<td>43</td>
</tr>
<tr>
<td>4.06</td>
<td>Deposit of Redemption Price</td>
<td>43</td>
</tr>
<tr>
<td>4.07</td>
<td>Securities Redeemed in Part</td>
<td>43</td>
</tr>
<tr>
<td>4.08</td>
<td>Special Redemption Procedures</td>
<td>44</td>
</tr>
<tr>
<td>5.01</td>
<td>Payment of Securities</td>
<td>45</td>
</tr>
<tr>
<td>5.02</td>
<td>SEC Reports</td>
<td>46</td>
</tr>
<tr>
<td>5.03</td>
<td>Compliance Certificates</td>
<td>47</td>
</tr>
<tr>
<td>5.04</td>
<td>Further Instruments and Acts</td>
<td>48</td>
</tr>
<tr>
<td>5.05</td>
<td>Maintenance of Office or Agency</td>
<td>48</td>
</tr>
<tr>
<td>5.06</td>
<td>Limitation on Restricted Payments</td>
<td>49</td>
</tr>
<tr>
<td>5.07</td>
<td>Anti-Layering</td>
<td>52</td>
</tr>
<tr>
<td>5.08</td>
<td>Limitation on Additional Indebtedness</td>
<td>52</td>
</tr>
<tr>
<td>5.09</td>
<td>Additional Guarantors</td>
<td>54</td>
</tr>
<tr>
<td>5.10</td>
<td>Limitation on Sale of Subsidiary Shares</td>
<td>54</td>
</tr>
<tr>
<td>5.11</td>
<td>Limitation on Liens</td>
<td>56</td>
</tr>
<tr>
<td>5.12</td>
<td>Limitation on Payment Restrictions Affecting Restricted Subsidiaries</td>
<td>56</td>
</tr>
<tr>
<td>5.13</td>
<td>Limitation on Transactions with Affiliates</td>
<td>57</td>
</tr>
<tr>
<td>5.14</td>
<td>Repurchase Upon Change in Control</td>
<td>58</td>
</tr>
<tr>
<td>5.15</td>
<td>Limitation on Use of Proceeds from Asset Sales</td>
<td>58</td>
</tr>
<tr>
<td>5.16</td>
<td>Payment of Taxes and Other Claims</td>
<td>59</td>
</tr>
<tr>
<td>5.17</td>
<td>Corporate Existence</td>
<td>60</td>
</tr>
<tr>
<td>5.18</td>
<td>Maintenance of Properties and Insurance</td>
<td>60</td>
</tr>
</tbody>
</table>

---

[3] This Table of Contents shall not, for any purpose, be deemed to be part of this Indenture.
SECTION 5.19. Stay, Extension and Usury Laws . . . . . . . . . 61
SECTION 5.20. Payment for Consent . . . . . . . . . . . . . . . 61
SECTION 5.21. Covenant to Comply with Securities Laws
upon Purchase of Securities. . . . . . . . . . 61

ARTICLE 6
SUCCESSOR CORPORATION

SECTION 6.01. When the Company May Merge or Transfer Assets . . 62
SECTION 6.02. When Restricted Subsidiaries May Merge
or Transfer Assets . . . . . . . . . . . . . . 62
SECTION 6.03. Successor Corporation Substituted. . . . . . . . 64

ARTICLE 7
DEFAULTS AND REMEDIES

SECTION 7.01. Events of Default . . . . . . . . . . . . . . . . 64
SECTION 7.02. Acceleration . . . . . . . . . . . . . . . . . . . 66
SECTION 7.03. Other Remedies . . . . . . . . . . . . . . . . . 67
SECTION 7.04. Waiver of Past Defaults . . . . . . . . . . . . . 67
SECTION 7.05. Control by Holders . . . . . . . . . . . . . . . 67
SECTION 7.06. Limitation on Suits . . . . . . . . . . . . . . . 68
SECTION 7.07. Rights of Holders to Receive Payment . . . . . . 68
SECTION 7.08. Collection Suit by Trustee . . . . . . . . . . . 68
SECTION 7.09. Trustee May File Proofs of Claim . . . . . . . . 69
SECTION 7.10. Priorities . . . . . . . . . . . . . . . . . . . . 69
SECTION 7.11. Undertaking for Costs . . . . . . . . . . . . . . 70

ARTICLE 8
TRUSTEE

SECTION 8.01. Duties of Trustee . . . . . . . . . . . . . . . . 70
SECTION 8.02. Rights of Trustee . . . . . . . . . . . . . . . . 72
SECTION 8.03. Individual Rights of Trustee . . . . . . . . . . 72
SECTION 8.04. Trustee's Disclaimer . . . . . . . . . . . . . . . 72
SECTION 8.05. Notice of Defaults . . . . . . . . . . . . . . . 73
SECTION 8.06. Reports by Trustee to Holders . . . . . . . . . . 73
SECTION 8.07. Compensation and Indemnity . . . . . . . . . . 73
SECTION 8.08. Replacement of Trustee . . . . . . . . . . . . . 74
SECTION 8.09. Successor Trustee by Merger . . . . . . . . . . 75
SECTION 8.10. Eligibility; Disqualification . . . . . . . . . . . 75
SECTION 8.11. Preferential Collection of Claims Against
the Company . . . . . . . . . . . . . . . . . . . . 76

ARTICLE 9
DISCHARGE OF INDENTURE; DEFEASANCE AND COVENANT DEFEASANCE

SECTION 9.01. Legal Termination . . . . . . . . . . . . . . . . 76
SECTION 9.02. Company's Option to Effect Legal Defeasance
or Covenant Defeasance . . . . . . . . . . . . . . 76
SECTION 9.03. Legal Defeasance and Discharge . . . . . . . . . 76
SECTION 9.04. Covenant Defeasance . . . . . . . . . . . . . . 77
SECTION 9.05. Conditions to Legal Defeasance or Covenant
Defeasance . . . . . . . . . . . . . . . . . . . . 77
SECTION 9.06. Reinstatement . . . . . . . . . . . . . . . . . . 78
SECTION 9.07. Repayment to the Company . . . . . . . . . . . 79
The parties agree as follows for the benefit of each other and for the equal and ratably benefit of the Holders of the Company's Senior Subordinated Notes due 2004 issued under this Indenture from time to time:

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 10.02. With Consent of Holders
SECTION 10.03. Compliance with Trust Indenture Act
SECTION 10.04. Revocation and Effect of Consents, Waivers and Actions
SECTION 10.05. Notation on or Exchange of Securities
SECTION 10.06. Trustee to Sign Supplemental Indentures
SECTION 10.07. Effect of Amendments and Supplemental Indentures

ARTICLE 11
SUBORDINATION

SECTION 11.01. Agreement to Subordinate
SECTION 11.02. Liquidation; Dissolution; Bankruptcy
SECTION 11.03. Default on Specified Senior Indebtedness
SECTION 11.04. No Suspension of Remedies
SECTION 11.05. When Distribution Must Be Paid Over
SECTION 11.06. Notice by the Company
SECTION 11.07. Subrogation
SECTION 11.08. Relative Rights
SECTION 11.09. No Waiver of Subordination Provisions
SECTION 11.10. Distribution or Notice to Representative
SECTION 11.11. Rights of Trustee and Paying Agent
SECTION 11.12. Authorization to Effect Subordination
SECTION 11.13. Miscellaneous

ARTICLE 12
MISCELLANEOUS

SECTION 12.01. Trust Indenture Act Controls
SECTION 12.02. Notices
SECTION 12.03. Communication by Holders with Other Holders
SECTION 12.04. Certificate and Opinion as to Conditions Precedent
SECTION 12.05. Statements Required in Certificate or Opinion
SECTION 12.06. Severability Clause
SECTION 12.07. Rules by Trustee, Paying Agent and Registrar
SECTION 12.08. Legal Holidays
SECTION 12.09. GOVERNING LAW
SECTION 12.10. No Recourse Against Others
SECTION 12.11. Successors
SECTION 12.12. Multiple Originals

SIGNATURES

EXHIBIT A Form of Restricted Security
EXHIBIT B Form of Unrestricted Security
EXHIBIT C Form of Legend for Restricted Global Securities
EXHIBIT D Form of Legend for Unrestricted Global Securities
EXHIBIT E Form of Accredited Investor Letter
EXHIBIT F Guarantors

INDENTURE, dated as of May 2, 1994, among Charter Medical Corporation, a Delaware corporation (the "Company"), the initial Guarantors listed on Exhibit F, and Marine Midland Bank, a trust company organized and existing under the laws of the State of New York (the "Trustee").
SECTION 1.01. DEFINITIONS.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. A Person shall be deemed to "control" (including the correlative meanings, the terms "controlling," "controlled by" and "under common control with") another Person if the controlling Person (a) possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of voting securities, by agreement or otherwise, or (b) owns, directly or indirectly, 10% or more of any class of the issued and outstanding equity securities of the controlled Person.

"Agent" means any Registrar or Paying Agent of the Securities.

"Asset Sale" means, with respect to any Person, the sale, lease, conveyance, disposition or other transfer by such Person of any of its assets (including by way of a sale-and-leaseback and including the sale or other transfer of any Equity Interests in any Restricted Subsidiary) which results in Net Cash Proceeds of $1,000,000 or more; however, the following shall not constitute an Asset Sale: (i) unless part of a disposition including other assets or operations, (A) dispositions of Cash and Cash Equivalents, (B) payments on or in respect of non-Cash proceeds of Asset Sales, and (C) dispositions of Investments by foreign subsidiaries of the Company in Cash and instruments or securities or in certificates of deposit (or comparable instruments) with banks; (ii) the lease of (A) office space in a medical building to healthcare professionals or healthcare goods or services companies for their use or sublease to a similar user or (B) any portion of a hospital (unless the portions of any such hospital so leased in separate transactions constitute more than 50% of such hospital), in the ordinary course of business and in a manner consistent with either past practices or the healthcare industry generally; and (iii) the issuance or sale by the Company of any Equity Interests in the Company.

"Average Life" means, as of the date of determination, with respect to any debt security, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment (assuming the exercise by the obligor of such debt security of all unconditional (other than as to the giving of notice) extension options of each such scheduled payment date) of such debt security multiplied by the amount of such principal payment by (ii) the sum of all such principal payments.

"Bankruptcy Law" means Title 11 of the United States Code, or any similar Federal or state law for the relief of debtors.

"Board of Directors" of any corporation means the Board of Directors of such corporation, or any duly authorized committee of such Board of Directors.

"Book Value" means, with respect to the assets of any Person, the book value of assets of such Person, net of depreciation and other charges and reserves taken with respect to such assets in accordance with GAAP.

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banking institutions in New York, New York are authorized by law or required by executive order to close.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease which would at such time be so required to be capitalized on the balance sheet in accordance with GAAP.

"Capital Stock" means any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock (including, without limits-
"Cash" means money or currency or a credit balance in a Deposit Account.

"Cash Equivalents" means (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency, instrumentality or sponsored corporation thereof which are rated at least A or the equivalent thereof by Standard & Poor's Corporation or at least A-2 or the equivalent thereof by Moody's Investor Services, Inc., and in each case having maturities of not more than one year from the date of acquisition, (ii) time deposits and certificates of deposit of any domestic commercial bank of recognized standing, having capital and surplus in excess of $100,000,000 with maturities of not more than one year from the date of acquisition, (iii) repurchase obligations with a term of not more than thirty days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (ii) above or any government securities dealer, and (iii) commercial paper rated at least A-1 or the equivalent thereof by Standard & Poor's Corporation or at least P-1 or the equivalent thereof by Moody's Investor Services, Inc., in each case maturing within one year after the date of acquisition.

"Change in Control" means (a) the sale, lease, transfer or other disposition in one or more related transactions of all or substantially all of the Company's assets, or the sale of substantially all of the Capital Stock or assets of the Company's Subsidiaries that constitutes a sale of substantially all of the Company's assets, to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), (b) the merger or consolidation of the Company with or into another corporation, or the merger of another corporation into the Company or any other transaction, with the effect, in any such case, that the stockholders of the Company immediately prior to such transaction hold 50% or less of the total voting power entitled to vote in the election of directors, managers or trustees of the surviving corporation or, in the case of a Permitted Triangular Merger, the parent corporation of the surviving corporation resulting from such merger, consolidation or such other transaction, (c) any Person (except for the parent corporation of the surviving corporation in a Permitted Triangular Merger) or group acquires beneficial ownership of a majority in interest of

the voting power or voting Capital Stock of the Company, or (d) the liquidation or dissolution of the Company.

"Closing Date" means the date of consummation of the offering and sale of the Securities.

"Consolidated Interest Coverage Ratio" means the ratio of (A) Consolidated Net Income plus the sum of Interest Expense, taxes, depreciation and amortization of the Company and its Restricted Subsidiaries (to the extent such items were taken into account in computing the Net Incomes of the Company and each of such Restricted Subsidiaries) for the preceding four fiscal quarters to (B) the Interest Expense of the Company and its Restricted Subsidiaries for the preceding four fiscal quarters; provided that if the Company or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays or redeems any Indebtedness subsequent to the commencement of the period for which the Consolidated Interest Coverage Ratio is being calculated but prior to the event for which the calculation of the Consolidated Interest Coverage Ratio is made, then the Consolidated Interest Coverage Ratio will be calculated giving pro forma effect to any such incurrence, assumption, guarantee or redemption of Indebtedness, or such issuances or redemption of preferred stock, as if the same had occurred at the beginning of the applicable period. In making such calculations on a pro forma basis, interest attributable to Indebtedness bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period.

"Consolidated Net Assets" means, with respect to any Person, the assets of such Person and its Subsidiaries, less intangible assets of such Person and its Subsidiaries (including, without limitation, franchises, patents, patent applications, trademarks and tradenames, goodwill, excess reorganization value, research and development expenses, and write-ups in the book value of any
"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP, plus the sum of the amount allocated to excess reorganization value, ESOP expense and stock option expense (to the extent such items were taken into account in computing the Net Income of such Person and its Subsidiaries); PROVIDED, HOWEVER, that (i) the Net Income of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid to the referent Person or a Restricted Subsidiary, (ii) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded and (iii) the cumulative effect of a change in accounting principles shall be excluded.

"Consolidated Net Worth" of the Company means consolidated stockholders' equity as determined in accordance with GAAP.

"Custodian" means any receiver, trustee, assignee, liquidator, sequestrator, custodian or similar official under any Bankruptcy Law.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Deposit Account" means a demand, savings, passbook, money market or like account with a commercial bank, savings and loan association or like organization or a government securities dealer, other than an account evidenced by a negotiable certificate of deposit.

" Depository", with respect to any Securities issued under this Indenture in global form, The Depository Trust Company or its nominee, which must be a clearing agency registered under Section 17A of the Exchange Act.

"Disinterested Director" means, with respect to any specific transaction, any director of the Company that does not have a direct or indirect interest (other than any interest resulting solely from such director's ownership of Equity Interests in the Company) in such transaction.

"Equity Interests" means (a) Capital Stock, warrants, options or other rights to acquire Capital Stock (but excluding any debt security which is convertible into, or exchangeable for, Capital Stock), and (b) limited and general partnership interests, interests in limited liability companies, joint venture interests and other ownership interests in any Person.

"ESOP" means the Employee Stock Ownership Plan of the Company as established on September 1, 1988, and effective as of January 1, 1988, as from time to time amended, and/or the trust created in accordance with such plan pursuant to the Trust Agreement between the Company and the trustee named therein, executed as of September 1, 1988, as the context in which the term "ESOP" is used permits.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations of the SEC thereunder.

"Exchange and Registration Rights Agreement" means that certain exchange and registration rights agreement relating to the Securities dated April 22, 1994, between Bear, Stearns & Co. Inc. and BT Securities Corporation, on the one hand, and the Company, on the other hand, as such agreement may be amended, modified or supplemented from time to time.

"Exchange Offer" means the offer that may be made by the Company pursuant to the Exchange and Registration Rights Agreement to exchange Restricted Securities for Unrestricted Securities.
"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession, as in effect on the Closing Date.

"Global Securities" means, collectively, the Restricted Global Securities and the Unrestricted Global Securities.

"Guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"Guarantor" means (i) each of the Company's Subsidiaries existing on the Closing Date (other than Permitted Joint Ventures and Unrestricted Subsidiaries) and (ii) each other Person that executes a Guarantee of the obligations of the Company under the Securities and this Indenture from time to time in accordance with the provisions of Section 5.09 hereof, and their respective successors and assigns; PROVIDED, HOWEVER, that "Guarantor" shall not include any Person that is released from its Guarantee of the obligations of the Company under the Securities and this Indenture.

"Holder" or "Securityholder" means a Person in whose name a Security is registered on the Registrar's books.

"Indebtedness" of any Person means, without duplication, (i) indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than trade payables on terms of 365 days or less incurred in the ordinary course of business), (ii) all Capital Lease Obligations of such Person, (iii) all guarantees of such Person in respect of Indebtedness of others, (iv) at the date of determination thereof, the aggregate amount of all unreimbursed drawings in respect of letters of credit issued for the account of such Person (less the amount of Cash and Cash Equivalents on deposit securing such letters of credit), and (v) all indebtedness, obligations or other liabilities of such Person or of others for borrowed money secured by a Lien on any property of such Person, whether or not such Indebtedness, obligations or liabilities are assumed by such Person; PROVIDED, HOWEVER, that all or any portion of Indebtedness that becomes the subject of a defeasance (whether a legal defeasance or a "covenant" or "in substance" defeasance) shall, at all times that such defeasance remains in effect, cease to be treated as Indebtedness for purposes of this Indenture.

"Indenture" means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof, including the provisions of the TIA that are deemed to be a part hereof.

"Insurance Subsidiaries" means, collectively, Golden Isle Assurance Company, Plymouth Insurance Company, Ltd. and any successors to any of the foregoing.

"Interest Expense" of any Person means, for any period for which the determination thereof is to be made,

(A) the sum of the aggregate amount of (i) interest in respect of Indebtedness (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing), (ii) all but the principal component of rentals in respect of Capital Lease Obligations, paid, accrued or scheduled to be paid or accrued by such Person during such period, (iii) capitalized interest and (iv) amortization of original issue discount and deferred financing costs, all as determined in accordance with GAAP, less (B) interest expense attributable to Unrestricted Subsidiaries.

"Investment" means, when used with respect to any Person, any direct or indirect advance, loan or other extension of credit (other than the creation
of receivables in the ordinary course of business) or capital contribution by such Person (by means of transfers of property (other than Equity Interests in the Company) to others or payments for property or services for the account or use of others, or otherwise) to any other Person, or any direct or indirect purchase or other acquisition by such Person of a beneficial interest in capital stock, bonds, notes, debentures or other securities issued by any other Person, or any Guarantee by such Person of the Indebtedness of any other Person (in which case such Guarantee shall be deemed an Investment in such other Person in an amount equal to the aggregate amount of Indebtedness so guaranteed).

"Lien" means any mortgage, pledge, security interest, charge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), or security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement, other than notice filings not perfecting a security interest, under the Uniform Commercial Code or comparable law of any jurisdiction, domestic or foreign, in respect of any of the foregoing).

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds of such Asset Sale in the form of Cash or Cash Equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not the interest, component thereof) when received in the form of Cash or Cash Equivalents (except to the extent such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary of the Company), casualty loss insurance proceeds, condemnation awards and proceeds from the conversion of other property received when converted to Cash or Cash Equivalents, net of (i) brokerage commissions and other fees and expenses related to such Asset Sale, (ii) provision for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Subsidiaries, taken as a whole, (iii) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (A) in the case of a sale of all of the Equity Interests in any Restricted Subsidiary, is a direct obligation of such Restricted Subsidiary or (B) is required to be paid in connection with such sale, and (iv) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP, excluding, however, any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with any Asset Sale (including, without limitation, dispositions pursuant to sale-and-leaseback transactions), and excluding any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss.

"New Credit Agreement" means collectively (a) the Second Amended and Restated Credit Agreement dated as of the Closing Date, among the Company, the banks and other financial institutions named therein and Bankers Trust Company, as Agent, (b) the Second Amended and Restated Subsidiary Credit Agreement dated as of the Closing Date, among certain Subsidiaries of the Company named therein, the banks and other financial institutions named therein and Bankers Trust Company, as Agent, and (c) each note, guaranty, mortgage, pledge agreement, security agreement and other instrument and document from time to time entered into pursuant to or in respect of either such credit agreement or any such guaranty, as each such credit agreement and other document may be amended, restated, supplemented, extended, renewed or otherwise modified from time to time.

"Non-Global Securities" means, collectively, the Restricted Non-Global
"Non-Recourse Indebtedness" shall mean any Indebtedness of the Company or any of its Restricted Subsidiaries if the holder of such Indebtedness has no recourse, direct or indirect, absolute or contingent, to the general assets of the Company or any of its Restricted Subsidiaries.

"Officer" means, with respect to any corporation, the Chairman of the Board, any Vice Chairman, the President, any Vice President, the Treasurer, the Secretary, any Assistant Treasurer or any Assistant Secretary of such corporation.

"Officers' Certificate" means a written certificate signed in the name of the Company by any two of its Officers, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion rendered by legal counsel who may be counsel to the Company and who is acceptable to the Trustee.

"Permitted Investments" means (a) any Investments in the Company or in a Restricted Subsidiary other than a Permitted Joint Venture; (b) any Investments in Cash or Cash Equivalents; (c) Investments by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment (i) such Person becomes a Restricted Subsidiary of the Company or (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary; (d) loans and advances to employees not exceeding $500,000 per individual at any one time and $5,000,000 outstanding in the aggregate at any one time; (e) Investments in Group Practice Affiliates, Inc. and its Subsidiaries, in the Technologies and Management Information Unit and its Subsidiaries, not to exceed $70,000,000 in the aggregate at any one time; (f) Investments in a Permitted Joint Venture, provided that (A) after giving effect to such Investment, the Company's Consolidated Interest Coverage Ratio is at least 2.00, (B) no Default or Event of Default has occurred and is continuing or would result therefrom, (C) if such Investment in such Permitted Joint Venture is in excess of $5,000,000, the Investment is approved by a majority of the Disinterested Directors of the Company and (D) if such Investment in such Permitted Joint Venture is in excess of $25,000,000, the Company has received an opinion from a nationally recognized investment banking firm that such Investment is fair to the Company, from a financial point of view; (g) Permitted Minority Investments, provided that (A) after giving effect to such Investments, the Company's Consolidated Interest Coverage Ratio is at least 2.00, (B) no Default or Event of Default has occurred and is continuing or would result therefrom, (C) the sum of (x) the Book Value of such Permitted Minority Investment together with the aggregate Book Values of all other Permitted Minority Investments of the Company and its Restricted Subsidiaries (the Book Value of each such Permitted Minority Investment determined as of the date such Investment was made), and (y) the aggregate Book Value of assets of all Guarantors that have become Permitted Joint Ventures (determined for each such Guarantor as of the time immediately prior to the transaction pursuant to which it became a Permitted Joint Venture), does not exceed $100,000,000, (D) if such Permitted Minority Investment is in excess of $5,000,000, the Permitted Minority Investment is approved by a majority of the Disinterested Directors of the Company and (E) if such Permitted Minority Investment is in excess of $25,000,000, the Company has received an opinion from a nationally recognized investment banking firm that the Permitted Minority Investment is fair to the Company, from a financial point of view; (h) Investments constituting non-Cash proceeds of Asset Sales; (i) Investments by foreign subsidiaries of the Company cash and instruments or securities of the highest grade investment available in local currencies or in certificates of deposit (or comparable instruments) with banks with which such Subsidiary regularly transacts business; (j) Investments in foreign Unrestricted Subsidiaries not to exceed at any one time the equivalent in foreign currencies of $25,000,000 in U.S. Dollars in the aggregate; and (k) additional Investments not to exceed $10,000,000 outstanding at any one time.

"Permitted Joint Venture" means a Subsidiary of the Company (i) which is not a Wholly-owned Subsidiary of the Company, (ii) which is in a healthcare or a healthcare-related business, and (iii) in which the Company or any Restricted Subsidiary (A) has at least a majority of the Equity Interests and
(B) is entitled to elect or appoint the directors, managers or trustees thereof, as applicable.

"Permitted Minority Investment" means any Investment in any Person (i) which is in the healthcare or healthcare-related business and (ii) in which the Company and its Restricted Subsidiaries (A) have less than a majority of the Equity Interests or (B) are not entitled to elect or appoint the directors, managers or trustees thereof, as applicable.

"Permitted Triangular Merger" means a merger immediately after the consummation of which all of the outstanding Capital Stock of the Company or of the entity into which the Company is merged is owned beneficially and of record by a parent holding company.

"Person" means any individual, corporation, partnership, joint venture, incorporated or unincorporated association, joint-stock company, limited liability company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A under the Securities Act.

"Redeemable Stock" means any Equity Interest which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable before the Stated Maturity of the Securities), or upon the happening of any event, matures or is mandatorily redeemable, in whole or in part, prior to the Stated Maturity of the Securities.

"Redemption Date" or "redemption date" means the date specified for redemption of the Securities in accordance with the terms of the Securities and this Indenture.

"Redemption Price" or "redemption price" shall have the meaning set forth in paragraph 5 of the Securities.

"Restricted Global Security" means a Security issued under this Indenture in global form registered in the name of an eligible nominee of the Depository in accordance with Section 2.01 and bearing the legends set forth in Exhibit C.

"Restricted Non-Global Security" means a Security issued under this Indenture in the form of and bearing the legend set forth in Exhibit A.

"Restricted Securities" means, collectively, the Restricted Non-Global Securities and Restricted Global Securities.

"Restricted Subsidiary" means each of the Subsidiaries of the Company that has not been designated an Unrestricted Subsidiary.

"Rights Plan" means the Company's Share Purchase Rights Plan dated July 21, 1992, as amended prior to the date of this Indenture and as hereafter amended, restated, supplemented or otherwise modified from time to time.

"SEC" means the Securities and Exchange Commission and any successor thereto.

"Securities" means collectively, unless the context expressly provides otherwise, all 11 1/4% Senior Subordinated Notes due 2004 issued in any form under this Indenture.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations of the SEC thereunder.

"Securities Custodian" means Marine Midland Bank, as custodian with respect to the Securities in global form, or any successor entity thereto.
"Securityholder" or "Holder" means a Person in whose name a Security is registered on the Registrar's books.

"Significant Subsidiary" means any Subsidiary of the Company which has total assets in excess of $1,000,000 or which holds the capital stock of a Significant Subsidiary.

"Specified Senior Indebtedness" means Senior Indebtedness under the New Credit Agreement or any replacement or substitute facility or facilities thereof and each single issue of other Senior Indebtedness having an outstanding principal balance of $50,000,000 or more.

"Stated Maturity," when used with respect to any Security, means the date specified in such Security as the fixed date on which an amount equal to the principal of such Security is due and payable.

"Subsidiary" means any corporation, association, limited or general partnership, limited liability company, joint venture or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other Equity Interests entitled (without regard to the occurrence of any contingency) to vote generally in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"Technologies and Management Information Unit" means the Subsidiary of the Company formed or to be formed for the purpose of conducting management and information systems businesses, which may include Strategic Advantage, Inc.

"TIA" means the Trust Indenture Act of 1939, as amended and as in effect on the date of this Indenture; PROVIDED, HOWEVER, that in the event the TIA is amended after such date, TIA means, to the extent required by any such amendment, the TIA as so amended.

"Trust Officer," when used with respect to the Trustee, means the chairman or vice-chairman of the Board of Directors, the chairman or vice-chairman of the executive committee of the Board of Directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Trustee" means the party named as the "Trustee" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor.

"Unrestricted Global Security" means a Security issued under this Indenture in global form registered in the name of an eligible nominee of the Depository in accordance with Section 2.01 of this Indenture and bearing the legend set forth in Exhibit D.

"Unrestricted Non-Global Security" means a Security issued under this Indenture in the form of Exhibit B.

"Unrestricted Securities" means, collectively, the Unrestricted Non-Global Securities and the Unrestricted Global Securities.

"Unrestricted Subsidiary" means (i) any of Group Practice Affiliates, Inc. and its Subsidiaries, and the Technologies and Management Information Unit and its Subsidiaries, (ii) the Insurance Subsidiaries, (iii) Societe Anonyme de La Metairie, (iv) any Subsidiary of the Company or a Restricted Subsidiary (a)
that, at the time of determination, shall be designated by the Board of
Directors of the Company as an Unrestricted Subsidiary as provided below and (b)
all of the Indebtedness of which shall be non-recourse to the Company and its
Restricted Subsidiaries, and (v) any Subsidiary of an Unrestricted Subsidiary;
provided that, notwithstanding clause (iv)(b) above, the Company or any
Subsidiary of the Company may guarantee, endorse, agree to provide funds for the
payment or maintenance of, or otherwise become directly or indirectly liable
with respect to, Indebtedness of an Unrestricted Subsidiary but only to the
extent that the Company or such Subsidiary could make an Investment in such
Unrestricted Subsidiary pursuant to Section 5.06 and any such guarantee,
endorsement or agreement shall be deemed an incurrence of Indebtedness by the
Company or such Subsidiary for purposes of Section 5.08. For up to six months
after the acquisition or formation of a Subsidiary, the Board of Directors may
designate such Subsidiary as an Unrestricted Subsidiary unless such Subsidiary
owns any Capital Stock of any Restricted Subsidiary. Any such designation by
the Board of Directors of the Company shall be evidenced by filing with the
Trustee a certified copy of the resolution of the Board of Directors of the
Company designating such Subsidiary and an Officers' Certificate
certifying that such designation complied with the foregoing conditions.

"U.S. Government Obligations" means money or direct noncallable
obligations of, or noncallable obligations guaranteed by, the United States of
America for the payment of which guarantee or obligation the full faith and
credit of the United States is pledged.

"Wholly-owned Subsidiary" of any person means any Subsidiary of such
Person to the extent 95% or more of the entire voting share capital of such
Subsidiary is owned by such Person (either directly or indirectly through
Wholly-owned Subsidiaries).

SECTION 1.02. OTHER DEFINITIONS.

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<thead>
<tr>
<th>Term</th>
<th>Defined in Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Acceleration Notice&quot;</td>
<td>7.02</td>
</tr>
<tr>
<td>&quot;Beneficial Owner&quot;</td>
<td>2.15</td>
</tr>
<tr>
<td>&quot;Act&quot;</td>
<td>1.05</td>
</tr>
<tr>
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<td>2.03</td>
</tr>
<tr>
<td>&quot;Event of Default&quot;</td>
<td>7.01</td>
</tr>
<tr>
<td>&quot;Excess Proceeds&quot;</td>
<td>5.15</td>
</tr>
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<td>5.15</td>
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<td>4.08</td>
</tr>
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<tr>
<td>&quot;Non-Payment Default&quot;</td>
<td>11.03</td>
</tr>
<tr>
<td>&quot;Notice of Default&quot;</td>
<td>7.01</td>
</tr>
<tr>
<td>&quot;Obligations&quot;</td>
<td>3.01</td>
</tr>
<tr>
<td>&quot;Paying Agent&quot;</td>
<td>2.03</td>
</tr>
<tr>
<td>&quot;Payment Default&quot;</td>
<td>11.03</td>
</tr>
<tr>
<td>&quot;Permitted Junior Securities&quot;</td>
<td>11.02</td>
</tr>
<tr>
<td>&quot;Refinancing Indebtedness&quot;</td>
<td>5.08</td>
</tr>
<tr>
<td>&quot;Register&quot;</td>
<td>2.03</td>
</tr>
<tr>
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<td>2.03</td>
</tr>
<tr>
<td>&quot;Senior Indebtedness&quot;</td>
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</tbody>
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SECTION 1.03. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.
Whenever this Indenture refers to a provision of the TIA, such provision is
incorporated by reference in and made a part of this Indenture. The following
TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC.

"Indenture securities" means the Securities.
"Indenture security holder" means a Security-holder.

"Indenture to be qualified" means this Indenture.

"Indenture trustee" or "institutional trustee" means the Trustee.

"Obligor" on the indenture securities means the Company.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.04. RULES OF CONSTRUCTION. Unless the context otherwise requires:

(1) A term has the meaning assigned to it herein, whether defined expressly or by reference;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) "including" means including, without limitation;

(5) words in the singular include the plural, and words in the plural include the singular; and

(6) "herein," "hereof" and other words of similar nature refer to this Indenture as a whole and not to any particular or individual article, section or part of an article or section (unless the context clearly otherwise requires).

SECTION 1.05. ACTS OF HOLDERS.

(1) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(2) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Trustee deems sufficient.

(3) The ownership of Securities shall be proved by the Register.

(4) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(5) If the Company shall solicit from the Holders
any request, demand, authorization, direction, notice, consent, waiver or other act, the Company may, at its option, by or pursuant to a resolution of its Board of Directors, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

ARTICLE 2
THE SECURITIES

SECTION 2.01. FORM AND DATING. The Restricted Non-Global Securities and the Trustee's certificate of authentication thereon shall be substantially in the form of Exhibit A hereto. The Unrestricted Non-Global Securities and the Trustee's certificate of authentication thereon shall be substantially in the form of Exhibit B. Restricted Global Securities shall be in the form of Exhibit A hereto except that the legend on the face of such Security shall be in the form of the legend set forth in Exhibit C hereto. Unrestricted Global Securities shall be in the form of Exhibit B hereto and bearing the legend set forth in Exhibit D hereto. The Securities may have notations, legends or endorsements required by law, stock exchange rule or agreements to which the Company is subject, if any, or usage. The Company shall approve the form of the Securities and any notation, legend or endorsement on them, and such approval shall be evidenced by the execution of such Securities by two Officers of the Company. Each Security shall be dated the date of its authentication.

The Securities may be issued in global form, as either Restricted Global Securities or Unrestricted Global Securities. Global Securities shall be registered in the name of a nominee of the Depository and deposited with the Trustee, at its New York office, in its capacity as Securities Custodian, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The Company, the Trustee and any agent thereof shall be entitled to treat the Depository or its nominee, as the case may be, as the sole owner and holder of such Global Securities for all purposes. Each Global Security shall evidence such of the outstanding Securities as shall be specified therein and each shall provide that it shall evidence the aggregate principal amount of outstanding Securities from time to time endorsed thereon, and that the aggregate principal amount of outstanding Securities represented thereby may from time to time be reduced or increased, as applicable, to reflect exchanges, redemptions, and other similar transactions. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Trustee or the Securities Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof.

Securities issued by the Company and authenticated and delivered by the Trustee under this Indenture in reliance on Rule 144A under the Securities Act shall be issued in the form of Restricted Securities in definitive, fully registered form, without interest coupons, either as Restricted Global Securities or Restricted Non-Global Securities, with such legends as appear thereon.

The terms and provisions contained in the forms of the Securities, annexed hereto as Exhibits A, B, C and D, shall constitute, and are hereby expressly made, a part of this Indenture. To the extent applicable, the Company, the Guarantors and the Trustee by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.
SECTION 2.02. EXECUTION AND AUTHENTICATION; AGGREGATE PRINCIPAL AMOUNT. Two Officers shall sign the Securities for the Company by facsimile or manual signature. The Company's seal may be reproduced or imprinted on the Securities, by facsimile or otherwise.

If a Person whose signature is on a Security as an Officer no longer holds that office or position at the time the Trustee authenticates the Security, the Security shall be valid nevertheless.

A Security shall not be valid until the Trustee manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee shall authenticate and make available for delivery (i) Restricted Securities for original issuance in an aggregate principal amount at maturity of $375,000,000 and (ii) Unrestricted Securities from time to time for issuance only in exchange for a like principal amount of Restricted Securities, in each case upon a written order of the Company signed by an Officer of the Company and delivered to the Trustee. The order shall specify the amount of Securities to be authenticated, the date on which the Securities are to be authenticated and whether the Securities are to be Restricted Securities or Unrestricted Securities. The aggregate principal amount of Securities outstanding at any time under this Indenture may not exceed $375,000,000, except as provided in Section 2.07 of this Indenture.

The Securities shall be issuable only in registered form, without coupons, and only in minimum denominations of $1,000 and any integral multiple thereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate the Securities, which authenticating agent shall be compensated by the Company. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Except as provided in the preceding sentence, each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Agent.

SECTION 2.03. REGISTRAR AND PAYING AGENT. The Company shall maintain an office or agency within the City of New York, Borough of Manhattan, where Securities may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Securities may be presented for payment ("Paying Agent"). Unless otherwise designated by the Company, the Company's office or agency maintained for such purpose in the City of New York, Borough of Manhattan, will be the office of the Trustee. The Securities will be payable both as to principal and interest at the office of the Paying Agent, or, at the option of the Company, payment of interest may be made by check mailed to the Holders of the Securities at their respective addresses set forth in the register of Holders of Securities. The Registrar shall keep a register of the Securities, the names and addresses of the Securityholders and of the transfer and exchange of the Securities (the "Register"). The Company may have one or more co-Registrars and one or more additional Paying Agents. The term "Registrar" includes any co-Registrar and the term "Paying Agent" includes any additional Paying Agent. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company shall enter into an appropriate written agency agreement with any Agent not a party to this Indenture. Each such agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall give prompt written notice to the Trustee of the name and address of any such Agent and any change in the address of such Agent. The Company may change an Agent without prior notice to the Holders. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to receive appropriate compensation therefor in accordance with Section 8.07 of this Indenture.

The Company initially appoints the Trustee to act as Registrar and
The Depository Trust Company ("DTC") to act as Depository with respect to any Restricted Global Securities and initially appoints the Trustee to act as Securities Custodian with respect to any Restricted Global Securities.

SECTION 2.04. PAYING AGENT TO HOLD MONEY IN TRUST. The Company shall require each Paying Agent other than the Trustee to agree in writing that such Paying Agent shall hold in trust for the benefit of Securityholders all money held by it for the payment of principal, premium, if any, or interest on the Securities, and such Paying Agent shall notify the Trustee of any default by the Company in making any such payment. If the Company or any of its Subsidiaries acts as Paying Agent, it shall segregate the money and hold it as a separate trust fund for the benefit of Securityholders. The Company at any time may require a Paying Agent to pay all money held by it as Paying Agent to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any Payment Default, upon written request to a Paying Agent, require such Paying Agent to pay all money held by it as Paying Agent to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent shall have no further liability for the money so paid over to the Trustee.

SECTION 2.05. SECURITYHOLDER LISTS. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders and shall otherwise comply with the provisions of TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least ten Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Securityholders, and the Company shall otherwise comply with the provisions of TIA Section 312(a).

The Trustee shall be entitled to rely upon a certificate of the Registrar, the Company or another Paying Agent, as the case may be, as to the names and addresses of the Securityholders and the principal amounts and serial numbers of the Securities.

SECTION 2.06. TRANSFER AND EXCHANGE.

(a) TRANSFER AND EXCHANGE OF NON-GLOBAL SECURITIES. When Non-Global Securities are presented to the Registrar with the request:

(x) to register the transfer of such Securities; or

(y) to exchange such Securities for an equal principal amount of Non-Global Securities of other authorized denominations,

the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met; PROVIDED, HOWEVER, that the Non-Global Securities presented or surrendered for register of transfer or exchange:

(i) shall be duly endorsed and accompanied by a written instruction of transfer in form and substance satisfactory to the Company and the Registrar duly executed by the Holder thereof or by its attorney-in-fact, duly authorized in writing; and

(ii) in the case of Restricted Non-Global Securities shall be accompanied by the following additional information and documents, as applicable:

(A) if such Restricted Non-Global Securities are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect (in substantially the form of the Assignment Form provided in Exhibit A to this Indenture); or

(B) if such Restricted Non-Global Securities are being transferred to a Qualified Institutional Buyer in accordance with Rule 144A under the Securities Act, pursuant to the resale limitations of Rule 144 under the Securities Act, or pursuant to an effective registration statement under the Securities Act, a certification to that effect from the
transferor (in substantially the form of the Assignment Form provided in Exhibit A to this Indenture); and an opinion of counsel from the transferee in form and scope reasonably acceptable to the Company and to the Registrar to the effect that such transfer is in compliance with the Securities Act; or

(C) if such Restricted Non-Global Securities are being transferred (other than by the means specified in clause (B) above) in reliance on another exemption from the registration requirements of the Securities Act, a certification to that effect from the transferor (in substantially the form of the Assignment Form provided in Exhibit A to this Indenture), and an opinion of counsel from the transferee in form and scope reasonably acceptable to the Company and to the Registrar to the effect that such transfer is in compliance with the Securities Act.

(b) RESTRICTIONS ON TRANSFER OF A RESTRICTED NON-GLOBAL SECURITY FOR A BENEFICIAL INTEREST IN A RESTRICTED GLOBAL SECURITY. A Restricted Non-Global Security may be transferred at any time in accordance with Rule 144A under the Securities Act to a Qualified Institutional Buyer upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Restricted Non-Global Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with:

(i) a certification from the transferor, (substantially in the form of the Assignment Form provided in Exhibit A to this Indenture), that such Restricted Non-Global Security is being transferred to a Qualified Institutional Buyer in accordance with Rule 144A under the Securities Act and an opinion of counsel from the transferee in form and scope reasonably acceptable to the Company and to the Registrar to the effect that such transfer is in compliance with the Securities Act; and

(ii) written instructions directing the Trustee or the Securities Custodian, as applicable, to make an endorsement on the Restricted Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Restricted Global Security,

then the Trustee shall cancel such Restricted Non-Global Security and cause, or direct the Securities Custodian to cause, in accordance with the standing instructions and procedures existing between the Depository and the Securities Custodian, the aggregate principal amount of Securities represented by the Restricted Global Security to be increased correspondingly and an endorsement shall be made on such Restricted Global Security, by the Trustee or the Securities Custodian, at the direction of the Trustee, to reflect such increase. If no Restricted Global Securities are then outstanding, the Company shall issue and execute and the Trustee shall authenticate and deliver to the Securities Custodian (who, in turn, shall enter into appropriate arrangements with the Depository) a new Restricted Global Security in the appropriate aggregate principal amount.

(c) TRANSFER AND EXCHANGE OF GLOBAL SECURITIES. The transfer and exchange of Global Securities or the beneficial interests therein shall be effected through the Depository, in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depository and its participants therefor.

(d) RESTRICTIONS ON THE TRANSFER AND EXCHANGE OF A BENEFICIAL INTEREST IN A GLOBAL SECURITY FOR A NON-GLOBAL SECURITY.

(i) Except in the circumstances set forth below in subsection (f) of this Section 2.06, any Person having a beneficial interest in a Restricted Global Security may not exchange such beneficial
interest for a Restricted Non-Global Security.

(ii) Upon receipt by the Trustee of (A) written instructions or such other form of instructions from the Depository or its nominee as is customary for the Depository on behalf of any Person having a beneficial interest in a Global Security, (B) a written order of such Person requesting issuance of a Non-Global Security and containing registration instructions and (C) in the case of Restricted Securities only, the following additional information and documents (all of which may be submitted by facsimile):

(a) if such beneficial interest is being transferred to a Qualified Institutional Buyer in accordance with Rule 144A under the Securities Act, pursuant to the resale limitations of Rule 144 under the Securities Act, or pursuant to an effective registration statement under the Securities Act, a certification to that effect from the transferor (in substantially the form of the Assignment Form provided in Exhibit A to this Indenture) and an opinion of counsel from the transferee in form and scope reasonably acceptable to the Company and to the Registrar to the effect that such transfer is in compliance with the Securities Act; or

(b) if such beneficial interest is being transferred (other than by the means specified in clause (a) above) in reliance on another exemption from the registration requirements of the Securities Act, a certification to that effect from the transferor (in substantially the form of the Assignment Form provided in Exhibit A to this Indenture) and an opinion of counsel from the transferee in form and scope reasonably acceptable to the Company and to the Registrar to the effect that such transfer is in compliance with the Securities Act, the Trustee or the Securities Custodian, at the direction of the Trustee, shall cause, in accordance with the standing instructions and procedures then existing between the Depository and the Securities Custodian, the aggregate principal amount of the Restricted Global Security to be reduced and, following such reduction, the Company shall issue and, upon receipt of an authentication order accompanied by or in the form of an Officers' Certificate, the Trustee shall authenticate and deliver to the transferee a Restricted Non-Global Security.

(e) RESTRICTIONS ON TRANSFER AND EXCHANGE OF GLOBAL SECURITIES. Notwithstanding any other provisions of this Indenture (other than the provisions set forth below in subsection (f) of this Section 2.06), a Global Security may not be transferred as a whole except by the Depository to a nominee of the Depository, by a nominee of the Depository to the Depository or another nominee of the Depository, or by the Depository or any of its nominees to a successor Depository or a nominee of such successor Depository, who in all cases are eligible to serve in such capacities under Section 17A of the Exchange Act and applicable law.

(f) EXCHANGE OF A BENEFICIAL INTEREST IN A GLOBAL SECURITY FOR A NON-GLOBAL SECURITY.

(i) If (A) the Depository notifies the Company that it is unwilling or unable to continue serving as Depository for such Securities and a successor depository is not appointed by the Company pursuant to Section 2.15 of this Indenture, (B) there is a determination that the Depository has ceased to be a clearing agency registered under Section 17A of the Exchange Act and a successor Depository is not appointed by the Company pursuant to
Section 2.15 of this Indenture or (C) the Company, in its sole discretion, elects to cause the issuance of Restricted Non-Global Securities under this Indenture in exchange for Restricted Global Securities, then (X) the Company shall so notify the Trustee, (Y) the Trustee shall cause the Securities Custodian to deliver the Global Securities held by such Depository to the Trustee and upon receipt thereof shall cancel such Global Securities and (Z) the Company shall issue, and upon receipt of an authentication order accompanied by or in the form of an Officers' Certificate, the Trustee shall authenticate and deliver Non-Global Securities to such Persons and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants, shall instruct the Trustee.

(ii) If an Event of Default with respect to the Securities and this Indenture occurs and is continuing and an owner of a beneficial interest in a Restricted Global Security notifies the Trustee of such Event of Default and requests in writing that its interest in the Restricted Global Security be exchanged for Restricted Non-Global Securities, then the Trustee, or the Securities Custodian at the direction of the Trustee, shall cause, in accordance with the standing instructions and procedures then existing between the Depository and the Securities Custodian, the aggregate principal amount of the Restricted Global Security to be reduced and, following such reduction, the Company shall issue and, upon receipt of an authentication order accompanied by or in the form of an Officers' Certificate, the Trustee shall authenticate and deliver Restricted Non-Global Securities to such Person.

(g) LEGENDS.

(i) Except as permitted by subparagraph (ii) below, each certificate evidencing the Restricted Securities (and all Restricted Securities issued in exchange therefor or substitution thereof) shall bear a legend in substantially the following form:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSON EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) WHO IS AN INSTITUTION (AN "INSTITUTIONAL ACCREDITED INVESTOR"), (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE DATE OF ORIGINAL ISSUE OF THIS NOTE AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (THE "RESALE RESTRICTION TERMINATION DATE") RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE, EXCEPT (A) TO THE ISSUER, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH THE RESALE PROVISIONS OF RULE 144A UNDER THE SECURITIES ACT, (C) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE TRUSTEE A WRITTEN CERTIFICATION CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE), (D) PURSUANT TO THE RESALE LIMITATIONS PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (F) PURSUANT TO ANY
OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH ACCOUNT BE AT ALL TIMES WITHIN ITS CONTROL AND TO COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IF THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE ISSUER SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE RESALE RESTRICTION TERMINATION DATE.

(ii) Upon any resale or transfer of Restricted Securities pursuant to the resale limitations of Rule 144 under the Securities Act or an effective registration statement under the Securities Act:

(A) in the case of any Restricted Non-Global Securities, the Registrar shall permit the Holder thereof to exchange such Restricted Non-Global Securities for Unrestricted Non-Global Securities that do not bear the legend set forth in Section 2.06(g)(i) above and rescind any restriction and "stop" instructions on the transfer of such Restricted Non-Global Securities; and

(B) in the case of any Restricted Global Securities, such Restricted Global Securities shall neither be subject to the provisions nor bear the legend set forth in Section 2.06(g)(i) above; PROVIDED, HOWEVER, that with respect to any request for an exchange of Restricted Global Security for an Unrestricted Security which request is made in reliance upon Rule 144, the Holder thereof shall, in addition to all applicable requirements set forth in this Section 2.06, certify in writing to the Registrar that such request is being made pursuant to Rule 144 (such certification to be substantially in the form of the Assignment Form provided in Exhibit A to this Indenture).

(iii) Notwithstanding the foregoing, upon consummation of the Exchange Offer, the Company shall issue, and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate and deliver, Unre-

stricted Securities in exchange for Restricted Securities accepted for exchange and exchanged in the Exchange Offer, which Unrestricted Securities shall not bear the legend set forth in Section 2.06(g)(i) above, and the Registrar shall rescind any restriction and "stop" instructions on the transfer of such Securities, in each case unless the Holder of such Securities is either (A) a broker-dealer who purchased such Securities directly from the Company to resell pursuant to Rule 144A or any other available exemption under the Securities Act, (B) a person who has acquired the Securities in other than the ordinary course of business, (C) a Person participating in the distribution of the Securities or (D) a Person who is an affiliate (as defined in Rule 144A) of the Company.

(h) CANCELLATION AND/OR ADJUSTMENT OF RESTRICTED GLOBAL SECURITY. At such time as all beneficial interests in a Restricted Global Security have either been exchanged for individually denominated Securities, redeemed, repurchased or cancelled, such Restricted Global Security shall be returned to
or retained and cancelled by the Trustee or the Securities Custodian, as applicable. At any time prior to such cancellation, if any beneficial interest in a Restricted Global Security is exchanged for Non-Global Restricted Securities, redeemed, repurchased or cancelled, the aggregate principal amount of Securities represented by such Restricted Global Security shall be reduced correspondingly and an endorsement shall be made on such Restricted Global Security, by the Trustee or the Securities Custodian, at the direction of the Trustee, to reflect such reduction.

(i) OBLIGATIONS WITH RESPECT TO TRANSFERS AND EXCHANGES OF NON-GLOBAL SECURITIES.

(i) To permit registrations of transfers and exchanges, the Company shall issue and the Trustee shall authenticate and deliver Restricted Securities and Unrestricted Securities at the Registrar's request upon satisfaction of the requirements for such transfer or exchange, if any.

(ii) No service charge shall be made to a Holder for any registration or transfer or exchange, but the Company or the Trustee may require from the Holder payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer tax or similar governmental charge payable upon exchanges pursuant to Section 2.10, which shall be paid by the Company).

(iii) The Registrar shall not be required to register the transfer or exchange of any Restricted Non-Global Security or Unrestricted Security selected for redemption in whole or in part pursuant to Article 4, except the unredeemed portion of any Non-Global Security being redeemed in part.

(iv) All Restricted Securities and Unrestricted Securities issued upon any registration of transfer or exchange of Restricted Securities and Unrestricted Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under the Indenture, as the Securities for which they were issued upon exchange.

(v) The Company and the Registrar shall not be required

(A) to issue, register the transfer of or exchange Securities during the period beginning at the opening of business on the 15th day next preceding the date of any selection of Securities for redemption and ending at the close of business on the date of selection, or

(B) to register the transfer of any Security so selected for redemption

in whole or in part, except the unredeemed portion of any Security being redeemed in part.

(vi) Prior to due presentment for registration of transfer of any Security, the Trustee, any Paying Agent, any Registrar and the Company may deem and treat the Person in whose name any Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of, premium, if any, and interest on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and neither the Trustee, any Paying Agent, any Registrar nor the Company shall be affected by notice to the contrary.

SECTION 2.07. REPLACEMENT SECURITIES. If a mutilated Security is
surrendered to the Trustee or if the Company and the Trustee receive evidence to their satisfaction that such Security has been lost, destroyed or wrongfully taken, the Company shall issue a replacement Security, and the Trustee shall authenticate such replacement Security if the Trustee’s requirements are met. If required by the Trustee or the Company, an indemnity bond must be provided by the Securityholder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent or any authenticating agent from any loss which any of them may suffer if a Security is replaced. The Company and the Trustee may charge such Holder for its expenses in replacing a Security.

Every replacement Security is an additional obligation of the Company.

SECTION 2.08. OUTSTANDING SECURITIES. Securities outstanding at any time are all Securities that have been authenticated by the Trustee, except for those cancelled by it, those delivered to it for cancellation and those described in this Section 2.08 as not outstanding. A Security does not cease to be outstanding because the Company or one of its Affiliates holds the Security.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a BONA FIDE purchaser without notice of the replacement.

If the Paying Agent holds, in accordance with this Indenture, on the Stated Maturity or any redemption date, money sufficient to pay all principal and interest on the Securities payable on that date, then on and after that date such Securities shall be deemed to be no longer outstanding and interest on them shall cease to accrue.

Upon a "legal defeasance" pursuant to Article 9, the Securities shall be deemed to be outstanding to the extent provided in the applicable Section of Article 9.

SECTION 2.09. TREASURY SECURITIES. In determining whether the Holders of the required principal amount of Securities have concurred in any request, demand, authorization, direction, notice, waiver, consent or other action, Securities owned by the Company or any of its Affiliates and the voting rights related to such Securities shall be disregarded, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded.

SECTION 2.10. TEMPORARY SECURITIES. Until definitive Securities are ready for delivery, the Company may prepare, and the Trustee shall authenticate, upon written order of the Company signed by an Officer thereof, temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare, and the Trustee shall authenticate, definitive Securities in exchange for temporary Securities.

Until such exchange, such temporary Securities shall be entitled to the same rights, benefits and privileges as the definitive Securities.

SECTION 2.11. CANCELLATION. The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Securities surrendered for registration of transfer, exchange, payment or cancellation and upon request of the Company, certification of their destruction shall be delivered to the Company unless by written order signed by two Officers of the Company, the Company shall direct that cancelled securities be returned to it. The Company may not issue new Securities to replace Securities it has paid for or delivered to the Trustee for cancellation.
SECTION 2.12. DEFAULTED INTEREST. If the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest in any lawful manner, plus, to the extent permitted by law, any interest payable on the defaulted interest, to the Persons who are Securityholders on a subsequent special record date, in each case at the rate provided in the Securities. Such special record date shall be the tenth day next preceding the date fixed by the Company for the payment of defaulted interest, whether or not such day is a Business Day. At least 15 days before the special record date, the Company shall mail or cause to be mailed to each Securityholder and the Trustee a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.13. CUSIP NUMBER. The Company in issuing the Securities may use a "CUSIP" number. If so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Securityholders; provided that any such notice may state that no representation is made as to the correctness of such numbers or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP number.

SECTION 2.14. DEPOSIT OF MONEYS. On or before 11:00 A.M., New York City time, on each payment date, the Company shall deposit with the Trustee or Paying Agent in immediately available funds money sufficient to make Cash payments, if any, due on such payment date. The interest, if any, on Book-Entry Securities shall be payable to the Depository or its nominee, as the case may be, as the sole registered owner and the sole holder of the Book-Entry Securities represented thereby. The interest, if any, on Securities in certificated form shall be payable at the office of the Paying Agent or, at the option of the Company, payment of interest may be made by check mailed to the Holders of the Securities at their respective addresses set forth in the Register.

SECTION 2.15. GLOBAL SECURITIES.

(a) The Company and the Trustee may treat the Depository as, and shall deem the Depository to be, the absolute owner of each Security evidenced by the Global Securities for the purpose of payment of the principal of and premium, if any, and interest on such Security, for the purpose of registering transfers with respect to such Securities, and for all other purposes whatsoever (except for the giving of certain Securityholder consents, in accordance with the practices and procedures of the Depository as may be applicable thereto). Neither the Company nor the Trustee shall have any responsibility or obligation to any of the Depository's direct or indirect participants. Without limiting the immediately preceding sentence, neither the Company nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Depository or its nominee or any of its direct or indirect participants with respect to any ownership interest in the Global Securities, (ii) the delivery to any of the Depository's direct or indirect participants or any other person, other than the Depository of any notice with respect to the Securities evidenced by the Global Securities, (iii) the payment to any of the Depository's direct or indirect participants or any other person, other than the Depository, of any amount with respect to the principal of or premium, if any, or interest on the Securities evidenced by the Global Securities, and (iv) the failure of the Depository to provide any information or notification on behalf of any of the Depository's direct or indirect participants. The Trustee shall pay all principal of and premium, if any, and interest on the Securities only to or upon the order of the Depository, and all such payments shall be valid and effective to fully satisfy the Company's obligations with respect to the principal of and premium, if any, and interest on such Securities to the extent so paid. Notwithstanding the provisions of this Indenture to the contrary (including, without limitation, surrender of the Securities, registration thereof and authorized denominations), as long as any Security is in the form of a Global Security, full effect shall be given to the procedures and practices of the Depository with respect thereto, and the Trustee shall comply therewith.

(b) Upon (i) a notification by the Depository to the Company that the Depository is unwilling or unable to continue serving as Depository for such
Securities, (ii) a determination by the Depository that it has ceased to be a clearing agency registered under Section 17A of the Exchange Act, the Company shall (A) designate a satisfactory substitute Depository within 60 days after such notification in accordance with Section 2.15(c) of this Indenture, or, if a satisfactory substitute is not found, (B) provide for the exchange of the Restricted Global Securities for Restricted Non-Global Securities pursuant to Section 2.06 of this Indenture and in the denominations provided in Section 2.02 of this Indenture.

(c) Any substitute Depository shall be certified in writing by the Company to the Trustee, and the Company shall also certify to the Trustee that the substitute Depository qualifies as a Depository under this Section. Any such substitute Depository shall be a "clearing corporation" as defined in the New York Uniform Commercial Code and shall be qualified and registered as a "Clearing Agency" as provided in Section 17A of the Exchange Act. The substitute Depository shall provide for (i) immobilization and custodianship of the Global Securities, (ii) registration and transfer of beneficial interests in the Global Securities by book entries credited to the accounts of participants of the Depository or the Depository's Nominee, and (iii) payment of principal of, premium, if any, and interest on the Securities evidenced by the Global Securities in accordance with and as such beneficial interests may appear with respect to such book entries.

(d) So long as any Security is evidenced by a Global Security, notwithstanding anything to the contrary in this Indenture, the principal of and interest on such Security shall be payable by the Trustee when due by wire transfer to the Depository. Global Securities shall not be transferable or exchangeable for fully registered Securities of smaller denominations except in accordance with Section 2.06 of the Indenture.

ARTICLE 3
GUARANTEE

SECTION 3.01. GUARANTEE. For value received, the Guarantors, jointly and severally, hereby unconditionally guarantee to the Securityholders and to the Trustee the due and punctual payment of the principal of, and premium, if any, and interest on, the Securities, and all other amounts due and payable to the Trustee under this Indenture by the Company (collectively, the "Obligations"), when and as the same shall become due and payable, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise, according to the terms of the Securities and this Indenture. Each Guarantee pursuant to this Article 3 constitutes a guarantee of payment in full when due and not merely a guarantee of collectibility. Notwithstanding the foregoing, each Guarantor's liability under this Section 3.01 shall be limited to the maximum amount that would not result in such Guarantor's Guarantee under this Section 3.01 constituting a fraudulent conveyance or fraudulent transfer under applicable law.

SECTION 3.02. OBLIGATION OF THE GUARANTORS UNCONDITIONAL. Except as provided in Section 3.06, the obligations of each Guarantor hereunder shall be as aforesaid absolute and unconditional, and shall not be impaired, modified, released or limited by any occurrence or condition whatsoever, including, without limitation, (i) any compromise, settlement, release, waiver, renewal, extension, indulgence or modification of, or any change in, any of the obligations and liabilities of the Company contained in the Securities or this Indenture, (ii) any impairment, modification, release or limitation of the liability of the Company or its estate in bankruptcy, or any remedy for the enforcement thereof, resulting from the operation of any present or future provision of any applicable Bankruptcy Law, as amended, or other statute or from the decision of any court, (iii) the assertion or exercise by the Company or the Trustee of any rights or remedies under the Securities or this Indenture or their delay in or failure to assert or exercise any such rights or remedies,
(iv) the assignment or the purported assignment of any property as additional security for the Securities, including all or any part of the rights of the Company under this Indenture, (v) the extension of the time for payment by the Company of any payments or other sums or any part thereof owing or payable under any of the terms and provisions of the Securities or this Indenture or of the time for performance by the Company of any other obligations under or arising out of any such terms and provisions or the extension or the renewal of any thereof, (vi) the modification or amendment (whether material or otherwise) of any duty, agreement or obligation of the Company set forth in this Indenture, (vii) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affecting, the Company, or any of the other Guarantors or any of their respective assets, or the disaffirmance of this Guarantee pursuant to this Article 3 or the Securities or this Indenture in any such proceeding, (viii) the release or discharge of the Company from the performance or observance of any agreement, covenant, term or condition contained in any of such instruments by operation of law, (ix) the unenforceability of the Securities or this Indenture or any Guarantee pursuant to this Article 3 or (x) any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

SECTION 3.03. WAIVER RELATING TO GUARANTEES. Each Guarantor hereby
(i) waives diligence, presentment, demand of payment, filing of claims with a court in the event of the merger, insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company or to realize on any collateral, protest or notice with respect to the Obligations of the Company and all demands whatsoever, (ii) acknowledges that any agreement, instrument or document evidencing the Obligations may be transferred and that the benefit of its obligations hereunder shall extend to each holder of any agreement, instrument or document evidencing the Obligations without notice to them, and (iii) covenants that its Guarantee pursuant to this Article 3 will not be discharged except pursuant to Section 3.06 or by complete performance of the Obligations and of its Guarantee pursuant to this Article 3. Each Guarantor further agrees that if at any time all or any part of any payment theretofore applied by any Person to any Obligation is, or must be, rescinded or returned for any reason whatsoever, including, without limitation, the insolvency, bankruptcy or reorganization of the Company, such Obligation shall for the purposes of its Guarantee pursuant to this Article 3 to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence notwithstanding such application, and its Guarantee pursuant to this Article 3 shall continue to be effective or be reinstated, as the case may be, as to such Obligations as though such application had not been made.

SECTION 3.04. SUBORDINATION OF GUARANTEES. Each Guarantee of a Guarantor under this Article 3 is subordinate and junior in right of payment to the prior payment in full, in Cash, of all Senior Indebtedness of such Guarantor, including any guarantee issued by such Guarantor of any Senior Indebtedness, including Indebtedness described in clause (i) of Section 5.08 of this Indenture, to the same extent and in the same manner to which the Securities are subordinated pursuant to Article 11 hereof to the Senior Indebtedness of the Company, and all provisions of Article 11 hereof applicable to the subordination of the Securities shall similarly apply to the subordination of the Guarantees pursuant to this Article 3.

SECTION 3.05. WAIVER OF SUBROGATION RIGHTS. Each Guarantor hereby irrevocably waives all rights of subrogation, reimbursement, contribution, indemnity or otherwise against the Company as a result of any payment made by such Guarantor under its Guarantee pursuant to this Article 3.

SECTION 3.06. RELEASE OF GUARANTEES. Without any action required on the part of Holders of the Securities, the Trustee, the Company, or the Guarantors, a Guarantor shall be released and discharged from its obligations
under its Guarantee pursuant to this Article 3 (i) upon the sale or dissolution of such Guarantor, (ii) upon the consummation of any transaction whereupon such Guarantor becomes a Permitted Joint Venture, and (iii) upon the consummation of any transaction whereupon the Company's and its Restricted Subsidiaries' Investment in such Guarantor constitutes a Permitted Minority Interest.

SECTION 3.07. CONTRIBUTION OF GUARANTORS. In the event that any Guarantor (such Guarantor being herein referred to as the "Funding Party") shall make a payment under its Guarantee pursuant to this Article 3, it shall be entitled to a contribution from each other Guarantor (each, a "Contributor") in the amount of such Contributor's pro rata share of the amount of such payment by such Funding Party so long as exercise of such right does not impair the rights of Holders of Securities under any Guarantee. The failure of a Contributor to discharge its obligations under this Section 3.07 shall not affect the obligations of any Guarantor under its Guarantee pursuant to this Article 3. The obligations under this Section 3.07 shall be unaffected by any of the events described in Section 3.02 or any comparable events pertaining to the Funding Party, its Guarantee or the undertakings in this Section 3.07.

SECTION 3.08. REINSTATEMENT OF GUARANTEES. Each Guarantee pursuant to this Article 3 shall, to the fullest extent permitted by law, continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Securities, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any Holder, whether as a "voidable preference," "fraudulent conveyance," "fraudulent transfer," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Securities shall, to the fullest extent permitted by law, be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

ARTICLE 4 REDEMPTION

SECTION 4.01. RIGHT TO REDEEM; NOTICES TO TRUSTEE. At any time on and after April 15, 1999, the Company, at its option, may redeem the Securities in whole or in part for Cash in accordance with this Article 4 and the provisions of paragraph 5 of the Securities. If the Company elects to redeem Securities pursuant to paragraph 5 of the Securities, it shall notify the Trustee in writing of the Redemption Date, the principal amount of Securities to be redeemed and the Redemption Price.

The Company shall give the notice to the Trustee provided for in this Section 4.01 at least 45 days before the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee).

SECTION 4.02. INTENTIONALLY OMITTED.

SECTION 4.03. SELECTION OF SECURITIES TO BE REDEEMED. If less than all the outstanding Securities are to be redeemed at any time, the Trustee shall select the Securities to be redeemed in compliance with the requirements of the principal national securities exchange, if any, on which the Securities are listed or, if the Securities are not listed on a national securities exchange, on a pro rata basis. The Trustee shall make the selection at least 30 but not more than 60 days before the Redemption Date from outstanding Securities not previously called for redemption. Securities and portions of them selected for redemption by the Trustee shall be in principal amounts of $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly in writing of the Securities or portions of Securities to be redeemed.

SECTION 4.04. NOTICE OF REDEMPTION. Except as otherwise provided in Section 4.08 of this Indenture, at least 30 days but not more than 60 days before a Redemption
Date, the Company shall mail or cause to be mailed a notice of redemption by
first-class mail, postage prepaid, to each Holder of Securities to be redeemed
at the Holder's last address, as it shall appear on the registry book. A copy
of such notice shall be mailed to the Trustee on the same day the notice is
mailed to Holders unless the Trustee mails such notice to the Holders on behalf
of the Company.

The notice shall identify the Securities to be redeemed and shall
state:

(1) the Redemption Date;
(2) the Redemption Price;
(3) the CUSIP number, if one exists (subject to the provisions of
Section 2.13 hereof);
(4) the name and address of the Paying Agent;
(5) that Securities called for redemption must be surrendered to the
Paying Agent to collect the Redemption Price;
(6) if fewer than all the outstanding Securities are to be redeemed,
the identification and principal amounts of the particular Securities to be
redeemed;
(7) if any Security is being redeemed in part, the portion of the
principal amount of such Security to be redeemed and that, after the Redemption
Date, upon surrender of such Security, a new Security will be issued in the name
of the Holder thereof in principal amount equal to the unredeemed portion; and
(8) that, unless the Company defaults in making such redemption
payment, interest will cease to accrue on Securities or portions thereof called
for redemption on and after the Redemption Date.

At the Company's written request, the Trustee shall give the notice of
redemption in the Company's name and at the Company's expense; provided,
however, that in all cases, the text of such notice of redemption shall be
prepared or approved by the Company and the Trustee shall have no responsibility
whatsoever with regard to such notice being accurate or correct (except for the
selection of Securities pursuant to Section 4.03).

SECTION 4.05. EFFECT OF NOTICE OF REDEMPTION. Once notice of
redemption is given, Securities or portions thereof called for redemption become
due and payable on the Redemption Date and at the Redemption Price. Upon the
later of the Redemption Date and the date such Securities or portions thereof
are surrendered to the Paying Agent, such Securities called for redemption shall
be paid at the Redemption Price plus accrued interest to the Redemption Date, if
money sufficient for that purpose has been deposited as provided in Section 4.06
hereof. If a Redemption Date is on or before the date on which interest is
payable pursuant to the terms of the Securities (the "Interest Payment Date")
and on or after the related record date for such Interest Payment Date, any
interest accrued and unpaid to the Redemption Date shall be paid on such
Interest Payment Date to the person in whose name the Security is registered at
the close of business on such record date and the only remaining right of the
Holder of the Security called for redemption shall be to receive the Redemption
Price, excluding all accrued interest thereon, upon surrender of such Security
to the Paying Agent.

Notice of redemption shall be deemed to be given when mailed, whether
or not the Holder receives the notice. In any event, failure to give such
notice, or any defect therein, shall not affect the validity of the proceedings
for the redemption of the Securities.

SECTION 4.06. DEPOSIT OF REDEMPTION PRICE. On or prior to the
Redemption Date, the Company shall irrevocably deposit with the Paying Agent
(or if the Company or a Subsidiary or an Affiliate of either of them is the
Paying Agent, shall segregate and hold in trust) money sufficient to pay the
Redemption Price of, and all accrued interest on, all Securities to be redeemed
on that date other than Securities or portions of Securities called for
redemption which prior thereto have been delivered by the Company to the Trustee for cancellation. The Paying Agent shall return to the Company any money not required for these purposes.

If the Company complies with the preceding paragraph, interest on the Securities or portions thereof to be redeemed, whether or not such Securities are presented for payment, will cease to accrue on the applicable Redemption Date.

SECTION 4.07. SECURITIES REDEEMED IN PART. Upon surrender of a Security that is redeemed in part, the Company shall issue, and the Trustee shall authenticate and

make available for delivery to the Holder, a new Security in an authorized denomination equal in principal amount to the unredeemed portion of the Security surrendered.

SECTION 4.08. SPECIAL REDEMPTION PROCEDURES. The following provisions shall apply notwithstanding any other provision of this Article 4:

Within 10 days following any Change in Control or the occurrence of an event which mandates an Excess Proceeds Offer under Section 5.15 hereof, the Company shall mail to the Trustee and mail or cause to be mailed to each Holder a notice stating: (i) that the Change in Control Offer or Excess Proceeds Offer, as the case may be, is being made pursuant to this Section 4.08 and that all Securities tendered and not subsequently withdrawn will be accepted for payment and paid for by the Company; (ii) the Change in Control Purchase Price or the Excess Proceeds Purchase Price, as the case may be, and the purchase date (which shall not be less than 30 days nor more than 60 days after the date such notice is mailed) (the "Change in Control Payment Date" or "Excess Proceeds Offer Payment Date," respectively); (iii) that any Securities or portions of any Securities not tendered (or Securities which are tendered but subsequently withdrawn by the Holder prior to acceptance for payment by the Company) will continue to accrue interest and shall continue to be governed by the terms of this Indenture in all respects; (iv) that, unless the Company defaults in the payment thereof, all Securities and portions of Securities accepted for payment pursuant to the Change in Control Offer or Excess Proceeds Offer, as the case may be, shall cease to accrue interest on and after the Change in Control Payment Date or Excess Proceeds Offer Payment Date, as the case may be; (v) that Holders electing to have any Securities purchased pursuant to a Change in Control Offer or Excess Proceeds Offer, as the case may be, will be required to surrender the Securities to be purchased to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day next preceding the respective Change in Control Payment Date or Excess Proceeds Offer Payment Date; (vi) that Holders will be entitled to withdraw their election by written notice to the Company and the Trustee to have their Securities purchased by the Company on the terms and conditions set forth in the notice mailed by the Company or the Trustee relating to the Change in Control Offer or the Excess Proceeds Offer, as the case may be; and (vii) that Holders whose Securities are being purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the

Securities surrendered; provided that each portion of a Security purchased in part and each such new Security issued shall be in a principal amount of $1,000 or integral multiples thereof.

On (or, in the case of clause (i) of this paragraph, at the Company's election, before) the Change in Control Payment Date or Excess Proceeds Offer Payment Date, as the case may be, (i) the Company shall deposit with the Paying Agent immediately available funds sufficient to pay the respective Change in Control Purchase Price or Excess Proceeds Purchase Price of all Securities or portions thereof accepted for payment, (ii) the Paying Agent shall deliver or cause to be delivered to the Trustee all Securities so tendered, together with an officers' certificate executed by an Officer of the Paying Agent specifying the Securities or portions thereof tendered to the Paying Agent and (iii) the Trustee shall accept for payment all Securities or portions thereof tendered and
not theretofore withdrawn, pursuant to the Change in Control Offer or Excess Proceeds Offer, as the case may be. The Paying Agent shall promptly mail to each Holder of Securities so tendered payment in an amount equal to the Change in Control Purchase Price or the Excess Proceeds Purchase Price, as the case may be, for such Securities or portions thereof, and with respect to Securities surrendered in part the Company shall issue and the Trustee shall promptly authenticate and mail to such Holder one or more certificates evidencing new Securities equal in principal amount to any unpurchased portion of the Securities surrendered; provided that each such new Security shall be in a principal amount of $1,000 or integral multiples thereof. The Company will publicly announce (by means of Dow Jones news release or other form of widespread public dissemination) the results of the Change in Control Offer on or as soon as practicable after the Change in Control Payment Date.

ARTICLE 5
COVENANTS

SECTION 5.01. PAYMENT OF SECURITIES. The Company shall pay the principal of, premium, if any, and interest (including interest accruing on or after the filing of a petition in bankruptcy or reorganization relating to the Company, whether or not a claim for post-filing interest is allowed in such proceeding) on the Securities on (or prior to) the dates and in the manner provided in the Securities or pursuant to this Indenture. An installment of principal, premium, if any, or interest shall be considered paid on the applicable date due if on such date the Trustee or the Paying Agent holds, in accordance with this Indenture, money sufficient to pay all of such installment then due. The Company shall pay interest on overdue principal and premium, if any, and interest on overdue installments of interest (including interest accruing on or after the filing of a petition in bankruptcy or reorganization relating to the Company whether or not a claim for post-filing interest is allowed in such proceeding), to the extent lawful, at the rate per annum borne by the Securities, which interest on overdue interest shall accrue from the date such amounts became overdue.

SECTION 5.02. SEC REPORTS.

(1) The Company shall file with the Trustee, without cost, within 15 days after it is required to file the same with the SEC, copies of its annual reports and information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. In the event that the Company is at any time not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, it shall provide to the Trustee and the SEC, in accordance with rules and regulations prescribed by the SEC, within 15 days after it would have been required to file such reports and information with the SEC (had it been so subject to said reporting requirements), financial statements, including any notes thereto and, with respect to annual reports, an auditors' report by an accounting firm of established national reputation and a "Management's Discussion and Analysis of Financial Condition and Results of Operations," both comparable to that which the Company would have been required to include in such annual reports, information, documents or other reports if the Company had been subject to the requirements of such Section 13 or 15(d) of the Exchange Act. The Company also shall comply with the other provisions of TIA Section 314(a).

(2) So long as any Securities remain outstanding, the Company shall cause its annual report, if any, which is provided to shareholders, and each Form 10-K, Form 10-Q and Form 8-K filed with the SEC, to be mailed to the Holders at their addresses appearing in the Register maintained by the Registrar in each case at the time of such mailing or furnishing to shareholders or no later than 120 days after the end of each of the Company's fiscal years and within 60 days after the end of each of the first three quarters of each fiscal year or in
If the Company is not required to furnish annual or quarterly reports to its stockholders pursuant to the Exchange Act, the Company shall cause its financial statements, including any notes thereto and with respect to annual reports, an auditors' report by an accounting firm of established national reputation and a "Management's Discussion and Analysis of Financial Condition and Results of Operations," and any other information that would be required by Form 10-K, Form 10-Q and Form 8-K, to be so filed with the Trustee and mailed to the Holders within 120 days after the end of each of the Company's fiscal years and within 60 days after the end of each of the first three quarters of each fiscal year or in the case of information that would be required by Form 8-K promptly on the date that such Form 8-K would have been required to be filed.

(3) If the Company instructs the Trustee to distribute any of the documents described in clause (2) above to the Securityholders, the Company shall provide the Trustee with a sufficient number of copies of all reports and other documents and information that the Company may be required to deliver to the Securityholders under this Section 5.02.

SECTION 5.03. COMPLIANCE CERTIFICATES.

(1) The Company shall deliver to the Trustee within 120 days after the end of each of the Company's fiscal years, an Officers' Certificate executed by an Officer of the Company, stating whether or not the signer knows of any Default or Event of Default. Such certificate shall contain a certification from the principal executive officer, principal financial officer, principal accounting officer or Treasurer of the Company as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 5.03(1), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture. If the Officer knows of such a Default or Event of Default, the certificate shall describe any such Default or Event of Default, and its status.

(2) So long as (i) not contrary to the then current recommendation of the American Institute of Certified Public Accountants, and (ii) the Company's independent public accountants do not have any fact or policy of general applicability with respect to their clients, that such accountants will not prepare statements on the subject specified below, the Company shall deliver to the Trustee within 120 days after the end of each fiscal year a written statement by the Company's independent certified public accountants stating (A) that their audit examination has included a review of the terms of this Indenture and the Securities as they relate to accounting matters, and (B) whether, in connection with their audit examination, any Default has come to their attention and, if such a Default has come to their attention, specifying the nature and period of the existence thereof; provided, however, that the independent certified public accountants delivering such statement shall not be liable in respect of such statement by reason of any failure to obtain knowledge of any such Default or Event of Default that would not be disclosed in the course of an audit examination conducted in accordance with GAAP. In the absence of actual notice to the contrary, the Trustee shall be entitled to rely upon the aforementioned statement of the Company's independent public accountants and shall not be liable to anyone with respect thereto.

(3) The Company shall deliver to the Trustee as soon as possible and in any event within 15 Business Days after the Company becomes aware of the occurrence of each Default or Event of Default, which is continuing, an Officers' Certificate setting forth the details of such Default or Event of Default, and the action which the Company proposes to take with respect thereto.

(4) The Company shall deliver to the Trustee any information reasonably requested by the Trustee in connection with the compliance by the Trustee or the Company with the TIA.

SECTION 5.04. FURTHER INSTRUMENTS AND ACTS. Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

SECTION 5.05. MAINTENANCE OF OFFICE OR AGENCY. The Company will
maintain or cause to be maintained, within the City of New York, Borough of Manhattan, an office or agency (which may be an office of the Trustee, Registrar or Paying Agent) where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer, exchange or redemption and where

notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The corporate trust office of the Trustee at 140 Broadway, 12th Floor, New York, New York 10015, Attention: Corporate Trust Department, shall initially be such office or agency for all of the aforesaid purposes. The Company shall give prompt written notice to the Trustee of any change of location of such office or agency. If at any time the Company shall fail to maintain or cause to be maintained any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 12.02 hereof.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in location of any such other office or agency.

SECTION 5.06. LIMITATION ON RESTRICTED PAYMENTS. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, (i) declare or pay any dividend or make any distribution on account of the Company's or any of its Restricted Subsidiaries' Capital Stock or other Equity Interests (other than dividends or distributions payable to the Company or any of its Restricted Subsidiaries or payable in shares of Capital Stock or other Equity Interests of the Company other than Redeemable Stock), (ii) purchase, repurchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company or any of its Subsidiaries from any Person (other than from the Company or any of its Restricted Subsidiaries); (iii) purchase, repurchase, redeem, prepay, defease, or otherwise acquire or retire for value any Indebtedness of the Company that is subordinated in right of payment to the Securities or the Guarantees thereof, prior to scheduled maturity, repayment or sinking fund payment or (B) any Indebtedness of any Unrestricted Subsidiary, or (iv) make Investments other than Permitted Investments (the foregoing actions set forth in clauses (i) through (iv) being referred to as "Restricted Payments"), if:

(a) at the time of such Restricted Payment, a Default or Event of Default shall have occurred and be continuing or shall occur as a consequence thereof; or

(b) such Restricted Payment, together with the aggregate of all other Restricted Payments made on or after the Closing Date exceeds the sum of (A) $30,000,000, (B) 50% of the Consolidated Net Income of the Company accrued on a cumulative basis for the period beginning on the first day of the first month following the Closing Date and ending on the last day of the last month immediately preceding the month in which such Restricted Payment occurs (or, if aggregate cumulative Consolidated Net Income for such period is a deficit, minus 100% of such deficit), (C) 100% of the aggregate net cash proceeds received by the Company after the Closing Date from the issuance or sale of Capital Stock or other Equity Interests of the Company (other than such Capital Stock or other Equity Interests issued or sold to a Subsidiary of the Company and other than Redeemable Stock), (D) the aggregate net cash proceeds received on or after the Closing Date by the Company from the issuance or sale of debt securities of the Company that have subsequently been converted into or exchanged for Capital Stock or other Equity Interests of the Company (other than Redeemable Stock) plus the aggregate Cash received by the Company at the time of such conversion or exchange, (E) 100% of the aggregate Cash received by the Company after the Closing Date upon the exercise of options or warrants (whether issued prior to or after the Closing Date) to purchase the Company's Capital Stock and (F) 100% of the
aggregate net cash proceeds received by the Company or any Restricted Subsidiary from its Unrestricted Subsidiaries after the Closing Date on account of the return of Investments (other than the return of Permitted Investments in Unrestricted Subsidiaries) in such Unrestricted Subsidiaries; or

(c) immediately after such Restricted Payment, the Company would not be permitted to incur $1.00 of additional Indebtedness pursuant to the first paragraph of Section 5.08 hereof.

The foregoing provisions will not prohibit (i) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture; (ii) to the extent required under applicable law, or if the failure to do so would create a material risk of disqualification of the ESOP under the Internal Revenue Code, the acquisition by the Company of its common stock from the ESOP or from participants and beneficiaries of the ESOP; (iii) the acquisition by the Company or any of its Restricted Subsidiaries of Equity Interests of the Company or such Restricted Subsidiary, if the exclusive consideration for such acquisition is the issuance by the Company or such Restricted Subsidiary of its Equity Interests; (iv) the purchase, redemption or acquisition by the Company, for nominal consideration, of rights under the Rights Plan prior to such time as such rights have become exercisable; (v) the redemption, repurchase, acquisition or retirement of Indebtedness of the Company or its Restricted Subsidiaries being concurrently refinanced by Refinancing Indebtedness permitted under Section 5.08 hereof; (vi) the purchase, repayment, redemption, prepayment, defeasance, acquisition or retirement of any Indebtedness, if the exclusive consideration therefor is the issuance by the Company of its Equity Interests; (vii) the redemption of repurchase, acquisition or retirement of Equity Interests in a Permitted Joint Venture, provided that (A) after giving effect to such transaction, the Company's Consolidated Interest Coverage Ratio is at least 2.00, (B) no Default or Event of Default has occurred and is continuing or would result therefrom, (C) if consideration for such transaction is in excess of $5,000,000, such transaction is approved by a majority of the Disinterested Directors of the Company and (D) if consideration for such transaction is in excess of $25,000,000, the Company has received an opinion from a nationally recognized investment banking firm that such transaction is fair to the Company, from a financial point of view; (viii) dividend payments to the holders of minority interests in Permitted Joint Ventures, ratably in accordance with their respective Equity Interests or, if not ratably, then in accordance with the priorities set forth in the respective organizational documents for, and agreements among holders of Equity Interests in, such Permitted Joint Ventures; (ix) the Guarantee of Indebtedness of a Permitted Joint Venture if the incurrence of such Indebtedness is permitted under Section 5.08 hereof and if such Guarantee is a Permitted Investment pursuant to clause (f) of the definition thereof; or (x) the acquisition or retirement of options and warrants upon the exercise thereof.

The Company shall deliver to the Trustee within 60 days after the end of each of the Company's first three fiscal quarters and within 120 days after the end of the Company's fiscal year in which a Restricted Payment is made under the first paragraph of this covenant, an Officers' Certificate setting forth each Restricted Payment made in such fiscal quarter, stating that each such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 5.06 were computed, which calculations may be based on the Company's financial statements included in filings required under the Exchange Act for such quarter or such year. For purposes of calculating the aggregate amount of Restricted Payments that are permitted under clause (b) of the first paragraph of this Section 5.06, the amounts expended for Restricted Payments permitted under clauses (ii) through (x) of the preceding paragraph shall be excluded.
SECTION 5.07. ANTI-LAYERING. The Company shall not incur, create, assume, guarantee or otherwise become liable for any Indebtedness that is subordinated in right of payment to any Senior Indebtedness and senior in any respect in right of payment to the Securities.

SECTION 5.08. LIMITATION ON ADDITIONAL INDEBTEDNESS. The Company shall not, and shall not permit any of its Restricted Subsidiaries, directly or indirectly, to create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness, unless, after giving PRO FORMA effect to the incurrence of such Indebtedness and the application of any of the proceeds therefrom to repay Indebtedness, the Consolidated Interest Coverage Ratio of the Company for the four fiscal quarters ending immediately prior to the date such additional Indebtedness is created, incurred, assumed or guaranteed will be at least 2.25, provided that such calculation shall give PRO FORMA effect to the acquisition of any Person, business, property or assets made since the first day of such four fiscal quarter period as if such acquisition had occurred at the beginning of such four-quarter period.

The foregoing limitations shall not apply to (i) Indebtedness under the New Credit Agreement or any replacement or substitute facility or facilities thereof (provided that Indebtedness under the New Credit Agreement or any replacement or substitute facility or facilities, including unused commitments, shall not at any time exceed $300,000,000 in aggregate outstanding principal amount (including the available undrawn amount of any letters of credit issued under the New Credit Agreement or any replacement or substitute facility or facilities thereof)); (ii) Indebtedness of the Company and its Restricted Subsidiaries, which Indebtedness is in existence on the Closing Date; (iii) Indebtedness represented by the Securities and the Guarantees of the Securities; (iv) Indebtedness created, incurred, assumed or guaranteed in exchange for or the proceeds of which are used to extend, refinance, renew, replace, substitute or refund Indebtedness permitted by clauses (i) and (ii) of this Section 5.08 (the "Refinancing Indebtedness"); PROVIDED, HOWEVER, that (A) the principal amount of such Refinancing Indebtedness shall not exceed the principal amount of Indebtedness (including unused commitments) so extended, refinanced, renewed, replaced, substituted or refunded (plus costs of issuance), (B) such Refinancing Indebtedness ranks, relative to the Securities, no more senior than the Indebtedness being refinanced thereby, (C) such Refinancing Indebtedness bears interest at a market rate, and (D) such Refinancing Indebtedness (1) shall have an Average Life equal to or greater than the Average Life of the Indebtedness being extended, refinanced, renewed, replaced, substituted or refunded or (2) shall not have a scheduled maturity, principal repayment, sinking fund payment or mandatory redemption on or prior to the maturity of the Securities; (v) Indebtedness of the Company or any Restricted Subsidiary to any Restricted Subsidiary or to the Company; (vi) Indebtedness arising from guarantees, letters of credit, and bid or performance bonds securing any obligations of the Company or any Restricted Subsidiary incurred in the ordinary course of business; (vii) Indebtedness for borrowed money denominated in foreign currencies not to exceed an aggregate principal amount at any time equal to the equivalent in such foreign currencies of $5,000,000 in U.S. Dollars; (viii) Capital Lease Obligations in an aggregate amount outstanding at any time not to exceed 5% of the Company's Consolidated Net Assets; (ix) Non-Recourse Indebtedness incurred in connection with the acquisition of real property by the Company or its Restricted Subsidiaries; (x) Guarantees of any Senior Indebtedness; (xi) Guarantees by any Restricted Subsidiary of any Indebtedness of the Company that is PARI PASSU with the Securities, such Guarantee is PARI PASSU to the Guarantees of the Securities; and (B) in the case of a Guarantee of Indebtedness that is subordinate to the Securities, such Guarantee is similarly subordinated to the Guarantees of the Securities; (xii) Guarantees by the Company of Indebtedness of any Restricted Subsidiary that does not constitute Senior Indebtedness, provided that (A) in the case of the Company's Guarantee of Indebtedness of a Guarantor that is subordinate
to such Guarantor's Guarantee of the Securities, the Company's Guarantee of such
Indebtedness is similarly subordinated to the Securities, and (B) in all other
cases, the Company's Guarantee of such Indebtedness is on a PARI PASSU basis
with the Securities; and (xiii) Indebtedness other than that permitted pursuant
to the foregoing clauses (i) through (xii) provided that the aggregate
outstanding amount of such additional Indebtedness does not at any time exceed
$50,000,000, all or any portion of which Indebtedness, notwithstanding clause
(i) above, may be incurred pursuant to the New Credit Agreement or any
replacement or substitute facility or facilities thereof.

SECTION 5.09. ADDITIONAL GUARANTORS. The Company shall cause any
Person which shall at any time be a Subsidiary of the Company, including any
present Subsidiary of the Company which is not included among the Guarantors
executing this Indenture, to become a Guarantor promptly after the date on which
such Subsidiary first becomes a Guarantor under the New Credit Agreement or a
Significant Subsidiary; PROVIDED, HOWEVER, that the Company shall not be
required to cause any Permit Joint Venture or any Unrestricted Subsidiary to
become a Guarantor.

SECTION 5.10. LIMITATION ON SALE OF SUBSIDIARY SHARES. The Company
shall not (i) sell, pledge, hypothecate or otherwise convey or dispose of any
Equity Interests of a Restricted Subsidiary except to a Restricted Subsidiary or
(ii) permit a Restricted Subsidiary to issue or sell any Equity Interests of
such Restricted Subsidiary to any Person other than to the Company or to another
Restricted Subsidiary; PROVIDED that (a) the Company and its Restricted
Subsidiaries may consummate an Asset Sale of all of the Equity Interests owned
by the Company and its Restricted Subsidiaries of such Restricted Subsidiary,
(b) the Company may pledge, hypothecate or otherwise grant a Lien on any Equity
Interests of any Restricted Subsidiary to the extent permitted under Section
5.11 hereof, and (c) the Company may sell or otherwise convey or dispose of any
Equity Interest in such Restricted Subsidiary, and such Restricted Subsidiary
may issue or sell any Equity Interest to any Person other than to the Company or
to another Restricted Subsidiary, if (i) immediately after the consummation of
such transaction such Restricted Subsidiary is or becomes a Permit Joint
Venture; provided that (A) after giving effect to such transaction, the
Company's Consolidated Interest Coverage Ratio is at least 2.00, (B) no Default
or Event of Default has occurred and is continuing or would result therefrom,
(C) if such transaction involves the issuance or

sale of Equity Interests having a fair market value in excess of $5,000,000, the
transaction is approved by a majority of the Disinterested Directors of the
Company, (D) if such transaction involves the issuance or sale of Equity
Interests having a fair market value in excess of $25,000,000, the Company has
received an opinion from a nationally recognized investment banking firm that
such transaction is fair to the Company, from a financial point of view, and (E)
the sum of (x) the Book Value of assets of such Restricted Subsidiary
immediately prior to the transaction pursuant to which it became a Permit Joint
Venture, together with the Book Value of assets of all other Guarantors
which have become Permit Joint Ventures (determined for each such Guarantor
as of the time immediately prior to the transaction pursuant to which it became
a Permit Joint Venture) and (y) the aggregate Book Values of Permit
Minority Investments of the Company and its Restricted Subsidiaries (the Book
Value of each such Permit Minority Investment determined as of the time such
Investment was made), does not exceed $100,000,000; (ii) the Company's and its
Restricted Subsidiaries' Investment in such Person becomes a Permit Minority
Investment, provided that (A) after giving effect to such transaction, the
Company's Consolidated Interest Coverage Ratio is at least 2.00, (B) no Default
or Event of Default has occurred and is continuing or would result therefrom,
(C) the sum of (x) the Book Value of such Permit Minority Investment,

(together with the aggregate Book Values of all other Permit Minority
Investments of the Company and its Restricted Subsidiaries (the Book Value of
each such Permit Minority Investment determined as of the date such
Investment was made) and (y) the aggregate Book Values of assets of all
Guarantors that have become Permit Joint Ventures (determined for each such
Guarantor as of the time immediately prior to the transaction pursuant to which
it became a Permit Joint Venture), do not exceed $100,000,000, (D) if such
transaction involves the issuance or sale of Equity Interests having a fair
market value in excess of $5,000,000, the transaction is approved by a majority of
the Disinterested Directors of the Company, and (E) if such transaction
involves the issuance or sale of Equity Interests having a fair market value in
excess of $25,000,000, the Company shall have received an opinion from a
nationally recognized investment banking firm that such transaction is fair to the Company, from a financial point of view; or (iii) the Company's and its Restricted Subsidiaries' Investment in such Person otherwise constitutes a Permitted Investment.

SECTION 5.11. LIMITATION ON LIENS. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any of their respective assets, now owned or hereinafter acquired, securing any Indebtedness that is pari passu with or subordinated in right of payment to the Securities, unless the Securities are equally and ratably secured; PROVIDED that, if such Indebtedness which expressly by its terms is subordinate or junior in right of payment to any other Indebtedness of the Company is expressly subordinate to the Securities, the Lien securing such subordinated or junior Indebtedness shall be subordinate and junior to the Lien securing the Securities with the same relative priority as such subordinated or junior Indebtedness shall have with respect to the Securities. The Company and its Restricted Subsidiaries may at any time, directly or indirectly, create, incur, assume or suffer to exist any Lien on any of their respective assets, now owned or hereafter acquired, securing any Senior Indebtedness or any Non-Recourse Indebtedness permitted under Section 5.08 hereof.

SECTION 5.12. LIMITATION ON PAYMENT RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, from and after the Closing Date, directly or indirectly, create or otherwise cause or permit to exist or become effective, or enter into any agreement with any Person that would cause, any encumbrance or restriction on the ability of any Restricted Subsidiary to (A) pay dividends or make any other distributions on its Capital Stock, the Capital Stock of any of its Restricted Subsidiaries or on any other interest or participation in, or measured by, its profits, which interest or participation is owned by the Company or any of its Restricted Subsidiaries, (B) pay any Indebtedness owed to the Company or any of its domestic Restricted Subsidiaries, (C) make loans or advances to the Company or any of its domestic Restricted Subsidiaries, (D) transfer any of its properties or assets to the Company or any of its domestic Restricted Subsidiaries, or (E) in the case of a Restricted Subsidiary that is required to be a Guarantor pursuant to Section 5.09 hereof, execute a Guarantee of the Securities or any renewals or refinancings thereof, except, in each case, for such encumbrances or restrictions existing under or by reason of (1) applicable law and regulation, (2) this Indenture, (3) the New Credit Agreement, and any replacement facility or facilities thereof, in each case to the extent that such encumbrances and restrictions are not materially more restrictive on the Company and its Restricted Subsidiaries than those contained in the New Credit Agreement as in effect on the Closing Date, (4) instruments evidencing Indebtedness of another Person which is assumed by, or which otherwise becomes the obligation of, such Restricted Subsidiary in connection with the acquisition by such Restricted Subsidiary of another Person (whether pursuant to a purchase of Equity Interests or assets) or in connection with any transaction whereby such Restricted Subsidiary becomes a Permitted Joint Venture, provided that (a) such Indebtedness was not originally incurred in connection with or in anticipation of such acquisition or other transaction, (b) such restrictions apply only to such Restricted Subsidiary and its Subsidiaries and (c) except in the case of an acquisition or other transaction whereby such Restricted Subsidiary becomes a Permitted Joint Venture, immediately after such acquisition or other transaction, substantially all of such Restricted Subsidiary's operations or assets consist of those acquired, (5) restrictions upon the transfer of property or assets subject to Liens permitted under Section 5.11 hereof, or (6) restrictions which are contained in instruments evidencing Indebtedness which refinance or refund the Indebtedness described in clauses (3) and (4).

SECTION 5.13. LIMITATION ON TRANSACTIONS WITH AFFILIATES. Neither the Company nor any of its Restricted Subsidiaries shall enter into any transaction or series of related transactions with (including, without limitation, the making of any Investment or guarantee in, to or for the benefit of), sell, lease, transfer or otherwise dispose of any of its properties or
assets to, or for the benefit of, purchase or lease any property or assets from, or enter into an amendment of any contract, agreement with, or for the benefit of, any Affiliate of the Company or any of its Subsidiaries (other than the Company or any of its Restricted Subsidiaries), unless (i) such transaction or series of related transactions is on terms that are substantially as favorable to the Company or the relevant Restricted Subsidiary, as the case may be, as those that could have been obtained in a comparable transaction on an arm’s length basis from a Person that is not an Affiliate and (ii) except in the case of any transaction solely between the Company or a Restricted Subsidiary on the one hand and a Permitted Joint Venture on the other hand, including the formation and initial capitalization of such Permitted Joint Venture, (A) with respect to a transaction or series of related transactions involving aggregate payments in excess of $1,000,000 but less than $15,000,000 a majority of the Disinterested Directors of the Company shall approve by a resolution determining in good faith that such transaction or series of related transactions comply with clause (i) above, and (B) with respect to a transaction or series of related transactions involving aggregate payments in excess of $15,000,000 (other than cash transactions pursuant to insurance agreements with the Insurance Subsidiaries), the Company shall have received an opinion from a nationally recognized investment banking firm or, with respect to a transaction or series of related transactions requiring the valuation of real property, a nationally recognized real estate appraisal firm, that such transaction or series of related transactions is fair to the Company, from a financial point of view.

SECTION 5.14. REPURCHASE UPON CHANGE IN CONTROL.
Upon the occurrence of a Change in Control, each Holder of the Securities shall have the right to require the repurchase of such Holder's Securities in whole or in part (the "Change in Control Offer") at a purchase price equal to 101% of the aggregate principal amount of such Securities (or portion thereof) plus accrued and unpaid interest, if any, to the date of purchase (the "Change in Control Purchase Price"). Any redemption pursuant to this Section 5.14 shall be conducted in accordance with the procedures set forth in Section 4.08 of this Indenture.

SECTION 5.15. LIMITATION ON USE OF PROCEEDS FROM ASSET SALES.
The Company and its Restricted Subsidiaries shall not, directly or indirectly, consummate any Asset Sale with or to any Person other than the Company or a Restricted Subsidiary, unless (i) the Company or the Restricted Subsidiary, as the case may be, receives consideration at the time of any such Asset Sale at least equal to the fair market value of the asset sold or otherwise disposed of, (ii) at least 60% of the net proceeds from such Asset Sale are received in Cash at closing (unless (A) such Asset Sale is a lease, (B) such Asset Sale is in connection with the creation of, Investment in, or issuance or sale of Equity Interests by, a Permitted Joint Venture, or (C) such Asset Sale is in connection with the making of, or would result in, a Permitted Minority Investment) and (iii) with respect to any Asset Sale involving the Equity Interest of any Restricted Subsidiary (unless (A) such Restricted Subsidiary is, or as a result of such Asset Sale would be, a Permitted Joint Venture, or (B) as a result of such Asset Sale, the Company's and its Restricted Subsidiaries' Investment in such Restricted Subsidiary would constitute a Permitted Minority Investment), the Company shall sell all of the Equity Interests of such Restricted Subsidiary it owns. Within 270 days after the receipt of Net Cash Proceeds in respect of any Asset Sale, the Company must use all such Net Cash Proceeds either to invest in properties and assets in a healthcare or a healthcare-related business (including, without limitation, a capital investment in the Company or any of its Restricted Subsidiaries) or to reduce Senior Indebtedness; PROVIDED, that when any non-Cash proceeds are liquidated, such proceeds (to the extent they are Net Cash Proceeds) will be deemed to be Net Cash Proceeds at that time. When the aggregate amount of Excess Proceeds (as defined below) exceeds $10,000,000, the Company shall make an offer (the "Excess Proceeds Offer") to apply the Excess Proceeds to repurchase the Securities at a purchase price equal to 100% of the principal amount of such Securities, plus accrued and unpaid interest to
the date of purchase (the "Excess Proceeds Purchase Price"). Any redemption pursuant to this Section 5.15 shall be conducted in accordance with the procedures set forth in Section 4.08 of this Indenture.

To the extent that the aggregate principal amount of the Securities (plus accrued interest thereon) tendered pursuant to the Excess Proceeds Offer is less than the Excess Proceeds, the Company may use such deficiency, or a portion thereof, for general corporate purposes. If the aggregate principal amount of the Securities surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Company shall select the Securities to be purchased in accordance with the procedures described in Section 4.03 hereof. "Excess Proceeds" shall mean any Net Cash Proceeds from an Asset Sale that are not invested or used to reduce Senior Indebtedness as provided in the second sentence of the first paragraph of this Section 5.15. Notwithstanding the foregoing, any Asset Sale which results in Net Cash Proceeds of less than $3,000,000 and all Asset Sales (including any Asset Sale which results in Net Cash Proceeds of less than $3,000,000) in any twelve consecutive-month period which result in Net Cash Proceeds of less than $10,000,000 in the aggregate shall not be subject to the requirement of clause (ii) of the first sentence of the first paragraph of this Section 5.15.

SECTION 5.16. PAYMENT OF TAXES AND OTHER CLAIMS. The Company shall pay or discharge or cause to be paid or discharged, before any penalty accrues thereon, (i) all material taxes, assessments and governmental charges levied or imposed upon the Company or any Restricted Subsidiary upon the income, profits or property of the Company or any Restricted Subsidiary and (ii) all material lawful claims for labor, materials and supplies which, if unpaid, would by law become a Lien upon the property of the Company or any Restricted Subsidiary; provided that neither the Company nor any Restricted Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claims the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate provision has been made or where the failure to effect such payment or discharge is not adverse in any material respect to the Holders.

SECTION 5.17. CORPORATE EXISTENCE. Subject to Article 6 hereof, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate, partnership or other existence of any Restricted Subsidiary in accordance with the respective organizational documents of such Restricted Subsidiary and the rights (charter and statutory), licenses and franchises of the Company and its Restricted Subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any Restricted Subsidiary, if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders.

SECTION 5.18. MAINTENANCE OF PROPERTIES AND INSURANCE. The Company shall cause all material properties owned by or leased to it or any Restricted Subsidiary and used in the conduct of its business or the business of such Restricted Subsidiary to be maintained and kept in normal condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly conducted at all times; provided, however, that nothing in this Section 5.18 shall prevent the Company or any Restricted Subsidiary from discontinuing the maintenance of any such properties, if such discontinuance is desirable in the conduct of its business or the business of such Restricted Subsidiary.

The Company shall provide or cause to be provided, for itself and any Restricted Subsidiaries, insurance (including self-insurance) against loss or damage of the kinds customarily insured against by corporations similarly situated and owning like properties, including, but not
limited to, public liability insurance, in such amounts, with such deductibles and by such methods as shall be customary for corporations similarly situated in the industry.

SECTION 5.19.  STAY, EXTENSION AND USURY LAWS. The Company covenants (to the extent it may lawfully do so) that it will not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter enforced, which may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 5.20.  PAYMENT FOR CONSENT. Neither the Company nor any of its Subsidiaries shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder of any Securities for or as an inducement to obtaining any consent, waiver or amendment of, or direction in respect of, any of the terms or provisions of this Indenture or the Securities, unless such consideration is offered or agreed to be paid, and paid, to all Holders of the Securities which so consent, waive, agree or direct to amend in the time frame set forth in solicitation documents relating to such consent, waiver, agreement or direction.

SECTION 5.21.  COVENANT TO COMPLY WITH SECURITIES LAWS UPON PURCHASE OF SECURITIES. In connection with any offer to purchase or purchase of Securities under Section 5.14 or 5.15 hereof, the Company shall (i) comply with Rule 13e-4 (other than the filing requirements of such rule) and Regulation 14E under the Exchange Act, and (ii) otherwise comply with all Federal and state securities laws and regulations so as to permit the rights and obligations under Sections 5.14 and 5.15 hereof to be exercised in the time and in the manner specified in Sections 5.14 and 5.15 hereof.

ARTICLE 6

SUCCESSOR CORPORATION

SECTION 6.01. WHEN THE COMPANY MAY MERGE OR TRANSFER ASSETS. The Company shall not consolidate with, merge with or into, or transfer all or substantially all of its assets (in one transaction or a series of related transactions) to, any Person or permit any party to merge with or into it unless:

(i) the Company shall be the continuing Person, or the Person (if other than the Company) formed by such consolidation or into or with which the Company is merged or to which the properties and assets of the Company, substantially as an entity, are transferred shall be a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all of the obligations of the Company under the Securities and this Indenture, and this Indenture remains in full force and effect;

(ii) immediately before and immediately after giving effect to such transaction, no Event of Default and no Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction on a pro forma basis, the Consolidated Net Worth of the surviving entity is at least equal to the Consolidated Net Worth of the Company immediately prior to such transaction; and

(iv) except in the case of a Permitted Triangular Merger, the surviving entity could, after giving pro forma effect to such transaction, incur $1.00 of Indebtedness pursuant to the first paragraph of Section 5.08 hereof.

SECTION 6.02. WHEN RESTRICTED SUBSIDIARIES MAY MERGE OR TRANSFER
Restricted Subsidiary, either (i) such Restricted Subsidiary is or becomes a Guarantor; or (ii) immediately after the consummation of such transaction such Guarantor is a Permitted Joint Venture, provided that (A) after giving effect to such transaction, the Company's Consolidated Interest Coverage Ratio is at least 2.00, (B) no Default or Event of Default has occurred and is continuing or would result therefrom, (C) if such transaction involves a Guarantor with assets having a fair market value in excess of $5,000,000, the transaction is approved by a majority of the Disinterested Directors of the Company, (D) if such transaction involves a Guarantor having assets with a fair market value in excess of $25,000,000, the Company has received an opinion from a nationally recognized investment banking firm that such transaction is fair to the Company, from a financial point of view, and (E) the sum of (x) the Book Value of assets of such Guarantor immediately prior to such transaction, together with the Book Value of assets of all other Guarantors which have become Permitted Joint Ventures (determined for each such Guarantor as of the time immediately prior to the transaction pursuant to which it became a Permitted Joint Venture) and (y) the aggregate Book Values of Permitted Minority Investments of the Company and its Restricted Subsidiaries (the Book Value of each such Permitted Minority Investment determined as of the date such Investment was made), does not exceed $100,000,000; or (iii) immediately after the consummation of such transaction the Company's and its Restricted Subsidiaries' Investment in such Guarantor becomes a Permitted Minority Investment, provided that (A) after giving effect to such transaction, the Company's Consolidated Interest Coverage Ratio is at least 2.00, (B) no Default or Event of Default has occurred and is continuing or would result therefrom, (C) the sum of (x) the Book Value of such Permitted Minority Investment, together with the aggregate Book Values of all other Permitted Minority Investments of the Company and its Restricted Subsidiaries (the Book Value of each such Permitted Minority Investment determined as of the date such Investment was made), and (y) the aggregate Book Values of assets of all Guarantors that have become Permitted Joint Ventures (determined for each such Guarantor as of the time immediately prior to the transaction pursuant to which it became a Permitted Joint Venture), does not exceed $100,000,000, (D) if such Permitted Minority Investment is in excess of $5,000,000, the Permitted Minority Investment is approved by a majority of the Disinterested Directors of the Company and (E) if such Permitted Minority Investment is in excess of $25,000,000, the Company has received an opinion from a nationally recognized investment banking firm that the Permitted Minority Investment is fair to the Company from a financial point of view.

SECTION 6.03. SUCCESSOR CORPORATION SUBSTITUTED. Upon any consolidation or merger or any transfer of all or substantially all of the assets of the Company in accordance with this Article 6, the successor corporation formed by or the surviving entity resulting from such consolidation or into which the Company is merged or to which such transfer is made, shall succeed to, and be substituted for, and may exercise every right and power of the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein; and thereafter the predecessor company shall be discharged and released from all obligations and covenants under this Indenture and the Securities.

ARTICLE 7
DEFAULTS AND REMEDIES

SECTION 7.01. EVENTS OF DEFAULT. An "Event of Default" occurs if one of the following shall have occurred and be continuing:

(i) the Company defaults in the payment, when due and payable, of
(A) interest on any Security and the default continues for a period of 30 days,
or (B) the principal of or premium, if any, on any Securities when the same becomes due and payable at maturity, acceleration, on the Redemption Date, on the Change in Control Payment Date or on the Excess Proceeds Offer Payment Date;

(ii) the Company fails to comply with any of its covenants or agreements in the Securities or this Indenture (other than those referred to in clause (i) above) and such failure continues for 30 days after receipt by the Company of a Notice of Default;

(iii) the Company or any of its Restricted Subsidiaries defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness (other than Non-Recourse Indebtedness) for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness is now existing or hereafter created, which default results from the failure to pay any such Indebtedness at its stated final maturity or results in the acceleration of such Indebtedness prior to its stated final maturity and the principal amount of such Indebtedness is at least $15,000,000, or the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been accelerated, aggregates $30,000,000 or more;

(iv) the Company or any Restricted Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case or proceeding;

(B) consents to the entry of an order for relief against it in an involuntary case or proceeding;

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property;

(D) makes a general assignment for the benefit of its creditors; or

(E) admits in writing its inability to pay its debts generally as they become due;

(v) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Restricted Subsidiary in an involuntary case or proceeding;

(B) appoints a Custodian of the Company or any Restricted Subsidiary for all or substantially all of its properties; or

(C) orders the liquidation of the Company or any Restricted Subsidiary;

(D) and in each case the order or decree remains unstayed and in effect for 60 days;

(vi) the Company or any Restricted Subsidiary fails to pay any final judgments rendered against it by a court for the payment of money which in the aggregate exceed $10,000,000 which judgments are not stayed within a period of 60 days after their entry; or

(vii) except as permitted by this Indenture, any Guarantee of the Securities becomes unenforceable or invalid or is disaffirmed, by any Guarantor.
A Default under clause (ii) of this Section 7.01 is not an Event of Default until the Trustee notifies the Company or the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding notify the Company and the Trustee of the Default and the Company does not cure such Default within the time specified in clause (ii) of this Section 7.01 after receipt of such notice. Any such notice (a "Notice of Default") must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default."

SECTION 7.02. ACCELERATION. If an Event of Default (other than an Event of Default under Sections 7.01(iv) and 7.01(v)) occurs and is continuing, the Trustee or the Holders of at least 25% of the principal amount of the Securities then outstanding, by written notice to the Company (and to the Trustee if such notice is given by such Holders) (the "Acceleration Notice"), may, and the Trustee at the request of such Holders shall, declare all unpaid principal of, premium, if any, and accrued interest on such Securities to be due and payable, (i) immediately if no amount is outstanding and no commitment is in effect under Specified Senior Indebtedness or (ii) if any amount is outstanding or any commitment is in effect under Specified Senior Indebtedness, upon the earlier of (A) five Business Days after delivery of the Acceleration Notice by the Trustee or the Holders, as the case may be, to the Company and the agent or another designated representative of the holders of each and any Specified Senior Indebtedness outstanding or (B) acceleration of the Specified Senior Indebtedness, and thereupon the Trustee may, at its discretion, proceed to protect and enforce the rights of the Holders of the Securities by appropriate judicial proceedings. Upon a declaration of acceleration, such principal, premium, if any, and accrued interest shall be due and payable. If an Event of Default under Sections 7.01(iv) and 7.01(v) occurs, all unpaid principal of, premium, if any, and accrued interest on the Securities then outstanding shall IPSO FACTO become and be immediately due and payable without any declaration or other act on the part of the Company, the Trustee or any Holder. The Holders of at least 66 2/3% of the aggregate principal amount of the Securities at the time outstanding by notice to the Trustee may rescind an acceleration and its consequences, except an acceleration due to default in payment of principal or interest on the Securities.

SECTION 7.03. OTHER REMEDIES. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if the Trustee does not possess any of the Securities or does not produce any of the Securities in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 7.04. WAIVER OF PAST DEFAULTS. The Holders of 66 2/3% in aggregate principal amount of the Securities at the time outstanding, by notice to the Trustee (and without notice to any other Securityholder), may waive an existing Default or Event of Default and its consequences except (a) an Event of Default described in Section 7.01(i) hereof and (b) a Default in respect of a provision that under Section 10.02 hereof can be amended only with the consent of each Securityholder affected. When a Default or Event of Default is waived, it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

SECTION 7.05. CONTROL BY HOLDERS. The Holders of 66 2/3% of the aggregate principal amount of the Securities at the time outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines in good faith is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability. The Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.
SECTION 7.06. LIMITATION ON SUITS. Except as provided in Section 7.07 hereof, a Securityholder may not pursue any remedy with respect to this Indenture or the Securities unless:

1. the Holder gives to the Trustee written notice stating that an Event of Default is continuing;
2. the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding make a written request to the Trustee to pursue the remedy;
3. such Holder or Holders offer to the Trustee reasonable security or indemnity against any loss, liability or expense satisfactory to the Trustee;
4. the Trustee does not comply with the request within 30 days after receipt of the notice, the request and the offer of security or indemnity; and
5. the Holders of 66 2/3% of the aggregate principal amount of the Securities at the time outstanding do not give the Trustee a direction inconsistent with the request during such 30-day period.

A Securityholder may not use this Indenture to prejudice the rights of any other Securityholder or to obtain a preference or priority over any other Securityholder.

SECTION 7.07. RIGHTS OF HOLDERS TO RECEIVE PAYMENT. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of the principal amount, premium, if any, or interest, in respect of the Securities held by such Holder, on or after the respective due dates expressed in the Securities, any Redemption Date, any Change in Control Payment Date or any Excess Proceeds Offer Payment Date, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected adversely without the consent of each such Holder.

SECTION 7.08. COLLECTION SUIT BY TRUSTEE. If an Event of Default described in Section 7.01(i) hereof occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount owing with respect to the Securities and the amounts provided for in Section 8.07 hereof.

SECTION 7.09. TRUSTEE MAY FILE PROOFS OF CLAIM. In connection with any judicial proceeding relative to the Company, its creditors or its property, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise:

1. to file and prove a claim for the whole amount of the principal amount, premium, if any, and interest on the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding; and
2. to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 8.07 hereof.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.
SECTION 7.10. PRIORITIES. If the Trustee collects any money pursuant to this Article 7, it shall pay out the money in the following order:

FIRST: to the Trustee for amounts due under Section 8.07 hereof;

SECOND: to Securityholders for amounts due and unpaid on the Securities for the principal amount, Redemption Price or interest, if any, as the case may be, ratably, without preference or priority of any kind, according to such amounts due and payable on the Securities; and

THIRD: the balance, if any, to the Company.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section 7.10.

SECTION 7.11. UNDERTAKING FOR COSTS. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant (other than the Trustee) in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 7.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 7.07 hereof or a suit by Holders of more than 10% in aggregate principal amount of the Securities at the time outstanding.

ARTICLE 8
TRUSTEE

SECTION 8.01. DUTIES OF TRUSTEE.

(1) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(2) Except during the continuance of an Event of Default:

(A) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others; and

(B) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture.

However, in the case of any such certificate or opinion which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(3) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(A) this paragraph (3) does not limit the effect of paragraph (2) of this Section 8.01;

(B) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and
(C) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 7.05 hereof.

(4) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (1), (2), (3) and (5) of this Section 8.01 and Section 8.02.

(5) The Trustee shall be under no obligation to perform any duty or to exercise any of the rights or powers vested in it by this Indenture or to extend or risk its own funds or otherwise incur any financial liability at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security and indemnity satisfactory to it against any loss, liability or expense which might be incurred by it in compliance with such request or direction.

(6) Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall not be liable for the payment of any interest on any money deposited with it except to the extent agreed upon with the Company in writing.

SECTION 8.02. RIGHTS OF TRUSTEE.

(1) Subject to Section 8.01(2)(B), the Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(2) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate and an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate and Opinion of Counsel.

(3) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(4) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by the Indenture.

(5) The Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

SECTION 8.03. INDIVIDUAL RIGHTS OF TRUSTEE. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent or Registrar may do the same with like rights. However, the Trustee must comply with Sections 8.10 and 8.11 hereof.

SECTION 8.04. TRUSTEE'S DISCLAIMER. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities. It shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement in any registration statement for the Securities under the Securities Act (other than statements contained in any Form T-1 filed with the SEC under the TIA) or in this Indenture or the Securities (other than its certificate of authentication), or solely in its capacity as Trustee the determina-

tion as to which beneficial owners are entitled to receive any notices hereunder.

SECTION 8.05. NOTICE OF DEFAULTS. If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall
mail to the Securityholders, as their names and addresses appear on the Register, notice of the Default within 90 days after it becomes known to the Trustee unless such Default shall have been cured or waived. Except in the case of a Default described in Section 7.01(i) hereof, the Trustee may withhold such notice if and so long as a committee of Trust Officers in good faith determines that the withholding of such notice is in the interests of Securityholders. The second sentence of this Section 8.05 shall be in lieu of the proviso to Section 315(b) of the TIA and said proviso is hereby expressly excluded from this Indenture, as permitted by the TIA.

SECTION 8.06. REPORTS BY TRUSTEE TO HOLDERS. Within 60 days after each April 15 beginning with April 15, 1995, the Trustee shall mail to each Securityholder a brief report dated as of such April 15 in accordance with and to the extent required under Section 313(a) of the TIA. The Trustee shall also comply with the reporting requirements of Section 313(b) of the TIA, to the extent applicable. All reports sent by the Trustee pursuant to this Section 8.06 will be sent in compliance with Section 313(b) of the TIA.

A copy of each report at the time of its mailing to Securityholders shall be filed with the Company, the SEC and each stock exchange on which the Securities are listed, if any. The Company agrees to promptly notify the Trustee whenever the Securities become listed on any stock exchange and of any delisting thereof.

SECTION 8.07. COMPENSATION AND INDEMNITY. The Company agrees:

(1) to pay to the Trustee from time to time such reasonable compensation as shall be agreed in writing between the Company and the Trustee for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses, disbursements and advances of its agents and counsel), including all reasonable expenses, disbursements and advances incurred or made by the Trustee in connection with any membership on any creditor's committee, except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee in its capacity as such, and, in such capacity, its officers and directors for, and to hold it harmless against, any and all loss, liability or expense, incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The Trustee shall have a claim and lien prior to the Securities as to all property and funds held by it hereunder for any amount owing it or any predecessor Trustee pursuant to this Section 8.07, except with respect to funds held in trust for the payment of principal of, premium, if any, or interest on particular Securities.

The Company's payment obligations pursuant to this Section 8.07 are not subject to Article 11 of this Indenture and shall survive the discharge of this Indenture. When the Trustee renders services or incurs expenses after the occurrence of a Default specified in Section 7.01(iv) or Section 7.01(v) hereof, the compensation for services and expenses are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 8.08. REPLACEMENT OF TRUSTEE. The Trustee may resign by so notifying the Company in writing at least 30 days prior to the date of the proposed resignation; provided, however, no such resignation shall be effective until a successor Trustee has accepted its appointment pursuant to this Section 8.08. The Holders of at least 66 2/3% in aggregate principal amount of the Securities at the time outstanding may remove the Trustee by so notifying the Trustee and the Company in writing and may appoint a successor Trustee subject
to the consent of the Company. The Trustee shall resign and Company may remove
the Trustee if:

(1) the Trustee fails to comply with Section 8.10 hereof;

(2) the Trustee is adjudged bankrupt or insolvent or an order of
    relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a Custodian, receiver or public officer takes charge of the
    Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the
office of the Trustee for any reason, the Company shall promptly appoint a
successor Trustee.

A successor Trustee shall deliver a written acceptance of its
appointment to the retiring Trustee and to the Company. Thereupon the
resignation or removal of the retiring Trustee shall become effective, and the
successor Trustee shall have all the rights, powers and duties of the Trustee
under this Indenture. The successor Trustee shall mail a notice of its
succession to Securityholders. Subject to payment of all amounts owing to the
Trustee under Section 8.07 hereof and subject further to its lien under Section
8.07, the retiring Trustee shall promptly transfer all property held by it as
Trustee to the successor Trustee.

If a successor Trustee does not take office within 30 days after the
retiring Trustee resigns or is removed, the retiring Trustee, the Company or the
Holders of at least 66 2/3% in aggregate principal amount of the Securities at
the time outstanding may petition any court of competent jurisdiction for the
appointment of a successor Trustee.

If the Trustee fails to comply with Section 8.10 hereof, any
Securityholder may petition any court of competent jurisdiction for the
removal of the Trustee and the appointment of a successor Trustee.

SECTION 8.09. SUCCESSOR TRUSTEE BY MERGER. If the Trustee
consolidates with, merges or converts into, or transfers all or substantially
all its corporate trust business or assets (including this Trusteeship) to,
another corporation, the resulting, surviving or transferee corporation without
any further act shall be the successor Trustee.

SECTION 8.10. ELIGIBILITY; DISQUALIFICATION. The Trustee shall at
all times satisfy the requirements of TIA Section 310(a)(1). The Trustee shall
have a combined capital and surplus of at least $50,000,000 or such other amount
as required by the TIA hereafter, as set forth in its most recent published
annual report of condition. The Trustee shall comply with TIA Section 310(b).
In determining whether the Trustee has conflicting interests as defined in TIA
Section 310(b)(1), the provisions contained in the proviso to TIA Section
310(b)(1) shall be deemed incorporated herein. If at any time the Trustee shall
cease to be eligible in accordance with the provisions of this Section, it shall
resign immediately in the manner and with the effect specified in Section 8.08.

SECTION 8.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST THE COMPANY.
If and when the Trustee shall be or become a creditor of the Company (or any
other obligor under the Securities), the Trustee shall be subject to the
provisions of the TIA regarding the collection of claims against the Company (or
any such other obligor). If at any time the Trustee shall cease to be eligible
in accordance with the provisions of this Section, it shall resign immediately
in the manner and with the effect specified in Section 8.08.
SECTION 9.01. LEGAL TERMINATION. This Indenture shall cease to be of further effect (except that the Company's obligations under Section 8.07 and the Trustee's and Paying Agent's obligations under Section 9.07 shall survive), when all Securities previously authenticated and delivered (other than destroyed, lost or stolen Securities which have been replaced or paid) have been delivered to the Trustee for cancellation and the Company has paid all sums payable by it hereunder.

SECTION 9.02. COMPANY'S OPTION TO EFFECT LEGAL DEFEASANCE OR COVENANT DEFEASANCE. The Company may, at its option at any time, elect to have either Section 9.03 or Section 9.04 applied to the outstanding Securities upon compliance with the conditions set forth below in this Article 9.

SECTION 9.03. LEGAL DEFEASANCE AND DISCHARGE. Upon the Company's exercise of the option provided in Section 9.02 applicable to this Section 9.03, the Company and the Guarantors shall be deemed to have been discharged from their obligations with respect to the outstanding Securities (other than those specified below), on the date the conditions set forth below are satisfied (hereinafter "legal defeasance"). For this purpose, such legal defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Securities, which shall thereafter be deemed to be "outstanding" only for the purposes of the sections of, and matters under, this Indenture referred to in clauses (A) and (B) below and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of such Securities to receive, solely from the trust fund described in Section 9.05(i) and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest on such Securities when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 2.03, 2.06 and 2.07, (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder, and (D) this Article 9. Subject to compliance with this Article 9, the Company may exercise its option under this Section 9.03 notwithstanding the prior exercise of its option under Section 9.04.

SECTION 9.04. COVENANT DEFEASANCE. Upon the Company's exercise of the option provided in Section 9.02 applicable to this Section 9.04, (i) the Company and the Guarantors shall be released from their respective obligations under Articles 3, 5 and 6 hereof and (ii) the occurrence of an event specified in Section 7.01 with respect to any of the provisions of Articles 3, 5 or 6 hereof shall not be deemed to be an Event of Default on and after the date the conditions set forth below are satisfied (hereinafter, "covenant defeasance").

SECTION 9.05. CONDITIONS TO LEGAL DEFEASANCE OR COVENANT DEFEASANCE. The following shall be the conditions to application of either Section 9.03 or Section 9.04 to the then outstanding Securities and Guarantees:

(i) the Company must have irrevocably deposited with the Trustee, in trust, for the benefit of the Holders of the Securities, Cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the written opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the outstanding Securities on the Stated Maturity of the Securities or upon redemption and have irrevocably instructed the Trustee to apply such money or the proceeds of such U.S. Governmental Obligations to the payment of said principal, premium, if any, and interest with respect to the Securities; (ii) the Company shall have delivered to the Trustee an Opinion of Counsel stating that the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance
had not occurred and, in the case of legal defeasance, stating that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (B) since the Closing Date there has been a change in the applicable federal income tax laws or regulations, or (C) there exists controlling precedent to such effect; (iii) no Default or Event of Default shall have occurred and be continuing on the date of such deposit; (iv) such defeasance shall not result in a breach or violation of or constitute a default under any material agreement or instrument to which the Company is a party or by which it is bound; and (v) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to such defeasance have been satisfied.

After such irrevocable deposit made pursuant to this Section 9.05 and satisfaction of the other applicable conditions set forth in this Section 9.05, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under this Indenture except for those surviving obligations specified above.

The Trustee shall hold in trust money or U.S. Governmental Obligations deposited with it pursuant to this Section 9.05. It shall apply the deposited money and the money from the U.S. Governmental Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of, premium, if any, and interest on the Securities.

SECTION 9.06. REINSTATEMENT. If the Trustee or Paying Agent is unable to apply any money in accordance with Section 9.03 or Section 9.04 by reason of any legal proceeding or of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article 9 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with this Article 9; provided, however, that if the Company makes any payment of interest on or principal of any Security following the reinstatement of its obligations, the company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money held by the Trustee or Paying Agent.

SECTION 9.07. REPAYMENT TO THE COMPANY. Subject to Section 8.07, the Trustee and the Paying Agent shall promptly pay to the Company upon written request any excess money or U.S. Government Obligations or both held by them at any time. The Trustee and the Paying Agent shall return to the Company upon written request any money or U.S. Government Obligations held by them for the payment of any amount with respect to the Securities that remains unclaimed for two years after the date upon which such payment shall have become due; provided, however, that the Trustee or such Paying Agent, before being required to make such return, may, in the name and at the expense of the Company, cause to be published once in THE WALL STREET JOURNAL or another daily newspaper of national circulation or mail to each such Holder notice that such money or U.S. Government Obligations remain unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing or publication, any unclaimed money or U.S. Government Obligations, or both, then remaining will be returned to the Company. After the unclaimed monies or U.S. Government Obligations are returned to the Company, Holders entitled to the money or proceeds of the U.S. Government Obligations must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money or U.S. Government Obligations shall cease.

ARTICLE 10
AMENDMENTS

SECTION 10.01. WITHOUT CONSENT OF HOLDERS. From time to time, the Company, the Guarantors and the Trustee, and when required pursuant to Section 5.09, a Subsidiary, without notice to or the consent of the Holders of the Securities issued hereunder, may amend or supplement this Indenture or the Securities as follows:
(1) to cure any ambiguity, defect or inconsistency;
(2) to comply with Article 6 hereof; or
(3) to provide for certificated or uncertificated Securities in addition to or in place of uncertificated or certificated Securities; or
(4) to make any other change that does not adversely affect the rights of any Securityholder;
(5) to supplement this Indenture to provide for additional Guarantors; or
(6) to comply with any requirement of the SEC in connection with the qualification of this Indenture or the Trustee under the TIA.

SECTION 10.02. WITH CONSENT OF HOLDERS. With the written consent of the Holders of at least 66 2/3% of the aggregate principal amount of the Securities at the time outstanding, the Company, the Guarantors and the Trustee may amend or supplement this Indenture or the Securities or may waive any existing Default or future compliance by the Company with any provisions of this Indenture or the Securities (other than a continuing Default or Event of Default in the payment of principal or interest on any Security). However, without the consent of each Securityholder affected, a waiver or an amendment to this Indenture or the Securities may not (with respect to any Securities held by a non-consenting Holder of Securities):

(1) reduce the percentage of principal amount of the Securities whose Holders must consent to an amendment or waiver; or
(2) make any change to the Stated Maturity or the time or currency of payment of the principal of, premium, if any, or interest on, the Securities, or any Redemption Price thereof; or
(3) make any change in Article 3 or Article 11 hereof that adversely affects the rights of any Holder of Securities or any change to any other Section hereof that adversely affects the rights of any Holder of Securities under Article 3 or Article 11 hereof; or
(4) waive a default in the payment of the principal of, premium, if any, or interest on, any Security; or
(5) make any change in the provisions of Sections 5.07, 5.09, 5.14, 5.15 or 5.20 hereof; or
(6) make any change to Section 10.02 hereof.

It shall not be necessary for the consent of the Holders under this Section 10.02 to approve the particular form of any proposed amendment or supplement, but it shall be sufficient if such consent approves the substance thereof.

In the event that certain Holders are willing to defer or waive certain obligations of the Company or the Guarantors hereunder with respect to Securities held by them, such deferral or waiver shall not be deemed to affect any other Holder who receives the subject payment or performance in a timely manner.

After an amendment or waiver under this Section 10.02 becomes effective, the Company promptly shall mail or cause to be mailed to each Holder a notice briefly describing the amendment or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment or waiver.

SECTION 10.03. COMPLIANCE WITH TRUST INDENTURE ACT. Every amendment to this Indenture or the Securities shall be set forth in a supplemental indenture executed pursuant to this Article 10 which shall comply with the TIA.
SECTION 10.04. REVOCATION AND EFFECT OF CONSENTS, WAIVERS AND ACTIONS. Until an amendment, supplement, waiver or other action by Holders becomes effective, a consent to it or any other action by a Holder of a Security hereunder is a continuing consent by the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same obligation as the consenting Holder's Security, even if notation of the consent, waiver or action is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent, waiver or action as to such Holder's Security or portion of the Security if the Trustee receives notice of revocation before the consent of the requisite aggregate principal amount of the Securities then outstanding has been obtained and becomes effective. After an amendment, supplement, waiver or action becomes effective, it shall bind every Securityholder, except as provided in Section 10.02 hereof.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement, or waiver. If a record date is fixed, then, notwithstanding the first two sentences of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date, unless consents from Holders of the aggregate principal amount of Securities required hereunder for such amendment, supplement or waiver to be effective shall have also been given and not revoked within such 90 day period.

SECTION 10.05. NOTATION ON OR EXCHANGE OF SECURITIES. Securities authenticated and made available for delivery after the execution of any supplemental indenture pursuant to this Article 10 may, and shall, if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and made available for delivery by the Trustee in exchange for outstanding Securities.

SECTION 10.06. TRUSTEE TO SIGN SUPPLEMENTAL INDENTURES. Upon the request of the Company, the Trustee shall join with the Company in the execution of any amendment or supplemental indenture authorized or permitted by the terms of this Indenture but the Trustee shall not be obligated to execute any such amendment or supplemental indenture which affects its own rights, duties, liabilities or immunities under this Indenture or otherwise. In signing such amendment or supplemental indenture the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Officers' Certificate and Opinion of Counsel stating that such amendment or supplemental indenture is authorized or permitted by this Indenture.

SECTION 10.07. EFFECT OF AMENDMENTS AND SUPPLEMENTAL INDENTURES. Upon the execution of any amendment or supplemental indenture under this Article 10, this Indenture shall be modified in accordance therewith, and such amendment or supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and made available for delivery hereunder shall be bound thereby.

ARTICLE 11
SUBORDINATION

SECTION 11.01. AGREEMENT TO SUBORDINATE. The Company agrees, and each Securityholder by accepting a Security agrees, that the Indebtedness evidenced by the Securities (including, without limitation, principal, premium, if any, and interest) is subordinated in right of payment, to the extent and in the manner provided in this Article 11, to the prior payment in full of all
Senior Indebtedness, and that the subordination is for the benefit of the holders of the Senior Indebtedness.

For purposes of this Indenture, including without limitation this Section 11.01, "Senior Indebtedness" means the principal of and premium, if any, and interest on (such interest on Senior Indebtedness, wherever referred to in this Indenture, being deemed to include interest accruing after the filing of a petition initiating any proceeding pursuant to any bankruptcy law in accordance with and at the rate (including any rate applicable upon any default or event of default, to the extent lawful) specified in any document evidencing the Senior Indebtedness, whether or not the claim for such interest is allowed as a claim after such filing in any proceeding under such bankruptcy law) and other amounts (including, but not limited to, fees, expenses, reimbursement obligations in respect of letters of credit and indemnities) due or payable from time to time on or in connection with any Indebtedness of the Company or any of its Restricted Subsidiaries incurred pursuant to the first paragraph of Section 5.08 or permitted under clauses (i), (ii), (iv), (vi), (vii), (viii), (x) and (xiii) of the second paragraph of Section 5.08, in each case whether outstanding on the Closing Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Securities. Notwithstanding anything to the contrary in the foregoing, Senior Indebtedness shall not include (a) any Indebtedness of the Company to any of its Subsidiaries or other Affiliates, (b) any Indebtedness incurred after the Closing Date that is contractually subordinated in right of payment to any Senior Indebtedness, and (c) amounts owed (except to banks and other financial institutions) for goods, materials or services purchased in the ordinary course of business or for compensation to employees.

SECTION 11.02. LIQUIDATION; DISSOLUTION; BANKRUPTCY. Upon any payment or distribution of assets or securities of the Company (i) in bankruptcy, reorganization, insolvency, receivership or similar case or proceeding relating to the Company or its property, (ii) upon an assignment for the benefit of creditors or any marshalling of the assets and liabilities of the Company, or (iii) upon distribution to creditors of the Company in a liquidation, dissolution or other winding up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, holders of Senior Indebtedness shall be entitled to receive payment in full of all obligations in respect of all Senior Indebtedness before Securityholders shall be entitled to receive any direct or indirect payment or distribution of assets of the Company of any kind or character of principal of, premium, if any, or interest on, the Securities, or on account of any purchase, defeasance, or other acquisition of Securities (other than amounts already deposited for defeasance or redemption pursuant to applicable provisions of this Indenture) by the Company, any Subsidiary, the Trustee or any Paying Agent (excluding securities of the Company or any other corporation that are equity securities or are subordinated to the payment of all Senior Indebtedness at least to the extent provided in this Article 11 with respect to the Securities; such securities are hereinafter collectively referred to as "Permitted Junior Securities").

For purposes of this Article 11, a distribution may consist of Cash, securities or other assets (excluding Permitted Junior Securities), by set-off or otherwise.

The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its properties and assets substantially as an entirety to another Person upon the terms and conditions set forth in Article 6 hereof shall not be deemed a dissolution, winding up, liquidation or reorganization or similar proceeding, for the purposes of this Section 11.02 if the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer such properties and assets
substantially as an entirety, as the case may be, shall, as a part of such consolidation, merger, conveyance or transfer comply with the conditions set forth in Article 6 hereof.

Any payment or distribution of assets of the Company of any kind or character, whether in Cash, property or securities (excluding Permitted Junior Securities), by set-off or otherwise, to which the Holders of the Securities or the Trustee would be entitled but for the provisions of this Article 11, shall be paid by the liquidating trustee or agent or other Person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the holders of Senior Indebtedness or their representative or to the trustee under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued (pro rata as to each such holder, representative or trustee on the basis of the respective amounts of unpaid Senior Indebtedness held or represented by each), to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness.

SECTION 11.03. DEFAULT ON SPECIFIED SENIOR INDEBTEDNESS. Upon the final maturity of any principal and interest on Specified Senior Indebtedness by lapse of time, acceleration (unless waived, rescinded or annulled) or otherwise, all principal thereof and accrued and unpaid interest thereon and all accrued and unpaid expenses, fees and other amounts in respect thereof shall first be paid in full in Cash, or such payment duly provided for in Cash or in a manner otherwise satisfactory to the holders of such Specified Senior Indebtedness, before any liquidation or distribution of assets of the Company of any kind or character (excluding Permitted Junior Securities) is made on account of principal of, premium, if any, or interest on the Securities or on account of any purchase, defeasance or other acquisition of Securities (other than amounts already deposited for defeasance or redemption pursuant to applicable provisions of this Indenture).

The Company may not directly or indirectly pay principal of, premium, if any, or interest on, the Securities, or on account of the purchase, defeasance or other acquisition of the Securities (other than amounts already deposited for defeasance or redemption pursuant to applicable provisions of this Indenture) for Cash or property (in each case, excluding Permitted Junior Securities) if (i) a default in the payment of principal of or interest on any Specified Senior Indebtedness or in the payment of any letter of credit commission under the New Credit Agreement occurs and is continuing that permits, or upon the lapse of time would permit, the holders (or their agent) of such Specified Senior Indebtedness to accelerate its maturity or the maturity of which has been accelerated (a "Payment Default"); or (ii) a default, other than a Payment Default, on any Specified Senior Indebtedness occurs and is continuing that permits the holders (or the agent) of such Specified Senior Indebtedness to accelerate its maturity (a "Non-Payment Default"), and such default is either the subject of judicial proceedings or the Trustee or the Paying Agent receives a notice of the default from an agent or representative of a holder of Specified Senior Indebtedness.

The Trustee or the Paying Agent shall resume payments on the Securities and the Company may acquire them upon the earlier of (a) in the case of Payment Default, the date such Payment Default is cured or waived, or (b) in the case of a Non-Payment Default, the 179th day after receipt of notice of the default if the default is not the subject of judicial proceedings, if otherwise permitted under the terms of this Indenture at that time. During any consecutive 360-day period, only one such 179-day period may commence during which payment of principal of or interest on the Securities may not be made. No Non-Payment Default with respect to Specified Senior Indebtedness which existed or was continuing on the date of the commencement of any such 179-day period will be, or can be, made the basis for the commencement of a second such 179-day period, whether or not within a period of 360 consecutive days, unless such default has been cured or waived for a period of not less than 90 consecutive days.

SECTION 11.04. NO SUSPENSION OF REMEDIES. A Payment Default or Non-Payment Default with respect to Specified Senior Indebtedness does not suspend the rights of the Trustee or the Holders to accelerate the maturity
thereof pursuant to Section 7.02 hereof, or, subject to the rights of holders of Senior Indebtedness under Section 11.05 hereof, to pursue any other rights or remedies hereunder or under applicable law.

SECTION 11.05. WHEN DISTRIBUTION MUST BE PAID OVER. In the event that, notwithstanding the foregoing, any payment or distribution of assets of any kind or nature (excluding Permitted Junior Securities) of the Company is received by the Trustee in respect of the Securities at a time when such payment or distribution is prohibited by Section 11.02, 11.03 or 11.04 hereof, such payment or distribution, as the case may be, shall be held by the Trustee, in trust for the benefit of, and shall be promptly paid forthwith over and delivered to, the holders of Senior Indebtedness (pro rata as to each of such holders on the basis of the respective amounts of Senior Indebtedness held by them) or their representative, as their respective interests may appear, for application to the payment of all Senior Indebtedness in full in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

If a payment or distribution is made to Securityholders that because of this Article 11 should not have been made to them, the Securityholders who receive the payment or distribution shall hold the payment or distribution (excluding Permitted Junior Securities) in trust for the benefit of, and shall be promptly paid forthwith over and delivered to, the holders of Senior Indebtedness (pro rata as to each of such holders on the basis of the respective amounts of Senior Indebtedness held by them) or their representative, as their respective interests may appear, for application to the payment of all Senior Indebtedness in full in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform only such covenants and obligations on the part of the Trustee as are specifically set forth in this Article 11, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness.

SECTION 11.06. NOTICE BY THE COMPANY. The Company shall promptly notify the Trustee and the Paying Agent of any facts known to the Company that would cause a payment or distribution on the Securities to violate this Article 11, but failure to give such notice shall not affect the subordination of the Securities to the Senior Indebtedness provided in this Article 11. Nothing in this Article 11 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 8.07 hereof.

SECTION 11.07. SUBROGATION. After all Senior Indebtedness is paid in full in Cash or, at the option of the holders of Senior Indebtedness, Cash Equivalents and until the Securities are paid in full, Securityholders shall be subrogated to the rights of holders of Senior Indebtedness to receive distributions applicable to Senior Indebtedness to the extent that distributions otherwise payable to Securityholders have been applied to the payment of Senior Indebtedness.

SECTION 11.08. RELATIVE RIGHTS. This Article 11 defines the relative rights of Securityholders and holders of Senior Indebtedness. Nothing in this Indenture shall:

(1) impair, as between the Company and Securityholders, the obligation of the Company, which is absolute and unconditional, to pay principal of and interest on the Securities in accordance with their terms;

(2) affect the relative rights of Securityholders and creditors of the Company other than holders of Senior Indebtedness; or

(3) prevent the Trustee or any Securityholder from exercising its available remedies upon a Default or Event of Default, subject to the rights of
holders of Senior Indebtedness under this Article 11.

Subject to this Section, if the Company fails because of this Article 11 to pay principal of or interest on a Security on the due date, the failure is still a Default or Event of Default.

The provisions of this Article 11 shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any Senior Indebtedness is rescinded or must otherwise be returned by any holder of Senior Indebtedness upon the insolvency, bankruptcy or reorganization of the Company or otherwise, all as though such payment had not been made.

SECTION 11.09. NO WAIVER OF SUBORDINATION PROVISIONS. No right of any holder of Senior Indebtedness to enforce the subordination of the Indebtedness evidenced by the Securities shall at any time in any way be prejudiced or impaired by any act or failure to act by the Company or by its failure to comply with this Indenture or by any act or failure to act, in good faith, by such holder of Senior Indebtedness, regardless of any knowledge thereof which such holder may have or otherwise be charged with.

The holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities and without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article 11 or the obligations hereunder of the parties to this Indenture or of the Holders of the Securities to the holders of Senior Indebtedness, do any one or more of the following: (1) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness or any document, instrument or agreement evidencing the same or under which Senior Indebtedness is outstanding; (2) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (3) release any Person liable in any manner for the collection or payment of Senior Indebtedness; (4) exercise or refrain from exercising or waive any rights against the Company or any other Person; and (5) otherwise deal freely with the Company and each Guarantor. No provision in any supplemental indenture which affects the superior position of the holders of Senior Indebtedness will be effective against the holders of Senior Indebtedness who have not consented thereto.

SECTION 11.10. DISTRIBUTION OR NOTICE TO REPRESENTATIVE. Whenever a payment or distribution is to be made or a notice given to holders of Senior Indebtedness, the payment or distribution may be made and the notice given to their representative.

Upon any payment or distribution of assets of the Company referred to in this Article 11, the Trustee and the Securityholders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of the representative of holders of Senior Indebtedness or of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Securityholders for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 11.

SECTION 11.11. RIGHTS OF TRUSTEE AND PAYING AGENT. The Trustee or Paying Agent shall not at any time be charged with the knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee unless and until the Trustee or Paying Agent shall have received written notice thereof from the Company or any holders (or the agent) of Specified Senior Indebtedness; and, prior to the receipt of any such written notice, the Trustee or Paying Agent shall be entitled to assume conclusively that no such facts exist. Notwithstanding the provisions of this Article 11, or any other provisions of this Indenture, unless at least one Business Day prior to the date on which by the terms of this Indenture any monies are to be deposited by the Company with the Trustee or any Paying Agent (whether or not in
trust) for any purpose (including, without limitation, the payment of either the principal of or the interest on any Security), the Trustee or Paying Agent shall have received with respect to such monies the notice provided for in the preceding sentence, the Trustee or Paying Agent shall have full power and authority to receive such monies and shall be entitled to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such date. The foregoing shall not apply to the Paying Agent if the Company is acting as Paying Agent. Nothing contained in this Section 11.11 shall limit the rights of the holders of Senior Indebtedness under Section 11.05 hereof.

Any notice required or permitted to be given to the Trustee by a holder of Senior Indebtedness shall be in writing and shall be sufficient for every purpose hereunder if in writing and either (i) sent via facsimile to the Trustee at (212) 658-6425 or at any other facsimile number furnished in writing to such holder of Senior Indebtedness by the Trustee, the receipt of which shall be confirmed via telephone at (212) 658-6553 or any other telephone number furnished in writing to such holder of Senior Indebtedness by the Trustee, or (ii) mailed, first-class postage prepaid, or sent by overnight carrier, to the Trustee addressed to it at the address specified in Section 12.02 hereof or at any other address furnished in writing to such holder of Senior Indebtedness by the Trustee.

The Trustee in its individual or any other capacity may hold Senior Indebtedness with the same rights it would have if it were not Trustee.

SECTION 11.12. AUTHORIZATION TO EFFECT SUBORDINATION. Each Holder of a Security by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 11, and appoints the Trustee as attorney-in-fact for any and all purposes.

If a proper claim or proof of debt in the form required in any bankruptcy, insolvency or receivership proceeding in respect of the Company or any Guarantor is not filed by or on behalf of all Holders prior to 30 days before the expiration of the time to file such claims or proofs, then the holders or a representative of any Senior Indebtedness are hereby authorized, and shall have the right (without any duty), to file an appropriate claim for and on behalf of the Holders.

SECTION 11.13. MISCELLANEOUS.

(a) All rights and interests under this Article 11 of the holders of Specified Senior Indebtedness and other Senior Indebtedness, and all agreements and obligations of the Holders, the Trustee and the Company under this Article 11, shall remain in full force and effect irrespective of:

(i) any lack of validity or enforceability of the New Credit Agreement, the notes or security instruments issued pursuant thereto or any other agreement or instrument relating thereto;

(ii) any exchange, release or non-perfection of any Lien securing Senior Indebtedness, or any release, amendment, modification or waiver of or addition or supplement to, or deletion from, or compromise, release, consent or other action in respect of, any of the terms of any Senior Indebtedness (including the New Credit Agreement), or any guaranty or security agreement for all or any of the Senior Indebtedness;

(iii) any exercise or nonexercise by the holder of any Senior Indebtedness or any representative thereof of any right, power, privilege or remedy under or in respect of such Senior Indebtedness, or any waiver of any such right, power, privilege or remedy or of any default in respect of such Senior Indebtedness; or

(iv) any requirement to provide any notice, whether by statute, rule of law or otherwise, to preserve intact any rights of any holder of any Senior Indebtedness against the Company, including, without limitation, any demand, presentment and protest, proof of notice of nonpayment under
any document evidencing any Senior Indebtedness, and notice of any failure on the part of the Company to perform and comply with any covenant, agreement, term or condition of any document evidencing the Senior Indebtedness;

(v) any requirement of diligence on the part of any holder of any of the Senior Indebtedness;

(vi) any requirement on the part of any holder of any Senior Indebtedness to mitigate damages resulting from any default under such Senior Indebtedness;

(vii) any requirement to provide any notice of any matter referred to above in this Section 11.13 or any sale, transfer or other disposition of any Senior Indebtedness by any holder thereof; and

(viii) any other circumstance that might otherwise constitute a defense available to, or a discharge of the Company in respect of Senior Indebtedness or the Trustee in respect of this Indenture.

(b) The provisions of this Article 11 constitute a continuing agreement and shall (i) remain in full force and effect until the Senior Indebtedness shall have been paid in full, (ii) be binding upon the Holders and the Trustee, the Company and their successors and assigns, and (iii) inure to the benefit of and enforceable by each other holder of Specified Senior Indebtedness and Senior Indebtedness and their successors, transferees and assignors.

ARTICLE 12
MISCELLANEOUS

SECTION 12.01. TRUST INDENTURE ACT CONTROLS. If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by operation of subsection (c) of Section 318 of the TIA, the imposed duties shall control. The provisions of Sections 310 to 317, inclusive, of the TIA that impose duties on any Person (including provisions automatically deemed included in an indenture unless the indenture provides that such provisions are excluded) are a part of and govern this Indenture, except as, and to the extent, expressly excluded from this Indenture, as permitted by the TIA.

SECTION 12.02. NOTICES. Any notice or communication shall be in writing and delivered in Person or mailed by first-class mail, postage prepaid, addressed as follows:

if to the Company:

Charter Medical Corporation
577 Mulberry Street
Macon, Georgia 31298

Attention: Treasurer
Telecopy Number: 912 751-2375

if to the Guarantors:

c/o Charter Medical Corporation
577 Mulberry Street
Macon, Georgia 31298

Attention: Treasurer
Telecopy Number: 912 751-2375

if to the Trustee:

Marine Midland Bank
140 Broadway, 12th Floor
New York, New York 10015
Attention: Corporate Trust Department  
Telecopy Number: 212 658-6425

The Company, the Guarantors or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications. The Company shall notify the holder, if any, of Specified Senior Indebtedness of any such additional or different addresses of which the Company receives notice from the Guarantors or the Trustee.

Any notice or communication given to a Securityholder shall be mailed to the Securityholder at the Securityholder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not received by the addressee.

If the Company mails a notice or communication to the Securityholders, it shall mail a copy to the Trustee and each Registrar and Paying Agent.

SECTION 12.03. COMMUNICATION BY HOLDERS WITH OTHER HOLDERS. Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar, the Paying Agent and anyone else shall have the protection of TIA Section 312(c).

SECTION 12.04. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 12.05. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION. Each Officers' Certificate and Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that each Person making such Officers' Certificate or Opinion of Counsel has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;

(3) a statement that, in the opinion of each such Person, he has made such examination or investigation as is necessary to enable such Person to express an informed opin-

(4) a statement that, in the opinion of such Person, such covenant or condition has been complied with; provided, however, that with respect to matters of fact, an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

SECTION 12.06. SEVERABILITY CLAUSE. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 12.07. RULES BY TRUSTEE, PAYING AGENT AND REGISTRAR. The
Trustee may make reasonable rules for action by or a meeting of Securityholders. The Registrar and Paying Agent may make reasonable rules for their functions.

SECTION 12.08. LEGAL HOLIDAYS. A "Legal Holiday" is any day other than a Business Day. If any specified date (including a date for giving notice) is a Legal Holiday, the action shall be taken on the next succeeding day that is not a Legal Holiday, and, if the action to be taken on such date is a payment in respect of the Securities, no principal, premium, if any, or interest installment shall accrue for the intervening period.

SECTION 12.09. GOVERNING LAW. THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO INSTRUMENTS MADE AND PERFORMED WHOLLY WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

SECTION 12.10. NO RECOURSE AGAINST OTHERS. A director, Officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

SECTION 12.11. SUCCESSORS. All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Guarantors in this Indenture shall bind their respective successors. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 12.12. MULTIPLE ORIGINALS. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SIGNATURES

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed this Indenture on behalf of the respective parties hereto as of the date first above written.

Charter Medical Corporation

By /s/ Lawrence W. Drinkard

Name: Lawrence W. Drinkard

Title: Executive Vice President and Chief Financial Officer

Marine Midland Bank

By /s/ Frank J. Godino

Name: Frank J. Godino

Title: Asst. Corp. Trust Officer

The Guarantors listed on Exhibit F attached hereto
By /s/ Charlotte A. Sanford
-------------------------------------
Name: Charlotte A. Sanford
-------------------------------------
Title: Treasurer
-------------------------------------
for each of the Guarantors

97

[COMMON SEAL]
The Common Seal of
Charter Medical (Cayman Islands) Ltd.
was hereunto affixed in the presence of:

/s/ John C. McCauley
- ----------------------------------------
John C. McCauley
Director

/s/ Glenn A. McRae
- ----------------------------------------
Glenn A. McRae
Director

[COMMON SEAL]
The Common Seal of
Charter Medical International, Inc.
was hereunto affixed in the presence of:

/s/ John C. McCauley
- ----------------------------------------
John C. McCauley
Director

/s/ Glenn A. McRae
- ----------------------------------------
Glenn A. McRae
Director

98

IN WITNESS WHEREOF, Charter Medical of England Limited has caused this instrument to be duly executed as a Deed and delivered by two of its Directors thereunto duly authorized as of the date first above written.

/s/ Charlotte A. Sanford
- -------------------------------------
Charlotte A. Sanford
Director

/s/ James M. Filush
- -------------------------------------
James M. Filush
TABLE OF CONTENTS

Section 1. Amount and Terms of Credit
   1.1 Commitments 2
   1.2 Minimum Amount of Each Borrowing 5
   1.3 Notice of Borrowing 5
   1.4 Disbursement of Funds 6
   1.5 Notes 9
   1.6 Conversions of Base Rate Loans and Continuations of Eurodollar Loans 10
   1.7 Pro Rata Borrowings 11
   1.8 Interest 11
   1.9 Interest Periods 13
   1.10 Increased Cost, Illegality, etc. 14
   1.11 Capital Adequacy 17
   1.12 Funding Losses 18
   1.13 Sharing of Payments, etc. 18
   1.14 Change of Lending Office 19
   1.15 Replacement Lenders 19
   1.16 Maturity of Borrowings 21

Section 2. Letter of Credit Subfacility
   2.1 Letters of Credit 22
   2.2 Notice of Issuance; Agreement to Issue 23
   2.3 Payment of Amounts Drawn Under Letters of Credit 25
   2.4 Payment by Lenders 27
   2.5 Compensation 28
   2.6 Additional Payments; Illegality 28
   2.7 Subsidiary Letter of Credit 30
   2.8 Obligations Absolute 30
   2.9 Indemnification; Nature of L/C Banks' Duties 31

Section 3. Commissions; Commitments
   3.1 Commissions 32
   3.2 Voluntary Reduction of Commitments 33
   3.3 Mandatory Reduction of Commitments 34
   3.4 Pro Rata Reductions; No Reinstatement 35

Section 4. Payments
   4.1 Voluntary Prepayments 35
   4.2 Mandatory Prepayments and Repayments 36
   4.3 Application of Prepayments 40
   4.4 Method and Place of Payment 40
   4.5 Net Payments 41
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.6</td>
<td>Leases and Sale/Leaseback Transactions</td>
<td>96</td>
</tr>
<tr>
<td>8.7</td>
<td>Indebtedness</td>
<td>97</td>
</tr>
<tr>
<td>8.8</td>
<td>Investments</td>
<td>101</td>
</tr>
<tr>
<td>8.9</td>
<td>Transactions with Affiliates; Executive</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td>Compensation</td>
<td></td>
</tr>
<tr>
<td>8.10</td>
<td>Maintenance Capital Expenditures; Facility</td>
<td>109</td>
</tr>
<tr>
<td></td>
<td>Acquisitions</td>
<td></td>
</tr>
<tr>
<td>8.11</td>
<td>Limitation on Voluntary Payments and</td>
<td>111</td>
</tr>
<tr>
<td></td>
<td>Modifications of Transaction Documents, etc.</td>
<td></td>
</tr>
<tr>
<td>8.12</td>
<td>Changes in Business</td>
<td>113</td>
</tr>
<tr>
<td>8.13</td>
<td>Plans</td>
<td>113</td>
</tr>
<tr>
<td>8.14</td>
<td>Additional Negative Pledges</td>
<td>113</td>
</tr>
<tr>
<td>8.15</td>
<td>Accommodation Obligations</td>
<td>114</td>
</tr>
<tr>
<td>8.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.1</td>
<td>Payments</td>
<td>116</td>
</tr>
<tr>
<td>9.2</td>
<td>Representations, etc.</td>
<td>116</td>
</tr>
<tr>
<td>9.3</td>
<td>Covenants</td>
<td>116</td>
</tr>
<tr>
<td>9.4</td>
<td>Default Under Other Agreements</td>
<td>117</td>
</tr>
<tr>
<td>9.5</td>
<td>Bankruptcy, etc.</td>
<td>117</td>
</tr>
<tr>
<td>9.6</td>
<td>ERISA</td>
<td>118</td>
</tr>
<tr>
<td>9.7</td>
<td>Security Documents; Subsidiary Guaranty</td>
<td>119</td>
</tr>
<tr>
<td>9.8</td>
<td>Subsidiary Credit Agreement</td>
<td>120</td>
</tr>
<tr>
<td>9.9</td>
<td>Judgments</td>
<td>120</td>
</tr>
<tr>
<td>9.10</td>
<td>Change of Control</td>
<td>120</td>
</tr>
<tr>
<td>9.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.1</td>
<td>Events of Default</td>
<td>116</td>
</tr>
<tr>
<td>10.2</td>
<td>Payments</td>
<td>116</td>
</tr>
<tr>
<td>10.3</td>
<td>Representations, etc.</td>
<td>116</td>
</tr>
<tr>
<td>10.4</td>
<td>Covenants</td>
<td>116</td>
</tr>
<tr>
<td>10.5</td>
<td>Default Under Other Agreements</td>
<td>117</td>
</tr>
<tr>
<td>10.6</td>
<td>Bankruptcy, etc.</td>
<td>117</td>
</tr>
<tr>
<td>10.7</td>
<td>ERISA</td>
<td>118</td>
</tr>
<tr>
<td>10.8</td>
<td>Security Documents; Subsidiary Guaranty</td>
<td>119</td>
</tr>
<tr>
<td>10.9</td>
<td>Subsidiary Credit Agreement</td>
<td>120</td>
</tr>
<tr>
<td>10.10</td>
<td>Judgments</td>
<td>120</td>
</tr>
<tr>
<td>11.1</td>
<td>Agency Provisions</td>
<td>170</td>
</tr>
<tr>
<td>11.2</td>
<td>Appointments</td>
<td>170</td>
</tr>
<tr>
<td>11.3</td>
<td>Nature of Duties</td>
<td>171</td>
</tr>
<tr>
<td>11.4</td>
<td>Lack of Reliance on the Agent and Co-Agent.</td>
<td>172</td>
</tr>
<tr>
<td>11.5</td>
<td>Enforcement of Security Documents</td>
<td>173</td>
</tr>
<tr>
<td>11.6</td>
<td>Certain Rights of the Agent and Co-Agent.</td>
<td>173</td>
</tr>
<tr>
<td>11.7</td>
<td>Reliance</td>
<td>174</td>
</tr>
<tr>
<td>11.8</td>
<td>Indemnification</td>
<td>175</td>
</tr>
<tr>
<td>11.9</td>
<td>The Agent and Co-Agent in their Individual</td>
<td>176</td>
</tr>
<tr>
<td></td>
<td>Capacities</td>
<td></td>
</tr>
<tr>
<td>11.10</td>
<td>Holders</td>
<td>176</td>
</tr>
<tr>
<td>11.11</td>
<td>Successor Agents</td>
<td>176</td>
</tr>
<tr>
<td>12.1</td>
<td>Miscellaneous</td>
<td>178</td>
</tr>
<tr>
<td>12.2</td>
<td>Payment of Expenses, etc.</td>
<td>178</td>
</tr>
<tr>
<td>12.3</td>
<td>Right of Setoff</td>
<td>180</td>
</tr>
<tr>
<td>12.4</td>
<td>Notices</td>
<td>180</td>
</tr>
<tr>
<td>12.5</td>
<td>Benefit of Agreement; Limitations on Rights</td>
<td>180</td>
</tr>
<tr>
<td></td>
<td>of Others</td>
<td></td>
</tr>
<tr>
<td>12.6</td>
<td>No Waiver; Remedies Cumulative</td>
<td>186</td>
</tr>
<tr>
<td>12.7</td>
<td>Payments Pro Rata</td>
<td>187</td>
</tr>
<tr>
<td>12.8</td>
<td>Calculations; Computations; Records</td>
<td>188</td>
</tr>
<tr>
<td>12.9</td>
<td>Governing Law; Appointment of Agent for</td>
<td>189</td>
</tr>
<tr>
<td></td>
<td>Service of Process; Submission to Jurisdiction</td>
<td></td>
</tr>
<tr>
<td>12.10</td>
<td>Counterparts</td>
<td>190</td>
</tr>
<tr>
<td>12.11</td>
<td>Effectiveness; Funding of Master Transfer</td>
<td>190</td>
</tr>
<tr>
<td></td>
<td>Supplement</td>
<td></td>
</tr>
<tr>
<td>12.12</td>
<td>Headings Descriptive</td>
<td>192</td>
</tr>
<tr>
<td>12.13</td>
<td>Amendment or Waiver</td>
<td>192</td>
</tr>
<tr>
<td>12.14</td>
<td>Survival</td>
<td>193</td>
</tr>
<tr>
<td>12.15</td>
<td>Independent Nature of Lenders' Rights</td>
<td>194</td>
</tr>
<tr>
<td>12.16</td>
<td>Independence of Covenants</td>
<td>194</td>
</tr>
<tr>
<td>12.17</td>
<td>Confidentiality</td>
<td>194</td>
</tr>
<tr>
<td>12.18</td>
<td>Performance of Obligations</td>
<td>195</td>
</tr>
<tr>
<td>12.19</td>
<td>Collateral</td>
<td>195</td>
</tr>
<tr>
<td>12.20</td>
<td>Waiver of Trial by Jury</td>
<td>195</td>
</tr>
<tr>
<td>12.21</td>
<td>Certain Provisions Concerning Existing Company</td>
<td>196</td>
</tr>
<tr>
<td></td>
<td>Credit Agreement Restructuring</td>
<td></td>
</tr>
<tr>
<td>12.22</td>
<td>Entire Agreement</td>
<td>197</td>
</tr>
</tbody>
</table>

ANNEX I  Schedule of Commitments
ANNEX II  New Lenders
EXHIBIT A-1 - Form of Increased Commitment Note
EXHIBIT A-2 - Form of Revolving Note
EXHIBIT A-3 - Form of Swingline Note
EXHIBIT B-1 - Form of Notice of Borrowing
EXHIBIT B-2 - Form of Certificate of an NME Acquisition
EXHIBIT B-3 - Form of Letter of Credit Request
EXHIBIT C - Form of Subsidiary Guaranty
EXHIBIT D-1 - Form of Company Stock and Notes Pledge
EXHIBIT D-2 - Form of Subsidiary Stock and Notes Pledge
EXHIBIT E-1 - Form of Company Pledge and Security Agreement
EXHIBIT E-2 - Form of Company Pledge and Security Agreement (ESOP)
EXHIBIT F - Form of FINCO Pledge and Security Agreements
EXHIBIT G - Form of Subsidiary Pledge and Security Agreement
EXHIBIT H - Form of Collateral Accounts Assignment Agreement
EXHIBIT I - Form of Subsidiary Credit Agreement
EXHIBIT J-1 - Form of Opinion of King & Spalding
EXHIBIT J-2 - Form of Opinion of Skadden, Arps, Slate, Meagher & Flom
EXHIBIT K - Form of Transfer Supplement

Schedule 6.2 Schedule of Violations of Contracts
Schedule 6.4 Schedule of Exceptions to GAAP
Schedule 6.5 Schedule of Litigation
Schedule 6.7 Schedule of Approvals
Schedule 6.10 Schedule of Employee Benefit Plans
Schedule 6.16 Schedule of Subsidiaries
Schedule 6.17 Schedule of Patents and Trademarks
Schedule 6.19 Schedule of Recently Acquired Real Property
Schedule 6.20 Schedule of Existing Defaults under other Indebtedness
Schedule 6.25 Schedule of Certain Fees
Schedule 8.1(b) Schedule of Existing Liens
Schedule 8.1(c) Schedule of Assumed NME Liens
Schedule 8.4 Schedule of Restrictions in Debt Documents
Schedule 8.7(d) Schedule of Assumed NME Indebtedness
Schedule 8.7(e) Schedule of Existing Indebtedness
Schedule 8.7(m) Schedule of Certain Intercompany Indebtedness
Schedule 8.8(g) Schedule of Existing Investments
Schedule 8.8(l) Schedule of Certain Permitted Investments
Schedule 8.15 Schedule of Existing Accommodation Obligations
Schedule 10.1 Schedule of Existing Subsidiary Letters of Credit
Schedule 10.1(a) Schedule of Acquired NME Facilities EBITDA
Schedule 10.1(b) Schedule of Excludable Foreign Restricted Subsidiaries
Schedule 10.1(c) Schedule of Mortgage Notes
Schedule 10.1(d) Schedule of Mortgaged Properties
WHEREAS, the Company intends to (i) consummate the NME Acquisition, (ii) refinance (the "Securities Refinancing") its $200,000,000 aggregate original face amount of 7.5% Senior Subordinated Debentures (the "Existing Subordinated Debentures"), and (iii) refinance the Mortgage Notes (the "Debt Refinancing");

WHEREAS, in connection with the NME Acquisitions, the Securities Refinancing and the Debt Refinancing, the Company and the Lenders desire to amend and restate the Existing Company Credit Agreement in order to, among other things: (i) restructure the Existing Commitments under the Existing Company Credit Agreement, and (ii) substitute certain of the Existing Lenders with other financial institutions (together with the transactions described in the foregoing clause (i), and as more fully described in Sections 1.1(a) and 12.21, the "Existing Company Credit Agreement Restructuring");

WHEREAS, simultaneously herewith the parties hereto are executing the Subsidiary Credit Agreement, which amends and restates the Existing Subsidiary Credit Agreement on terms substantially similar to the amendments and modifications to the Existing Company Credit Agreement effected hereby; and

WHEREAS, subject to and upon the terms and conditions set forth in the Transfer Supplement dated as of the date hereof (the "Master Transfer Supplement") to be entered into among the Lenders and the Existing Lenders simultaneously herewith, each Existing Lender will transfer to the Lenders as of the Closing Date all of such Existing Lender's rights and obligations under the Existing Credit Agreements, including, without limitation, the Existing Loans and Existing Subsidiary Loans of each Existing Lender outstanding under the Existing Credit Agreements, together with each Existing Lender's Tranche A Commitment, Tranche B Commitment and Tranche C Commitment under and as defined in the Existing Company Credit Agreement (collectively, the "Existing Commitments"), and each Existing Lender's Commitment under and as defined in the Existing Subsidiary Credit Agreement;
of each Existing Lender and each Existing Lender's Existing Commitment; and, in furtherance thereof the Existing Lenders have agreed to deliver to the Agent their respective promissory notes evidencing the Existing Commitments of the Existing Lenders, duly endorsed in favor of the Agent, for the benefit of the Lenders. As of the date hereof and prior to giving effect to any of the Transactions, $19,156,633.36 of Tranche A Loans and $37,618,703.60 of Tranche B Loans are outstanding under the Existing Company Credit Agreement. There are no outstanding Tranche C Loans. Subject to and upon the terms and conditions herein set forth, as of the Closing Date, after giving effect to the assignments contemplated by the Master Transfer Supplement, (a) each Lender's Tranche A Commitment, Tranche B Commitment and Tranche C Commitment (as such terms are defined in the Existing Company Credit Agreement) shall be, and hereby are, consolidated and amended and restated as a "Revolving Loan Commitment" and shall be increased (or decreased, as the case may be) so that, after giving effect to such consolidation, amendment, restatement and increase (or decrease), the Revolving Loan Commitment of each Lender will be as set forth on Annex I hereto, and (b) the Existing Loans shall be amended and restated to be Revolving Loans on the Closing Date. In furtherance of the foregoing, the Company shall (i) execute and deliver to the Agent a promissory note substantially in the form of Exhibit A-1 hereto (the "Increased Commitment Note") in the principal amount of $48,346,030.24 payable to the order of the Agent, for the ratable benefit of the Lenders, and representing the amount by which the Total Revolving Loan Commitment exceeds the Existing Commitments assigned to the Lenders pursuant to the Master Transfer Supplement, and (ii) execute and deliver to each Lender, in accordance with Section 1.5, a Revolving Note in consolidation, renewal and replacement of the Existing Notes assigned to the Agent for the benefit of the Lenders pursuant to the Master Transfer Supplement and the Increased Commitment Note.

(b) Subject to and upon the terms and conditions herein set forth, each Lender severally agrees, at any time and from time to time on and after the Closing Date and prior to the Final Revolving Loan Maturity Date, to make a loan or loans (together with the Existing Loans assigned to the Lenders pursuant to the Master Transfer Supplement, collectively, the "Revolving Loans" and each individually a "Revolving Loan") to the Company, which Revolving Loans (including, without limitation, such Existing Loans) (i) shall, at the option of the Company, be made as part of one or more Borrowings, each of which Borrowings shall, unless otherwise specifically provided herein, consist entirely of Base Rate Loans or Eurodollar Loans, (ii) may be repaid and reborrowed in accordance with the provisions hereof, (iii) shall not exceed for any Lender at any time outstanding that aggregate principal amount, which, when added to the sum of (A) such Lender's Letter of Credit Exposure at such time, (B) the amount of such Lender's Subsidiary Credit Extensions at such time and (C) the product of such Lender's Adjusted Percentage and the then aggregate outstanding principal amount of Swingline Borrowings (without duplication of any Revolving Loans made with respect thereto pursuant to Section 1.4), equals the Unrestricted Revolving Loan Commitment of such Lender at such time, and (iv) shall not exceed in aggregate principal amount at any time outstanding for all of the Lenders an amount equal to (A) the Total Revolving Loan Commitment at such time less (B) the sum of (1) the Letter of Credit Outstandings at such time, (2) the aggregate amount of all of the Lenders' Subsidiary Credit Extensions at such time, (3) the then aggregate outstanding principal amount of all Lenders' Subsidiary Credit Extensions at such time, (3) the then aggregate outstanding principal amount of all Swingline Borrowings (without duplication of any Revolving Loans made with respect thereto pursuant to Section 1.4), and (4) the then aggregate outstanding principal amount of all Revolving Loans made by Non-Defaulting Lenders then outstanding, the Letter of Credit Outstandings at such time and the then aggregate amount of Subsidiary Credit Extensions of all Non-Defaulting Lenders, an amount equal to the total of the Adjusted Total Revolving Loan Commitment then in effect (after giving effect to any reductions or increases to the Adjusted Total Revolving Loan Commitment on such date), and (ii) shall not
exceed in aggregate principal amount outstanding the Revolving Loan Swingline Subcommitment.

(c) Notwithstanding the foregoing provisions of this Section 1.1 or the provisions of Section 1.3, all Borrowings made prior to the 60th day following the Closing Date shall consist entirely of Base Rate Loans; PROVIDED that up to one such Borrowing at any time outstanding may consist of Eurodollar Loans having a one-month Interest Period, unless there is an outstanding Subsidiary Borrowing consisting of Eurodollar Loans (under and as defined in the Subsidiary Credit Agreement) that was made (or continued or converted) on a different day than such Borrowing or has a different Interest Period than such Borrowing.

1.2 MINIMUM AMOUNT OF EACH BORROWING. The aggregate principal amount of each Borrowing of Revolving Loans, together with each Subsidiary Borrowing on the same day of each such Borrowing hereunder, shall be not less than $10,000,000 in the case of Borrowings of Revolving Loans and $1,000,000 in the case of Swingline Borrowings, and, if greater, shall be in an integral multiple of $1,000,000; PROVIDED that (a) there shall be no minimum Borrowing amount for Borrowings of Revolving Loans consisting of Base Rate Loans made to reimburse Swingline Borrowings pursuant to Section 1.4 or drawings under Letters of Credit pursuant to a deemed Borrowing under Section 2.3, and (b) the Company may borrow an amount equal to the entire undrawn portion of the Adjusted Total Revolving Loan Commitment. At no time shall the number of Swingline Borrowings outstanding hereunder exceed three or the number of total Borrowings outstanding hereunder, together with the number of Subsidiary Borrowings, exceed 10; PROVIDED that for purposes of determining the number of Borrowings (other than Swingline Borrowings) outstanding hereunder and the number of outstanding Subsidiary Borrowings (including, without limitation, for purposes of conversions of Base Rate Loans and continuations of Eurodollar Loans pursuant to Section 1.6), (i) all Borrowings of Revolving Loans consisting of Base Rate Loans and all Subsidiary Borrowings consisting of Base Rate Loans (as defined in the Subsidiary Credit Agreement) shall, collectively, be deemed one Borrowing, and (ii) all Borrowings of Eurodollar Loans, together with all Subsidiary Borrowings of Eurodollar Loans (as defined in the Subsidiary Credit Agreement), in each case continued, incurred or converted on the same day and having identical Interest Periods shall, collectively, be deemed one Borrowing.

1.3 NOTICE OF BORROWING. (a) (i) Whenever the Company desires to make a Borrowing hereunder (other than a conversion or continuation pursuant to Section 1.6 or a Swingline Borrowing), it shall give the Agent (A) at least one Business Day's prior written notice (or telephonic notice confirmed promptly in writing) before the requested date of the making of any such Borrowing consisting of Base Rate Loans, and (B) at least three Business Days' prior written notice (or telephonic notice confirmed promptly in writing), before the requested date of the making of any such Borrowing consisting of Eurodollar Loans, each such notice to be given at the Payment Office prior to 11:00 A.M. (New York, New York time) on the date specified; PROVIDED that, upon the notice set forth in Section 2.3, the Company may make a Borrowing hereunder consisting of Base Rate Loans, the proceeds of which shall be used solely to reimburse drawings under Letters of Credit pursuant to the operation of Section 2.3. Each such notice or confirmation thereof (each a "Notice of Borrowing") shall be substantially in the form of Exhibit B-1 hereto, shall be irrevocable and shall specify (1) the aggregate principal amount of the Loans to be made pursuant to such Borrowing, (2) the date of such Borrowing (which shall be a Business Day), and (3) whether such Borrowing shall consist of Base Rate Loans or Eurodollar Loans and, in the case of Eurodollar Loans, the initial Interest Period to be applicable thereto.

(ii) Whenever the Company desires to make a Borrowing under the Revolving Loan Swingline Subcommitment, it shall give the Agent and BTCo written notice (or telephonic notice confirmed promptly in writing) before 11 A.M. (New York, New York time) on the requested date of such Borrowing (a "Notice of
Swingline Borrowing"), which date must be a Business Day (each such Borrowing, a "Swingline Borrowing"); PROVIDED that no Swingline Borrowing may be made on or after the date which is five Business Days prior to the Final Revolving Loan Maturity Date. Each such notice shall be irrevocable and shall specify the aggregate principal amount of the desired Swingline Borrowing.

(b) Without in any way limiting the Company's obligation to confirm in writing any telephonic notice given under this Agreement, the Agent (and, if applicable, the Lenders) may act without liability upon the basis of telephonic notice believed by the Agent (or such Lender, as the case may be) in good faith to be from the Company prior to receipt of written confirmation.

(c) The Agent shall promptly and, to the extent practicable, on the same day, give each Lender written notice (or telephonic notice confirmed in writing) of each proposed Borrowing, of such Lender's proportionate share thereof and of the other matters covered by the applicable Notice of Borrowing or Notice of Swingline Borrowing, as the case may be.

1.4 DISBURSEMENT OF FUNDS. (a) (i) No later than Noon (New York, New York time) on the date specified in each Notice of Borrowing, each Lender will, subject to the terms and conditions of this Agreement, make available its PRO RATA portion of each such Borrowing request-
ed to be made on such date (based on each Lender's Revolving Loan Commitment). All such amounts shall be made available in Dollars and immediately available funds at the Payment Office. The Agent will make available to the Company at the Payment Office the aggregate of the amounts so made available by the Lenders; PROVIDED that to the extent such Loan is being made pursuant to Section 2.3, the Agent shall distribute the proceeds of such Loan directly to the L/C Bank which has honored the Letter of Credit drawing in respect of which such Loan is being made, and to the extent such Loan is being made pursuant to paragraph (ii) below, the Agent shall retain the proceeds thereof for its own account.

(ii) Subject to the terms and conditions of this Agreement, BTCo will make available to the Company at the Payment Office the amount of each Swingline Borrowing on the date specified in each Notice of Swingline Borrowing; PROVIDED that no Swingline Borrowing may be made on or after the date which is five Business Days prior to the Final Revolving Loan Maturity Date. On the same date BTCo makes available the amount of a Swingline Borrowing, each Lender (including BTCo) shall absolutely and unconditionally be obligated to reimburse BTCo for its Adjusted Percentage of such Swingline Borrowing by making available to BTCo an amount equal to the product of the amount of such Swingline Borrowing and such Lender's Adjusted Percentage no later than Noon (New York, New York time) on the third Business Day following the date of the Notice of Swingline Borrowing pursuant to which such Swingline Borrowing was requested unless the Company shall have repaid such Swingline Borrowing before such date. Any such reimbursement by a Lender shall be deemed to be the making by such Lender, as of the date of the making of such Swingline Borrowing, of a Revolving Loan to the Company that is a Base Rate Loan. All such amounts shall be made available in Dollars and immediately available funds at the Payment Office. Notwithstanding anything herein or in any of the Credit Documents to the contrary, (A) in the event the Company has repaid a Swingline Borrowing prior to the third Business Day following the date of the Notice of Swingline Borrowing pursuant to which such Swingline Borrowing was requested unless the Company shall have repaid such Swingline Borrowing before such date, Any such reimbursement by a Lender shall be deemed to be the making by such Lender, as of the date of the making of such Swingline Borrowing, of a Revolving Loan to the Company that is a Base Rate Loan. All such amounts shall be made available in Dollars and immediately available funds at the Payment Office. Notwithstanding anything herein or in any of the Credit Documents to the contrary, (A) in the event the Company has repaid a Swingline Borrowing prior to the third Business Day following the date of the Notice of Swingline Borrowing pursuant to which such Swingline Borrowing was requested, then such payment (together with the payment of interest thereon) shall be retained by BTCo for its own account, (B) any payment of interest in respect of Swingline Borrowings which accrues prior to the reimbursement of BTCo by the Lender shall be retained by BTCo for its own account, and (C) the outstanding principal of a Swingline Borrowing shall bear interest from the date of the making thereof until the repayment or reimbursement thereof, as the case may be, at the rate of interest from time to time applicable to Base Rate Loans pursuant to Section 1.8.

(b) (i) Unless the Agent shall have been notified by any Lender
prior to the date of a Borrowing (other than a Swingline Borrowing) that such
Lender does not intend to make available to the Agent such Lender's portion of
the Borrowing to be made on such date, the Agent may assume that such Lender has
made such amount available to the Agent on such date and the Agent may make
available to the Company a corresponding amount. If such corresponding amount
is not in fact made available to the Agent by such Lender on the date of
Borrowing, the Agent shall be entitled to recover such corresponding amount on
demand from such Lender together with interest at the customary rate set by the
Agent for the correction of errors among banks. If such Lender does not pay
such corresponding amount forthwith upon the Agent's demand therefor, the Agent
shall promptly notify the Company, and the Company shall pay such corresponding
amount (to the extent such amount is not collected from such Lender) to the
Agent promptly, and, provided the Agent has made such demand prior to 11:00
A.M., New York, New York time, on a Business Day, no later than the next
succeeding Business Day, together with interest at the rate specified for the
Borrowing which includes such amount paid. Nothing in this subsection shall be
deeded to relieve any Lender from its obligation to fulfill its Commitment
hereunder or to prejudice any rights which the Company may have against any
Lender as a result of any default by such Lender hereunder.

(ii) If any Lender does not reimburse BTCo for its Adjusted
Percentage of any Swingline Borrowing (as provided in Section 1.4(a)(ii)), BTCo
shall be entitled to recover such amount on demand from such Lender together
with interest at the customary rate set by the Agent for the correction of
errors among banks. If such Lender does not pay such amount forthwith upon
BTCO's demand therefor, BTCo shall promptly notify the Company and each other
Lender, and the Company shall pay such amount (to the extent such amount is not
collected from such Lender) to the Agent (for distribution to BTCO) promptly,
and, provided BTCO has made such demand prior to 11:00 A.M. (New York, New York
time) on a Business Day, no later than the next succeeding Business Day,

together with interest accrued on such portion of the Swingline Borrowing which
is being repaid. The portions of a Swingline Borrowing which are to be
reimbursed by the Company pursuant to this clause (ii) shall accrue interest
from and including the date of the making thereof by BTCO to but excluding such
date of reimbursement at a rate per annum equal to the sum of the Base Lending
Rate plus the Applicable Margin for Revolving Loans which are Base Rate Loans.
In the event the Company does not reimburse BTCO for such portion of such
Swingline Borrowing and accrued and unpaid interest thereon on the date required
hereby, each Non-Defaulting Lender (including BTCO) absolutely and
unconditionally agrees to reimburse BTCO, within one Business Day of a demand
therefor by BTCO, for such Non-Defaulting Lender's share of such portion of such
Swingline Borrowing by paying to the Agent (for distribution to BTCO) an amount
equal to the product of such portion of such Swingline Borrowing (and accrued
and unpaid interest thereon through but excluding such date of reimbursement)
and such Non-Defaulting Lender's then Adjusted Percentage, PROVIDED that a Non-
Defaulting Lender shall not be required to make such reimbursement to the extent
it would cause the sum of (A) the outstanding principal amount of such Lender's
Revolving Loans, (B) the Subsidiary Credit Extensions of such Lender, (C) such
Lender's Letter of Credit Exposure at such time, and (D) the product of such
Lender's Adjusted Percentage and the then outstanding principal amount of
Swingline Borrowings, to exceed such Lender's Unrestricted Commitment at such
time. Any such reimbursement by a Lender shall be deemed to be the making by
such Lender, as of the date of such reimbursement, of a Revolving Loan to the
Company that is a Base Rate Loan. Notwithstanding anything herein or in any of
the Credit Documents to the contrary (including, without limitation, Section
1.13), BTCO shall retain both the principal and interest so paid by the Company
for its own account, except to the extent a Non-Defaulting Lender has reimbursed
BTCO therefor.

(c) No Lender shall be responsible for any default by any other
Lender in its obligation to make Loans hereunder, and each Lender shall be
obligated to make the Loans provided to be made by it hereunder, regardless of
the failure of any other Lender to fulfill its Commitment hereunder.

1.5 NOTES. (a) The Company's obligation to pay the principal
of, and interest on, (i) all of the Revolving Loans made by each Lender shall be
evidenced by
a promissory note in the form of Exhibit A-2 hereto (collectively, the "Revolving Notes"), and (ii) all Swingline Borrowings from BTCo shall be evidenced by a promissory note substantially in the form of Exhibit A-3 hereto (the "Swingline Note"), in each case duly executed and delivered by the Company with blanks appropriately completed in conformity herewith.

(b) Each Note issued to each Lender with an interest in the Loans evidenced by such Note shall (i) be payable to the order of such Lender and be dated the Closing Date, (ii) be in a stated principal amount equal to the Revolving Loan Commitment or Revolving Loan Swingline Subcommitment of such Lender, as the case may be, and be payable in the principal amount of the Loans evidenced thereby, (iii) mature on the Final Revolving Loan Maturity Date (in the case of the Revolving Note of such Lender) and on the fifth Business Day prior thereto (in the case of the Swingline Note) and, in each case, be subject to mandatory prepayment as provided herein, (iv) bear interest as provided in the appropriate clauses of Section 1.8 in respect of the Base Rate Loans or Eurodollar Loans, as the case may be, evidenced thereby, and (v) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) Each Lender will note on its internal records the amount of each Loan made by it and each payment and each conversion in respect thereof and will prior to any transfer of any of its Notes endorse on the reverse side thereof the outstanding principal amount of Loans evidenced thereby. Failure to make any such notation shall not affect the Company's obligations in respect of such Loans.

1.6 CONVERSIONS OF BASE RATE LOANS AND CONTINUATIONS OF EURODOLLAR LOANS. Subject to Section 1.1(c), the Company shall have the option to convert PRO RATA on any Business Day all or a portion equal to at least $10,000,000 (or if greater, an integral multiple of $1,000,000) of the outstanding principal amount of any Base Rate Loan or Base Rate Loans made pursuant to one or more Borrowings into one Borrowing of Eurodollar Loans; PROVIDED that (i) Base Rate Loans may only be converted into Eurodollar Loans if no Default or Event of Default is then in existence, and (ii) no conversion pursuant to this Section 1.6 shall result in a greater number of Borrowings than is permitted under Section 1.2. Each such conversion shall be effected by the Company by

1.7 PRO RATA BORROWINGS. All Borrowings (other than a Swingline Borrowing) under this Agreement shall be incurred from the Lenders PRO RATA on the basis of their Revolving Loan Commitments; PROVIDED that all deemed Borrowings pursuant to Sections 1.4 and 2.3 shall be incurred from the Lenders PRO RATA on the basis of their respective Adjusted Percentages.

1.8 INTEREST. (a) The Company agrees to pay interest in respect of the unpaid principal amount of each Base Rate Loan from the date of the respective Borrowing (or deemed Borrowing) thereof until repayment in full in
cash at a rate per annum which shall be equal to the sum of the Base Lending Rate in effect from time to time, plus the Applicable Margin.

(b) The Company agrees to pay interest in respect of the unpaid principal amount of each Eurodollar Loan from the date of the respective Borrowing thereof until repayment in full in cash at a rate per annum which shall be equal to the relevant Eurodollar Rate in effect from time to time, plus the Applicable Margin.

(c) The “Applicable Margin” shall be (i) in the case of Revolving Loans that are Base Rate Loans, .75 of 1%, and (ii) in the case of Revolving Loans that are Eurodollar Loans, 1.75%; PROVIDED that, for so long as (i) no Default or Event of Default shall have occurred and be continuing, (ii) the Company has public senior Permitted Subordinated Indebtedness that is rated by Standard & Poor's Corporation and Moody's Investors Service, Inc. as set forth below, and (iii) the ratio, as of the last day of the most recently ended fiscal quarter of the Company, of Core EBITDA to Total Interest Expense of the Company and its Restricted Subsidiaries, in each case for the four consecutive fiscal quarters of the Company ending on such day, exceeds the applicable ratio set forth below, then, upon written notice thereof from the Company to the Agent, the Applicable Margins for the Revolving Loans set forth in the preceding proviso shall be reduced, effective as of the date of receipt of such notice by the Agent, from the percentages specified in such proviso by the number of basis points (with one basis point being equal to one-one hundredth of one percent) set forth below for such ratings and ratio:

(1) If such ratio is greater than 4.0:1.0 and such Permitted Subordinated Indebtedness is rated at least "BBB-" by Standard & Poor's Corporation and at least Baa3 by Moody's Investors Service, Inc., then the Applicable Margins for Base Rate Loans and Eurodollar Loans shall each be reduced by 25 basis points; or

(2) If such ratio is greater than 4.5:1.0 and such Permitted Subordinated Indebtedness is rated at least "BBB" by Standard & Poor's Corporation and at least Baa2 by Moody's Investors Service, Inc., then the Applicable Margins for Base Rate Loans and Eurodollar Loans shall each be reduced by 50 basis points.

(d) Notwithstanding anything to the contrary contained herein, overdue principal and, to the extent permitted by law, overdue interest in respect of each Loan and all other overdue amounts owing hereunder shall bear interest at a rate per annum equal to the greater of (i) the sum of 2.75% per annum and the Base Lending Rate in effect from time to time, and (ii) the sum of the interest rate otherwise applicable to such Loan from time to time and 2.00% per annum.

(e) Interest shall accrue from and including the date of any Borrowing to but excluding the date of any repayment thereof and shall be payable (i) in respect of each Base Rate Loan outstanding at any time during a calendar month, monthly in arrears on the last Business Day of each month, through and including the last calendar day of such month, (ii) in respect of each Eurodollar Loan, on the last day of each Interest Period applicable to such Loan and, in the case of an Interest Period of six months, on the date occurring three months after the first day of such Interest Period, and (iii) in respect of all Loans, on any prepayment or conversion thereof (on the principal amount prepaid or converted), at maturity (whether by acceleration or otherwise) and, after maturity, on demand.

(f) The Agent, upon determining the interest rate for any Borrowing of Eurodollar Loans for any Interest Period, shall promptly notify the Company and the Lenders thereof. The Agent shall promptly notify the Company and the Lenders of any change in the Base Lending Rate and the effective date thereof. Failure of the Agent to provide the Company or the Lenders with any notice described in this clause (f) shall not affect any obligations of the Company or the Lenders under this Agreement nor will such failure result in any
liability on the part of the Agent to the Company or any Lender.

1.9 INTEREST PERIODS. At the time it gives any Notice of Borrowing or Notice of Conversion in respect of the making of, or conversion into, a Borrowing of Eurodollar Loans (in the case of the initial Interest Period applicable thereto) or on the third Business Day prior to the expiration of an Interest Period applicable to a Borrowing of Eurodollar Loans (in the case of subsequent Interest Periods), the Company shall have the right to elect by giving the Agent written notice (or telephonic notice confirmed promptly in writing) thereof, the interest period (each, an "Interest Period") to be applicable to such Borrowing, which Interest Period shall, at the option of the Company, be a one, two, three or six month period; PROVIDED that: (i) the initial Interest Period for any Borrowing of Eurodollar Loans shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of Base Rate Loans) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires; (ii) if any Interest Period relating to a Borrowing consisting of Eurodollar Loans begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month; (iii) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; PROVIDED that if any Interest Period for a Eurodollar Loan would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day; (iv) no Interest Period in respect of any Revolving Loan shall extend beyond the Final Revolving Loan Maturity Date; (v) no Interest Period in respect of a Revolving Loan shall extend beyond any date upon which the Total Revolving Loan Commitment is reduced pursuant to Section 3.3(b) unless the aggregate principal amount of Revolving Loans which are Base Rate Loans or which have Interest Periods which will expire on or before such date, plus the unutilized Total Revolving Loan Commitment after giving effect to the incurrence of such Loan, is equal to or in excess of, the amount of the aggregate prepayment of Revolving Loans required to be made on such date; and (vi) the Interest Period for a Eurodollar Loan which is converted into a Base Rate Loan pursuant to Section 1.10(b) shall commence on the date of such conversion and shall expire on the date on which the Interest Periods for the Loans of the other Lenders which were not converted expire. If upon the expiration of any Interest Period, the Company has failed to elect a new Interest Period to be applicable to the respective Borrowing of Eurodollar Loans as provided above, the Company shall be deemed to have elected to convert such Borrowing into a Borrowing of Base Rate Loans effective as of the expiration date of such current Interest Period.

1.10 INCREASED COST, ILLEGALITY, ETC. (a) In the event that the Agent, in the case of clause (i) below, or any Lender, in the case of clauses (ii) and (iii) below, shall have reasonably determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties):

(i) on any date for determining the Eurodollar Rate for any Interest Period, that by reason of any changes arising after the date of this Agreement affecting the interbank Eurodollar market adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that the Eurodollar Rate shall not represent the effective pricing to such Lender for funding or maintaining the affected Eurodollar Loan, or such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder in respect thereof that are considered by such Lender in its sole discretion to be material, in either such case because of (x) any change since the date of this Agreement in
any applicable law or governmental rule, regulation, guideline or order (or any interpretation thereof by any governmental agency or authority and including the introduction of any new law or governmental rule, regulation, guideline or order) (such as, for example, but not limited to, a change in official reserve requirements, but, in all events, excluding reserves to the extent included in the computation of the Eurodollar Rate), whether or not having the force of law and whether or not failure to comply therewith would be unlawful, and/or (y) other circumstances arising after the date of this Agreement affecting such Lender or the interbank Eurodollar market or the position of such Lender in such market; or

(iii) at any time, that the making or continuance of any Eurodollar Loan has become unlawful by compliance by such Lender in good faith with any law, governmental rule, regulation, guideline or order or request of an applicable governmental authority enacted, adopted or made after the date of this Agreement (whether or not having the force of law), or has become impracticable as a result of a contingency occurring after the date of this Agreement which materially and adversely affects the interbank Eurodollar market;

then, and in any such event, the Agent or such Lender, as the case may be, shall on or promptly after the date of any determination of such event give notice (by telephone confirmed in writing) to the Company and, in the case of a Lender, to the Agent of such determination (which notice the Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as the Agent notifies the Company and the Lenders that the circumstances giving rise to such notice by the Agent no longer exist, and any Notice of Borrowing or Notice of Conversion given by the Company with respect to Eurodollar Loans which have not yet been incurred shall be deemed rescinded by the Company, (y) in the case of clause (ii) above, the Company, without duplication of any amounts payable under Sections 1.11 and 2.6 or the Subsidiary Credit Agreement, shall pay to such Lender, promptly after a written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its sole discretion shall determine) as shall be required to compensate such Lender for such increased costs or reduction in amounts receivable hereunder (a written notice as to additional amounts owed such Lender, setting forth in reasonable detail the conditions giving rise thereto and the calculation of such amounts (which calculations shall be made in the same manner as for similar outstanding loans made by such Lender of a similar type and amount as those set forth herein to Persons of a similar creditworthiness as the Company), submitted to the Company by the Lender shall, absent manifest error, be final and conclusive and binding upon all of the parties hereto) and (z) in the case of clause (iii) above take one of the actions specified in Section 1.10(b) as promptly as possible. The failure of any Lender to give any notice as provided in this Section shall not release or diminish any of the Company's obligations to pay any additional amounts to such Lender pursuant to clause (y) above.

(b) At any time that any Eurodollar Loans are affected by the circumstances described in Section 1.10(a), the Company may (and in the case of a Eurodollar Loan affected pursuant to Section 1.10(a)(iii) shall) either (x) if the affected Eurodollar Loan is then being made pursuant to a Borrowing or a conversion, cancel, with respect to such affected Lender, said Borrowing or conversion by giving the Agent telephonic notice (confirmed in writing) thereof on the same date that the Company was notified by the Lender or the Agent, as the case may be, pursuant to Section 1.10(a) and such Lender shall make a Base Rate Loan as part of such requested Borrowing, or (y) if the affected Eurodollar Loan is then outstanding, upon at least 3 Business Days' written notice to the Agent, or, in the case of a Eurodollar Loan affected pursuant to Section 1.10(a)(iii) which may no longer be lawfully maintained, immediately, require the affected Lender to convert each such Eurodollar Loan into a Base Rate Loan; PROVIDED that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 1.10(b).
In the event that the Agent determines at any time following its giving of notice based on the conditions described in clause (a)(i) above that none of such conditions exist, the Agent shall promptly give notice thereof to the Company, whereupon the Company's right to request Eurodollar Loans from the Lenders and the Lenders' obligation to make Eurodollar Loans shall be restored.

In the event that a Lender determines at any time following its giving of a notice based on the conditions described in clause (a)(iii) above that none of such conditions exist, such Lender shall promptly give notice thereof to the Company and the Agent, whereupon the Company's right to request Eurodollar Loans from such Lender and such Lender's obligation to make Eurodollar Loans shall be restored.

1.11 CAPITAL ADEQUACY. If any Lender determines that any applicable law, rule, regulation, mandatory guideline, request or directive, whether or not having the force of law, from an applicable regulatory authority concerning capital adequacy or reserves (excluding reserves to the extent included in the computation of the Eurodollar Rate), or any change therein or in interpretation or administration thereof by any governmental authority, central bank or comparable agency has or will have the effect of reducing the rate of return on the capital or assets of such Lender (or any corporation controlling such Lender) as a consequence of such Lender's Commitment hereunder (including, without limitation, its outstanding Loans) or its obligations hereunder, in an amount considered by such Lender in its sole discretion to be material, it will notify the Company thereof on or promptly after the date of such determination. The Company, without duplication of any amounts payable under Sections 1.10 and 2.6 or the Subsidiary Credit Agreement, will pay to such Lender promptly after a written demand therefor (which demand may be contained in the notice referred to above) such additional amounts as are necessary to compensate such Lender for the reduction to such rate of return as a result of the event described in the first sentence of this Section 1.11. In determining such amount, such Lender will act reasonably and in good faith and will use averaging and attribution methods which are reasonable, and such Lender's determination of compensation shall be conclusive, absent manifest error, if made in accordance with this provision. Each notice delivered pursuant to this Section 1.11 shall set forth in reasonable detail the conditions giving rise thereto, and each demand delivered pursuant to this Section 1.11 shall set forth the calculation of the amounts demanded thereby (which calculations shall be made in the same manner as for similar outstanding loans made by such Lender of a similar type and amount as those set forth herein to Persons of a similar creditworthiness as the Company). The failure of any Lender to give any notice or demand as provided in this Section shall not release or diminish any of the Company's obligations to pay any increased costs to such Lender pursuant to this Section.

1.12 FUNDING LOSSES. The Company shall compensate each Lender, upon its written request (which request shall set forth in reasonable detail the basis for requesting such amounts and which request shall, absent manifest error, be final, conclusive and binding upon all of the parties thereto), for all losses, expenses and liabilities (including, without limitation, any interest paid by such Lender to lenders of funds borrowed by it to make or carry its Eurodollar Loans to the extent not reasonably able to be recovered by such Lender in its sole discretion in connection with the re-employment of such funds) which such Lender may sustain: (i) if for any reason (other than a default by such Lender) a Borrowing of, or conversion from or into, Eurodollar Loans does not occur on a date specified therefor in a Notice of Borrowing or a Notice of Conversion (whether or not canceled, rescinded or otherwise withdrawn); (ii) if, for any reason, any repayment (including, without limitation, payment after acceleration) or conversion of any of its Eurodollar Loans occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any prepayment of any of its Eurodollar Loans is not made on any date specified in a notice of prepayment given by the Company; or (iv) as a consequence of (A) any default by the Company to repay its Loans when required by the terms of this Agreement or a Note of such Lender or (B) an election made pursuant to Section 1.10(b).

1.13 SHARING OF PAYMENTS, ETC. If any Lender shall obtain any
payment or reduction (including, without limitation, any amounts received as adequate protection of a deposit treated as cash collateral under the Bankruptcy Code) of any Obligation hereunder (whether voluntary, involuntary, by realization upon security, by counterclaim or cross action, by the enforcement of any action under this Agreement, by the exercise of any right of set-off or banker's lien, or otherwise) in excess of

its ratable share of payments or reductions on account of such Obligations obtained by all the Lenders, such Lender shall forthwith (i) notify each of the other Lenders and the Agent of such receipt, and (ii) purchase from the other Lenders such assignments in the affected Obligations as shall be necessary to cause such purchasing Lender to share the excess payment or reduction, net of costs incurred in connection therewith, ratably with each of them; PROVIDED that if all or any portion of such excess payment or reduction is thereafter recovered from such purchasing Lender or additional costs are incurred, the purchase of such assignments shall be rescinded and the purchase price thereof restored to the extent of such recovery or such additional costs, but without interest. The Company agrees that any Lender so purchasing an assignment from another Lender pursuant to this Section 1.13, may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such assignment as fully as if such Lender were the direct creditor of the Company in the amount of such assignment.

1.14 CHANGE OF LENDING OFFICE. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), 1.11, 4.5 or 12.1 (to the extent Section 12.1 requires the payment of any Taxes) with respect to such Lender, it will, if requested by the Company, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, provided that such designation is made on such terms that such Lender suffers no economic, legal, regulatory or other disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such Section; PROVIDED that if such disadvantage is not material (to be determined by such Lender in its sole discretion), such Lender shall designate another lending office if the Company shall fully compensate such Lender for such disadvantage. Nothing in this Section 1.14 shall affect or postpone any of the obligations of the Company or the right of any Lender provided in Section 1.10, 1.11, 4.5 or 12.1 (to the extent Section 12.1 requires the payment of any Taxes).

1.15 REPLACEMENT LENDERS. If (a) the obligation of any Lender to make Eurodollar Loans has been suspended pursuant to Section 1.10 as a result of the occurrence of any event or circumstance described therein affecting Lenders having less than 25% of the Total Com-
Replaced Lender and, in connection therewith, shall pay to (A) the Replaced Lender in respect thereof, in addition to amounts payable to such Replaced Lender, pursuant to Section 1.15 of the Subsidiary Credit Agreement, an amount equal to the sum of (i) the outstanding principal of, and accrued and unpaid interest on, all outstanding Loans of the Replaced Lender acquired by such Replacement Lender, (2) an amount equal to such Replacement Lender’s portion of all drawings in respect of any Letter of Credit that have been funded by (and not reimbursed to) such Replaced Lender pursuant to Section 2.4, together with all accrued and unpaid interest with respect thereto, and (3) such Replacement Lender’s portion of all accrued, but theretofore unpaid, fees and commissions owing to the Replaced Lender pursuant to Sections 2.5 and 3.1 hereof, and (B) the Agent (for distribution to the Lenders entitled to the same) an amount equal to such Replacement Lender's portion of the sum of (1) such Replaced Lender's Adjusted Percentage (for this purpose, determined as if the adjustment de-

scribed in clause (y) of the immediately succeeding sentence had been made with respect to such Replaced Lender) of any drawing in respect of any Letter of Credit (which at such time remains unpaid) to the extent such amount was not theretofore funded by such Replaced Lender, and (2) any amounts owing to BTCo by such Replaced Lender pursuant to Section 1.4; and (ii) all obligations of the Company due and owing to the Replaced Lender at such time (other than those specifically described in clause (i) above in respect of which the purchase price has been, or is concurrently being, paid) shall be paid in full by the Company to such Replaced Lender concurrently with such replacement. Upon the execution of the respective Transfer Supplements, the payment of amounts referred to in clauses (i) and (ii) above and Section 1.15 of the Subsidiary Credit Agreement and, if so requested by a Replacement Lender, delivery to such Replacement Lender of the appropriate Note or Notes or Subsidiary Note or Subsidiary Notes executed by the Company and the Subsidiary Borrowers, as applicable, (x) each such Replacement Lender shall become a Lender hereunder, and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions under this Agreement, which shall survive as to such Replaced Lender and (y) the Adjusted Percentage of the Lenders shall be automatically adjusted at such time to give effect to the replacement, if any, of a Defaulting Lender with one or more Non-Defaulting Lenders. The Company agrees, except in the case of the replacement of a Defaulting Lender, to pay all reasonable costs and expenses of any such Lender which sells its Notes, Loans, Letters of Credit Exposure and Revolving Loan Commitment pursuant to this Section 1.15.

1.16 MATURITY OF BORROWINGS. Notwithstanding any other provision of this Agreement to the contrary (i) all Loans will mature and become due and payable on the Final Revolving Loan Maturity Date, and (ii) all Loans will mature and become due and payable on the Interim Maturity Date with respect to such Loan. Provided that no Event of Default shall have occurred and be continuing on any Interim Maturity Date, the Lenders shall be deemed to have made Loans ("Rollover Loans") and the Company shall be deemed to have made a Borrowing of Loans (each such Borrowing, a "Rollover Borrowing") of the same principal amount of Loans maturing on such Interim Maturity Date, and the proceeds of such Rollover Loans shall be applied to the repayment of such Loans maturing on such Interim Maturity Date. Subject to Sections 3.3 and

4.2 hereof, no such deemed repayment of Loans shall require any cash payment by the Company nor shall any such Rollover Borrowing require the actual delivery of any funds by any Lender, or compliance with Sections 1.1(b), 1.2, 1.3 (unless the Company desires that such Rollover Borrowing consist of Eurodollar Loans) or 1.4.

Section 2. LETTER OF CREDIT SUBFACILITY.

2.1 LETTERS OF CREDIT. (a) Subject to and upon the terms and conditions, and in reliance upon the representations and warranties of the Company, set forth in this Agreement, in addition to requesting that the Lenders make Loans pursuant to Section 1, the Company may request, in accordance with the provisions of this Section 2.1 and Section 2.2, that, on and after the
Closing Date and prior to the termination or expiration of the Total Revolving Loan Commitment, any L/C Bank issue one or more Letters of Credit for the account of the Company; PROVIDED that any Letter of Credit issued by an L/C Bank shall be in a form customarily used by such L/C Bank or in any other form requested by the Company and approved by such L/C Bank; PROVIDED FURTHER, that (i) no Letter of Credit shall have an expiration date that is later than 12 (or, if approved by the L/C Bank and the Agent, 18) months after the date of issuance thereof; PROVIDED that a Letter of Credit may provide, on such terms and conditions as are acceptable to the applicable L/C Bank, that it is extensible for additional consecutive one year periods (or, with the approval of the L/C Bank and the Agent, other consecutive periods having a duration of 18 months or less); (ii) in no event shall any Letter of Credit issued by an L/C Bank have an expiration date (or be extended or extendible so that it will expire) later than the Final Revolving Loan Maturity Date; (iii) each Letter of Credit issued by an L/C Bank shall have a stated amount of at least $500,000; (iv) the Company shall not request that any L/C Bank issue any Letter of Credit if, after giving effect to such issuance, the aggregate Letter of Credit Outstandings PLUS the then outstanding aggregate principal amount of Revolving Loans made by Non-Defaulting Lenders PLUS the then aggregate amount of Subsidiary Credit Extensions of the Non-Defaulting Lenders PLUS the then aggregate outstanding principal amount of all Swingline Borrowings (without duplication of any Revolving Loans made with respect thereto pursuant to Section 1.4) would exceed the Adjusted Total Revolving Loan Commitment then in effect (after giving effect to any reductions or increases to the Adjusted Total Revolving Loan Commitment on such date) and (v) the Company shall not request the issuance of any Letter of Credit if, after giving effect to such issuance, the aggregate Letter of Credit Outstandings PLUS the aggregate Subsidiary Letter of Credit Outstandings would exceed $275,000,000; and, PROVIDED FURTHER, that, subject to and upon the terms and conditions set forth in the Subsidiary Credit Agreement, for all purposes of this Agreement and the other Credit Documents, the Existing Subsidiary Letters of Credit shall be deemed to have been issued pursuant to the Subsidiary Credit Agreement on the Closing Date.

(b) Each Letter of Credit may provide that the L/C Bank may (but shall not be required to) pay the beneficiary thereof upon the occurrence of an Event of Default and the acceleration of the maturity of the Loans or, in an account to secure payment to the beneficiary and that any funds so deposited shall be paid to the beneficiary of the Letter of Credit if conditions to such payment are satisfied or returned to the L/C Bank for distribution to the Lenders (or, if all Obligations shall have been indefeasibly paid in full, to the Company) if no payment to the beneficiary has been made and the final date available for drawings under the Letter of Credit has passed. Each payment or deposit of funds as provided in this paragraph shall be treated for all purposes of this Agreement as a drawing duly honored by the L/C Bank under the related Letter of Credit.

2.2 NOTICE OF ISSUANCE; AGREEMENT TO ISSUE. (a) Whenever the Company desires the issuance of a Letter of Credit, it shall deliver to the Agent (with a copy to its Letter of Credit Department) and the desired L/C Bank a written notice no later than 11:00 A.M. (New York, New York time) at least five Business Days, or such shorter period (which shall not be less than two Business Days) as may be agreed to by the applicable L/C Bank in any particular instance, in advance of the proposed date of issuance. Each such notice shall be substantially in the form of Exhibit B-3 (each a "Letter of Credit Request"), shall specify (i) the proposed date of issuance (which shall be a business day under the laws of the jurisdiction of the applicable L/C Bank), (ii) the face amount of the Letter of Credit, (iii) the expiration date of the Letter of Credit, and (iv) the name and address of the beneficiary with respect to such Letter of Credit.
Letter of Credit, which if presented by such beneficiary prior to the expiration
date of the Letter of Credit, would require the L/C Bank to make payment under
the Letter of Credit; PROVIDED that the applicable L/C Bank may require changes
in any such documents and certificates in accordance with its customary letter
of credit practices; and, PROVIDED FURTHER, that no Letter of Credit shall
require payment against a conforming draft to be made thereunder on the same
Business Day that such draft is presented if such presentation is made after
11:00 A.M. (New York, New York time). In determining whether to pay under any
Letter of Credit, each L/C Bank shall be responsible only to determine that the
documents and certificates required to be delivered under its Letter of Credit
have been delivered and that they comply on their face with the requirements of
its Letter of Credit. Promptly after receipt of a Letter of Credit Request, the
Agent shall deliver a copy thereof to each Lender. Each L/C Bank shall furnish
to the Agent a specimen copy of each Letter of Credit issued by such L/C Bank
pursuant to this Agreement promptly upon the issuance thereof; and the Agent
shall deliver copies thereof to a Lender promptly upon such Lender's request
therefor, together with a notice of such Lender's respective participation
therein, determined in accordance with Section 2.2(b).

(b) Each L/C Bank receiving a Letter of Credit Request from the
Company agrees, subject to the terms and conditions set forth in this Agreement,
and so long as it shall not have received any notice from any Lender pursuant to
the immediately succeeding sentence, to issue, for the account of the Company, on
the date specified in such Letter of Credit Request, a Letter of Credit in a
face amount equal to the face amount requested in such Letter of Credit Request.
Immediately upon the issuance of each Letter of Credit, each Lender shall be
deemed to, and hereby agrees to, have irrevocably purchased from the applicable
L/C Bank a participation in such Letter of Credit and any drawing thereunder in
an amount equal to the product of such Lender's Adjusted Percentage and the
maximum amount which is or at any time may become available to be drawn
thereunder; PROVIDED that no Lender shall have delivered a notice to such L/C
Bank prior to the issuance of such Letter of Credit (with a copy to the Agent
which shall be promptly forwarded to the other Lenders) to the effect that one
or more of the

conditions set forth in Section 5.1 or 5.2, as applicable, are not then
satisfied or that the issuance of such Letter of Credit or purchase of a
participation therein by such Lender would violate Section 2.6(b). Upon any
change in the Commitments of the Lenders pursuant to Section 1.15 or 12.4 or in
the Adjusted Percentages of the Lenders as a result of the occurrence of a
Lender Default, it is hereby agreed that, with respect to all outstanding
Letters of Credit and drawings thereunder which are unpaid, there shall be an
automatic adjustment to the participations in the Letters of Credit pursuant to
this Section 2.2 to reflect the new Adjusted Percentages of the Lenders.

2.3 PAYMENT OF AMOUNTS DRAWN UNDER LETTERS OF CREDIT. (a) In the
event of any request for payment under any Letter of Credit by the beneficiary
thereof, the L/C Bank shall promptly notify the Company, the Agent and the
Lenders required to participate therein in accordance with Section 2.2(b) and,
in any event, unless otherwise expressly provided in such Letter of Credit or
the terms of such Letter of Credit require the honoring of a drawing thereunder
on the date of, or the Business Day after, such drawing, no later than 10:00
A.M. (New York, New York time) on the Business Day immediately preceding the
date on which such L/C Bank intends to honor such drawing; and the Company shall
reimburse such L/C Bank on the day on which such drawing is honored in same day
funds in an amount equal to the amount of such drawing; PROVIDED that, unless
the Company shall have notified the Agent and such L/C Bank prior to 11:00 A.M.
(New York, New York time) on the Business Day immediately prior to the date on
which such drawing is honored that the Company intends to reimburse such L/C
Bank for the amount of such drawing with funds other than the proceeds of
Revolving Loans, (i) the Company shall be deemed to have timely given a Notice
of Borrowing to the Agent requesting a Borrowing of Revolving Loans which are
Base Rate Loans on the date on which such drawing is honored in an amount equal
to the amount of such drawing, and (ii) subject to Section 1.1, each Lender shall,
by 1:00 P.M. (New York, New York time) on the date of the honoring of
such drawing, make a Revolving Loan which is a Base Rate Loan in an amount equal
to the product of the amount of such drawing and such Lender's Adjusted
Percentage, the proceeds of which shall be applied directly by the Agent to
reimburse such L/C Bank for the amount of such drawing (PROVIDED that, solely
for purposes of such Borrowing, the conditions precedent set forth in Section
5.2 shall not be applicable); PROVIDED FURTHER that, if for any reason, proceeds of Revolving Loans are not received by such L/C Bank on such date in an amount equal to the amount of such drawing, the Company shall reimburse such L/C Bank, on the Business Day immediately following the date of such drawing, in an amount in Dollars and immediately available funds equal to the excess of the amount of such drawing over the amount of such Revolving Loans, if any, which are so received by the Agent from the Lenders, plus accrued interest on such amount at the applicable rate of interest for Base Rate Loans which are Revolving Loans set forth in Section 1.8. If the Company notifies the Agent and such L/C Bank prior to 11:00 A.M. (New York, New York time) on the Business Day immediately prior to the date on which such drawing is honored that the Company intends to reimburse such L/C Bank for the amount of such drawing with funds other than the proceeds of Revolving Loans, the Company shall reimburse such L/C Bank on the day on which such drawing is honored in an amount in same day funds equal to the amount of such drawing. Notwithstanding anything contained in this Agreement to the contrary, to the extent the Company does not reimburse a L/C Bank in accordance with the preceding provisions of this Section 2.3 or an Event of Default exists at the time of the honoring of a drawing under a Letter of Credit, amounts, if any, then held by the Agent in the L/C Cash Collateral Account may be applied by the Agent to reimburse the applicable L/C Bank for the honoring of such drawing, and the aggregate amount of Revolving Loans, if any, required to be made by the Lenders pursuant to this Section 2.3 shall be reduced by a corresponding amount.

(b) Any payments owed by the Company pursuant to this Section 2.3 which are made later than 11:00 A.M. (New York City time) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made under this Section 2.3 shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day.

(c) Each Lender shall indemnify and hold harmless the Agent and each L/C Bank from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, costs and expenses (including, without limitation, attorney's fees and expenses) resulting from any failure on the part of such Lender to provide, on the same day of any drawing under a Letter of Credit, the Agent with such Lender's Adjusted Percentage of the amount of any drawing under such Letter of Credit in accordance with the provisions of Section 2.3(a).

2.4 PAYMENT BY LENDERS. In the event that the Company shall fail to reimburse an L/C Bank as provided in Section 2.3 by borrowing Revolving Loans or otherwise for all or any portion, as the case may be, of any drawing honored by such L/C Bank under a Letter of Credit issued by it, such L/C Bank shall promptly notify each Lender of the unreimbursed amount of such drawing and the amount of such Lender's Adjusted Percentage therein. Each Lender shall make available to such L/C Bank an amount equal to its Adjusted Percentage of such unreimbursed payment in Dollars and immediately available funds, at the office of such L/C Bank specified in such notice, not later than 1:00 P.M. (New York City time) on the business day (under the laws of the jurisdiction of such L/C Bank and a Business Day) after the date notified by such L/C Bank. In the event that any such Lender fails to make available to such L/C Bank the amount of such Lender's Adjusted Percentage of such unreimbursed payment as provided in this Section 2.4, such L/C Bank shall be entitled to recover such amount on demand from such Lender together with interest at the interbank compensation rate set by the Agent for three Business Days and thereafter at the Base Rate. Nothing in Section 2.3 or this Section 2.4 shall be deemed to prejudice the right of any Lender to recover from such L/C Bank any amounts made available by such Lender to such L/C Bank pursuant to Section 2.3 or this Section 2.4 in the event that the payment with respect to a Letter of Credit by such L/C Bank in respect of which payment was made by such Lender constituted gross negligence or willful misconduct on the part of such L/C Bank. Each L/C Bank shall distribute to each
other Lender which has paid all amounts payable by it under this Section 2.4 with respect to any Letter of Credit issued by such L/C Bank such other Lender's share (based on the proportionate aggregate amount funded by such Lender to the aggregate amount funded by all Lenders) of all payments received by such L/C Bank from the Company in reimbursement of drawings honored by such L/C Bank under such Letter of Credit when such payments are received (including interest payable under Section 1.8 with respect to the period commencing on the date of the funding of such participation).

2.5 COMPENSATION. (a) The Company agrees to pay to the Agent for distribution to each Non-Defaulting Lender in respect of all Letters of Credit outstanding such Non-Defaulting Lender's Adjusted Percentage of (i) a commission equal to 1.75% per annum of the difference of the daily average amount available to be drawn from time to time under such outstanding Letters of Credit minus the average daily cash balance on deposit from time to time in the L/C Cash Collateral Account pursuant to Section 4.2(e)(i), and (ii) a commission equal to 0.5 of 1% per annum on the average daily cash balance on deposit from time to time in the L/C Cash Collateral Account pursuant to Section 4.2(e)(i), in each case payable monthly in arrears on the last Business Day of each month, through and including the last calendar day of such month; PROVIDED that, the rate at which the commission described in the immediately preceding clause (i) is calculated shall be reduced at all times that, and by the same number of basis points as, the interest rate for Base Rate Loans which are Revolving Loans is reduced pursuant to Section 1.8(c). Promptly upon receipt by the Agent of any amount described in this Section 2.5(a), the Agent shall distribute to each Lender its Adjusted Percentage of such amount.

(b) The Company agrees to pay to each L/C Bank in respect of each Letter of Credit issued by it such fees (including, without limitation, facing, processing and transfer fees), in such amounts, and at such times, as the Company and such L/C Bank may agree; and, notwithstanding anything to the contrary contained herein, such L/C Bank shall not be required to issue a Letter of Credit hereunder unless and until the Company provides such L/C Bank with a written acknowledgement of the fees agreed to by such L/C Bank in respect of such Letter of Credit.

2.6 ADDITIONAL PAYMENTS; ILLEGALITY. (a) Without duplication of any amounts payable under Sections 1.10, 1.11, 4.5 and 12.1, or under the Subsidiary Credit Agreement, if by reason of (x) any change in applicable law, regulation, rule, regulatory requirement, guideline, request or directive, whether or not having the force of law, or any change in the interpretation or application thereof by any judicial or other applicable governmental or regulatory authority, or (y) compliance by any Lender in good faith with any direction, request or mandatory guideline of any applicable governmental or monetary authority including, without limitation, Regulation D:

(i) such Lender shall be subject to any tax, levy, charge or withholding of any nature or to any variation thereof or to any penalty with respect to the maintenance or fulfillment of its obligations under this Section 2, whether directly or by such being imposed on or suffered by such Lender;

(ii) any reserve, deposit or similar requirement is or shall be applicable, imposed or modified in respect of any Letter of Credit issued by such Lender or any participations purchased by such Lender in any Letter of Credit (or in respect of such Lender's commitment to purchase such a participation); or

(iii) there shall be imposed on such Lender any other condition regarding this Section 2, any Letter of Credit or any participation therein;

and the result of the foregoing is to directly or indirectly increase the cost to such Lender of committing to issue, purchase, purchasing or maintaining any participation in any Letter of Credit, or to reduce the amount receivable in
respect thereof by such Lender, then and in any such case such Lender may, without duplication of any payments required to be made pursuant to Section 1.10, 1.11, 4.5 or 12.1, at any time after the additional cost is incurred or the amount received is reduced, promptly notify the Company and the Company shall pay to such Lender promptly after a written demand therefor (which demand may be contained in such notice), such additional amounts as shall be required to compensate such Lender for such increased costs or reduction in amounts receivable hereunder (a written notice as to additional amounts owed such Lender setting forth in reasonable detail the conditions giving rise thereto and the calculation of such amounts (which calculations shall be made in the same manner as for similar outstanding credit extensions made by such Lender of a similar type and amount as those set forth herein to Persons of a similar creditworthiness as the Company), submitted to the Company by such Lender shall, absent manifest error, be final and conclusive and binding upon all parties hereto). The failure of any Lender to give any notice or demand as provided in this Section shall not release or diminish any of the Company's obligations to pay any additional costs to such Lender pursuant to this Section.

2.7 SUBSIDIARY LETTER OF CREDIT. Notwithstanding anything to the contrary contained in this Section 2, if any Letter of Credit is issued for the account of a Subsidiary Borrower, the Lenders shall have no obligation to purchase a participation in such Letter of Credit under this Agreement; it being understood that any participation purchased by the Lenders in such a Letter of Credit will be pursuant to the Lenders' commitments to purchase such participations under the Subsidiary Credit Agreement.

2.8 OBLIGATIONS ABSOLUTE. The respective obligations under Sections 2.3 and 2.4 of the Company and the Lenders to reimburse each L/C Bank for drawings made under the Letters of Credit shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of any Letter of Credit;

(b) the existence of any claim, set-off, defense or other right which the Company or any Subsidiary or Affiliate of the Company may have at any time against a beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom any such beneficiary or transferee may be acting), any Lender or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including, without limitation, any underlying transaction between the Company or any of its Subsidiaries or Affiliates and the beneficiary for which the Letter of Credit was procured); PROVIDED that nothing in this Section 2.8 shall affect the right of the Company to seek relief against any beneficiary, transferee, Lender or any other Person in an action or proceeding or to bring a counterclaim in any suit involving such Persons;

(c) any draft, demand, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect;
payment by such L/C Bank under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(e) any other circumstance or happening whatsoever, which is similar to any of the foregoing;

(f) the fact that a Default or an Event of Default shall have occurred and be continuing.

2.9 INDEMNIFICATION; NATURE OF L/C BANKS' DUTIES. (a) In addition to amounts payable as elsewhere provided in this Section 2, but without duplication thereof, the Company hereby agrees to protect, indemnify, pay and save each L/C Bank harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and reasonable expenses (including reasonable attorneys' fees and disbursements and, after a Default, allocated costs of internal counsel) which such L/C Bank may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Letter of Credit for the account of the Company other than as a result of the gross negligence or willful misconduct of such L/C Bank or (ii) the failure of such L/C Bank to honor a drawing under any Letter of Credit due to an act or omission (whether rightful or wrongful) of any present or future DE JURE or DE FACTO government or governmental authority.

(b) As between the Company and each L/C Bank, the Company assumes all risks of the acts and omissions of, or misuse of the Letters of Credit issued by such L/C Bank, by the respective beneficiaries of such Letters of Credit, other than losses resulting from the gross negligence or willful misconduct of such L/C Bank.

In furtherance and not in limitation of the foregoing, no L/C Bank shall be responsible: (i) for the form, validity, sufficiency, accuracy, genuineness or legal effects of any document submitted by any party in connection with the application for and issuance of such Letters of Credit, even if it should in fact prove to be in any or all respects insufficient, inaccurate, fraudulent or forged or otherwise invalid; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of any such Letter of Credit to comply fully with conditions required in order to draw upon such Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, telecopy or otherwise, whether or not they be in cipher; (v) for good faith errors in interpretation of technical terms; (vi) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) for the misapplication by the beneficiary of any such Letter of Credit; and (viii) for any consequences arising from causes beyond the control of such L/C Bank, including, without limitation, any act or omission, whether rightful or wrongful, of any present or future DE JURE or DE FACTO government or governmental authority. None of the above shall affect, impair, or prevent the vesting of any such L/C Bank's rights or powers hereunder.

(c) In furtherance and extension and not in limitation of the specific provisions hereinafore set forth, any action taken or omitted by any L/C Bank under or in connection with the Letters of Credit issued by it or the related certificates, if taken or omitted in the absence of gross negligence or willful misconduct, shall not put such L/C Bank under any resulting liability to the Company.

Section 3. COMMISSIONS; COMMITMENTS.

3.1 COMMISSIONS. (a) The Company agrees to pay to the Agent for the account of each Non-Defaulting Lender a commitment commission (the "Commitment Commission") for the period from and including the Execution Date until the date upon which such Non-Defaulting
Lender's Revolving Loan Commitment is terminated in full, computed at the rate
of .5 of 1% per annum on the daily average amount by which the Revolving Loan Commitment of such Non-Defaulting Lender exceeds the sum of (A) the aggregate principal amount of all outstanding Revolving Loans made by such Non-Defaulting Lender, (B) such Non-Defaulting Lender's Letter of Credit Exposure, (C) the amount of such Non-Defaulting Lender's Subsidiary Credit Extensions, and (D) the product of such Non-Defaulting Lender's Adjusted Percentage and the then aggregate outstanding principal amount of all Swingline Borrowings (without duplication of Revolving Loans made with respect thereto pursuant to Section 1.4); PROVIDED that, for so long as (1) no Event of Default shall have occurred and be continuing, (2) the Company has public senior Permitted Subordinated Indebtedness that is rated at least "BBB-" by Standard & Poor's Corporation and at least "Baa3" by Moody's Investors Service, Inc., and (3) the ratio, as of the last day of the Company's most recent fiscal quarter, of Core EBITDA to Total Interest Expense of the Company and its Restricted Subsidiaries, in each case for the four fiscal quarters of the Company ending on such day, is greater than 4.0:1, then, upon written notice thereof from the Company to the Agent, the rate at which such commission is calculated shall be, effective as of the date of the receipt of such notice by the Agent,.375% of 1% per annum. Accrued Commitment Commission shall be due and payable in arrears on the Closing Date, on the last Business Day of the month in which the Closing Date occurs and on the last Business Day of each month that occurs after the Closing Date, through and including the last calendar day of such month, and on the date (whether before or after the Closing Date) on which each Non-Defaulting Lender's Revolving Loan Commitment is terminated in full.

(b) The Company shall pay directly to the Agent, when and as payable, such fees as have been agreed to in writing by the Company and the Agent.

3.2 VOLUNTARY REDUCTION OF COMMITMENTS. Upon at least two Business Days' prior written notice (or telephonic notice confirmed promptly in writing) to the Agent (which notice the Agent shall promptly and, to the extent practicable, on the same day, transmit to each of the Lenders), the Company shall have the right, without premium or penalty, to terminate in whole or reduce in part the unutilized portion of the Total Revolving Loan Commitment; PROVIDED that any partial reduction pursuant
to this Section 3.2 of the Total Revolving Loan Commitment shall be in the amount of $5,000,000 or, if greater, an integral multiple of $1,000,000. The Company may elect, in such notice, to reduce the Restricted Commitment Amount by an amount not to exceed the amount of the reduction to the Total Revolving Loan Commitment set forth in such notice. Reductions made pursuant to this Section 3.2 shall terminate the Lenders Loans pursuant to Section 4.2(a), (b), (c), (d) or (h) by the aggregate amount of such required prepayment as determined in accordance with Section 4.3 (whether or not there are Revolving Loans outstanding which are in fact so prepaid). Reductions of the Total Revolving Loan Commitment required by this Section 3.3(c) shall be applied against the scheduled reductions of the Total Revolving Loan Commitment required by Section 3.3(b) as follows: FIRST to

3.3 MANDATORY REDUCTION OF COMMITMENTS. (a) Notwithstanding anything to the contrary herein, the Total Revolving Loan Commitment shall be terminated on September 30, 1994, unless the Closing Date has occurred on or prior to such date.

(b) The Total Revolving Loan Commitment shall automatically reduce by $25,000,000 on March 31, 1996, by $50,000,000 on each of March 31, 1997 and March 31, 1998 and by $175,000,000 on the Final Revolving Loan Maturity Date.

(c) The Total Revolving Loan Commitment shall automatically reduce on each date on which the Company is required to make a prepayment of the Revolving Loans pursuant to Section 4.2(a), (b), (c), (d) or (h) by the aggregate amount of such required prepayment as determined in accordance with Section 4.3.
all such scheduled reductions (other than the reduction required on the Final Revolving Loan Maturity Date) on a PRO RATA basis, and SECOND to the reduction required on the Final Revolving Loan Maturity Date.

(d) On each date on which Variable Rate Notes are refinanced with the proceeds of fixed-rate or other Indebtedness, are defeased or are converted into fixed-rate notes or bonds, as the case may be, in accordance with the terms thereof, and on each date on which

the Variable Rate Notes are otherwise paid in full (but excluding (i) any refinancing thereof, other than a conversion to fixed-rate notes or bonds, supported directly or indirectly by a new Letter of Credit or Subsidiary Letter of Credit, and (ii) any refinancing or defeasance of any Variable Rate Notes made with the proceeds of Revolving Loans), the Total Revolving Loan Commitment shall automatically reduce on the date of such refinancing, conversion or payment by an amount equal to the face amount of the Letter of Credit or Subsidiary Letter of Credit directly or indirectly supporting such Variable Rate Notes. Reductions of the Total Revolving Loan Commitment pursuant to this Section 3.3(d) shall be applied against the scheduled reductions of the Total Revolving Loan Commitment required by Section 3.3(b) (including the reduction required on the Final Revolving Loan Maturity Date) in the inverse order of their occurrence. A Letter of Credit or Subsidiary Letter of Credit shall be considered to indirectly support any Variable Rate Notes if it supports a letter of credit supporting such Variable Rate Notes.

(e) The Total Revolving Loan Commitment shall automatically reduce on October 1, 1994 by the then Restricted Commitment Amount, if any. Immediately after giving effect to such reduction, the then Restricted Commitment Amount, if any, shall reduce to zero.

(f) The Restricted Commitment Amount shall automatically reduce to zero simultaneously with the Initial NME Acquisition Closing.

3.4 PRO RATA REDUCTIONS; NO REINSTATEMENT. Each reduction of the Total Revolving Loan Commitment hereunder shall be applied PRO RATA according to the Revolving Loan Commitments of the Lenders. The Lenders' Revolving Loan Commitments, once reduced or terminated, may not be reinstated.

Section 4. PAYMENTS.

4.1 VOLUNTARY PREPAYMENTS. The Company shall have the right to prepay the Loans in whole or in part from time to time on the following terms and conditions: (i) the Company shall give the Agent at the Payment Office at least two (or, in the case of a Swingline Borrowing, one) Business Days' prior written notice (or telephonic notice confirmed promptly in writing) of its intent to prepay the Loans specifying the amount of such prepayment, whether the Loans being repaid are Revolving Loans or the outstanding principal of any Swingline Borrowing and the Type(s) of Loans to be prepaid, which notice the Agent shall promptly transmit to each of the Lenders and which notice of prepayment having been given, the principal amount of the Loans specified in such notice shall become due and payable on the prepayment date specified therein; (ii) each partial prepayment shall be in an aggregate principal amount of $5,000,000 or, if greater, an integral multiple of $1,000,000; PROVIDED that no partial prepayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Loans made pursuant to such Borrowing to an amount less than $10,000,000; (iii) prepayments of Eurodollar Loans made pursuant to this Section 4.1 may only be made on the last day of an Interest Period applicable thereto; (iv) each prepayment in respect of any Loans made pursuant to a Borrowing shall be applied PRO RATA among such Loans; PROVIDED that at the Company's election in connection with any prepayment pursuant to this Section 4.1, any prepayment in respect of Revolving Loans shall not be applied to any Revolving Loan of a Defaulting Lender; and (v) a Swingline Borrowing may only be repaid in full. Notwithstanding anything to the contrary contained herein, unless the Company otherwise notifies the Agent in writing at
least two Business Days prior to the Closing Date, the Company shall be deemed
to have elected to prepay on the Closing Date (after giving effect to the
assignments contemplated by the Master Transfer Supplement) all of the Existing
Loans assigned to the Lenders pursuant to the Master Transfer Supplement and
amended and restated as Revolving Loans pursuant to Section 1.1(a) hereof.

4.2 MANDATORY PREPAYMENTS AND REPAYMENTS. (a) Within two Business

Days of each date on which an Asset Sale occurs, the Company shall prepay
outstanding Loans in an aggregate principal amount equal to 70% (or, if a
Default or an Event of Default exists immediately prior or after giving effect
to such Asset Sale, 100%) of the Net Proceeds thereof.

(b) Within two Business Days of each date on which the Company
issues or sells any shares of its capital stock or any warrants, options or
other rights to purchase or acquire shares of its capital stock (other than any
such (i) options issued to directors and employees of the Company pursuant to
the New Stock Option Plan and any such capital stock issued by the Company upon
the

exercise of any such option, and (ii) any such Stock issued by the Company as
partial or total consideration for the acquisition of any other Person), the
Company, if the proceeds of any such issuance or sale or series of related
issuances or sales exceeds $200,000, shall prepay outstanding Loans in an
aggregate principal amount equal to 25% (or, if a Default or Event of Default
exists immediately prior to or after giving effect to such issuance or sale, 100%)
of the Net Proceeds thereof; PROVIDED that if, at the time of any such
issuance or sale, (i) the ratio of Core Indebtedness, before giving effect to
such issuance or sale and the use of the proceeds thereof, to Core EBITDA for
the 12-month period ending on the last day of the month preceding such issuance
or sale is less than or equal to 3.5:1.0, and (ii) no Default or Event of
Default has occurred and is continuing or would result therefrom, then the
Company shall not be required to prepay any Loans as a result of such issuance
or sale.

(c) Anything to the contrary contained in Section 4.2(a) or (b)
notwithstanding, so long as no Default or Event of Default has occurred and is
continuing, the Company shall be permitted to retain any Net Proceeds payable to
the Lenders pursuant thereto if the amount payable thereunder, when aggregated
with any other amounts payable under Section 4.2(a) or (b) during any fiscal
year but not paid as a result of this Section 4.2(c) ("Retained Net Proceeds")
shall be less than $5,000,000 in the aggregate; PROVIDED that the Company shall
prepay the Loans in an amount equal to all Retained Net Proceeds on the earlier
of (i) the last Business Day of the fiscal year in which such Retained Net
Proceeds were received by the Company or its Restricted Subsidiaries, and (ii)
the second Business Day following the day on which (A) the Company or any of its
Restricted Subsidiaries receives any such Net Proceeds, and (B) the sum of (1)
the prepayment required as a result thereof pursuant to Section 4.2(a) or (b),
and (2) the then current amount of Retained Net Proceeds equals or exceeds
$5,000,000.

(d) On the 30th day prior to any date on which the Company would
(with the lapse of time) be required to repurchase or offer to purchase any
outstanding Senior Subordinated Notes or any other Permitted Subordinated
Indebtedness as a result of any sale, lease, conveyance or other transfer or
disposition of any assets, the Company shall prepay outstanding Loans in an
aggregate principal amount equal to the aggregate principal amount of such
Permitted Subordinated Indebtedness

that would (with the lapse of time) be required to be subject to such offer.

(e)(i) If, at any time, after giving effect to any termination
or reduction of the Adjusted Total Revolving Loan Commitment pursuant to the
terms of this Agreement, the total of (A) the aggregate principal amount of all
outstanding Revolving Loans made by Non-Defaulting Lenders at such time PLUS (B)
the then aggregate outstanding amount of Subsidiary Credit Extensions of all
Non-Defaulting Lenders PLUS (C) the aggregate Letter of Credit Outstandings at such time PLUS (D) the aggregate amount of Swingline Borrowings outstanding at such time (without duplication of any Revolving Loans made with respect thereto pursuant to Section 1.4) MINUS (E) amounts on deposit in the L/C Cash Collateral Account at such time, shall exceed the Adjusted Total Revolving Loan Commitment at such time, the Company shall immediately prepay Revolving Loans of Non-Defaulting Lenders (and thereafter outstanding Swingline Borrowings) in an aggregate amount equal to such excess and, to the extent that the sum of the aggregate Letter of Credit Outstandings and the aggregate Subsidiary Letter of Credit Outstandings exceeds the sum of the Adjusted Total Revolving Loan Commitment as so reduced, the Company shall deposit an amount equal to such excess in the L/C Cash Collateral Account. The amount required hereunder to be maintained on deposit in the L/C Cash Collateral Account shall at no time exceed the amount, if any, by which the sum of aggregate Letter of Credit Outstandings, aggregate Swingline Borrowings then outstanding (without duplication of any Revolving Loans made with respect thereto pursuant to Section 1.4), aggregate Revolving Loans of all the Non-Defaulting Lenders then outstanding and aggregate Subsidiary Credit Extensions of all the Non-Defaulting Lenders then outstanding exceeds the Adjusted Total Revolving Loan Commitment; any amount held in the L/C Cash Collateral Account in excess of such required amount shall, so long as no Default or Event of Default has occurred and is continuing, be payable to the Company upon request.

(ii) On any day on which the aggregate outstanding principal amount of the Revolving Loans and Subsidiary Loans made by any Defaulting Lender exceeds the Unrestricted Revolving Loan Commitment of such Defaulting Lender, the Company shall prepay principal of the Revolving Loans of such Defaulting Lender in an amount equal to such excess, less any amount owed by or due from such Defaulting Lender to the Company or any Non-Defaulting Lender; PROVIDED that if the Company so sets-off any amounts owed to a Non-Defaulting Lender, the Company shall pay such amounts to such Non-Defaulting Lender simultaneously with such set-off.

(f) Notwithstanding anything to the contrary contained in this Section 4.2, if on any date on which the Company is required to make a prepayment of Revolving Loans there is an unutilized portion of the Total Revolving Loan Commitment, which unutilized portion will be reduced in conjunction with such required prepayment pursuant to Section 3.3(b) or 3.3(c), the Company will not be required to actually prepay Revolving Loans to the extent such unutilized Total Revolving Loan Commitment is reduced.

(g) On each date on which there occurs a remarketing of Variable Rate Notes which were purchased with the proceeds of a drawing under a Letter of Credit or a letter of credit backed by a Letter of Credit, pursuant to the exercise by the holder of such note of its rights under the indenture pursuant to which such Variable Rate Note was issued to require such purchase, the Company shall prepay Revolving Loans to the extent incurred to fund such purchases in an amount equal to the aggregate principal amount of Variable Rate Notes so remarked. Proceeds of the remarketing of Variable Rate Notes received by the Agent from the L/C Banks or from any trustee for the holders of Variable Rate Notes supported by a Letter of Credit shall be applied by the Agent to such prepayment of Revolving Loans.

(h) Within five Business Days of each date on which the Company or any of its Subsidiaries receives any payment pursuant to Section 2.14 of the NME Purchase Agreement or any other payment under such agreement (other than pursuant to Section 2.6 thereof as in effect on the date hereof) which reflects an adjustment to the purchase price paid by the Company and its Subsidiaries pursuant to the terms thereof, the Company, if the amount of such payment, when aggregated with all such other payments previously received by the Company and its Subsidiaries that have not resulted in reductions of the Total Revolving Loan Commitment, are greater than or equal to $500,000, shall prepay outstanding Loans in an aggregate principal amount equal to the sum of such payment and the amount of all such other payments previ-
4.3 APPLICATION OF PREPAYMENTS. With respect to each prepayment of Loans required by Section 4.2, the Company may designate the Types of Loans which are to be prepaid and the specific Borrowing(s) pursuant to which made; PROVIDED that (i) Eurodollar Loans may be designated for prepayment pursuant to this Section 4.3 only on the last day of an Interest Period applicable thereto unless (A) all Eurodollar Loans with Interest Periods ending on such date of required prepayment have been paid in full and (B) all Base Rate Loans have been paid in full; (ii) if any prepayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Loans made pursuant to such Borrowing to an amount less than $10,000,000, such Borrowing shall immediately be converted into Base Rate Loans; (iii) each prepayment of any Loans made pursuant to a Borrowing shall be applied PRO RATA among such Loans; and (iv) notwithstanding the provisions of the preceding clause (iii), no prepayment of Revolving Loans made pursuant to Section 4.2(e)(ii) shall be applied to the Revolving Loans of any Defaulting Lender and prepayments pursuant to Section 4.2(e)(ii) shall only be applied to the Revolving Loans of the respective Defaulting Lender. In the absence of a designation by the Company as described in the preceding sentence, the Agent shall apply such prepayment FIRST to Base Rate Loans, SECOND to Eurodollar Loans with an Interest Period ending on the date of such prepayment and THIRD, subject to the above, as the Agent may determine in its sole discretion; PROVIDED, that such prepayment be applied to the Eurodollar Loan with the shortest remaining time to the end of the Interest Period. Any prepayment made pursuant to this Section 4.3 shall be made together with all amounts payable pursuant to Section 1.12.

4.4 METHOD AND PLACE OF PAYMENT. Except as otherwise specifically provided herein, all payments under this Agreement and the Notes shall be made to the Agent for the ratable account of the Lenders entitled thereto not later than 11:00 A.M. (New York, New York time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Office of the Agent. Any payments by the Company under this Agreement or the Notes which are made later than 11:00 A.M. (New York, New York time) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder or under any Note shall be

stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension. All payments made by the Company hereunder in respect of outstanding Loans shall be applied first to outstanding interest then due and payable and then to payments of principal.

4.5 NET PAYMENTS. (a) All payments made by the Company hereunder and under the other Credit Documents will be made without setoff or counterclaim. All such payments will be made free and clear of and without deduction or withholding for or on account of any Taxes (but excluding, except as provided in paragraph (c) hereof, any Taxes imposed on the overall net income of a Lender pursuant to the laws of the jurisdiction in which the principal executive office or applicable Lending Office of such Lender is located). If any Taxes are so levied or imposed, the Company agrees (i) to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every net payment of all amounts due hereunder and under the other Credit Documents, after withholding or deduction for or on account of any such Taxes (including additional sums payable under this Section 4.5), will not be less than the amount provided for herein, (ii) to make such withholding or deduction and (iii) to pay the full amount deducted to the relevant authority in accordance with applicable law; PROVIDED that the Company shall not be required to pay any additional amount on account of any Taxes of, or imposed by, the United States pursuant to this Section 4.5(a) to any Lender or the Agent which (A) is not entitled, on the Execution Date or Closing Date (or, in the case of an assignee of a Lender, on the date on which the assignment to it became effective) to submit Form 1001 or Form 4224 (or any successor forms) so as to meet its obligations to submit such a form pursuant to Sections 12.4(h) and (i), (B) shall have failed to submit any form or other certification which it was required to file pursuant to Sections 12.4(h) and (i) and entitled to file under applicable law, or (C) shall have filed any such form which is incorrect or
incomplete in any material respect and shall not have corrected or completed such form.

(b) Within 30 days after the date on which the payment of any Taxes required to be paid by the Company pursuant to Section 4.5(a) is due pursuant to applicable law, the Company will furnish to the Agent
certified copies of tax receipts evidencing such payment by the Company. The Company will indemnify and hold harmless each Lender and reimburse each Lender upon the written request of the Agent on behalf of such Lender (which request the Agent shall promptly make after receiving a written request from such Lender setting forth the basis for requesting such amount), for the amount of any such Taxes (other than Taxes described in the proviso following Section 4.5(a)(iii) for which the Company has no obligation thereunder) so levied or imposed and paid by such Lender and any liability (including incremental Taxes as set forth in Section 4.5(c), penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

(c) The Company shall also reimburse each Lender, upon the written request of such Lender, for any Taxes imposed on or measured by the overall net income of such Lender or its applicable Lending Office pursuant to the laws of the jurisdiction in which the principal executive office or applicable Lending Office of such Lender is located or any political subdivision or taxing authority thereof or therein as such Lender shall determine in good faith are payable by such Lender in respect of amounts paid to or on behalf of such Lender pursuant to paragraph (a) or (b) hereof.

(d) With respect to any Taxes which are paid by the Company in accordance with the provisions of this Section 4.5, each Lender receiving the benefits of such payments of Taxes hereby agrees to pay to the Company any amounts refunded to such Lender which such Lender determines in its sole discretion to be a refund in respect of such Taxes.

4.6 USE OF PROCEEDS. The Company shall use the proceeds of Revolving Loans and Swingline Borrowings (a) for the purpose of repaying the Mortgage Notes and consummating the Existing Company Credit Agreement Restructuring, (b) to pay the fees, costs and expenses incurred by the Company in connection with the Transactions, and/or (c) for working capital and other general corporate purposes, including, without limitation, to finance permitted acquisitions (including the NME Acquisition) and Investments.

Section 5. CONDITIONS PRECEDENT.

5.1 CONDITIONS PRECEDENT TO INITIAL LOANS, ETC. The obligation of each Lender to make its Loans, if any, on the Closing Date and consummate the Existing Company Credit Agreement Restructuring, and the obligation of each L/C Bank to issue any Letter of Credit on the Closing Date, is subject to the satisfaction of the following conditions precedent prior to, on or contemporaneously with the Closing Date:

(a) NOTES. The Agent shall have received, for the account of each Lender, the Increased Commitment Note, the Swingline Note and the Revolving Note of such Lender, duly completed, executed and delivered by an authorized officer of the Company.

(b) GUARANTY. Each Wholly-Owned Restricted Subsidiary (other than Excludable Foreign Subsidiaries) shall have duly completed, executed and delivered to the Agent for the benefit of the Lenders a guaranty (as hereafter amended, restated, varied, supplemented or modified from time to time, the "Subsidiary Guaranty") of the Obligations (including, without limitation, the Subsidiary Obligations), substantially in the form of Exhibit C hereto and amending and restating the guaranty provided by certain of such Restricted Subsidiaries pursuant to the Existing Company Credit Agreement, and the same shall be in full force and effect.
(c) STOCK AND NOTES PLEDGES. The Company shall have executed and delivered to the Collateral Agent for the benefit of the Lenders a pledge agreement (as hereafter amended, restated, varied, supplemented or modified from time to time, the "Company Stock and Notes Pledge"), substantially in the form of Exhibit D-1 hereto and amending and restating the stock and notes pledge delivered by the Company pursuant to the Existing Credit Agreements, and each Domestic Wholly-Owned Restricted Subsidiary shall have executed and delivered to the Collateral Agent for the benefit of the Lenders a Subsidiary Stock and Notes Pledge, substantially in the form of Exhibit D-2 hereto and amending and restating the stock and notes pledge delivered by such Restricted Subsidiaries pursuant to the Existing Credit Agreements, pursuant to which each of the Company and such Restricted Subsidiaries pledges, as security for the Obligations (including, without limitation, the Subsidiary Obligations): (i) all of the issued and outstanding shares of capital stock or equivalent interests from time to time owned by it of present and future Domestic Subsidiaries (other than hereafter created Domestic Subsidiaries that are not Significant Subsidiaries), (ii) all of the intercompany notes of any direct or indirect Subsidiary of the Company (other than Excludable Foreign Subsidiaries) now or hereafter held by it, and (iii) to the extent permitted by applicable law, all of the outstanding capital stock or equivalent interests owned by it of present and future Foreign Subsidiaries (other than hereafter created Foreign Subsidiaries that are not Significant Subsidiaries); PROVIDED that in no event shall the Company or any such Restricted Subsidiary be required to pledge more than 65% of all of the outstanding capital stock or equivalent interests of any Foreign Subsidiary that is an Excludable Foreign Subsidiary. Each of the Stock and Notes Pledges shall be in full force and effect and each pledgor under each of the Stock and Notes Pledges shall have duly delivered to the Collateral Agent in pledge under such Stock and Notes Pledge, for the benefit of the Lenders (A) share certificates representing all of the shares of capital stock pledged thereunder, together with undated stock powers therefor duly executed in blank by such pledgor, and (B) all of the intercompany notes pledged thereunder, together with undated instruments of assignment thereof duly executed in blank by such pledgor.

(d) PLEDGE AND SECURITY AGREEMENTS. The Company shall have executed and delivered to the Collateral Agent for the benefit of the Lenders (i) a pledge and security agreement (as hereafter amended, restated, varied, supplemented or modified from time to time, the "Company Pledge and Security Agreement") substantially in the form of Exhibit E-1 hereto, and (ii) a pledge and security agreement (as hereafter amended, restated, varied, supplemented or modified from time to time, the "Company Pledge and Security Agreement (ESOP)") substantially in the form of Exhibit E-2 hereto and amending and restating the pledge and security agreement delivered by the Company pursuant to the Existing Credit Agreements. Each Finance Company shall have executed and delivered to the Collateral Agent for the benefit of the Lenders a pledge and security agreement (as hereafter amended, restated, varied, supplemented or modified from time to time, collectively, the "FINCO Pledge and Security Agreements") substantially in the form of Exhibit F hereto and amending and restating the pledge and security agreements delivered by the Finance Companies pursuant to the Existing Credit Agreements. Each Domestic Wholly-Owned Restricted Subsidiary shall have executed and delivered to the Collateral Agent for the benefit of the Lenders a Subsidiary Pledge and Security Agreement substantially in the form of Exhibit G hereto and amending and restating the pledge and security agreements delivered by such Restricted Subsidiaries pursuant to the Existing Credit Agreements. Each of the Pledge and Security Agreements shall be in full force and effect and the Company and each Domestic Wholly-Owned Restricted Subsidiary shall have duly delivered to the Collateral Agent in pledge under the Pledge and Security Agreements, for the benefit of the Lenders, all instruments and other documents evidencing collateral in which a Lien is created thereunder to the extent necessary to perfect such security interest, together with undated stock powers or instruments of assignment thereof duly executed in blank by the Company or the relevant Domestic Wholly-Owned Restricted Subsidiary.
(e) COLLATERAL ACCOUNTS ASSIGNMENT AGREEMENT. The Agent, on behalf of the Lenders, and the Company shall have executed and delivered a collateral accounts assignment agreement (as hereafter amended, restated, varied, supplemented or modified from time to time, the "Collateral Accounts Assignment Agreement"), substantially in the form of Exhibit H hereto, and the same shall be in full force and effect.

(f) MORTGAGE DOCUMENTS. The applicable Mortgagors shall have duly executed and delivered to the Collateral Agent for the benefit of the Lenders such mortgages, mortgage consolidations and other documents (collectively, the "Mortgage Documents") as the Collateral Agent or the Lenders deem necessary or desirable to fully perfect the Liens granted pursuant to the Mortgages as security for the Obligations; the Mortgage Documents shall be in full force and effect; the Mortgage Documents shall have been filed in such places as the Collateral Agent or the Lenders deem necessary or desirable for such perfection; and all taxes, fees and expenses payable in connection with the execution and delivery of the Mortgage Documents and such filings shall have been paid by the Company and the Mortgagors.

(g) SUBSIDIARY CREDIT AGREEMENT. Each Subsidiary Borrower, the Agent, the Co-Agent and the Lenders shall have executed and delivered the Subsidiary Credit Agreement and the same shall be in full force and effect. The Agent shall have received, for the account of each Lender, the Subsidiary Increased Commitment Note and a promissory note (a "Subsidiary Note") of such Subsidiary Borrower in the form of Exhibit A to the Subsidiary Credit Agreement and duly completed, executed and delivered by an authorized officer of such Subsidiary Borrower. The Company shall have duly completed, executed and delivered to the Agent for the benefit of the Lenders a guaranty of the Subsidiary Obligations in the form of the Company Guaranty and the same shall be in full force and effect. Each of the conditions precedent specified in the Subsidiary Credit Agreement to the Existing Subsidiary Credit Agreement Restructuring shall have occurred to the reasonable satisfaction of the Lenders; and the Existing Subsidiary Credit Agreement Restructuring shall occur simultaneously with the making of the initial Subsidiary Loans thereunder.

(h) ESOP; TRUST AGREEMENT, ETC. The Agent shall have received (with copies for each of the Lenders) executed or conformed copies of the Trust Agreement, the ESOP, the New Stock Option Plan and the Rights Plan and the amendments and other modifications entered into on or as of the Closing Date to the Company/ESOP Credit Documents, and such amendments shall be in form and substance satisfactory to the Lenders.

(i) OFFICERS' CERTIFICATES. The Agent shall have received (with a copy for each of the Lenders) (i) a certificate of the Secretary or an Assistant Secretary of the Company and each of its Domestic Wholly-Owned Restricted Subsidiaries certifying the names and true signatures of the officers of such Person authorized to sign the Credit Documents and other Transaction Documents to which it is a party and the other documents to be delivered thereunder, and (ii) a certificate of the chief executive officer or chief financial officer of the Company certifying that the conditions set forth in Section 5.2(a) and (b) are satisfied as of the Closing Date, in each case in form and substance reasonably satisfactory to the Lenders.

(j) OPINIONS OF THE COMPANY'S COUNSEL. The Agent shall have received (with a copy for each of the Lenders) a favorable opinion of (i) King & Spalding, counsel for the Company, in substantially the form of Exhibit J-1 hereto, and (ii) such local counsels of the Company and its Restricted Subsidiaries reasonably acceptable to the Lenders addressing such matters pertaining to the Wholly-Owned Foreign Restricted Subsidiaries as any Lender may reasonably request, in each case in form and substance reasonably satisfactory to the Lenders.
(k) OPINION OF AGENT'S COUNSEL. The Agent shall have received (with a copy for each of the Lenders) an opinion of Skadden, Arps, Slate, Meagher & Flom, special counsel for the Agent, substantially in the form of Exhibit J-2 hereto.

(l) ENVIRONMENTAL REPORTS. The Lenders shall have received copies of environmental reports that are in form and substance reasonably satisfactory to the Lenders in respect of the Facilities and the other real property to be acquired by the Company and its Subsidiaries pursuant to the NME Purchase Agreement and all other Facilities and other real property acquired by the Company or any of its Subsidiaries since July 22, 1992, and updated reports and assessments, as may be reasonably determined by the Agent to be necessary based on responses to environmental questionnaires completed by or for the Company or its Subsidiaries, of the most recently delivered environmental reports in respect of other Facilities and real property of the Company and its Subsidiaries, in each case prepared, at the cost and expense of the Company, by a Person designated by the Company that is reasonably acceptable to the Required Lenders.

(m) RELATED FINANCINGS. The Company shall have received $375,000,000 of gross proceeds from the issuance and sale of the Senior Subordinated Notes, a portion of such proceeds shall have been utilized by the Company for the purposes of defeasing and thereafter redeeming the Existing Subordinated Debentures and paying related costs and expenses. The Subordinated Debt Documents pertaining to the Senior Subordinated Notes and the Defeasance Agreement shall be in form and substance satisfactory to the Lenders and shall have been duly executed and delivered by the parties thereto, and such Subordinated Debt Documents and the Defeasance Agreement shall not have been amended in any material respect without the prior written consent of the Agent on behalf of the Lenders. The Agent shall have received (with copies for each of the Lenders) executed copies of such Subordinated Debt Documents and the Defeasance Agreement, certified as being true and correct copies by an authorized officer of the Company, and such Subordinated Debt Documents and the Defeasance Agreement shall be in full force and effect. The certificates and opinions delivered on or prior to the Closing Date by or on behalf of the Company or any of its Subsidiaries pursuant to any Subordinated Debt Document, the Existing Subordinated Debentures Indenture or the Defeasance Agreement shall be addressed to the Lenders or shall be accompanied by letters, in form and substance satisfactory to the Lenders, entitling the Lenders to rely thereon.

(n) CERTAIN DEBT REPAYMENTS. The Existing Subordinated Debentures and the Mortgage Notes and all obligations of the Company and its Subsidiaries thereunder or in respect thereof (other than indemnities and costs and expenses accruing thereunder after the Closing Date) shall be paid in full or payment in full shall have been provided for in accordance with the terms thereof or otherwise in a manner reasonably satisfactory to the Lenders. In addition, (i) the covenants and agreements of the Company and its Subsidiaries under the Existing Subordinated Debentures Indenture shall have been discharged in full, other than those expressly surviving any termination or defeasance thereof, (ii) all Liens securing the Mortgage Notes shall have been released (or arrangements providing for such release shall have been made) to the satisfaction of the Agent, and (iii) the Existing Participation Agreements shall have been terminated.

(o) FINANCIAL STATEMENTS. The Agent shall have received (with copies for each of the Lenders) each of the financial statements described in Section 6.4, in each case certified by the chief financial officer of the Company as having been prepared, except to the extent otherwise disclosed on Schedule 6.4, in accordance with GAAP applied on a consistent basis throughout the periods specified and as presenting fairly in all material respects the financial position of the corporations or assets to which they relate as of the respective dates specified and the results of its or their operations and its or their cash flows for the respective periods specified, subject, in the case of any unaudited or interim financial statements, to normal year end and quarterly adjustments and the absence of footnotes thereto; and all such financial statements shall be in form and substance satisfactory to the Lenders.

(p) NME PURCHASE AGREEMENT. The NME Purchase Agreement shall
not have been amended or otherwise modified in any material respect (and no condition there-

in to the obligations of the Company thereunder shall have been waived) without
the prior written consent of the Agent on behalf of the Lenders. The Agent
shall have received (with copies for each of the Lenders) executed copies of the
NME Purchase Agreement certified as being true and correct copies by an
authorized officer of the Company, and the NME Purchase Agreement shall be in
full force and effect.

(q) PROJECTIONS. The Agent shall have received projections
prepared by the Company demonstrating (i) the projected consolidated results of
operations of the Company and its Subsidiaries, (ii) the projected consolidated
results of operations of all of the Facilities subject to the NME Purchase
Agreement, and (iii) the projected consolidated financial condition, results of
operations and cash flows of the Company and its Subsidiaries after giving
effect to the Transactions (assuming, for such purpose, that the Company and the
Domestic Guarantors acquire all of the Facilities subject to the NME Purchase
Agreement); in each of the foregoing cases for the period commencing on April
30, 1994 and ending on September 30, 1998, and accompanied by a written
statement of the assumptions underlying such projections and a certificate of an
executive officer of the Company certifying that (A) such projections have been
prepared on the basis of the assumptions accompanying them, and (B) such
projections and assumptions, as of the date of preparation thereof and as of the
Closing Date, are reasonable and represent the Company's good faith estimate of
its and the Facilities to be acquired from NME future financial condition and
performance, it being understood that nothing contained in such certificate
shall constitute a representation or warranty that such future financial
condition or results of operations will in fact be achieved. All of the
foregoing shall be in form and substance satisfactory to the Lenders.

(r) APPROVALS. The Agent shall have received (with copies for
each of the Lenders) copies of all material orders, consents, approvals,
licenses, authorizations, validations, filings, recordings, registrations,
exemptions and notices of, by or to any governmental or public body or
authority, domestic or foreign, or any subdivision thereof, or any other Person
or group of Persons, requested by the Lenders, in each case which are required
to be obtained on or prior to the Closing Date to authorize, or are required in
connection with (i) the execution, delivery or performance of any
Transaction Document to which a Credit Party is a party (other than the
performance of the NME Purchase Agreement), or the consummation of any of the
Transactions (other than the NME Acquisition), or (ii) the legality, validity,
binding effect or enforceability of any Transaction Document to which a Credit
Party is a party.

(s) SECURITY INTERESTS. The Lenders shall be reasonably
satisfied that the Security Documents create or will create, upon the completion
of the filings of the Security Documents, financing statements and other
instruments tendered for filing, as security for the Obligations (including,
without limitation, the Subsidiary Obligations), a valid and enforceable
perfected security interest in and Lien on all of the Collateral (other than the
collateral assignments of mortgages securing pledged intercompany notes,
Collateral covered by the Subsidiary Pledge and Security Agreement which is
located in the State of Tennessee, and Collateral covered by the Subsidiary
Pledge and Security Agreement to the extent such Collateral is not covered by
Article 9 of the Uniform Commercial Code as in effect in the relevant
jurisdiction) in favor of the Collateral Agent for the benefit of the Lenders,
superior and prior to the rights of all other Persons therein (as provided in
the Uniform Commercial Code) and subject to no other Liens other than Liens
permitted hereby. The Security Documents, or financing statements or other
instruments with respect thereto, as may be necessary, shall have been duly
filed or recorded (or tendered for filing or recording) in such manner and in
such places as are required by law to establish, perfect, preserve and protect
the security interests and Liens (other than (i) the collateral assignment of
mortgages securing pledged intercompany notes and (ii) Collateral covered by the Subsidiary Pledge and Security Agreement which is located in the State of Tennessee) in favor of the Collateral Agent for the benefit of the Lenders, granted pursuant to such Security Documents, and all taxes, fees and other charges payable in connection therewith due on or prior to the Closing Date shall have been paid in full.

(t) MATERIAL EVENTS. No event, action or proceeding shall have occurred or condition shall have arisen and continue to exist since September 30, 1993 with respect to any Credit Party, any Transaction Document or any of the Transactions which the Agent, the Co-Agent or any Lender has reasonably determined could have a Material Adverse Effect.

(u) INTEREST; FEES; EXISTING LOANS; ETC.

(i) The Agent and the Lenders shall have received payment in full of all fees and Commitment Commissions referred to in Section 3.1 which are payable on or prior to the Closing Date, and all reasonable costs and expenses payable on the Closing Date by the Company pursuant to Section 12.1 (including, without limitation, all reasonable fees and expenses of Skadden, Arps, Slate, Meagher & Flom, special counsel to the Agent and the Lenders, for which the Company has received an invoice at least two Business Days prior to the Closing Date) shall have been paid.

(ii) Each Existing Lender shall have executed and delivered the Master Transfer Supplement or the Existing Loans and Existing Subsidiary Loans of such Existing Lender shall have been paid in full by the Company and the applicable Subsidiary Borrowers; and the Agent shall have received from the Company and the Subsidiary Borrowers, for the account of the Existing Lenders, all accrued and unpaid interest and fees as of the Closing Date on the Existing Loans, the Existing Commitments, the Existing Subsidiary Letters of Credit and the Existing Subsidiary Loans.

(v) NO ADVERSE ESOP DETERMINATIONS. Except as set forth on Schedule 6.10, no opinion, correspondence or other communication, whether written or otherwise, shall have been received by the Company, or any of their respective agents, affiliates, associates, officers, directors or counsel, or any fiduciary of the ESOP, from the United States Department of Labor, the I.R.S. or any other federal governmental or regulatory agency, body or authority, to the effect that the Trust or the ESOP do not meet the requirements under Section 401(a) or 501(a) of the Code, that the ESOP does not constitute an “employee stock ownership plan” within the meaning of Section 4975(e)(7) of the Code, that any loan made to the Trust pursuant to the Company/ESOP Credit Agreements or any pledge of Company Common Stock by the Trust to the Company pursuant to the Company/ESOP Pledge Agreements will (or did) constitute a material violation of ERISA or the Code.

(w) INSURANCE. The Company shall have assets restricted for the settlement of unpaid claims having a book value of not less than $45,000,000. The Agent shall have received (with a copy for each Lender) a certificate of an executive officer of the Company certifying that (i) such restricted assets, together with general and professional liability insurance policies of the Company from Affiliates and third-parties, are adequate in light of the Company's anticipated claims arising in respect of occurrences on or prior to the Closing Date; and (ii) the Company has recorded, in accordance with GAAP, reserves for unpaid claims which are sufficient to cover, as of the Closing Date, the Company's and its Subsidiaries anticipated claims arising in respect of occurrences on or prior to the Closing Date.

(x) CORPORATE PROCEEDINGS. All corporate, partnership and legal proceedings and all instruments and agreements (not otherwise attached as Exhibits hereto) in connection with the transactions contemplated by this Agreement, the other Credit Documents and the other Transaction Documents shall
be reasonably satisfactory in form and substance to the Lenders, and the Agent shall have received (with copies for each of the Lenders) all information and copies of all documents and papers, including records of corporate and partnership proceedings and governmental approvals, if any, which the Agent, on behalf of any Lender, may have reasonably requested in connection therewith.

(y) SYNDICATION MARKET. There shall have been no material adverse change after the date hereof to the syndication market for non-investment grade revolving credit facilities of a similar duration and nature as the facilities set forth herein, and there shall not have occurred and be continuing a disruption of, or an adverse change in financial, banking or capital markets that would have a material adverse effect on such syndication market, in each case as determined by the Agent in its sole discretion therewith.

5.2 CONDITIONS PRECEDENT TO EACH LOAN, ETC.

The obligation of each Lender to make any Loan or consummate the Existing Company Credit Agreement Restructuring, the obligation of each L/C Bank to issue (or renew or extend pursuant to Section 2.1) a Letter of Credit (including, without limitation, the Loans, if any, to be made and Letters of Credit, if any, to be issued on the Closing Date) and the obligation of BTCo to make a Swingline Borrowing is subject to its having received a copy of the Notice of Borrowing in respect of such Loan, the Notice of Swingline Borrowing in respect of such Swingline Borrowing or a Letter of Credit Request for such Letter of Credit, as the case may be, in accordance with the terms hereof and the satisfaction of the following further conditions precedent:

(a) REPRESENTATIONS AND WARRANTIES TRUE; NO DEFAULT. On the date of such Loan, Swingline Borrowing and/or the consummation of the Existing Company Credit Agreement Restructuring, as the case may be, both before and after giving effect thereto and, in the case of the making of a Loan or a Swingline Borrowing, to the application of the proceeds thereof, or on the date of the issuance of such Letter of Credit, as the case may be, the following statements shall be true (and each of the giving of the applicable Notice of Borrowing, Notice of Swingline Borrowing or the Letter of Credit Request, as the case may be, and, in the case of the consummation of the Existing Company Credit Agreement Restructuring, the execution and delivery by the Company of the Revolving Notes) shall constitute a representation and warranty by the Company that on the date of such Loan, Swingline Borrowing, consummation of the Existing Company Credit Agreement Restructuring or issuance of such Letter of Credit, as the case may be, both before and after giving effect thereto and, in the case of a Loan or a Swingline Borrowing, to the application of the proceeds thereof, such statements are true):

(i) the representations and warranties contained in Section 6 are true and correct on and as of the date of such Loan, Swingline Borrowing, consummation of the Existing Company Credit Agreement Restructuring or issuance of such Letter of Credit, as the case may be, as though made on and as of such date except for representations and warranties relating to a particular point in time, and except as set forth in any supplement to Schedule 6.5, 6.7 or 6.17 delivered by the Company to the Lenders after the Closing Date; and

(ii) no event has occurred and is continuing or condition exists, or would result from such Loan or Swingline Borrowing or the application of the proceeds thereof, the consummation of the Existing Company Credit Agreement Restructuring or the issuance of such Letter of Credit, as the case may be, which constitutes an Event of Default or a Default;

(b) MATERIAL EVENTS. No event, action or proceeding shall have occurred or condition shall exist with respect to the Company, any of its Subsidiaries, any Credit Document, any transaction contemplated thereby or any
Facility of the Company or any of its Subsidiaries (including, without limitation, any Facility acquired or proposed to be acquired from NME) which the Agent, the Co-Agent or the Required Lenders reasonably determines is likely to have a Material Adverse Effect;

(\(c\)) LITIGATION, APPROVALS, ETC. On the date of such Loan, Swingline Borrowing, consummation of the Existing Company Credit Agreement or the issuance of such Letter of Credit, as the case may be, the existence of the litigation set forth on any supplement to Schedule 6.5 or Schedule 6.17 and the absence of approvals set forth on any supplement to Schedule 6.7 in the reasonable determination of the Agent, the Co-Agent or the Required Lenders would not have a Material Adverse Effect;

(\(d\)) DOCUMENTATION WITH RESPECT TO LETTERS OF CREDIT. In the case of the issuance of any Letter of Credit that will provide credit enhancement for obligations of the Company or any of its Subsidiaries incurred in connection with any acquisition, construction or mortgage financing or a Sale/Leaseback Transaction permitted hereunder, all documentation in respect of the issuance of such Letter of Credit and the making and honoring of drawings thereunder shall be in form and substance reasonably satisfactory to the Agent and the applicable L/C Bank; and

(e) OTHER. The Lenders making Loans, making a Swingline Borrowing, participating in the Existing Company Credit Agreement Restructuring or issuing Letters of Credit on such date shall have received such other documents as they may reasonably request.

Section 6. REPRESENTATIONS, WARRANTIES AND AGREEMENTS. In order to induce the Lenders to enter into this Agreement and to make available the credit facilities contemplated hereby, the Company makes the following representations, warranties and agreements, each of which shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans:

6.1 CORPORATE EXISTENCE; COMPLIANCE WITH LAW. Each of the Company and its Subsidiaries (i) is a corporation or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, as the case may be, (ii) has the power and authority to own its property and assets and to transact the business in which it is engaged, (iii) has dully qualified and is authorized to do business and is in good standing as a foreign corporation or partnership, as the case may be, in every jurisdiction in which the failure to so qualify would have a Material Adverse Effect, and (iv) is in full compliance with its certificate or articles of incorporation and by-laws or other organizational or governing documents and all laws, regulations, orders, writs, judgments, decrees, determinations or awards, except to the extent that the failure to comply therewith would not have a Material Adverse Effect.

6.2 POWER; AUTHORITY; NO VIOLATION. The execution, delivery and performance by each of the Credit Parties of the Credit Documents and other Transaction Documents to which it is a party and the consummation of the Transactions are within such Credit Party's corporate or partnership powers, as the case may be, have been (or in the case of the consummation of all or any portion of any Transaction, will be by the time all or such portion of such Transaction is consummated) duly authorized by all necessary corporate, partnership or other action, and do not and will not contravene (i) the certificate or articles of incorporation or by-laws or other organizational or governing documents of any Credit Party or (ii) any law, regulation, order, writ, judgment, decree, determination or award currently in effect or any contractual restriction binding on or affecting any Credit Party, except where such contravention would not have a Material Adverse Effect, or (iii) any franchise, license, permit, certificate, authorization, qualification, accreditation or other right, consent or approval referred to in Section 6.21, except where such contravention would not have a Material Adverse Effect, and, except as set forth on Schedule 6.2, do not and will not conflict with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (except pursuant to the Security Documents or the Company/ESOP Pledge Agreements) upon any of the property or assets of any Credit Party pursuant to the terms of, any indenture,
mortgage, deed of trust, agreement or other instrument to which any Credit Party is a party or by which it or any of its properties or assets is bound or to which it may be subject, except to the extent such conflict, breach, default or creation or imposition would not have a Material Adverse Effect.

6.3 BINDING EFFECT. Each of the Credit Parties has duly executed and delivered each Credit Document and other Transaction Document to which it is a party. Each such Credit Document and other Transaction Document is in full force and effect and constitutes the legal, valid and binding obligation of each Credit Party thereto, enforceable against each such Credit Party in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

6.4 FINANCIAL CONDITION. (a) The Company has furnished to the Agent for the benefit of the Lenders prior to the date hereof (i) a copy of the audited consolidated (and unaudited consolidating) balance sheet of the Company and its Subsidiaries as of September 30, 1993 and the related audited consolidated statements of operations, changes in common stockholders' equity and cash flows of the Company and its Subsidiaries for the fiscal year then ended and unaudited consolidating statements of operations for such period; (ii) a copy of (A) the preliminary unaudited consolidated balance sheets of the Company and its Subsidiaries as of March 31, 1994 and, if the Closing Date occurs on or after May 31, 1994, as of the Measurement Date applicable to the Closing Date, (B) the related preliminary unaudited consolidated statements of operations and unaudited consolidated changes in common stockholders' equity and cash flows of the Company and its Subsidiaries for the six month period ended March 31, 1994 and for the period from September 30, 1993 to such Measurement Date, if any, respectively, (C) the unaudited preliminary combined balance sheets of the Domestic Guarantors and of the Wholly-Owned Restricted Subsidiaries as of the dates referred to in the preceding clause (A), and (D) the unaudited preliminary combined statements of operations for the Domestic Guarantors and for the Wholly-Owned Restricted Subsidiaries for the periods referred to in the preceding clause (B); (iii) a copy of (A) the audited consolidated balance sheet of the assets of NME subject to the NME Purchase Agreement as of May 31, 1993, together with the related audited consolidated statements of operations and cash flows for such assets for the year ended May 31, 1993, (B) the unaudited combined balance sheet of such assets as of November 30, 1993, and (C) the unaudited combined statements of operations for such assets for the period from and including June 1, 1993 to and including November 30, 1993; (iv) a copy of the unaudited pro forma consolidated balance sheet of the Company (after giving effect to the NME Acquisition, the other Transactions and the financing thereof) as of December 31, 1993, and the unaudited pro forma consolidated statements of operations of the Company (after giving effect to the NME Acquisition, the other Transactions and the financing thereof) for the year ended September 30, 1993; and (v) a copy of (A) the unaudited internal individual balance sheets of the assets of NME subject to the NME Purchase Agreement as of January 31, 1994, and (B) the unaudited internal individual income statement information for such assets for the period from and including June 1, 1993 to and including February 28, 1994, such statements described in this clause (v) not having been prepared in accordance with GAAP. The financial statements referred to in clauses (i) through (iv) above fairly present in all material respects the financial condition and results of operations of the entities and assets, as the case may be, covered thereby on the dates and/or for the periods covered thereby, all, except as set forth in Schedule 6.4, in accordance with GAAP consistently applied, subject, in the case of any such interim or unaudited financial statements referred to above, to normal, recurring adjustments and the absence of footnotes thereto, it being understood that the pro forma financial statements included in the foregoing are not necessarily indicative of the results which would have actually been attained had the Transactions been completed as of the dates and for the periods presented in such pro forma.
financial statements. Although the financial statements referred to in clause (v) of this paragraph were provided to the Company by NME, the Company believes the same were prepared in good faith and has no reason to believe the information set forth therein is inaccurate in any material respect except as disclosed in Schedule 6.4. As of the Closing Date, except as permitted hereunder, no material contingent liabilities exist which are not fully disclosed in such financial statements in all material respects or in the related notes or schedules thereto. Since September 30, 1993, there has been no material adverse change in

the operations, business, assets, liabilities or condition (financial or otherwise) of the Company and its Restricted Subsidiaries taken as a whole.

(b) On the Closing Date, after giving effect to all of the Transactions that are to have been consummated on or prior to such date: (i) the assets of the Company, at a fair valuation, will exceed its liabilities, including contingent liabilities, (ii) the remaining capital of the Company will not be unreasonably small to conduct its business and (iii) the Company will not have incurred debts, and will not intend to incur debts, beyond its ability to pay such debts as they mature. For purposes of this Section 6.4(b), "debt" means any liability or a claim, and "claim" means (x) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured.

6.5 LITIGATION, ETC. Except as set forth on Schedule 6.5, there is no pending or to the knowledge of the Company threatened action, proceeding or investigation before any court, governmental agency or arbitrator (a) affecting any Credit Party which could be reasonably expected to be adversely determined against such Credit Party and, if so determined, would have a Material Adverse Effect, or (b) with respect to this Agreement, any other Credit Document, any other Transaction Document or any of the Transactions.

6.6 USE OF PROCEEDS. All proceeds of the Loans will be used only in accordance with Sections 1.4, 2.3 and 4.6. No part of the proceeds of any Loan will be used by the Company or others to purchase or carry any Margin Stock in violation of Regulations U, T or X of the Board of Governors of the Federal Reserve System.

6.7 APPROVALS, ETC. Except (i) such as have been duly obtained, made or given and are in full force and effect, (ii) as fully disclosed on Schedule 6.7 hereto, or (iii) in the case of the performance or consummation of all or any portion of the NME Purchase Agreement and the NME Acquisition, respectively, such as

will be duly obtained, made or given and be in full force and effect at the time of such performance or consummation, as applicable, no material order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or notice to or exemption by any governmental or public body or authority, domestic or foreign, or any subdivision thereof, or any other Person or group of Persons is required to authorize, or is required in connection with (a) the execution, delivery or performance of any Credit Document or any other Transaction Document to which a Credit Party is a party or the consummation of any of the Transactions; or (b) the legality, validity, binding effect or enforceability of any Credit Document or other Transaction Document to which a Credit Party is a party.

6.8 SECURITY INTERESTS. The Security Documents create or will create, upon proper filings and recordings of the Security Documents, financing statements and other instruments tendered for filing, as security for the Obligations (including, without limitation, the Subsidiary Obligations), a valid and enforceable perfected security interest in and Lien on all of the Collateral
(other than the collateral assignments of mortgages securing pledged intercompany notes and other than Collateral covered by the Subsidiary Pledge and Security Agreement to the extent such Collateral is not covered by Article 9 of the Uniform Commercial Code as in effect in the relevant jurisdiction or is located in the State of Tennessee) in favor of the Collateral Agent for the benefit of the Lenders, superior to and prior to the rights of all other Persons therein (as provided in the Uniform Commercial Code) and subject to no other Liens other than Liens permitted hereby. The respective pledgor or assignor, as the case may be, has good and marketable title to all Collateral free and clear of all Liens other than Liens permitted hereby. The Security Documents, or financing statements or other instruments with respect thereto, as may be necessary, have been duly filed or recorded (or tendered for filing or recording) in such manner and in such places as are required by law to establish, perfect, preserve and protect the security interests and Liens, in favor of the Collateral Agent for the benefit of the Lenders, granted pursuant to such Security Documents and all taxes, fees and charges payable in connection therewith shall have been paid in full when due (other than the recording of any collateral assignment of mortgage pursuant to the FINCO Pledge and Security Agreements and other than Collateral covered by the Subsidiary Pledge and Security Agreement to the extent such Collateral is not covered by Article 9 of the Uniform Commercial Code as in effect in the relevant jurisdiction or is located in the State of Tennessee).

6.9 TAXES. Each of the Company and its Significant Subsidiaries has filed all material tax returns required to be filed by it and all such tax returns are true, correct and complete in all material respects. Each of the Company and its Subsidiaries has paid all taxes, assessments and other charges which have become due, other than those not yet delinquent and except for those contested in good faith by appropriate proceedings for which adequate reserves in conformity with GAAP have been provided and other than those which individually or in the aggregate would not have a Material Adverse Effect. No tax liens have been filed (except with respect to real property taxes not yet due) and no claims or assessments are being asserted with respect to any such taxes, assessments or other charges, other than liens, claims or assessments which individually or in the aggregate would not have a Material Adverse Effect.

6.10 ERISA. Each Plan is in compliance with ERISA in all material respects. At the date hereof, there are no Unfunded Accrued Benefits under the Plans, excluding any Multiemployer Plan. There are no accumulated funding deficiencies (whether or not waived) with respect to any Plan (other than Multiemployer Plans). The Company and each member of its ERISA Controlled Group has complied with the applicable requirements of Section 515 of ERISA with respect to each Multiemployer Plan. To the best knowledge of the Company, at the date hereof, the aggregate potential total withdrawal liability of the Company and the members of its ERISA Controlled Group as determined in accordance with Title IV of ERISA as if the Company and the members of its ERISA Controlled Group had completely withdrawn from all Plans which are Multiemployer Plans is not more than $5,000,000. To the best knowledge of the Company and each member of its ERISA Controlled Group, none of the Plans that is a Multiemployer Plan is or is likely to be in "Reorganization" as defined in Section 4241 of ERISA. No material liability to the PBGC, any Plan or any trust established under Title IV of ERISA has been, or is expected by the Company or any member of its ERISA Controlled Group to be, incurred by the Company or any member of its ERISA Controlled Group. No lien under Section 412(n) of the Code or 302(f) or 4068 of ERISA or requirement to provide security under Section 401(a)(29) of the Code or Section 307 of ERISA has been or is expected by the Company or any member of its ERISA Controlled Group to be imposed on the assets of the Company or any member of its ERISA Controlled Group. All Plans as of the date hereof are listed on Schedule 6.10. The ESOP constitutes a qualified plan within the meaning of Section 401(a) of the Code. The Company does not provide, and has no obligation to provide at a subsequent time, post retirement benefits under a "welfare benefit plan" as defined in Section 3(1) of ERISA. Except as set forth in Schedule 6.10, there are no
pending, threatened or anticipated claims relating to the ESOP or the Plans, whether against, by or on behalf of the ESOP, the Plans, any trustee of the foregoing or the Company or any of its Subsidiaries, by any governmental agency or instrumentality (including without limitation any claim relating to a prohibited transaction, excise tax or other tax matter under Section 409 or 502(i) of ERISA or Section 404, 4975 or 4976 of the Code), any employee or beneficiary covered under any such ESOP or Plan, or otherwise (other than routine claims for benefits) for which (i) reserves for the full amount thereof are not reflected on the audited consolidated balance sheet of the Company for its 1993 fiscal year, and (ii) the unreserved liability therefrom could reasonably be expected to be, individually or in the aggregate, $5,000,000 or more.

6.11 INVESTMENT COMPANY ACT; PUBLIC UTILITY HOLDING COMPANY ACT. Neither the Company nor any of its Subsidiaries is (a) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended, (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (c) subject to any other federal or state law or regulation which purports to restrict its ability to borrow money.

6.12 CLOSING DATE TRANSACTIONS. On the Closing Date and immediately prior to the making of the initial Subsidiary Loans under the Subsidiary Credit Agreement, the Transactions (other than the making of such Subsidiary Loans) intended to be consummated on the Closing Date under the Credit Documents and the other Transaction Documents will have been consummated in accordance with the terms of the relevant Transaction Documents and, except where the same would not have a Material Adverse Effect, in accordance with all applicable laws.

6.13 RELATED FINANCINGS. The Senior Subordinated Notes and all other outstanding Permitted Subordinated Indebtedness, if any, have been issued in compliance in all material respects with all applicable law. All Subordinated Debt Documents with respect to the Senior Subordinated Notes and such other Permitted Subordinated Indebtedness, if any, have been duly executed and delivered by each of the parties thereto and are in full force and effect.

6.14 INDENTURE QUALIFICATION; SENIOR INDEBTEDNESS. (a) All indentures (including, without limitation, the Senior Subordinated Notes Indenture) pertaining to public Permitted Subordinated Indebtedness, if any, are qualified under the United States Trust Indenture Act of 1939, as amended. The offering and issuance of the Senior Subordinated Notes and securities evidencing other Permitted Subordinated Indebtedness, if any, have been registered pursuant to effective registration statements filed pursuant to the United States Securities Act of 1933, as amended, or are exempt from such registration under applicable law.

(b) The obligations of the Company and the Subsidiary Borrowers for principal of and interest (including, without limitation, post-petition interest) on all Loans, Subsidiary Loans and other extensions of credit under this Agreement and the Subsidiary Credit Agreement and all fees, expenses, reimbursements, indemnities and other amounts payable hereunder or under any other Credit Document in any case owing to the Agent or any Lender and all other Obligations of the Company and its Restricted Subsidiaries, and any renewals, extensions, modifications or refinancings thereof, constitute "Senior Indebtedness" and "Specified Senior Indebtedness" (or the equivalents thereof) within the meanings respectively ascribed to such terms in the Subordinated Debt Documents pertaining to each and any outstanding Permitted Subordinated Indebtedness.

6.15 ACCURACY AND COMPLETENESS OF INFORMATION. Except to the extent disclosed in writing to the Agent for the account of the Lenders prior to the Closing Date, on the Closing Date all factual information (taken as a whole) heretofore or contemporaneously furnished by or on
behalf of the Company in writing to the Agent or any Lender (in its capacity as Agent or a Lender hereunder, as the case may be) for purposes of or in connection with this Agreement, any other Credit Document, any other Transaction Document to which a Credit Party is a party or any Transaction is, and all such other factual information (taken as a whole) hereafter furnished by or on behalf of the Company to the Agent or Lenders will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading at such time; PROVIDED that to the extent any such information furnished by or on behalf of a Credit Party was prepared by any Person other than a Credit Party, the representation contained in this Section 6.15 is qualified in that such information prepared by a third party is true and correct to the best knowledge and belief of the Company; PROVIDED FURTHER, that the information contained in the budgets and the officers' certificates required to be delivered pursuant to Sections 7.1(d) and (e) shall be subject to the standards provided therein.

6.16 SUBSIDIARIES. All of the direct and indirect Subsidiaries of the Company as of the Closing Date are listed on Schedule 6.16 hereto. Schedule 6.16 correctly identifies the jurisdiction of incorporation or organization, as the case may be, capitalization and shareholding or partnership interests, as the case may be, of each Subsidiary of the Company as of the Closing Date. All of the outstanding shares of capital stock of each Subsidiary of the Company that is a corporation were duly authorized and validly issued and are fully paid and non-assessable. All shares of capital stock and partnership interests, as the case may be, of Subsidiaries of the Company owned by the Company or any of its Subsidiaries are held free and clear of any Lien other than Liens permitted hereby. No Restricted Subsidiary of the Company has outstanding any securities convertible into or exchangeable for its capital stock or other equity interests or any rights to subscribe for or to purchase, or any warrants or options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock or other equity interests or any securities convertible into or exchangeable for its capital stock or other equity interests, as the case may be.

6.17 PATENTS, TRADEMARKS, ETC. Except as set forth on Schedule 6.17 hereto, the Company and its Restricted Subsidiaries have obtained and hold in full force and effect all material patents, trademarks, servicemarks, trade names, copyrights and other such rights, free from burdensome restrictions, which are necessary for the operation of the respective businesses of the Company and its Restricted Subsidiaries as presently conducted. To the Company's knowledge (i) no material product, process, method, substance, part or other material presently sold by or employed by the Company or any of its Restricted Subsidiaries in connection with such business infringes any patent, trademark, service mark, trade name, copyright, license or other right owned by any other Person, and (ii) there is not pending or threatened any claim or litigation against or affecting the Company or any of its Restricted Subsidiaries contesting its right to sell or use any such product, process, method, substance, part or other material.

6.18 OTHER TRANSACTION DOCUMENTS' REPRESENTATIONS AND CONDITIONS. The representations and warranties of the Company set forth in the other Transaction Documents were true and correct in all material respects as of the date on which they were made and, to the extent required by the other Transaction Documents, will be true and correct in all material respects as of the Closing Date. Except as disclosed in writing to the Agent for the account of the Lenders prior to each closing under the NME Purchase Agreement, all of the conditions precedent to the obligations of the Company under the NME Purchase Agreement that are required to be satisfied on or prior to such closing have been satisfied as of such date in all material respects, without any waiver thereof not consented to in accordance with Section 8.11.

6.19 OWNERSHIP OF PROPERTY. The Company and its Restricted Subsidiaries have good and marketable fee simple title to or valid leasehold interests in all of their material real property and good title to all of their other material property (including, without limitation, all such real and other
property reflected in the consolidated balance sheet of the Company referred to in Section 6.4 as of the most recently ended fiscal year, other than properties disposed of in the ordinary course of business since such balance sheet date and properties disposed of in accordance with the Existing Credit Agreement or this Agreement, whichever was in effect at the time of the disposition of such properties), subject to

no Lien of any kind except Liens permitted hereby. The Company and its Restricted Subsidiaries enjoy peaceful and undisturbed possession under all of their respective material leases. Except as disclosed on Schedule 6.19, during the period from and including July 22, 1992 to and including the Closing Date (a) neither the Company nor any of its Subsidiaries has acquired any Facilities or other real property, and (b) there has been no material addition or expansion to, or change in the operation or use of, any of their respective Facilities or other real property, other than changes of licensed beds and the opening and closing of counseling centers and medical office buildings in the ordinary course of business.

6.20 NO DEFAULT UNDER OTHER AGREEMENTS. Except as disclosed on Schedule 6.20, neither of the Company nor any of its Subsidiaries is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound in any respect which would have a Material Adverse Effect. On and as of the Closing Date and prior to giving effect to the consummation of the Transactions, no Default or Event of Default under and as defined in the Existing Credit Agreements has occurred and is continuing.

6.21 LICENSES, ETC. The Company and its Subsidiaries have obtained and hold in full force and effect all franchises, licenses, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals (including, without limitation, all licenses, authorizations, accreditations, consents and approvals required to be obtained pursuant to any applicable federal or state statutes relating to healthcare institutions and all certificates of need, state hospital licensures and Medicare/Medicaid certifications or exemptions therefrom) which are necessary for the operation of the respective businesses of the Company and its Subsidiaries as presently conducted other than those the absence of which individually or in the aggregate would not have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is in violation of the terms of any such franchise, license, permit, certificate, authorization, easement, right of way, qualification, accreditation, consent, right or approval in any such case which would have a Material Adverse Effect.

6.22 NO BURDENSOME RESTRICTIONS. Other than the Transaction Documents, neither the Company nor any of its Subsidiaries is a party to any agreement or instrument or subject to any other obligation or any charter or corporate restriction which would be reasonably likely to have, or any provision of applicable law or governmental regulation or order or decree which would have, a Material Adverse Effect.

6.23 REFINANCED INDEBTEDNESS. The Existing Subordinated Debentures and the Mortgage Notes and accrued and unpaid interest thereon and fees in respect thereof have been paid in full or provision for such payment has been made such that, in accordance with the express provisions of the instruments governing the same, the Company and its Subsidiaries have been released from all liability, (or have provided cash collateral therefor) and contractual obligations with respect thereto (other than indemnifications contained therein which survive the payment in full of all Indebtedness evidenced thereby), and any and all Liens securing the Existing Subordinated Debentures and the Mortgage Notes have been effectively released or arrangements for such release promptly after the Closing Date have been made.

6.24 MEDICARE REIMBURSEMENT. After giving effect to the NME Acquisition and the consummation of the transactions contemplated by the Credit Documents and the other Transaction Documents, the Restricted Subsidiaries that
participate in the Medicare program shall be entitled to Medicare reimbursement
in respect of interest expense on the Loans and other Indebtedness incurred by
the Company and its Restricted Subsidiaries under the Credit Documents and other
Transaction Documents or such lesser amount of such interest expense as would
not have a Material Adverse Effect.

6.25 CERTAIN FEES. Other than as disclosed in the offering
memorandum prepared in connection with the Senior Subordinated Notes or Schedule
6.25 hereto, no broker's or finder's fee or commission will be payable by or on
behalf of the Company or any of its Restricted Subsidiaries, or the Plan or the
Trust, with respect to the offer, issue and sale of the Notes or the
consummation of any of the other Transactions (including, without limitation,
the NME Acquisition), and the Company hereby indemnifies the Agent, the Co-Agent
and the Lenders against and agrees that it will hold the Agent, the Co-Agent and
the Lenders harmless from, any claim, demand or

liability for broker's or finder's fees alleged to have been incurred in
connection with any such offer, issue and sale or any of the other Transactions,
and any expenses, including reasonable legal fees, arising in connection with
any such claim, demand or liability.

6.26 ENVIRONMENTAL PROTECTION. (a) Each of the Company and its
Subsidiaries has obtained all material permits, licenses and other
authorizations which are required with respect to the operation of its business
under any Environmental Law.

(b) Each of the Company and its Subsidiaries is in full
compliance with all terms and conditions of the required permits, licenses and
authorizations, and is also in full compliance with all other limitations,
restrictions, conditions, standards, prohibitions, requirements, obligations,
schedules and timetables contained in the Environmental Laws, except to the
extent the failure to comply herewith would not have a Material Adverse Effect.

(c) There is no material civil, criminal or administrative
action, suit, demand, claim, hearing, notice of violation, investigation,
proceeding, notices or demand letter pending or threatened against the Company
or any of its Subsidiaries relating in any way to the Environmental Laws.

(d) There are no past or present (or, to the best of the
Company's knowledge, future) events, conditions, circumstances, activities,
practices, incidents, actions or plans which may interfere with or prevent
compliance or continued compliance with the Environmental Laws, or which may
give rise to any common law or legal liability, including, without limitation,
liability under the Comprehensive Environmental Response, Compensation and
Liability Act of 1980, as amended, or similar state, local or foreign laws, or
otherwise form the basis of any claim, action, demand, suit, proceeding,
hearing, notice of violation, study or investigation, based on or related to the
manufacture, processing, distribution, use, treatment, storage, disposal,
transport or handling, or the emission, discharge, release or threatened release
into the environment, of any pollutant, contaminant, chemical or industrial,
toxic or hazardous substance or waste, except to the extent such non-compliance
or liability would not have a Material Adverse Effect.

Section 7. AFFIRMATIVE COVENANTS. The Company covenants and agrees
that until the Total Revolving Loan Commitment has terminated and all
Obligations have been paid in full:

7.1 INFORMATION COVENANTS. The Company shall furnish to each Lender:

(a) MONTHLY AND QUARTERLY FINANCIAL STATEMENTS OF THE COMPANY.

(i) Within 30 (or in the case of the last month of any
fiscal quarter of the Company's fiscal year, 45) days of the close of
each of the first eleven months of each fiscal year of the Company and
within 60 days after the close of the last month of each fiscal year
of the Company, copies of the following internally generated financial statements: (A) an unaudited consolidated balance sheet of the Company and its Subsidiaries, an unaudited combined balance sheet of the Wholly-Owned Restricted Subsidiaries, and an unaudited combined balance sheet of the Domestic Guarantors, (B) unaudited consolidated statements of operations and cash flows of the Company and its Subsidiaries, an unaudited combined statement of operations of the Wholly-Owned Restricted Subsidiaries and an unaudited combined statement of operations of the Domestic Guarantors, in each case setting forth comparative figures for such month against the budget for the period covered thereby, (C) a list of each Person (other than a Subsidiary of the Company) in which the Company or any Wholly-Owned Restricted Subsidiary has an equity interest, and the amount of the Company's and its Wholly-Owned Restricted Subsidiaries' respective investments therein, and (D) a report of the aging of receivables together with a summary report classifying receivables by payor type, including separate disclosure of receivables owed by Medicare, Medicaid, CHAMPUS, commercial insurance, Blue Cross and other payors;

(ii) within 60 days after the close of each of the first three fiscal quarters and within 75 days after the close of the fourth fiscal quarter of the Company, (A) the unaudited consolidated balance sheet of the Company and its Subsidiaries as of the end of such quarter, (B) the consolidated statement of cash flows of the Company and its Subsidiaries for the elapsed portion of the fiscal year ended with the last day of such quarter, and (C) the unaudited combined balance sheet of the Restricted Wholly-Owned Subsidiaries and the unaudited combined balance sheet of the Domestic Guarantors, in each case as of the end of such quarter, together with, in the case of the balance sheets described in the foregoing clauses (A) and (C), the related unaudited consolidated or combined, as the case may be, statements of operations for such quarter and for the elapsed portion of the fiscal year ended with the last day of such quarter; in each case setting forth comparative figures for the related periods in the prior fiscal year (except that balance sheet comparisons may be made to the prior fiscal year end), prepared in accordance with GAAP (subject to normal year-end and quarterly adjustments, the absence of footnotes thereto and the other exceptions to GAAP described on Schedule 6.4) and together with a certificate of the Company to that effect signed by the chief financial officer of the Company;

(iii) within 45 (or, in the case of the last month of the Company's fiscal year, 75) days after the close of each month, a certificate setting forth Base Core EBITDA, Core EBITDA and consolidated EBITDA of the Company and its Subsidiaries, in each case for such month and the computations thereof in reasonable detail (which computations shall be based on financial statements, preliminary or otherwise); and

(iv) at the time of delivery of the financial statements referred to in clause (i) of this Section 7.1(a), statistical information as to occupancy and other operating performance information, in detail consistent with then current disclosure practices in connection with the Company's periodic reports under the Securities Exchange Act of 1934.

(b) ANNUAL FINANCIAL STATEMENTS OF THE COMPANY. Within 120 days after the close of each fiscal year of the Company, the consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and the related consolidated statements of operations and cash flows for such fiscal year, setting forth comparative figures for the preceding fiscal year, prepared in accordance with GAAP and audited by Arthur Andersen & Co. or such other independent certified public accountants of recognized national standing selected by the Company with the consent of the Required Lenders (which consent
shall not be unreasonably withheld), together with a report of such accounting firm stating that in the course of its regular audit of the consolidated financial statements of the Company, which audit was conducted in accordance with generally accepted auditing standards but was not directed primarily toward obtaining knowledge of non-compliance with this Agreement, such accounting firm has obtained no knowledge of any Default or Event of Default which has occurred and is continuing or, if in the opinion of such accounting firm such a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof; PROVIDED that such accounting firm shall have no liability to the Lenders for any failure to discover any non-compliance on the part of the Company hereunder; and PROVIDED FURTHER that in the event such firm and other independent certified public accountants of recognized national standing are prohibited by applicable industry guidelines from delivering such reports, the Company shall no longer be required to cause the delivery of such report.

(c) MANAGEMENT LETTERS. Promptly after the Company's receipt thereof, a copy of any "management letter" received by the Company from its certified public accountants.

(d) BUDGETS. Within 60 days after the first day of each fiscal year of the Company (i) a budget (in form and detail consistent with the Company's past practices) prepared by the Company for such fiscal year, accompanied by the certificate of the Company signed by the chief financial officer of the Company to the effect that, to the best of his knowledge, the budget is a good faith estimate of revenue and expenditures expected to be realized and/or incurred by the Company and its Subsidiaries for the period covered thereby and setting forth the respective portions of such revenues and expenditures expected to be realized and/or incurred by (A) the Domestic Guarantors, and (B) the other Restricted Subsidiaries, (ii) a forecast of operations and sources and uses of cash for the three-year period beginning on the first day of such fiscal year, accompanied by the statement of the Company signed by the chief financial officer of the Company to the effect that, to the best of his knowledge, the forecast is a good faith estimate of such operations and sources and uses of cash and (iii) a specification as to the provisions of the annual incentive compensation plan for such fiscal year, including without limitation, targeted levels of performance and the percentages available to each participating employee, expressed as a percentage of base salary or other applicable basis under such plan.

(e) OFFICER'S CERTIFICATES. At the time of the delivery of the financial statements provided for in Sections 7.1(a) and (b), a certificate of the Company signed by the chief financial officer of the Company to the effect that, to the best of his knowledge after due inquiry, no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof and the action the Company proposes to take in respect thereof, which certificate shall set forth (i) the calculations required to establish (A) in the case of the statements delivered pursuant to Section 7.1(a)(i), whether the Company was in compliance with the provisions of Sections 7.9, 8.6(a) and 8.10 at the end of the applicable fiscal quarter, and (B) in the case of the statements delivered pursuant to Section 7.1(b), whether the Company was in compliance with the provisions of Sections 7.9, 8.6(a) and 8.10 at the end of such fiscal year, (ii) the respective amounts of Maintenance Capital Expenditures and Facility Acquisitions for the period covered by such report (the "Report Period"), the respective total amounts of such types of expenditures since the Closing Date and a description of any Facilities acquired pursuant thereto and whether the acquiror thereof was the Company, a Domestic Guarantor or another type of Restricted Subsidiary, (iii) each Asset Sale closed during the Report Period and, in reasonable detail, a calculation of Net Proceeds received therefrom and the total amount of Net Proceeds received from all Asset Sales closed from and after the Closing Date and such other information as may be necessary to enable the Agent to verify the Company's compliance with Section 4.2(a), (b) and (c) as of the end of such Report Period, (iv) a calculation, as of the end of such Report
Period, of the respective outstanding amounts of Investments made pursuant to Section 8.8(n), (o) and (r), a description of each such Investment (including, without limitation, in the case of any contribution of a Facility, whether such Facility was contributed to a majority-owned or minority-owned Permitted Joint Venture) and its outstanding amount and a listing of any such Investments made during such Report Period and (v) for each Report Period relating to a fiscal quarter commencing after September 30, 1994, the Accumulated Excess Cash Flow as of the last day of the Report Period, the supporting calculations therefor and a description of each use, if any, of Accumulated Excess Cash Flow since the last day of the immediately preceding Report Period and cumulative totals of each use thereof since the Closing Date. The certificate delivered under this Section 7.1(e) in connection with the financial statements delivered pursuant to Section 7.1(b) shall also set forth a reconciliation of the claims paid and earnings accrued on the assets restricted for the settlement of unpaid claims during such period.

(f) NOTICE OF DEFAULT OR LITIGATION. Promptly, and in any event within (i) five Business Days after an executive officer of the Company obtains actual knowledge thereof, notice of the occurrence of any event which constitutes a Default or Event of Default, and (ii) ten Business Days after an executive officer of the Company obtains actual knowledge thereof, notice of any pending or threatened action, proceeding or investigation of the type referred to in Section 6.5; and, at the time of the delivery of the certificates required pursuant to Section 7.1(e), a report in summary form on the status of any pending action, proceeding or investigation of the type referred to in Section 6.5.

(g) SEC FILINGS. Promptly upon transmission thereof, copies of all regular and periodic financial information, proxy materials and other information and reports, if any, which the Company shall file with the Securities and Exchange Commission or any governmental agencies substituted therefor (the "SEC") or which the Company shall send to its stockholders generally.

(h) ERISA. As soon as possible and in any event (i) within 10 calendar days after the receipt by the Company or a member of its ERISA Controlled Group of a demand letter from the PBGC notifying the Company or a member of its ERISA Controlled Group of the final decision finding liability and the date by which such liability must be paid, or (y) a notice from the PBGC that a Lien has been or is to be imposed on any assets of the Company or a member of its ERISA Controlled Group in favor of the PBGC or a Plan, a copy of such demand letter or notice, together with a certificate of the chief executive officer or chief financial officer of the Company setting forth the action which the Company or such member of its ERISA Controlled Group proposes to take with respect thereto and (ii) within 30 days after the Company or a member of its ERISA Controlled Group knows that:

(A) any Termination Event with respect to a Plan has occurred or will occur, or

(B) any condition exists with respect to a Plan which presents a material risk of (i) termination of the Plan, (ii) imposition of an excise tax or other liability on the Company or a member of its ERISA Controlled Group in an amount exceeding $5,000,000 or (iii) the imposition of a Lien on any assets of the Company or a member of its ERISA Controlled Group in favor of the PBGC or a Plan for an amount exceeding $5,000,000, or

(C) the Company or a member of its ERISA Controlled Group has applied for a waiver of the minimum funding standard under Section 412 of the Code and Section 302 of ERISA, or

(D) the Company or a member of its ERISA Controlled Group has engaged in a "prohibited transaction," as defined in Section 4975 of the Code or as described in Section 406 of ERISA, that is not exempt under Section 4975 of the Code and Section 408 of ERISA, and which could result in imposition of an excise tax in an amount in excess of $5,000,000, or

(E) the aggregate present value of the Unfunded Accrued Benefits under
all Plans has in any Plan year increased by $15,000,000 or to an amount in excess of $30,000,000, or

(F) any condition exists with respect to a Multiemployer Plan which presents a material risk of a partial or complete withdrawal (as described in Section 4203 or 4205 of ERISA) by the Company or a member of its ERISA Controlled Group from a Multiemployer Plan and the subsequent imposition upon the Company or a member of its ERISA Controlled Group of withdrawal liability in excess of $15,000,000, or

(G) the Company or a member of its ERISA Controlled Group is in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan required by reason of its complete or partial withdrawal (as described in Section 4203 or 4205 of ERISA) from such Plan, or

(H) a Plan which is a Multiemployer Plan is in "reorganization" (as described in Section 418 of the Code or in Title IV of ERISA), or

(I) the potential withdrawal liability (as determined in accordance with Title IV of ERISA) of the Company and the members of its ERISA Controlled Group with respect to all Plans which are Multiemployer Plans has increased to an amount in excess of $30,000,000, or

(J) there is an action brought against the Company or any member of its ERISA Controlled Group under Section 502 of ERISA with respect to its failure to comply with Section 515 of ERISA,

a certificate of the chief executive officer or chief financial officer of the Company setting forth the details of such event described in clause (A) through (J) above, as applicable, and the action which the Company or such member of its ERISA Controlled Group proposes to take with respect thereto, together with a copy of any notice or filing from the PBGC or which may be required by the PBGC or other agency of the United States government with respect thereto.

(i) CERTIFICATES, ETC. DELIVERED UNDER OTHER TRANSACTION DOCUMENTS. Promptly upon the delivery thereof, copies of all material certificates, opinions, notices (including, without limitation, notices of defaults, events of default, accelerations and terminations) and other material documents delivered under the terms of, and copies of each and any amendments, modifications or supplements to, (A) the NME Purchase Agreement, (B) the Tax Sharing Agreement, (C) any Subordinated Debt Documents, (D) any other agreements evidencing other Indebtedness of the Company or any of its Subsidiaries which (1) has an outstanding principal balance of

$10,000,000 or more, or (2) so long as an event of default has occurred and is continuing thereunder, has an outstanding principal balance of $1,000,000 or more, and (E) the ESOP or the Trust Agreement.

(j) NME ACQUISITION CLOSING CERTIFICATES AND NOTICES. At least two Business Days prior to any closing of all or any portion of the NME Acquisition, a written notice setting forth (A) the Facilities and other assets proposed to be purchased from NME at such closing, and (B) the date of such closing. On the date of such closing, the Company shall deliver to the Agent a certificate, substantially in the form of Exhibit B-2 hereto, executed by the chief executive officer or a chief financial officer of the Company certifying (A) that, except to the extent waived by the Company in accordance with Section 8.11, all of the conditions precedent to the obligations of the Company and its Subsidiaries under the NME Purchase Agreement to consummate such closing are or will be satisfied as of such date, (B) the Facilities and other assets to be acquired by the Company and Domestic Guarantors on such date and the purchase price to be paid therefor at such closing, (C) that the NME Purchase Agreement has not been amended or otherwise modified except in accordance with Section 8.11, (D) true and correct copies of all opinions, certificates, instruments and other documents to be delivered at such closing (which opinions and certificates
that are delivered by or on behalf of the Company and its Subsidiaries shall be
addressed to the Agent and the Lenders, or be accompanied by letters in form and
substance satisfactory to the Agent, entitling the Lenders to rely thereon), and
(E) whether such closing will be the final closing under the NME Purchase
Agreement. In addition, such certificate shall set forth in reasonable detail
the respective results of operations, and the calculations thereof, of each
Facility to be acquired at such closing, for March 31, 1994 and for each other
month not listed on Schedule 10.1(a) for which such results of operations are
available, but, in any event, for each month that has ended after February 28,
1994 and on or prior to the date that occurs 60 days prior to such closing.

(k) INSURANCE CERTIFICATE. Promptly upon receipt thereof by the
Company, but in any event prior to October 31 of each year, (i) the statement of
Tillinghast, a Subsidiary of Towers, Perrin, Foster & Crosby, William M. Mercer,
a Subsidiary of Marsh & McLennan, or such other nationally recognized actuary
selected by the Company with the consent of the Required Lenders (which consent
will not be unreasonably withheld) certifying that the Company's reserves for
unpaid claims for general and professional liability claims are currently
sufficient to cover the Company's and its Restricted Subsidiaries' anticipated
claims arising in respect of occurrences on or prior to the immediately
preceeding June 30; and (ii) a certificate executed by the chief financial
officer of the Company certifying that (A) the Company and its Restricted
Subsidiaries have insurance policies with the Insurance Subsidiaries and/or
with reputable insurance companies in such aggregate amounts (after giving
effect to any deductibles and in light of assets restricted by the Company and
its Restricted Subsidiaries for the settlement of anticipated general and
professional claims) and against such risks as are customary for companies of
established reputation in the same or similar businesses and similarly situated
as the Company and its Restricted Subsidiaries, and (B) the amount of such
restricted assets, together with the coverage provided by such insurance
policies, are adequate.

(l) OTHER INFORMATION. From time to time, such other
information or documents (financial or otherwise) as any Lender may, through the
Agent, reasonably request in writing, including, without limitation, consolidating financial statements for any fiscal year of the Company ending
after the Closing Date, but not confidential patient information or other
information required by applicable law to be kept confidential; PROVIDED that,
notwithstanding the foregoing, the Company shall not be required to deliver any
such consolidating financial statements for any such fiscal year prior to the
120th day to occur after the end of such fiscal year.

7.2 BOOKS, RECORDS AND INSPECTIONS. The Company shall keep proper
books of record and account in which entries are made in conformity with GAAP.
The Company shall cause each of its Subsidiaries to keep proper books of record
and account in which entries are made on a basis consistent with the Company's
past practices. The Company shall, and shall cause each of its Subsidiaries to,
permit officers and designated representatives of any Lender to visit and
inspect during normal business hours and subject to health, safety and insurance
guidelines regularly enforced by the Company and its Subsidiaries, under
guidance of officers of the Company, any of the properties of the Company or any
of its Sub-

sidiaries, and to examine the books of account of the Company or any of its
Subsidiaries and discuss the affairs, finances and accounts of the Company or
any of its Subsidiaries with, and be advised as to the same by, its and their
officers and, subject to the policies of its or their independent public
accountants, the Company's and its Subsidiaries' independent public accountants,
all at such reasonable times and intervals and to such reasonable extent as such
Lender may desire; PROVIDED that the Company shall, and shall cause its
Subsidiaries to, give its or their consent to such independent public
accountants if such consent is required by such independent public accountants
prior to taking any such action; PROVIDED FURTHER that any such meeting with the
7.3 MAINTENANCE OF PROPERTY; INSURANCE. (a) The Company shall, and shall cause each of its Restricted Subsidiaries to, maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all material properties used or owned or leased in the business of the Company and such Restricted Subsidiaries and from time to time shall make or cause to be made all appropriate repairs, renewals and replacements thereof in accordance with past practices. The Company shall maintain or cause to be maintained, with financially sound and reputable insurers (which for purposes of maintaining workers' compensation insurance may be the Insurance Subsidiaries), insurance with respect to its properties and business and the properties and business of its Restricted Subsidiaries against loss or damage of the kinds customarily insured against by business entities of established reputation engaged in the same or similar businesses and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other business entities. The Collateral Agent shall be included in any such property insurance as loss payee; PROVIDED that such insurance may provide that, so long as the applicable insurer has not received a notice from the Collateral Agent that a Default or an Event of Default has occurred and is continuing, such insurer may pay to the Company all proceeds of such insurance in respect of individual occurrences not involving aggregate payments for any such incurrence in excess of $500,000. All insurance maintained by the Company with respect to its properties and the properties of its Restricted Subsidiaries shall be in an amount not less than 85% of the full replacement value thereof unless such amount is not generally available in the industry at a commercially reasonable cost.

(b) Nothing herein shall limit the right of the Company to self-insure (including by insurance provided by the Insurance Subsidiaries) against general liability claims and expenses and professional liability claims and expenses, so long as the Company shall maintain (i) reserves not less than such amounts as may be necessary to deliver the actuary's certificate required to be delivered pursuant to Section 7.1(k) for such fiscal year, and (ii) insurance policies and assets restricted for the settlement of unpaid claims as may be necessary to deliver the officer's certificate required to be delivered pursuant to Section 7.1(k) for such fiscal year. So long as the Company and its Insurance Subsidiaries retain sufficient capital and surplus to comply with all laws and regulations (i) the Insurance Subsidiaries may, so long as the Company will be able to deliver the actuary's certificates and officer's certificates described in Section 7.1(k), use assets restricted for the settlement of unpaid claims to pay other contractual insurance obligations and (ii) upon certification by the Company's chief financial officer that an Insurance Subsidiary has sufficient capital and surplus as described in this Section 7.3(b), together with a calculation thereof, the Company may cause such Insurance Subsidiary to pay to the Company a dividend, advance or loan (in each case to the extent lawful to do so) in the amount of any excess capital and surplus.

(c) The Company shall give the Agent a copy of any and all insurance policies issued in connection with the insurance required under this Section 7.3 (or a certificate or certificates of insurers evidencing such insurance), and each such policy shall provide for at least 30 days prior written notice to the Agent of the cancellation thereof. The Company shall use reasonable commercial efforts to have included in each of its insurance policies a provision for notice to the Agent of default in the Company's obligations thereunder and an opportunity for the Agent to cure such default prior to cancellation thereof; PROVIDED that the Agent shall not have any obligation to cure any such default. In addition, the Company shall, no more than 15 days after the expiration of any such policy, provide, or cause to be provided, to the Agent evidence satisfactory to the Agent.
that such policy or policies have been renewed or replaced in accordance with the provisions hereof.

7.4 TAXES. The Company shall pay or cause to be paid, and shall cause each of its Subsidiaries to pay or cause to be paid, when due, (a) all taxes, assessments and governmental charges, except for those contested in good faith by appropriate proceedings for which adequate reserves in conformity with GAAP will be provided and except to the extent the failure to pay such tax, assessment or charge would not have a Material Adverse Effect, and (b) all material lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon the property of the Company or any of its Restricted Subsidiaries, other than materialmen's, mechanics', carriers', workmen's, repairmen's, or other like Liens arising in good faith in the ordinary course of the business of the Company or any of its Restricted Subsidiaries (or deposits to obtain the release of such Liens), securing claims which are not overdue or which are being contested in good faith by appropriate proceedings.

7.5 CORPORATE EXISTENCE; FRANCHISES. The Company shall, and, subject to Section 8.2, shall cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve and keep in full force and effect (a) its existence, except where the failure to preserve the existence of any such Subsidiary would not have, either individually or in the aggregate, a Material Adverse Effect; and (b) its patents, trademarks, servicemarks, trade names, copyrights, franchises, licenses, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals (including, without limitation, all licenses, authorizations, consents and approvals required to be obtained pursuant to any applicable federal or state statutes relating to healthcare institutions and all certificates of need, state hospital licensures and Medicare/Medicaid certificates or exemptions therefrom) except where the failure to preserve any of the items specified in this clause (b) would not have, either individually or in the aggregate, a Material Adverse Effect.

7.6 COMPLIANCE WITH STATUTES, ETC. The Company shall, and shall cause each of its Subsidiaries to, comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property, except such non-compliances as would not, in the aggregate, have a Material Adverse Effect.

7.7 CONTRIBUTIONS TO ESOP. The Company shall (A) contribute to the ESOP during each fiscal year of the Company, or no later than the date on which the Company is required to file a tax return in respect of such fiscal year, an amount (in Cash or Cash Equivalents) equal to not less than the least of (i) the maximum amount which is deductible for federal income tax purposes, (ii) the maximum amount which can be contributed without violation of Section 415 of the Code for the limitation year to which such contribution relates and (iii) amounts required to be paid to the Company by the ESOP and the Trust pursuant to the Company/ESOP Credit Agreements or the Company/ESOP Notes during such fiscal year, and (B) directly pay the administrative and operating expenses of the ESOP and the Trust during such fiscal year.

7.8 CORPORATE SEPARATENESS. The Company and its Restricted Subsidiaries shall take all such action as is necessary to keep the operations of the Company and its Restricted Subsidiaries separate and apart from Unrestricted Subsidiaries, including, without limitation, ensuring that all customary formalities regarding their corporate or partnership existence, as the case may be, including holding regular or periodic special board of directors' and shareholders' meetings (or actions by written consents in lieu of meetings) and, if required by applicable law or partnership governing documents, partners meetings and maintenance of corporate or partnership offices (if required by applicable law) and records, are followed. All financial statements of an Unrestricted Subsidiary or of a group of Unrestricted Subsidiaries provided to creditors (a) shall reflect only the assets, liabilities, results of operation, cash flows or changes in stockholders' equity of such Unrestricted Subsidiary or such group of Unrestricted Subsidiaries, and (b) shall not reflect any assets, liabilities, results of operations, cash flows or changes in stockholders' equity of the Company or any of its Restricted Subsidiaries. The Company and its Restricted Subsidiaries shall maintain their respective payroll and books of
account and bank accounts separate from Unrestricted Subsidiaries. Each of the Company and each of its Restricted Subsidiaries shall pay, and shall continue to pay, its respective liabilities, including all administrative expenses, from

its own separate assets or, in the case of liabilities paid from a centralized cash management system account, the related account records shall properly record the identity of the obligor and the corresponding intercompany receivables and payables entries; and in no event shall any such liabilities be paid from assets of any Unrestricted Subsidiary. Assets of the Company and its Restricted Subsidiaries are separately identified and segregated, and shall continue to be separately identified and segregated, from the assets of Unrestricted Subsidiaries. Finally, no Unrestricted Subsidiary shall take any action, or conduct its affairs in a manner, which is likely to result in the corporate or partnership existence of such Subsidiary being disregarded, or in the assets and liabilities of the Company and its Restricted Subsidiaries being substantively consolidated with any Unrestricted Subsidiary in a bankruptcy, reorganization or other insolvency proceeding. Without limiting the generality of the foregoing, as promptly as practicable after the Closing Date, but in any event within 60 days thereof (i) the Company and its Unrestricted Subsidiaries shall enter into one or more tax sharing agreements that are in form and substance reasonably satisfactory to the Agent (each, a "Tax Sharing Agreement"), and the Company shall deliver a copy thereof to the Agent. The Company shall cause each hereafter created or designated Unrestricted Subsidiary to become a party to a Tax Sharing Agreement promptly after such creation or designation as the case may be.

7.9 FINANCIAL COVENANTS.

(a) BASE CORE EBITDA. The Company shall maintain Base Core EBITDA, determined as of the last day of each fiscal quarter of the Company for the 12-month period ending on such date, of not less than $130,000,000 (or, if the Initial NME Acquisition Closing shall not have occurred prior to end of such fiscal quarter, $100,000,000).

(b) CORE EBITDA. The Company shall maintain Core EBITDA, determined as of the last day of each fiscal quarter of the Company for the 12-month period ending on such date, of not less than $160,000,000 (or, if the Initial NME Acquisition Closing shall not have occurred prior to end of such fiscal quarter, $130,000,000).

(c) INTEREST COVERAGE RATIO. The Company shall maintain a ratio of Core EBITDA to consolidated Total Interest Expense of the Company and its Restricted Subsidiaries, determined as of the last day of each fiscal quarter of the Company for the 12-month period ending on such date, of not less than 2.5:1.0.

(d) FIXED CHARGE COVERAGE RATIO. The Company shall maintain a Fixed Charge Coverage Ratio, determined as of the last day of each fiscal quarter of the Company, of not less than 1.1:1.0.

(e) CORE LEVERAGE RATIO. The Company shall maintain a ratio of Core Indebtedness to Core EBITDA, determined on the last day of each fiscal quarter of the Company for the 12-month period ending on such day, of not more than 4.25:1.0.

(f) GAAP INTEREST COVERAGE RATIO. The Company shall maintain a ratio of EBITDA of the Company and its Subsidiaries on a consolidated basis to Total Interest Expense of the Company and its Subsidiaries on a consolidated basis, as of the last day of each fiscal quarter of the Company for the 12-month period ending on such day, of not less than 2.50:1.0.

(g) GAAP LEVERAGE RATIO. The Company and its Subsidiaries shall maintain a ratio of consolidated Indebtedness to consolidated EBITDA, determined on the last day of each fiscal quarter of the Company for the 12-month period ending on such day, of not more than 4.5:1.0.
7.10 FISCAL YEARS AND QUARTERS. The Company, unless otherwise required by law or by order of a regulatory agency having jurisdiction over the Company, shall cause each of its fiscal years to end on September 30 and each of its fiscal quarters to end on December 31, March 31, June 30 and September 30.

7.11 SUBSIDIARY GUARANTY; SUBSIDIARY PLEDGE AND SECURITY AGREEMENTS; CERTAIN MORTGAGES. The Company shall with reasonable promptness, but only to the extent not prohibited by applicable law: (i) cause each of its Wholly-Owned Restricted Subsidiaries (other than Excludable Foreign Subsidiaries) that becomes a Significant Subsidiary after the Closing Date to execute the Subsidiary Guaranty and, if such Significant Subsidiary is a Domestic Wholly-Owned Restricted Subsidiary, a Sub-
iary Pledge and Security Agreement and Subsidiary Stock and Notes Pledge; (ii) to the extent it has not already done so, pledge, and cause each Domestic Wholly-Owned Restricted Subsidiary that is now or hereafter becomes a Significant Subsidiary to pledge, all the shares of capital stock and other equity interests now or hereafter owned by the Company or such Domestic Wholly-Owned Restricted Subsidiary of each now or hereafter existing Significant Subsidiary (other than an Excludable Foreign Subsidiary), and all notes now or hereafter payable to the Company or such Domestic Wholly-Owned Restricted Subsidiary by a present Subsidiary or future Significant Subsidiary of the Company (other than an Excludable Foreign Subsidiary), in each such case pursuant to a duly executed and delivered Company Stock and Notes Pledge or Subsidiary Stock and Notes Pledge, as the case may be, granting the Collateral Agent a valid and enforceable, first priority perfected Lien in such assets as security for the Obligations; and (iii) pledge, and cause each Domestic Wholly-Owned Restricted Subsidiary that is now or hereafter becomes a Significant Subsidiary to pledge, at least 65% of the capital stock and equivalent interests owned from time to time by the Company (or any such Subsidiary, as the case may be) of each Foreign Subsidiary that is a Significant Subsidiary.

7.12 ENVIRONMENTAL LAWS. The Company shall, and shall cause each of its Subsidiaries to, (i) obtain all permits, licenses and other authorizations which are required in connection with the operation of its business under any Environmental Law and shall take all action necessary to keep such permits, licenses and authorizations in full force and effect, except to the extent the failure to comply therewith would not have a Material Adverse Effect, and (ii) take all actions necessary to remain in full compliance with all terms and conditions of all required permits, licenses, authorizations, limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Environmental Law applicable to the operation of its business, except to the extent the failure to comply therewith would not have a Material Adverse Effect. Without limiting the foregoing, the Company shall deliver to the Agent within 60 days of the Closing Date, a Phase I Environmental Report that is in form reasonably satisfactory to the Agent from CH2M HILL or such other environmental consultant as is designated by the Company and reasonably satisfactory to the Agent in respect of Charter Westbrook Hospital (including Charter Westbrook Medical Office Building). Nothing in this Section 7.12 is intended to or shall be deemed to relieve the Company or any of its Subsidiaries of their legal obligations under the Environmental Laws or to condone or encourage any disregard of those obligations.

7.13 FURTHER ASSURANCES. The Company shall, and shall cause each Domestic Guarantor to, take all such further actions and execute all such further documents and instruments as the Required Lenders or the Collateral Agent may at any time determine may be necessary to create, perfect, preserve and/or protect or ensure the priority of any Lien or security interest in any Collateral. Without limiting the foregoing, the Company shall deliver or cause to be delivered to the Agent, within 90 days of the Closing Date, opinions, in form and substance reasonably satisfactory to the Agent and from counsels that are designated by the Company and reasonably satisfactory to the Agent, with
Section 8. NEGATIVE COVENANTS. The Company covenants and agrees that until the Total Revolving Loan Commitment has terminated and all Obligations have been paid in full:

8.1 LIENS. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of the Company or such Restricted Subsidiary, whether now owned or hereafter acquired, or sell any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets, or assign any right to receive income; PROVIDED, that the provisions of this Section 8.1 shall not prevent the creation, incurrence, assumption or existence of:

(a) Permitted Liens;

(b) Liens on the property or assets of the Company and its Restricted Subsidiaries in existence, and in respect of obligations existing, on the Closing Date, to the extent such Liens are disclosed on Schedule 8.1(b) hereto;

(c) Liens on the assets to be acquired pursuant to the NME Acquisition to the extent such Liens are disclosed on Schedule 8.1(c);

(d) Liens created pursuant to the Security Documents;

(e) Liens not otherwise permitted in this Section 8.1 securing Indebtedness to the extent the aggregate outstanding principal amount of all such Indebtedness does not exceed $25,000,000 at any time outstanding; PROVIDED that such Liens are:

(i) Liens upon property subject to a Sale/Leaseback Transaction permitted under Section 8.6 incurred in connection with such Sale/Leaseback Transaction, and such Liens do not extend beyond the assets subject to such Sale/Leaseback Transaction;

(ii) purchase money security interests or similar Liens securing purchase money Indebtedness (including Indebtedness under capitalized leases, but excluding Indebtedness incurred pursuant to Sale/Leaseback Transactions) of the Company's Restricted Subsidiaries incurred in the acquisition or construction of any asset within six months after such acquisition or completion of construction of such asset in amounts that do not exceed the lesser of (A) the purchase price and (B) the fair market value of the purchased or constructed asset, and such Liens do not extend beyond the asset so purchased or constructed;

(iii) Liens existing on assets acquired by any of the Company's Restricted Subsidiaries (other than from NME or any of its Subsidiaries) or upon the assets of any Person which after the acquisition of such Person (other than NME or any of its Subsidiaries) becomes a Restricted Subsidiary of the Company, which Liens secure Indebtedness assumed by such Restricted Subsidiary or of such Person, as the case may be, were in existence at the time of the acquisition thereof and were not incurred in connection with or in anticipation of such acquisition; and/or

(iv) Liens on assets (other than any of the Collateral) of the Company or any of the Company's Restricted Subsidiaries securing Indebtedness (other than Permitted Subordinated Indebtedness and Accommodation Obligations in respect of Permitted Subordinated Indebtedness) of a type or types not described in the
foregoing clauses (i) through (iii) having, in the aggregate, an outstanding principal amount of $10,000,000 or less; PROVIDED, that the fair market value of the assets subject to any such Liens do not exceed, at the time of the incurrence of such Indebtedness, 125% of the principal amount of the Indebtedness secured thereby;

(f) Liens securing Indebtedness of any Restricted Subsidiary to the Company or to any Domestic Guarantor to the extent the promissory note evidencing such Indebtedness has been pledged as collateral for the Obligations and otherwise complies with Section 8.7;

(g) Liens securing Indebtedness incurred to refinance the principal amount of any Indebtedness secured by a Lien permitted hereunder (other than the Obligations) so long as such refinancing does not increase the principal amount of such Indebtedness so secured or extend the Lien to any additional assets of the Company or any of its Restricted Subsidiaries;

(h) Liens on assets of Foreign Restricted Subsidiaries securing Foreign Contracts Credit Support to the extent permitted by Section 8.7(i); PROVIDED that the value of the assets securing such letters of credit or bonds shall not exceed 125% of the stated amount of such letter of credit or bond at the time such Lien attaches;

(i) Liens on the assets of the Insurance Subsidiaries securing self insurance and reinsurance obligations and letters of credit or bonds of the type described in Section 8.7(k) (whether or not such letters of credit or bonds constitute Indebtedness); PROVIDED that the assets subject to such Liens shall only be assets of the Insurance Subsidiaries;

(j) Deposits of approximately SFR 400,000 plus interest and income earned thereon from and after July 1, 1991, securing the Company's obligations in respect of the Swiss Bonds, which deposits are held by the agent for the Swiss Bonds; and

(k) Deposits securing bonds and letters of credit in support of foreign operations; PROVIDED that, at any time, the property subject to such Liens shall be limited to (i) assets of Charter Medical (Cayman Islands) Ltd., a Cayman Islands corporation plus (ii) assets of an aggregate value not in excess of $50,000,000 minus the stated amount of all letters of credit then outstanding under Section 8.7(i);

Provided that this Section 8.1 shall not prevent the assignment by the Company and its Restricted Subsidiaries of accounts receivable which have been outstanding more than 120 days in the ordinary course of business on a basis consistent with past collection practices of accounts receivable.

8.2 CONSOLIDATION, MERGER, SALE OR PURCHASE OF ASSETS, ETC. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, in one or a series of related transactions, wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation, or convey, sell, lease or otherwise dispose of all or any part of its property or assets (including without limitation accounts receivable), or purchase or otherwise acquire all or substantially all of the property or assets (other than purchases or other acquisitions of real estate, inventory, licenses and franchises, materials and equipment in the ordinary course of business) of any other Person, except that:

(a) the Company may consummate all or any portion of the NME Acquisition subject to and upon the terms and conditions set forth in the NME Purchase Agreement; PROVIDED that (i) except as permitted by Section 8.11, neither the Company nor any of its Subsidiaries waives the conditions set forth in the NME Purchase Agreement to their respective obligations thereunder, (ii) the aggregate purchase price therefor (including, without limitation, amounts payable for any covenant-not-to-compete from NME or any of its Subsidiaries), whether paid in cash, by the assumption of Indebtedness or otherwise, does not exceed $225,000,000, (iii) the Company complies with Section 7.1(j) in connection with each closing of all or any portion of the NME Acquisition, (iv) the Initial NME Acquisition Closing occurs prior to any other closing under the
(v) all acquisitions of Facilities and other assets pursuant thereto are made by the Company and/or the Domestic Guarantors;

(b) any Restricted Subsidiary may merge into, consolidate with or liquidate into the Company or a Domestic Guarantor; PROVIDED that the surviving corporation is the Company or such Domestic Guarantor; and any Restricted Subsidiary (other than a Domestic Guarantor) may merge into, consolidate with or liquidate into a Domestic Wholly-Owned Restricted Subsidiary that is not a Domestic Guarantor; PROVIDED that the surviving corporation is a Domestic Wholly-Owned Restricted Subsidiary and, to the extent the surviving corporation is a Significant Subsidiary, all of the outstanding capital stock of such surviving corporation (and, if its parent is not the Company, its parent) owned by the Company or any Domestic Wholly-Owned Restricted Subsidiary shall be pledged to the Collateral Agent under a Subsidiary Stock and Notes Pledge and/or the Company Stock and Notes Pledge, as the case may be, and such surviving corporation (and, if its parent is not the Company, its parent) shall have executed and delivered the Subsidiary Guaranty, the Subsidiary Stock and Notes Pledge and the Subsidiary Pledge and Security Agreement;

(c) any Foreign Restricted Subsidiary may merge into, consolidate with or liquidate into a Foreign Wholly-Owned Restricted Subsidiary; PROVIDED that (i) the surviving corporation is a Foreign Wholly-Owned Restricted Subsidiary, and (ii) to the extent the surviving corporation is a Significant Subsidiary and the following are permitted by applicable law, (A) 65% (or, if such surviving corporation is not an Excludable Foreign Subsidiary, 100%) of the outstanding capital stock of such surviving corporation shall be pledged to the Collateral Agent under a Subsidiary Stock and Notes Pledge and/or the Company Stock and Notes Pledge, as the case may be, and (B) such surviving corporation (unless it is an Excludable Foreign Subsidiary) shall have executed and delivered the Subsidiary Guaranty;

(d) the Company and its Restricted Subsidiaries may convey, sell, lease or otherwise dispose of: (i) property or assets in connection with Sale/Leaseback Transactions permitted pursuant to Section 8.6; (ii) accounts receivable which have been outstanding more than 120 days in the ordinary course of business consistent with past collection practices of accounts receivable; and (iii) property or assets of the Company or any of its Restricted Subsidiaries to the extent that such conveyances, sales, leases or other dispossession are in connection with assets having a fair market value not in excess of $1,000,000, either individually or, if sold as part of a series of related transactions, when aggregated with other related conveyances, sales, leases or dispossession (and, in the case of such assets with a fair market value in excess of $200,000 but less than or equal to $1,000,000, the aggregate amount of such sales shall not exceed $5,000,000 in any fiscal year of the Company unless the mandatory prepayments required by Section 4.2 are made as provided therein);

(e) so long as no Default or Event of Default has occurred and is continuing either immediately before or after giving effect thereto, the Company and its Restricted Subsidiaries may make sales of assets having a fair market value greater than $1,000,000; PROVIDED that, if such sale constitutes an Asset Sale as provided herein: (i) such sale is made for consideration that is at least equal to the fair market value of the assets so sold, (ii) at least 70% of the consideration therefor is the payment of Cash (and/or the assumption by the purchaser thereof of Indebtedness (other than the Obligations) secured solely by such asset or incurred to finance or refinance the acquisition or construction of such asset, provided that the Company and its Restricted Subsidiaries are released from all obligations, if any, with respect to such Indebtedness) on or before the closing date of such sale, and such Cash is used to make the prepayments required by Section 4.2(a) or 4.2(c), as the case may be, (iii) if such sale is made by the Company or a Domestic Guarantor, the Collateral Agent has a perfected Lien on any non-Cash proceeds received in such
Asset Sale, other than notes and similar instruments having, in the aggregate for any individual Asset Sale, a principal amount of $500,000 or less, and (iv) after assets having an aggregate fair market value of $50,000,000 have been sold after the Closing Date pursuant to Asset Sales (including, without limitation, Sale/Leaseback Transactions) involving assets with a fair market value exceeding $200,000 in each instance or in a series of related transactions, neither the Company nor any of its Restricted Subsidiaries shall be permitted to sell pursuant to this paragraph (e) or pursuant to a Sale/Leaseback Transaction any asset having a fair market value in excess of $5,000,000 without the prior consent of the Required Lenders (except for a contribution permitted by Section 8.8 of a Facility and its related working capital to a Permitted Joint Venture); PROVIDED that, notwithstanding the foregoing, without the consent of the Required Lenders, neither the Company nor any of its Restricted Subsidiaries shall sell (other than pursuant to a Sale/Leaseback Transaction permitted hereby) more than one of the Facilities acquired pursuant to the NME Acquisition that is, at the time of such sale, subject to a Lien securing any Indebtedness permitted by Section 8.7(g);

(f) so long as no Default or Event of Default exists either immediately before or after giving effect to the entering into of such lease or sublease, the Company and its Restricted Subsidiaries may lease or sublease assets to third parties so long as such lease or sublease is (i) a lease or sublease of office space in a medical building to healthcare professionals or healthcare goods or service companies for their use, or a sublease by a Person other than the Company or any of its Restricted Subsidiaries to a similar user, or to another Person with respect to space not constituting a significant portion of such building; (ii) a lease or sublease of any portion of a hospital in the ordinary course of business and in a manner consistent with either past practices (other than practices developed through leases permitted pursuant to the following clause (iii)) or in the healthcare industry generally which is not by itself or together with other leases or subleases of portions of such hospital of more than 50% of such hospital; or (iii) a lease or sublease of licensed beds of a hospital and non-exclusive access to common areas of such hospital, where the portions leased or subleased in all such lease and sublease transactions in effect at any time with respect to such hospital do not exceed 30% of the licensed beds of such hospital plus non-exclusive access to common areas of such hospital, and, in the case of any lease or sublease under clause (iii): (A) if (1) such hospitals or beds are not subject to the Lien of a Mortgage, and (2) the scheduled rental payments under such lease or sublease exceed $500,000 in any fiscal year of the Company, or, after giving effect to such lease or sublease the scheduled rental payments under all such leases and subleases exceed $5,000,000 in any fiscal year, the Collateral Agent, unless the same would violate the provisions of any mortgage or lease (other than such lease) or related agreement to which such beds or hospitals are subject, is granted, prior to or simultaneously with the entering into of such lease or sublease, a valid and enforceable first priority Lien on such lease or sublease, as the case may be, pursuant to documentation that is in form and substance reasonably satisfactory to the Collateral Agent (which security documents and lease or sublease shall include such provisions as the Collateral Agent shall reasonably require to protect its interests in the premises and/or such lease or sublease, as the case may be, including, without limitation, a subordination of the lessee's leasehold interest to any and all prior liens of the Collateral Agent if requested by the Collateral Agent), (B) the Company and its Restricted Subsidiaries are insured with respect to the leased or subleased premises and the businesses conducted thereon in the manner and to the extent required by Section 7.3 as fully as if such property had not been leased or subleased by a third party, (C) the total term of any such lease or sublease, including all renewals and extensions, shall not exceed 10 years and the lessees and sublessees shall have no rights, whether exercisable currently or in the future, to acquire an interest in the premises greater than a leasehold interest (including, without limitation, by way of an option or a right of first refusal or first offer), (D) the hospital continues to do business as and be known as a
Charter hospital, and (E) no more than 25% of the Company's and its Restricted Subsidiaries' hospitals shall have such leases and subleases in effect at any one time;

(g) the Company and its Restricted Subsidiaries may make and liquidate Investments permitted pursuant to Section 8.8; and

(h) the Company and its Restricted Subsidiaries may make Maintenance Capital Expenditures and Facility Acquisitions to the extent permitted by Section 8.10.

8.3 RESTRICTED PAYMENTS. The Company shall not, and shall not permit any of its Restricted Subsidiaries to (a) declare or make any dividend payment or other distribution (other than any dividend payment or distribution payable solely in capital stock of the Company or such Restricted Subsidiary), directly or indirectly, on account of any class of capital stock of the Company or any Restricted Subsidiary, or (b) purchase, redeem or otherwise acquire or retire for value, directly or indirectly, any shares of any class of capital stock of the Company or such Restricted Subsidiary or any warrants, options or other rights to acquire such shares,

now or hereafter outstanding (each a "Restricted Payment"); PROVIDED that, so long as no Default or Event of Default has occurred and is continuing or would result therefrom:

(i) the Company may repurchase Company Common Stock distributed to participants and beneficiaries of the ESOP or from the Trust for the purpose of facilitating the distribution of cash to participants and beneficiaries of the ESOP to the extent required by the terms of the ESOP and the Trust or by Section 401(a)(28) or 409(h) of the Code; PROVIDED that such repurchase rights may be exercised in all events if the failure to exercise such rights would create a material risk of the disqualification of the ESOP under Section 401(a) of the Code;

(ii) the Company may acquire warrants for the purchase of capital stock returned to it upon the exercise of such warrants; PROVIDED that the sole consideration for any such warrants shall be Company Common Stock;

(iii) the Company may purchase, redeem or otherwise acquire for nominal consideration rights in connection with the Rights Plan;

(iv) so long as no Default or Event of Default has occurred and is continuing, the Company may declare and pay in each and any of its fiscal years PRO RATA cash dividends on its capital stock in a cumulative amount not to exceed 6% of the cash proceeds received by the Company, net of underwriter's and broker's fees and commissions and costs and expenses incurred in connection therewith and less all amounts spent by the Company to repurchase any shares of its capital stock or any warrants, options or other rights to acquire such shares since the Closing Date (other than pursuant to clause (i), (ii) or (iii) above), from issuances of its capital stock after the Closing Date pursuant to public offerings;

(v) so long as no Default or Event of Default shall have occurred and be continuing, the Company may, in addition to the dividends permitted to be declared and paid by the Company pursuant to clause (iv) above and purchases pursuant to clauses (i) and (ii) above, pay an amount not to exceed the then Accumulated Excess Cash Flow in order to declare and pay dividends on, and repurchase, for a price not to exceed the market value thereof, its capital stock; PROVIDED that in no event shall the sum of all such dividends paid and declared, and all such repurchases of capital stock, by the Company
pursuant to this clause (v) exceed $2,000,000 in the aggregate in any fiscal year of the Company or $10,000,000 in the aggregate;

(vi) any Restricted Subsidiary may make PRO RATA dividends and PRO RATA distributions of profits, earnings and capital to its shareholders, partners or other equity holders, as the case may be;

(vii) any Restricted Subsidiary of the Company may make Restricted Payments to the Company or any Domestic Guarantor;

(viii) any Domestic Wholly-Owned Restricted Subsidiary that is not a Domestic Guarantor may make Restricted Payments to any other Domestic Wholly-Owned Restricted Subsidiary; and

(ix) any Foreign Restricted Subsidiary of the Company may make Restricted Payments to any Foreign Wholly-Owned Subsidiary.

8.4 LIMITATION ON RESTRICTIONS AFFECTING DIVIDENDS AND OTHER PAYMENTS OF SUBSIDIARIES. (a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary of the Company to: (i) make (A) dividends or any other distributions on its capital stock or any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed, to the Company or any of its Restricted Subsidiaries, or (B)

loans or advances to the Company or any of its Restricted Subsidiaries, except, in each such case, for such encumbrances or restrictions, if any, (A) imposed by law, (B) contained in the Senior Subordinated Notes Indenture, or (C) contained in any agreement, lease, indenture, security agreement or other form of financing document to which the Company or a Restricted Subsidiary may be a party in connection with a Sale/Leaseback Transaction permitted by Section 8.6 or the incurrence of Indebtedness secured by Liens described in Section 8.1(e)(iii), which restrictions are applicable only to the lessee or borrower, as the case may be, and are effective only upon the occurrence and continuance of an event of default under such agreement; or (ii) to the extent not covered in clause (i) above, transfer, directly or indirectly, to the Company or to any Restricted Subsidiary of the Company any property or assets (except as provided in Section 8.4(b)).

(b) Notwithstanding the provisions of Section 8.4(a)(ii), the Company may, and may permit its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any of the following encumbrances and restrictions on the ability of any Restricted Subsidiary of the Company to transfer, directly or indirectly, to the Company or any other Restricted Subsidiary any property or assets:

(i) restrictions which are contained in instruments evidencing (and in all related collateral documents) Indebtedness of another Person which is assumed by a Restricted Subsidiary of the Company in connection with such Restricted Subsidiary's acquisition of such Person (whether pursuant to a purchase of capital stock or assets); PROVIDED that (A) such Indebtedness was not originally incurred in connection with or in anticipation of such acquisition or, unless identified on Schedule 8.4, assumed in connection with the NME Acquisition, (B) such restrictions apply only to such Restricted Subsidiary or Restricted Subsidiaries acquired in such acquisition and (C) immediately after such acquisition substantially all of such Restricted Subsidiary's operations or assets consist of those so acquired;

(ii) restrictions which are contained in instruments evidencing (and in all related collateral documents) Indebtedness which refinances or refunds the Indebtedness described in clause (i) above; PROVIDED, that the restrictions with respect to such
refinancing are not more restrictive in any material respect than those with respect to the Indebtedness being refinanced or refunded;

(iii) restrictions which are contained in instruments evidencing (and in all related collateral documents) Indebtedness set forth in Schedule 8.4;

(iv) encumbrances or restrictions, if any, imposed by law;

and

(v) encumbrances or restrictions contained in any agreement, lease, indenture, security agreement or other form of financing document to which the Company or a Restricted Subsidiary may be a party in connection with a Sale/Leaseback Transaction permitted under Section 8.6, the incurrence of Indebtedness pursuant to Section 8.7(k) or 8.7(l), or the incurrence of purchase money or similar Indebtedness pursuant to Section 8.7(g) that is secured by a Lien permitted by Section 8.1(e)(ii); PROVIDED that such restrictions and encumbrances are applicable only to the lessee or borrower, as the case may be, and are effective only upon the occurrence and continuance of an event of default under such agreement;

in each case, to the extent such Indebtedness or refinancing or other transaction is otherwise permitted hereunder.

8.5 RESTRICTION ON ISSUANCE OF SUBSIDIARY STOCK. The Company shall not permit any of its Restricted Subsidiaries to, directly or indirectly, issue, contingently or otherwise, any shares of its capital stock, or warrants, options or other rights to purchase or acquire shares of its capital stock, now or hereafter authorized for issuance, except: (a) to the Company or any Domestic Guarantor; (b) an issuance of capital stock of such Restricted Subsidiary for fair value to any Person other than the Company or any Domestic Guarantor so long as the Company together with one or more other Domestic Guarantors holds, after giving effect thereto, at least 95% of the issued and outstanding shares of capital stock (on a fully diluted basis) of such Restricted Subsidiary; (c) in the case of any Foreign Restricted Subsidiary, to any Wholly-Owned Foreign Restricted Subsidiary; and (d) so long as no Default or Event of Default would result therefrom under Section 9.10 and the Company complies with Section 4.2, the Company may issue its capital stock for fair value.

8.6 LEASES AND SALE/LEASEBACK TRANSACTIONS. The Company shall not:

(a) permit the aggregate payments (including any property taxes or other amounts paid by the Company and its Restricted Subsidiaries as additional rent or lease payments, but excluding amounts (i) payable under any capitalized lease (other than a capitalized lease entered into in connection with a Sale/Leaseback Transaction), or (ii) payable in respect of any event of loss under any agreements to rent or lease any real or personal property by the Company and its Restricted Subsidiaries on a consolidated basis under agreements to rent or lease any real or personal property to exceed $65,000,000 during any fiscal year of the Company; or

(b) enter, or permit any of its Restricted Subsidiaries to enter, into any Sale/Leaseback Transaction unless: (i) the terms of such Sale/Leaseback Transaction shall be consistent with, and would not violate, the requirements set forth in Section 8.2(e) (including, without limitation, the limitation therein on the aggregate permitted amount of Asset Sales), (ii) the purchase price received for any property sold pursuant to such transaction shall be Cash in an amount not less than the fair market value of such property as of the closing of such transaction as determined in good faith by the Board of Directors of the Company (it being understood that in determining such fair market value the Company may make such determination based on the then-current sale-leaseback mar-
ket), (iii) no Defaults or Events of Default shall have occurred and be
continuing both before and immediately after giving effect to such
Sale/Leaseback Transaction, (iv) in the case of a Sale/Leaseback Transaction
involving a capitalized lease, the Indebtedness incurred thereunder is permitted
by Section 8.7, and (v) 70% of the Net Proceeds of such Sale/Leaseback
Transaction shall be applied in accordance with Sections 4.2(a) and 4.2(c).

8.7 INDEBTEDNESS. The Company shall not, and shall not permit any of
its Restricted Subsidiaries to, contract, create, incur, assume or suffer to
exist any Indebtedness, except:

(a) Indebtedness incurred under the Credit Documents;

(b) Indebtedness of the Company represented by the Senior
Subordinated Notes, and, so long as no Default or Event of Default has occurred
and is continuing, any refinancing of the Senior Subordinated Notes with the
proceeds of new Permitted Subordinated Indebtedness; PROVIDED that (i) the
aggregate principal amount of such new Permitted Subordinated Indebtedness shall
not exceed the principal amount of the Senior Subordinated Notes being
refinanced, and (ii) the Debt Service Coverage Tests are satisfied at the time of
incurrence of any such new Permitted Subordinated Indebtedness;

(c) Accommodation Obligations to the extent permitted by Section
8.15;

(d) Indebtedness to be assumed in connection with the NME
Acquisition and disclosed on Schedule 8.7(d), and any refinancing of such
Indebtedness to the extent such refinancing does not involve an increase in (i)
the outstanding principal amount of such Indebtedness plus costs of issuance, or
(ii) scheduled debt service obligations with respect to such Indebtedness in any
given year (including principal and interest expense) that commences prior to
the Final Revolving Loan Maturity Date;

(e) Indebtedness of the Company and its Restricted Subsidiaries
which was in existence and not refinanced on the Closing Date, to the extent
such Indebtedness is disclosed on Schedule 8.7(e) hereto, and any refinancing of
such Indebtedness (other than the Swiss Bonds) to the extent such refinancing
does not involve an increase in (i) the outstanding principal amount of such
Indebtedness plus costs of issuance, or (ii) scheduled debt service obligations with respect to such Indebtedness in any given year (including principal and interest expense) that commences prior to the Final Revolving Loan Maturity Date; PROVIDED that (A) in the case of the conversion of any Variable Rate Notes into fixed rate notes or bonds, as the case may be, in accordance with the terms thereof, (1) any increase to the interest expense portion of the scheduled debt service obligations applicable thereto as a result of any such conversion shall be permitted so long as the fixed interest rate to be applicable thereto is a market rate of interest at the time of such conversion, and (2) the principal payment portion of the scheduled debt service obligations applicable thereto may increase as a result of such conversion or conversions by an amount not to exceed, in the aggregate for all such conversions, $1,000,000 in any consecutive twelve month period;

(f) Permitted Subordinated Indebtedness of the Company incurred
in an aggregate principal amount not to exceed, at any time outstanding, the
difference of $125,000,000 over the aggregate principal amount of Permitted
Subordinated Indebtedness prepaid, purchased, redeemed, defeased or otherwise
acquired pursuant to the proviso to Section 8.11(a); PROVIDED that the Debt
Service Coverage Tests are satisfied at the time of each incurrence of all or
any portion of such Indebtedness and no Default or Event of Default exists at
such time;

(g) Indebtedness (including, without limitation, Indebtedness
under Sale/Leaseback Transactions and purchase money Indebtedness) of the
Company and its Wholly-Owned Restricted Subsidiaries incurred after the Closing
Date in an aggregate principal amount not to exceed $75,000,000 at any time
outstanding; PROVIDED that (i) the Debt
Service Coverage Tests are satisfied at the time of each incurrence of all or any portion of such Indebtedness, (ii) the Wholly-Owned Restricted Subsidiaries shall not have more than $25,000,000 of such Indebtedness at any time outstanding, and (iii) the aggregate principal amount of any single issue of such Indebtedness shall not exceed $45,000,000;

(h) Subject to any limitations on the aggregate amount thereof pursuant to Section 8.8, Indebtedness of the Company or any Domestic Guarantor to any Subsidiary of the Company or Indebtedness of any Subsidiary of the Company to the Company or any Domestic Guarantor; PROVIDED that: (i) all such Indebtedness of the Company or any Domestic Guarantor to a Domestic Guarantor shall be evidenced by promissory notes, such promissory notes shall provide that the obligations thereunder shall be subordinated in right of payment to the payment in full of the Obligations and such promissory notes shall be delivered to the Collateral Agent pursuant to a Stock and Notes Pledge, (ii) all such Indebtedness of any Subsidiary of the Company (other than (A) an Excludable Foreign Subsidiary, and (B) a Domestic Guarantor) to the Company or a Domestic Guarantor shall be evidenced by promissory notes, and such promissory notes shall be delivered to the Agent pursuant to a Stock and Notes Pledge and such promissory notes shall provide for a waiver by such Subsidiary of any and all right to offset amounts owed by the Company or a Domestic Guarantor to such Subsidiary against amounts owed by such Subsidiary under such promissory note, and (iii) all Indebtedness of the Company or any Domestic Guarantor to any Subsidiary of the Company (other than a Domestic Guarantor) shall be evidenced by promissory notes and each such promissory note shall provide that the obligations of the Company or such Domestic Guarantor thereunder shall be subordinated in right of payment to the payment in full of all the Obligations of the Company or such Domestic Guarantor, as the case may be;

(i) Indebtedness of Foreign Restricted Subsidiaries in respect of letters of credit (including, without limitation, Letters of Credit) or bonds obtained in connection with contracts for foreign projects ("Foreign Contracts Credit Support") not to exceed $50,000,000 at any time outstanding;

(j) Indebtedness of a Foreign Restricted Subsidiary to a Wholly-Owned Foreign Restricted Subsidiary;

(k) Indebtedness of the Insurance Subsidiaries in respect of letters of credit or bid or performance bonds which are issued in support of insurance and reinsurance obligations; PROVIDED that no other Credit Party or Restricted Subsidiary shall be an account party or guarantor of the reimbursement obligations in respect of such letters of credit or performance bonds;

(l) Indebtedness incurred after the Closing Date by a less than 95% owned Restricted Subsidiary as a result of the contribution therein by a Person that is not an Affiliate of the Company of assets securing such Indebtedness, and any other Indebtedness incurred by a less than 95% owned Restricted Subsidiary in an aggregate principal amount for all such less than 95% owned Restricted Subsidiaries not to exceed $75,000,000 outstanding at any time; PROVIDED that (i) other than as the result of a guaranty permitted by Section 8.15, all such Indebtedness shall be without recourse (by law and contract) to the Company, its other Restricted Subsidiaries and their respective assets (other than, in the case of a joint venture that is a partnership, a special purpose corporation which is the general partner thereof and whose assets consist predominantly of the Investment in such joint venture); and (ii) prior to the occurrence of any such Indebtedness pursuant to this Section 8.7(l), the Company, if (A) such Indebtedness has an original principal amount of $2,500,000 or more, or (B) prior to or after giving effect to the incurrence of any such Indebtedness, the aggregate amount of all such Indebtedness having, individually, an outstanding principal amount of less than $2,500,000 would exceed $10,000,000, delivers to the Agent a legal opinion reasonably acceptable to the Agent to the effect that, subject to customary qualifications and exceptions, such Indebtedness is without recourse as provided herein; and
(m) Indebtedness existing as of the Closing Date of the Company to any of its Subsidiaries, or from any such Subsidiary to the Company or any other such Subsidiary, to the extent such Indebtedness (i) is disclosed on Schedule 8.7(m) hereto; (ii) was incurred after the date set forth in such Schedule and prior to the Closing Date in the ordinary course of business and, in the case of all such subsequent Indebtedness between the Company or any Domestic Guarantor and a Subsidiary of the Company that is not a Domestic Guarantor, does not exceed $5,000,000 in the aggregate principal amount outstanding on the Closing Date; or (iii) is Indebtedness that is otherwise permitted by Section 8.7(h).

8.8 INVESTMENTS. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, make any Investment, except that:

(a) subject to compliance with the proviso to Section 8.7(h), the Company and its Restricted Subsidiaries may make intercompany loans to the Company or any of its Domestic Guarantors;

(b) the Company and its Restricted Subsidiaries may make equity Investments in Domestic Guarantors; PROVIDED that, after giving effect thereto, no more than 5% of the outstanding shares of any class of capital stock of any Domestic Guarantor, on a fully diluted basis, would be directly owned by Persons other than the Company and other Domestic Guarantors;

(c) subject to compliance with the proviso to Section 8.7(h), the Company and its Domestic Restricted Subsidiaries may make loans and advances to Foreign Restricted Subsidiaries after the Closing Date in an aggregate amount not to exceed $50,000,000 outstanding at any time; PROVIDED that all such loans and advances are used to provide cash collateral for Foreign Contracts Credit Support;

(d) Foreign Wholly-Owned Restricted Subsidiaries of the Company may make Investments in one or more other Foreign Wholly-Owned Restricted Subsidiaries;

(e) (i) the Company and its Restricted Subsidiaries on a consolidated basis may make loans and advances to (A) their directors, officers and employees in the ordinary course of business in amounts not exceeding $500,000 per individual and $5,000,000 outstanding at any one time in the aggregate for all such individuals, and (B) physicians and other health care professionals in the ordinary course of business not exceeding $10,000,000 in the aggregate outstanding at any one time for all such individuals; and (ii) the Company and its Restricted Subsidiaries may acquire and maintain Investments, consistent with their past business practices, in real estate and dwellings thereon in connection with the transfer of its officers and employees in the ordinary course of business so long as such real estate and dwelling has been, is being or will be used by such officer or employee primarily as a residence; PROVIDED, that the amount of such Investments permitted pursuant to the foregoing clause (ii) shall not exceed $5,000,000 at any time outstanding;

(f) the Company and its Restricted Subsidiaries may acquire and hold Cash or Cash Equivalents;

(g) the Company and its Restricted Subsidiaries may own Investments existing on the Closing Date, to the extent such Investments are disclosed on Schedule 8.8(g) hereto;

(h) the Company may make contributions to the ESOP and the Trust; PROVIDED that (i) such contributions will not adversely affect the qualification of the ESOP under Sections 401(a) and 4975(e)(7) of the Code or the tax-exempt status of the Trust under Section 501(a) of the Code, or result in the imposition of a material excise tax under Section 4972 or 4975 of the Code; and (ii) the proceeds of such contributions shall be applied solely to the payment of principal of and interest on the Company/ESOP Loan, administrative and operating expenses of the ESOP and the Trust to the extent that such administrative and operating expenses are paid by the ESOP or the Trust (excluding distributions of benefits to participants and beneficiaries) and
repurchases of Company Common Stock distributed to participants and beneficiaries of
the ESOP required by the terms of the ESOP and the Trust or by Section 401(a)(28) or 409(h) of the Code;

(i) the Company and its Restricted Subsidiaries may acquire Investments in connection with Asset Sales permitted by Section 8.2(e) to the extent such Investments are non-Cash proceeds permitted under such Section; PROVIDED that the Collateral Agent shall have a valid and enforceable first priority perfected security interest in each and any such Investments, other than notes and similar instruments having, in the aggregate for any individual Asset Sale, a principal amount of $500,000 or less;

(j) the Company and its Restricted Subsidiaries may make Facility Acquisitions to the extent permitted by Section 8.10(b) hereof;

(k) the Company and its Restricted Subsidiaries may in the ordinary course of business receive and hold as Investments evidences of Indebtedness or securities issued by debtors or property of such debtors as part of the reorganization of such debtors; PROVIDED that any such evidence of Indebtedness or securities are received in exchange for evidence of Indebtedness or securities originally issued when such debtors were solvent and are obtained in the ordinary course of business;

(l) the Insurance Subsidiaries may invest assets restricted for the settlement of unpaid claims in Investments of the types identified on Schedule 8.8(l) for such purpose, and the Company may invest amounts deposited prior to the Closing Date with the agent for the Swiss Bonds as permitted or otherwise directed by such agent for the Swiss Bonds;

(m) Foreign Subsidiaries may make Investments in Cash and instruments or securities of the highest grade investment available in local currencies or in certificates of deposit (or comparable instruments) of any bank with which such Subsidiary regularly transacts business;

(n) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, the Company and its Wholly-Owned Restricted Subsidiaries may make contributions of Facilities (together with the working capital of such Facilities) to Permitted Joint Ventures; PROVIDED that no such contribution to a Permitted Joint Venture shall be permitted unless:

(i) the Minimum Income Tests and Debt Service Coverage Tests are satisfied with respect thereto;

(ii) after giving effect to such contribution the Company or such Wholly-Owned Restricted Subsidiary, as the case may be, shall have a majority equity interest in such Permitted Joint Venture to elect or appoint the directors, managers or trustees thereof, as applicable (or the additional requirements in clause (v) below shall be satisfied)

(iii) such Permitted Joint Venture is not restricted by its governing documents or otherwise from making cash distributions to the Company or such Wholly-Owned Restricted Subsidiary, as the case may be;

(iv) the Collateral Agent is granted, for the benefit of the Lenders, as security for the Obligations, a perfected first priority security interest in all of the Company's or such Wholly-Owned Restricted Subsidiary's, as the case may be, right, title and interest in such Permitted Joint Venture; and
(v) after giving effect to such contribution, Facilities having, in the aggregate, a fair market value (or, if higher, book value) of more than $100,000,000 have not been contributed by the Company and its Wholly-Owned Subsidiaries to Permitted Joint Ventures for which the Company and its Wholly-Owned Restricted Subsidiaries do not have a majority of the equity interests thereof or are not entitled to elect or appoint the directors, managers or trustees thereof, as applicable (for purposes of the foregoing, a Facility’s fair market value shall be deemed to be equal to the product of 4.5 and the EBITDA of the Company and its Wholly-Owned Restricted Subsidiaries attributable to such Facility for the 12-month period preceding the Test Date applicable to the date on which such Facility is contributed to such joint venture);

(o) so long as no Default or Event of Default has occurred and is continuing, the Company and its Restricted Subsidiaries may make up to, in the aggregate, $70,000,000 of Investments of Cash and other assets (other than Facilities) in the Clinical Services Unit and the MIS Unit, collectively; PROVIDED that the amount of Investments permitted to be made at any time pursuant to this Section 8.8(o) shall be increased by the lesser of (i) $30,000,000, and (ii) the then Accumulated Excess Cash Flow; PROVIDED FURTHER that no more than $70,000,000 of such Investments in the aggregate may be made at any time prior to the first anniversary of the Closing Date, no more than $80,000,000 of such Investments in the aggregate may be made at any time prior to the second anniversary of the Closing Date, no more than $90,000,000 of such Investments in the aggregate may be made at any time prior to the third anniversary of the Closing Date and no more than $100,000,000 of such Investments may be made in the aggregate; PROVIDED FURTHER that no such Investments shall be permitted unless the Minimum Income Tests and the Debt Service Coverage Tests are satisfied with respect thereto; and, PROVIDED FURTHER, that the aggregate amount of Investments otherwise permitted by this Section 8.8(o) at any time shall be reduced by (i) the then aggregate outstanding amounts (as determined in accordance with the definition of Accommodation Obligations) of all guaranties made by the Company and the Domestic Guarantors of Indebtedness and other obligations of the Clinical Services Unit and/or the MIS Unit, and (ii) the aggregate amount of Investments that were made by the Company and its Restricted Subsidiaries in the Clinical Services Unit and/or the MIS Unit prior to the Closing Date;

(p) Investments made by the Company or any of its Restricted Subsidiaries in any Subsidiary of the Company (other than the Clinical Services Unit and MIS Unit) prior to the Closing Date to the extent the same are (i) outstanding on the Closing Date, and (ii) in the case of any such Investments constituting loans and advances, permitted by Section 8.7;

(q) Accommodation Obligations permitted by Section 8.15; and

(r) so long as no Default or Event of Default has occurred and is continuing, the Company and its Restricted Subsidiaries may make up to $60,000,000 of any other types of Investments of Cash and other assets (other than Facilities) outstanding at any time; PROVIDED that the amount of Investments permitted to be made at any time pursuant to this Section 8.8(r) shall be increased by $10,000,000 on each of the first and second anniversaries of the Closing Date; PROVIDED FURTHER that the aggregate amount of all Investments made pursuant to this Section 8.8(r) shall not exceed $80,000,000 at any time outstanding; and PROVIDED FURTHER that no such Investment shall be permitted to be made unless (i) the Minimum Income Tests and Debt Service Coverage Tests are satisfied with respect thereto, and (ii) after giving effect to any such Investment, the aggregate amount of all such Investments does not exceed the difference of (A) the then Permitted Facility Acquisition Amount, and (B) the sum of (i) the actual amount of Facility Acquisitions (other than the NME Acquisition) made by the Company and its Domestic Guarantors on or after the Closing Date, and (2) the aggregate outstanding amounts (as determined in accordance with the definition of Accommodation Obligations) of all guaranties
made by the Company and its Domestic Guarantors of Indebtedness and other obligations of other types of Restricted Subsidiaries and Unrestricted Subsidiaries;

PROVIDED that, notwithstanding anything to the contrary contained in this Section 8.8 or Section 8.15, no Investment of any nature whatsoever may be made by the Company or any of its Restricted Subsidiaries in any Domestic Wholly-Owned Restricted Subsidiary that is not a Domestic Guarantor if,

either immediately before or after giving effect thereto, more than $10,000,000 of Investments have been made on or after the Closing Date by the Company and its Restricted Subsidiaries in all such types of Domestic Wholly-Owned Restricted Subsidiaries.

In connection with any permitted contribution of a Facility to a Permitted Joint Venture pursuant to Section 8.8(n), any Lien on such Facility that secures the Obligations shall be released by the Collateral Agent if so requested by the Company, unless such Permitted Joint Venture has incurred recourse Indebtedness as a result of the contribution to it by any Person (other than the Company or any Wholly-Owned Restricted Subsidiary) of assets securing such Indebtedness.

8.9 TRANSACTIONS WITH AFFILIATES; EXECUTIVE COMPENSATION. The Company shall not, and shall not permit any of its Restricted Subsidiaries to:

(a) enter into any transaction, whether or not in the ordinary course of business, with any Affiliate of the Company or any of its Subsidiaries or any “beneficial owner” (as such term is used in Section 13(d) of the United States Securities Exchange Act of 1934 and the regulations thereunder, as in effect on the date hereof) of 5% or more of any class of capital stock of the Company (each such person being referred to as a "Restricted Person" and each such transaction being referred to as a "Restricted Transaction"), other than on terms and conditions substantially as favorable to the Company or such Restricted Subsidiary as would be obtainable by the Company or such Restricted Subsidiary at the time in a comparable arm's-length transaction with a Person other than a Restricted Person (or in the case of an employment or consulting arrangement with a Restricted Person other than an Affiliate of the Company or any of the Company's Restricted Subsidiaries, on terms considered appropriate for the services provided); or (b) increase or agree to increase the aggregate compensation or benefits (including severance benefits) payable to its Affiliates or key employees in any fiscal year by an amount exceeding that which is comparable for similarly situated key employees in the health care industry, which compensation will be determined solely upon the contribution, determined by the Board of Directors of the Company or such Restricted Subsidiary, as the case may be, made by such employee to the Company or such Restricted Subsidiary without regard to any Investment in the Company or such Restricted Subsidiary by such employee; PROVIDED that, so long as the following would not breach or contravene the provisions of any other Section of this Agreement, (i) the Company may make awards of the Company's Common Stock pursuant to the New Stock Option Plan and distributions under the ESOP; (ii) the Company and its Restricted Subsidiaries may lease or contribute hospitals to Permitted Joint Ventures in which it or a Restricted Subsidiary is a partner or to corporations which are Affiliates, so long as the Board of Directors of the Company determines in good faith that the business purpose achieved by such arrangement renders the terms of any such lease or contribution reasonable; (iii) the Company may enter into transactions with its Wholly-Owned Restricted Subsidiaries, and Wholly-Owned Restricted Subsidiaries may enter into transactions with other Wholly-Owned Restricted Subsidiaries; (iv) the Company or its Restricted Subsidiaries may increase or agree to increase the aggregate compensation or benefits (including severance benefits) payable to its Affiliates or key employees in any fiscal year by an amount exceeding that which is comparable for similarly situated key employees in the health care industry if and to the extent that the compensation or benefits (including severance benefits) of any such key employee was, at the beginning of any fiscal year, below that which would be comparable for similarly
situating key employees in the health care industry; (v) the Company or any Restricted Subsidiary may (A) pay a bonus or incentive compensation to any key employee in any fiscal year under the Company's or such Restricted Subsidiary's respective annual and long term incentive compensation plans, on a basis which is consistent with past practices, and (B) make such other payments to employees pursuant to other employee compensation plans approved by the compensation committee of the Board of Directors to the extent no member of such committee is an officer or employee of the Company or any of its Subsidiaries or has any direct or indirect interest therein (other than any interest resulting solely from such director's ownership of Company Common Stock or other equity interests in the Company); and (vi) Permitted Joint Ventures may make PRO RATA dividends and other distributions of capital and earnings to their respective equity holders.

8.10 MAINTENANCE CAPITAL EXPENDITURES; FACILITY ACQUISITIONS. (a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, make Maintenance Capital Expenditures in excess of (on an aggregate basis for the Company and its Restricted Subsidiaries) $35,000,000 in any fiscal year of the Company. Notwithstanding the foregoing:

(i) to the extent that the aggregate amount of Maintenance Capital Expenditures made by the Company and its Restricted Subsidiaries during any fiscal year of the Company is less than $35,000,000, the unused amount may be carried forward to make Maintenance Capital Expenditures in excess of $35,000,000 in the Company's next fiscal year; PROVIDED that the maximum amount which may be carried forward from any fiscal year of the Company to the next fiscal year of the Company shall be $10,000,000; and

(ii) if, in any fiscal year of the Company, the Company and its Restricted Subsidiaries make Maintenance Capital Expenditures in an aggregate amount equal to the maximum amount of Maintenance Capital Expenditures that is permitted by the foregoing provisions of this Section 8.10(a), then, so long as no Default or Event of Default has occurred and is continuing, the Company and its Restricted Subsidiaries shall be permitted to make additional Maintenance Capital Expenditures during such fiscal year in an aggregate amount not to exceed the lesser of $20,000,000 and the Accumulated Excess Cash Flow at the time of such expenditures; PROVIDED that the aggregate amount of Maintenance Capital Expenditures that the Company and its Restricted Subsidiaries shall be permitted to make in any such fiscal year of the Company shall be limited to $50,000,000.

(b) The Company shall not, and shall not permit its Restricted Subsidiaries to, make any Facility Acquisition; PROVIDED that, so long as (i) no Default or Event of Default has occurred and is continuing or would result therefrom, and (ii) each of the Minimum Income Tests and Debt Service Coverage Tests shall be satisfied with respect thereto, the Company and its Wholly-Owned Restricted Subsidiaries may, subject to the limitations set forth in clause (c) below, make, in addition to the NME Acquisition, up to $75,000,000 (as increased from time to time pursuant to the following proviso, the "Permitted Facility Acquisition Amount") of expenditures in connection with Facility Acquisitions in the aggregate; PROVIDED that the aggregate amount of expenditures for Facility Acquisitions that the Company and its Restricted Subsidiaries shall be entitled to make shall be increased by $30,000,000 on each of the first and second anniversary of the Closing Date and, at any time on or after the third anniversary of the Closing Date, by an amount equal to the lesser of $40,000,000 and the Accumulated Excess Cash Flow at such time; PROVIDED FURTHER that (A) the aggregate amount of all Facility Acquisition expenditures that are made prior to the fourth anniversary of the Closing Date shall not exceed $155,000,000, and (B) the aggregate amount of all expenditures made for Facility Acquisitions
shall not exceed at any time the lesser of $175,000,000 and the difference of
the then Permitted Facility Acquisition Amount less the sum of (i) the aggregate
amount of Investments made by the Company and its Restricted Subsidiaries
pursuant to Section 8.8(r), and (ii) the aggregate outstanding amounts (as
determined in accordance with the definition of Accommodation Obligations) of
all guaranties made by the Company and Domestic Guarantors of Indebtedness and
other obligations of other types of Restricted Subsidiaries and Unrestricted
Subsidiaries (other than the Clinical Services Unit and the MIS Unit) pursuant
to Section 8.15(a)(ix).

(c) Notwithstanding anything to the contrary in paragraph (b)
above, (i) the expenditures made for any individual Facility Acquisition or
series of related Facility Acquisitions shall

not exceed $100,000,000; and (ii) if, prior to or after giving effect to any
Facility Acquisition, the total amount of expenditures incurred by the Company
and its Wholly-Owned Restricted Subsidiaries to make Facility Acquisitions shall
exceed $100,000,000, then, such Facility Acquisition shall only be permitted if
the ratios of the actual Core EBITDA (without giving effect to such Facility
Acquisition) and the Pro Forma Core EBITDA, in each case for the 12-month period
preceding the Test Date applicable to the date on which such Facility
Acquisition occurs, to the Pro Forma Interest Charges (without giving effect to
such Facility Acquisition) and the Pro Forma Interest Charges (after giving
effect to such Facility Acquisition), respectively, for the 12-month period
commencing with such Test Date, each exceed 3.5:1.0.

8.11 LIMITATION ON VOLUNTARY PAYMENTS AND MODIFICATIONS OF
TRANSACTION DOCUMENTS, ETC. The Company shall not, and shall not permit any of
its Restricted Subsidiaries to:

(a) make, other than pursuant to a refinancing thereof permitted
by Section 8.7, any voluntary or optional payment or prepayment on, or any
redemption or acquisition for value of (including, without limitation, by way of
depositing with the trustee with respect thereto money or securities before due
for the purpose of paying when due, but excluding any exchange of notes upon the
registration of the offering thereof and the conversion into capital stock of the
Company of any convertible Permitted Subordinated Indebtedness in accordance
with the terms thereof) any Permitted Subordinated Indebtedness; PROVIDED that
the Company shall be permitted to otherwise pay, purchase, redeem, defease or
otherwise acquire for value any Permitted Subordinated Indebtedness at any time
so long as (i) no Default or Event of Default has occurred and is then
continuing, and (ii) the aggregate amount of all such payments, purchases,
redemptions, defeasances and other acquisitions that are not financed with the
proceeds of Permitted Subordinated Indebtedness pursuant to Section 8.7 do not
exceed, in the aggregate, the lesser of $50,000,000 and the then Accumulated
Excess Cash Flow;

(b) amend, modify or waive any Company/ESOP Credit Document, the
ESOP or the Trust in any material respect that is adverse to the interests of
the Collateral Agent or the Lenders; PROVIDED that in no event shall the Company
permit any amendment or modification of the ESOP or the Trust (other than such
technical amendments or modifications requested by the I.R.S. which do not
affect (directly or indirectly) provisions of the ESOP or the Trust relating to
participation, contributions by the Company, allocation of Company Common Stock,
vesting of benefits, distributions or rights and options of participants and
beneficiaries under the ESOP) without the prior written consent of the Required
Lenders (which consent shall not be unreasonably withheld);

(c) amend, modify or waive in any respect any Subordinated Debt
Document, except amendments or modifications which (A) cure ambiguities, defects
or inconsistencies in such documents, (B) are made to comply with qualification
under the United States Trust Indenture Act of 1939, as amended, if applicable,
(C) provide for uncertificated rather than certificated securities thereunder or
(D) make, to the extent required by such Subordinated Debt Documents, any
Domestic Guarantor, or any Foreign Restricted Subsidiary that is a party to the
Subsidiary Guaranty, a guarantor of the Permitted Subordinated Indebtedness issued pursuant to such Subordinated Debt Documents;

(d) amend, modify or waive the NME Purchase Agreement or any Tax Sharing Agreement in any material respect; PROVIDED that, without the consent of the Agent, the Company shall not waive any of the conditions under the NME Purchase Agreement to its obligations to consummate all or any part of the NME Acquisition; or

(e) amend, modify or change the Certificate of Incorporation (including, without limitation, by the filing of any certificate of designation) or By-Laws of the Company in any manner which the Agent reasonably determines to be materially adverse to the interests of the Agent, the Collateral Agent or the Lenders.

8.12 CHANGES IN BUSINESS. The Company shall not, and shall not permit any of its Subsidiaries to, enter into any business other than health care or health care related businesses.

8.13 PLANS. The Company shall not, nor permit any member of its ERISA Controlled Group to, (i) take any action which would increase the aggregate Unfunded Accrued Benefits under all Plans to an amount in excess of $30,000,000; (ii) cause or permit any Plan to (x) engage in any non-exempt "prohibited transaction" as such term is defined in Section 4975 of the Code or Section 406 of ERISA which could result in a material liability for the Company or any member of its ERISA Controlled Group or (y) incur any material "accumulated funding deficiency," as such term is defined in Section 412 of the Code or Section 302 of ERISA, whether or not waived; (iii) terminate any ERISA Plan in a manner or take any other action which could result in the imposition of a Lien on the assets of the Company under Title IV of ERISA in excess of $5,000,000; or (iv) establish or maintain any Plan other than such Plans set forth on Schedule 6.10 hereto without the prior written consent of the Required Lenders (which consent shall not be unreasonably withheld).

8.14 ADDITIONAL NEGATIVE PLEDGES. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, create or otherwise cause or suffer to exist or become effective, directly or indirectly, any prohibition or restriction on the creation or existence of any Lien on any asset of the Company or any of its Restricted Subsidiaries, other than pursuant to (i) the Transaction Documents, (ii) the terms of any Subordinated Debt Documents or any instrument evidencing Indebtedness of Restricted Subsidiaries existing on the Closing Date that is disclosed on Schedule 8.7(e) hereto (and specifically identified on such Schedule 8.7(e) as containing such a prohibition or restriction), (iii) any requirement of applicable law or any regulatory authority having jurisdiction over the Company or its Restricted Subsidiaries, and (iv) any agreement, instrument or other document pursuant to which any Indebtedness permitted under this Agreement is incurred (including, without limitation, Indebtedness incurred in a permitted Sale/Leaseback Transaction) so long as the prohibition or restriction extends only to assets or property financed by such Indebtedness.

8.15 ACCOMMODATION OBLIGATIONS. (a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create or become or be liable with respect to any Accommodation Obligation other than: (i) guaranties resulting from endorsement of negotiable instruments for collection in the ordinary course of business; (ii) any guaranty of the Obligations of the Company by any Restricted Subsidiary and any guaranty of the Obligations of any Restricted Subsidiary by the Company or any other Restricted Subsidiary; (iii) unsecured obligations, warranties and indemnities, not relating to Indebtedness of any Person, which have been or are undertaken or made pursuant to the requirements of the Transaction Documents and, so long as the same would continue to be Permitted Subordinated Indebtedness after giving
effect thereto, unsecured subordinated guaranties by the Company’s Restricted Subsidiaries of Permitted Subordinated Indebtedness; (iv) unsecured Accommodation Obligations of the Company in existence on the Closing Date with respect to any Indebtedness of any of its Restricted Subsidiaries permitted by Section 8.7(e) to the extent such Indebtedness is indicated on such Schedule as being so guaranteed on the Closing Date, and any unsecured guaranty by the Company of any permitted refinancing of such guarantied Indebtedness or any fixed-rate notes or bonds into which the Charleston Variable Rate Notes are converted in accordance therewith; (v) Accommodation Obligations of the Company and its Restricted Subsidiaries in existence on the Closing Date to the extent such Accommodation Obligations are disclosed on Schedule 8.15 hereto; (vi) Accommodation Obligations of the Company and its Restricted Subsidiaries incurred in the ordinary course of business (including, without limitation, guaranties of income and loans for physicians and other healthcare professionals associated or to be associated with Facilities, and indemnities of directors and officers of the Company and its Restricted Subsidiaries in connection with their service as such); (vii) Accommodation Obligations made by the Company and its Restricted Subsidiaries in the ordinary course of business in respect of any obligation or liability of a Restricted Subsidiary (other than Indebtedness) incurred in the ordinary course of business (including, without limitation, indemnification obligations which are customary in any transaction permitted hereunder); (viii) any guaranty by: (A) the Company of Indebtedness of any Domestic Guarantor, (B) any Domestic Guarantor of Indebtedness of any other Domestic Guarantor, and (C) any Foreign Wholly-Owned Restricted Subsidiary of Indebtedness of any other Foreign Wholly-Owned Subsidiary; and (ix) any guaranty by the Company or any Domestic Guarantor of Indebtedness and other obligations of any other type of Restricted Subsidiary or any Unrestricted Subsidiary, to the extent that such guaranty (A) would be at the time of the making thereof a permitted Investment pursuant to Section 8.8 if it were a cash Investment in the Person whose Indebtedness and other obligations is being guaranteed, and (B) such guaranty reduces the amounts of cash Investments permitted to be made by the Company and its Domestic Subsidiaries in such Person pursuant to Section 8.8 by an amount equal to the outstanding principal amount of the Indebtedness and other obligations guaranteed thereby.

(b) Except to the extent otherwise permitted by Section 8.15(a), the Company shall not permit any of its Unrestricted Subsidiaries to incur or suffer to exist any Indebtedness or other obligations unless (i) such Indebtedness is without recourse (by law and contract) to the Company, its Restricted Subsidiaries and their respective assets, and (ii) prior to the incurrence by an Unrestricted Subsidiary of any such Indebtedness, the Company, if (A) such Indebtedness has an original principal amount of $2,500,000 or more, or (B) prior to or after giving effect to the incurrence of such Indebtedness, the aggregate amount of all such Indebtedness having, individually, an outstanding principal amount of less than $2,500,000 would exceed $10,000,000, delivers to the Agent a legal opinion reasonably acceptable to the Agent to the effect that, subject to customary qualifications and exceptions, such Indebtedness is without recourse as provided herein.

Section 9. EVENTS OF DEFAULT. Upon the occurrence of any of the following specified events (each an "Event of Default"):

9.1 PAYMENTS. The Company shall default in the payment (a) when due of any principal of any Loan (including, without limitation, any Swingline Borrowing that is not repaid by a Revolving Loan pursuant to Section 1.4), (b) within two Business Days of when due, of any reimbursement obligation in respect of the honoring of any drawing under any Letter of Credit, any interest on any principal of any Loans or any Commitment Commission or Letter of Credit commission, or (c) any other fees or amounts of any nature whatsoever owing by the Company or any other Credit Party hereunder or under any other Credit Document (other than those referred to in the preceding clauses (a) and (b)) is not paid by the Company or such Credit Party within 15 Business Days after the receipt by the Company or such Credit Party of a written demand thereof from any Lender; or
9.2 REPRESENTATIONS, ETC. Any representation, warranty or statement made or deemed made by the Company or any other Credit Party or any of their respective officers herein or in any other Credit Document or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

9.3 COVENANTS. (a) The Company or any of its Restricted Subsidiaries shall default in the due performance or observance by it of any term, covenant or agreement contained in Section 7.1(f)(i), 7.5(a), 7.8, 7.9 or 8; or (b) the Company or any of its Subsidiaries shall default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in Sections 9.1 and 9.2 and clause (a) of this Section 9.3) contained in this Agreement or any other Credit Document (other than those referred to in Section 9.7), and such default shall continue unremedied for a period of 30 days after the earlier of (i) an executive officer of the Company obtaining actual knowledge thereof and (ii) written notice thereof to the Company by the Agent or any Lender; or

9.4 DEFAULT UNDER OTHER AGREEMENTS. The Company or any of its Restricted Subsidiaries shall default in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any other Indebtedness, in an individual outstanding principal amount of $12,500,000 or more or items of Indebtedness having an aggregate outstanding principal amount of $30,000,000 or more on a consolidated basis, of the Company or any of its Restricted Subsidiaries or the Company or such Restricted Subsidiary shall default in the performance or observance of any obligation or condition with respect to any such Indebtedness or any other event shall occur or condition shall exist if the effect of such default, event or condition is to accelerate the maturity of any such Indebtedness or to permit the holder or holders thereof, or any trustee or agent for such holders, to cause such Indebtedness to become due and payable prior to its stated maturity or any such Indebtedness shall become due and payable prior to its stated maturity; or

9.5 BANKRUPTCY, ETC. The Company or any of its Restricted Subsidiaries, including, without limitation, any Subsidiary Borrower, shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against the Company or any of its Restricted Subsidiaries, including, without limitation, any Subsidiary Borrower, and the petition is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or any substantial part of the property of the Company or any of its Restricted Subsidiaries, or the Company or any of its Restricted Subsidiaries commences any other proceedings under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company or any of its Restricted Subsidiaries, or there is commenced against the Company or any of its Restricted Subsidiaries any such proceeding which remains undismissed for a period of 60 days, or the Company or any of its Restricted Subsidiaries is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company or any of its Restricted Subsidiaries suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or the Company or any of its Restricted Subsidiaries makes a general assignment for the benefit of creditors; or the Company or any of its Restricted Subsidiaries shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or the Company or any of its Restricted Subsidiaries shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts; or the Company or any of its Restricted Subsidiaries shall by any act or failure to act indicate its consent to, approval of or acquiescence in any of the foregoing; or any corporate action shall be taken by the Company or any of its
Restricted Subsidiaries for the purpose of effecting any of the foregoing; or

9.6 ERISA. (i) Any Termination Event with respect to an ERISA Plan shall occur which could result in the imposition of a Lien on the assets of the Company under Title IV of ERISA in excess of $5,000,000, or (ii) any Plan shall incur a material "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA) whether or not waived, or (iii) the Company or a member of its ERISA Controlled Group or any fiduciary with respect to a Plan shall have engaged in a non-exempt prohibited transaction under Section 4975 of the Code or Section 406 of ERISA which could result in the imposition of a material liability on the Company or any member of its ERISA Controlled Group, or (iv) the Company or any member of its ERISA Controlled Group shall fail to pay when due a material amount which it shall have become liable to pay to the PBGC, a Plan or a trust established under Title IV of ERISA, or (v) a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that an ERISA Plan must be terminated or have a trustee appointed to administer such Plan, and the liabilities under such Plan are material, or (vi) a material Lien shall be imposed on any assets of the Company or a member of its ERISA Controlled Group in favor of the PBGC or a Plan, or (vii) the Company or a member of its ERISA Controlled Group shall suffer a partial or complete withdrawal from a Multiemployer Plan which withdrawal presents a material risk of the imposition of withdrawal liability in excess of $10,000,000 or shall be in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments of more than $5,000,000 to a Multiemployer Plan resulting from the Company's or a member of its ERISA Controlled Group's complete or partial withdrawal (as described in Section 4203 or 4205 of ERISA) from such Plan; or

9.7 SECURITY DOCUMENTS; SUBSIDIARY GUARANTY. (a) The Subsidiary Guaranty, the Company Guaranty or any Security Document shall for any reason cease to be in full force and effect, or the Security Documents shall cease to give the Collateral Agent for the benefit of the Lenders the Liens, rights, powers and privileges intended to be created thereby (including, without limitation, with respect to the Security Documents (other than the FINCO Pledge and Security Agreements in accordance with the terms thereof), a perfected security interest in, and Lien on, all of the Collateral in favor of the Collateral Agent for the benefit of the Lenders to the extent contemplated therein), (b) any Credit Party shall default in the due performance or observance of any material term, covenant or agreement on its part to be performed or observed pursuant to the Subsidiary Guaranty, the Company Guaranty or any Security Document and such default shall continue for a period of 30 days following the earlier of (i) the date on which an executive officer of the Company obtains actual knowledge thereof and (ii) the date on which the Agent or any Lender gives notice to the Company of the existence of such default, or (c) any Credit Party shall contest in any manner that the Subsidiary Guaranty, the Company Guaranty or any Security Document to which it is a party constitutes its valid and enforceable agreement or any Credit Party shall assert in any manner that it has no further obligation or liability under the Subsidiary Guaranty, Company Guaranty or any Security Document to which it is a party; PROVIDED that to the extent any Credit Party has been released from the Subsidiary Guaranty, Company Guaranty or any Security

Document the foregoing will not constitute an Event of Default to the extent the same relates to such Credit Party and such agreement; or

9.8 SUBSIDIARY CREDIT AGREEMENT. An Event of Default (as defined therein) shall have occurred under the Subsidiary Credit Agreement; or

9.9 JUDGMENTS. One or more judgments or orders for the payment of money (to the extent not covered by insurance) in an amount in excess of $7,500,000, individually or in the aggregate, shall be rendered against the Company or any of its Restricted Subsidiaries and such judgment(s) or order(s) shall continue undischarged for a period of 30 days during which execution shall not be effectively stayed, bonded or deferred (whether by action of a court, by
9.10 CHANGE OF CONTROL. (i) The sale, lease, transfer or other disposition in one or more related transactions of all or substantially all of the Company's assets, or the sale of substantially all of the Company's stock or assets of the Company's Subsidiaries that constitute a sale of substantially all of the Company's assets, to any person or group (as such term is used in Section 13(d) (3) of the Exchange Act), (ii) the merger or consolidation of the Company with or into another corporation, or the merger of another corporation into the Company or any other transaction, with the effect, in any such case, that the stockholders of the Company immediately prior to such transaction hold less than 50% of the total voting power entitled to vote in the election of directors, managers or trustees of the surviving corporation or, in the case of a triangular merger in which the Company becomes a wholly-owned Subsidiary of another corporation, the parent corporation of the surviving corporation resulting from such merger, consolidation or such other transaction, (iii) any person (except for the parent corporation of the surviving corporation in a triangular merger) or group acquires beneficial ownership of a majority in interest of the voting power or voting stock of the Company or, in the case of a triangular merger, the parent corporation of the surviving corporation of such merger, or (iv) the liquidation or dissolution of the Company;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Agent may, and, upon the written request of the Required Lenders, shall, by written notice to the Company, take any or all of the following actions, without prejudice to the rights of the Agent, the Co-Agent, the Collateral Agent, any Lender or the holder of any Note to enforce its claims against the Company or any other Credit Party (provided, that, if an Event of Default specified in Section 9.5 shall occur with respect to the Company or any other Credit Party or an Event of Default specified in Section 9.8 shall occur with respect to the Subsidiary Credit Agreement and the Indebtedness thereunder shall have been accelerated, the result which would occur upon the giving of written notice by the Agent to the Company as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Total Revolving Loan Commitment terminated, whereupon the Revolving Loan Commitment of each Lender shall forthwith terminate immediately and all accrued Commitment Commission shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans PLUS an amount equal to the maximum amount which would be available at any time to be drawn under all Letters of Credit then outstanding (whether or not any beneficiary under any Letter of Credit shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letter of Credit), and all obligations owing hereunder and under the other Credit Documents, to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company; and (iii) exercise any rights or remedies in its capacity as Collateral Agent under the Security Documents. So long as any Letter of Credit shall remain outstanding, any amounts described in clause (ii) above with respect to Letters of Credit, when received by the Agent shall be deposited in the L/C Cash Collateral Account as cash collateral for the obligations of the Company under Section 2 in the event of any drawing under a Letter of Credit, and upon drawing under any outstanding Letter of Credit in respect of which the Agent has

deposited in the L/C Cash Collateral Account any amounts described in clause (ii) above, the Agent shall pay such amounts held in the L/C Cash Collateral Account to the L/C Banks to reimburse the L/C Banks for the amount of such drawing.

Section 10. DEFINITIONS. As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms in this Agreement shall include in the singular number the plural and in the plural number the singular:
"ACCOMMODATION OBLIGATION" as applied to any Person, shall mean any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of such primary obligation against loss in respect thereof. The amount of any Accommodation Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Accommodation Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"ACCUMULATED EXCESS CASH FLOW" shall mean (a) for any date of determination occurring prior to the date of the delivery to the Lenders of the financial statements required by Section 7.1(b) for the Company's 1994 fiscal year, zero, and (b) for any date of determination occurring on or after such date of delivery, the total of (i) the Core EBITDA for the period from and excluding the last day of the month in which the Closing Date occurs to and including the last day of the Company's most recently ended fiscal year for which audited financial statements of the Company and its Subsidiaries have been delivered to the Lenders, PLUS (ii) unless the same is required to be used to prepay Obligations pursuant to Section 4.2(b), 75% of the Net Proceeds received by the Company in Cash from the issuance of its capital stock and similar equity securities (other than any Permitted Subordinated Indebtedness convertible into the capital stock of the Company) during the period from and excluding the last day of the month in which the Closing Date occurs through but including such date of determination, MINUS (iii) the sum, without duplication, of (A) Total Interest Expense of the Company and its Restricted Subsidiaries on a consolidated basis, (B) all Maintenance Capital Expenditures actually made by the Company and its Restricted Subsidiaries, (C) scheduled mandatory repayments and voluntary prepayments of Indebtedness of the Company and its Restricted Subsidiaries (other than (1) voluntary prepayments of revolving loans that are not made in connection with a reduction of the commitment applicable thereto, and (2) scheduled mandatory reductions of a revolving loan commitment to the extent a cash repayment of the Indebtedness incurred pursuant thereto is not required to be made in connection with such reduction), (D) income taxes paid in cash by the Company and its Restricted Subsidiaries in connection with Facility Acquisitions, (E) expenditures made by the Company and its Restricted Subsidiaries in connection with Facility Acquisitions, (F) Investments made by the Company and its Restricted Subsidiaries in Persons other than Domestic Guarantors, (G) cash dividends paid by the Company and amounts paid by the Company to repurchase any of its capital stock or similar equity securities, and (H) amounts paid by the Company or any of its Restricted Subsidiaries to repay, repurchase, redeem or defease all or any portion of any Permitted Subordinated Indebtedness of the Company or any of its Restricted Subsidiaries; in each case for the period from but excluding the last day of the month in which the Closing Date occurs to and including such date of determination; PROVIDED that clauses (C) and (H) above shall not include repayments or prepayments of such Indebtedness with the proceeds of refinancings thereof permitted by this Agreement.

"ACQUIRED NME FACILITIES EBITDA" shall mean, for any period, the sum of the respective "EBITDA's" of each Facility acquired by the Company or the Domestic Guarantors pursuant to the NME Purchase Agreement during such period,
determined, for each such Facility (a) for the portion of such period that precedes the date on which such Facility was so acquired, and (b) in accordance with the following provisions of this definition. For purposes of the foregoing, (i) each such Facility shall be deemed to have been so acquired as of the end of the month in which it was so acquired, and (ii) the "EBITDA" of any such Facility for the portion of such period described in the foregoing clause (a) shall be deemed to be the sum of the respective amounts listed for such Facility as such Facility's "EBITDA" on Schedule 10.1(a) for each month that occurs during such portion of such period. In the event that a month which occurs during such portion of such period is not listed for any such Facility on Schedule 10.1(a), the "EBITDA" of such Facility for such month shall be calculated on the basis of the actual results of operations of such Facility for such month and in a manner consistent with the calculations of the "EBITDA's" listed on such Schedule for such Facility; PROVIDED that, in the event such results of operations have not been made available in writing to the Lenders in reasonable detail at least five Business Days prior to the date of determination of Acquired NME Facilities EBITDA, the "EBITDA" of such Facility for such month shall be deemed to be the EBITDA listed on Schedule 10.1(a) hereto for the corresponding month in the prior year.

"ADJUSTED CERTIFICATE OF DEPOSIT RATE" shall mean, on any day, the sum (rounded to the nearest 1/100 of 1%) of (a) the rate obtained by dividing (i) the most recent weekly average dealer offering rate for negotiable certificates of deposit with a three-month maturity in the secondary market as published in the most recent Federal Reserve System publication entitled "Select Interest Rates," published weekly on Form H.15 as of the date hereof, or if such publication or a substitute containing the foregoing rate information shall not be published by the Federal Reserve System for any week, the weekly average offering rate determined by the Agent on the basis of quotations for such certificates received by it from three certificate of deposit dealers in New York of recognized standing or, if such quotations are unavailable, then on the basis of other sources reasonably selected by the Agent, by (ii) a percentage equal to 100% minus the stated maximum rate of all reserve requirements as specified in Regulation D applicable on such day to a three-month certificate of deposit of a member bank of the Federal Reserve System in excess of $100,000 (including, without limitation, any marginal, emergency, supplemental, special or other reserves), plus (b) the then daily net annual assessment rate as estimated by the Agent for determining the current annual assessment payable by the Agent to the Federal Deposit Insurance Corporation for insuring three-month certificates of deposit.

"ADJUSTED PERCENTAGE" shall mean (a) at a time when no Lender Default exists, for each Lender such Lender's Revolving Loan Percentage, and (b) at a time when a Lender Default exists (i) for each Lender that is a Defaulting Lender, zero, and (ii) for each Lender that is a Non-Defaulting Lender, the percentage determined by dividing such Lender's Unrestricted Revolving Loan Commitment at such time by the Adjusted Total Revolving Loan Commitment at such time, it being understood that all references herein to the Unrestricted Revolving Loan Commitments and the Adjusted Total Revolving Loan Commitment at a time when the Total Revolving Loan Commitment or the Adjusted Total Revolving Loan Commitment, as the case may be, has been terminated shall be references to the Unrestricted Revolving Loan Commitments or the Adjusted Total Revolving Loan Commitment, as the case may be, in effect immediately prior to such termination; PROVIDED that (A) no Lender's Adjusted Percentage shall change upon the occurrence of a Lender Default from that in effect immediately prior to such Lender Default if after giving effect to such Lender Default, and any repayment of the Revolving Loans at such time pursuant to Section 4.2(e) or otherwise, the sum of (1) the aggregate outstanding principal amount of the Revolving Loans made by all the Non-Defaulting Lenders, (2) the aggregate amount of Subsidiary Credit Extensions of all the Non-Defaulting Lenders, (3) the aggregate outstanding principal amount of Swingline Borrowings (without duplication of any Revolving Loan made with respect thereto pursuant to Section 1.4), and (4) the aggregate Letter of Credit Outstandings, exceed the Adjusted
Total Revolving Loan Commitment; (B) the changes to the Adjusted Percentage that would have become effective upon the occurrence of a Lender Default but that did not become effective as a result of the preceding clause (A) shall become effective on the first date after the occurrence of the relevant Lender Default on which the sum of the amounts described in clauses (1) through (4) of such clause (A) is equal to or less than the Adjusted Total Revolving Loan Commitment; and (C) if (1) a Non-Defaulting Lender's Adjusted Percentage is changed pursuant to the preceding clause (B), and (2) any repayment of any Swingline Borrowing or any of such Lender's Revolving Loans or Subsidiary Loans or any reimbursement of any honoring of any drawings with respect to Letters of Credit or Subsidiary Letters of Credit, in each case that were made by the Company or any other Credit Party during the period commencing after the date of the relevant Lender Default and ending on the date of such change to its Adjusted Percentage, must be returned or paid to the Company, any other Credit Party or any other Person as a preferential or similar payment in any bankruptcy or similar proceeding of the Company or such Credit Party, then the change to such Non-Defaulting Lender's Adjusted Percentage effected pursuant to said clause (B) shall be reduced to that positive change, if any, as would have been made to its Adjusted Percentage if (x) such repayments or reimbursements had not been made, and (y) the maximum change of its Adjusted Percentage would have resulted in the sum of the outstanding principal amount of Revolving Loans and Subsidiary Loans made by such Lender plus such Lender's new Adjusted Percentage of the outstanding principal amount of Swingline Borrowings, Letter of Credit Outstandings and Subsidiary Letter of Credit Outstandings equalling such Lender's Revolving Loan Commitment at such time.

"ADJUSTED TOTAL REVOLVING LOAN COMMITMENT" shall mean, at any time, the sum of each Non-Defaulting Lender's Unrestricted Revolving Loan Commitments at such time.

"AFFILIATE" shall mean, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and executive officers of such Person), controlled by or under direct or indirect common control with such Person. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power (a) to vote 10% or more of the securities having ordinary voting power for the election of directors of such corporation or (b) to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise; PROVIDED that the term Affiliate shall not include the ESOP or the ESOP Trustee.

"AGENT" shall have the meaning provided in the first paragraph of this Agreement.

"AGREEMENT" shall mean this Second Amended and Restated Credit Agreement, as the same may hereafter be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"APPLICABLE MARGIN" shall have the meaning provided in Section 1.8(c).

"ASSET SALE" shall mean each sale, lease, conveyance or other disposition or transfer (including, without limitation, Sale/Leaseback Transactions) by the Company or any of its Restricted Subsidiaries of assets (including capital stock of another Restricted Subsidiary or any other Person that is owned by the Company or any such Restricted Subsidiary) (a) having, individually, a fair market value in excess of $1,000,000 or (b) having, in the aggregate, during any fiscal year of the Company, a fair market value in excess of $5,000,000 (aggregating for purposes of this clause (b), such sales, or series of related sales, leases and other dispositions, of assets having a fair market value in excess of $200,000 and less than or equal to $1,000,000); PROVIDED that in the case of clause (b), only such portion of such value in excess of $5,000,000 shall be subject to Sections 4.2(a) and 4.2(c); PROVIDED FURTHER,
that Asset Sales shall not include (i) the sale of Cash, Cash Equivalents or Investments permitted by Section 8.8(l), (ii) payments on or in respect of non-
Cash proceeds of Asset Sales that are notes or similar instruments or any sale or other disposition of any such notes or similar instruments, (iii) contributions of Facilities permitted by Section 8.8 hereof, (iv) sales, leases and other dispositions of assets by the Company to any Domestic Guarantor or by any Domestic Guarantor to the Company or any other Domestic Guarantor, (v) sales, leases and other dispositions of assets by any Foreign Restricted Subsidiary to another Foreign Restricted Subsidiary, (vi) leases permitted by Section 8.2, and (vii) the sale or issuance by the Company of any of its capital stock or any warrants, options or other rights to purchase or acquire any shares of capital stock of the Company (subject to compliance with Sections 4.2(b) and 4.2(c)).

"BANKRUPTCY CODE" shall have the meaning provided in Section 9.5.

"BASE CORE EBITDA" shall mean, for any period, the total of (a) consolidated EBITDA of the Company and the Domestic Guarantors for such period, excluding, to the extent included therein, the income (or loss) of any Person (other than a Domestic Guarantor) in which the Company or any Domestic Guarantor has an ownership interest, whether or not any such income has been actually received by the Company or any Domestic Guarantor in the form of dividends or similar distributions, MINUS (b) the excess, if any, of (i) income taxes paid by the Company or any Domestic Guarantor during such period in respect of its PRO RATA share of any Subsidiary's (other than a Wholly-Owned Restricted Subsidiary's) Net Income, over (ii) the amount of distributions made by such Subsidiary to the Company or any Domestic Guarantor during such period, PLUS, without duplication, (c) the Acquired NME Facilities EBITDA, if any.

"BASE LENDING RATE" shall mean, at any particular date, the higher of (a) the rate of interest publicly announced by BTCo in New York, New York from time to time as its prime lending rate, as in effect from time to time, (b) the rate that is 1/2 of 1% in excess of the Adjusted Certificate of Deposit Rate, and (c) the rate that is 1/2 of 1% in excess of the Federal Funds Rate. The prime lending rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. BTCo may make commercial loans or other loans at rates of interest at, above or below the prime lending rate.

"BASE RATE LOANS" shall mean Loans (other than the unreimbursed portion of the principal of any outstanding Swingline Borrowing) bearing interest at rates based on the Base Lending Rate.

"BORROWING" shall mean the incurrence of one Type of Loan from all of the Lenders funding such Loan on a given date (or resulting from conversions or continuations on a given date), having in the case of Eurodollar Loans the same Interest Period (except as otherwise provided in Section 1.10), and shall include, unless specified to the contrary, a Swingline Borrowing.

"BTCO" shall mean Bankers Trust Company in its individual capacity, and not in its capacity as Agent.

"BUSINESS DAY" shall mean (a) for all purposes other than as covered by clause (b) below, any day excluding Saturday, Sunday and any day which shall be in the City of New York a legal holiday or a day on which banking institutions are authorized or required by law or other government actions to close and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (a) and which is also a day for trading by and between banks in Dollar deposits in the interbank Eurodollar market.

"CASH" shall mean money, currency or a credit balance in a Deposit Account.

"CASH EQUIVALENTS" shall mean (a) securities issued or directly and fully guaranteed or insured by the United States of America or any agency, instrumentality or sponsored corporation
thereof which are rated at least A or the equivalent thereof by Standard & Poor's Corporation or at least A2 or the equivalent thereof by Moody's Investors Service, Inc., and in each case having maturities of not more than one year from the date of acquisition, (b) time deposits and certificates of deposit of any Lender or any domestic commercial bank of recognized standing having capital and surplus in excess of $300,000,000 with maturities of not more than one year from the date of acquisition, (c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (a) above entered into with any Lender or any bank meeting the qualifications specified in clause (b) above or any government securities dealer, and (d) commercial paper rated at least A-1 or the equivalent thereof by Standard & Poor's Corporation or at least P-1 or the equivalent thereof by Moody's Investors Service, Inc. and in each case maturing within one year after the date of acquisition.

"CHARLESTON VARIABLE RATE NOTES" shall mean the Variable Rate Notes issued by Charleston County, South Carolina.

"CLINICAL SERVICES UNIT" shall mean Group Practice Affiliates, Inc., a Delaware corporation and a Subsidiary of the Company, and its Subsidiaries.

"CLOSING DATE" shall mean the date of the initial Subsidiary Borrowing under the Subsidiary Credit Agreement, which date shall be between and including May 2, 1994 and September 30, 1994, unless otherwise consented to by the Required Lenders.

"CO-AGENT" Shall have the meaning provided in Section 11.1.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"COLLATERAL" shall mean all of the collateral from time to time subject to, and as more fully described in each of, the Security Documents.

"COLLATERAL ACCOUNTS ASSIGNMENT AGREEMENT" shall have the meaning provided in Section 5.1(e).

"COLLATERAL AGENT" shall mean BTCo as collateral agent for the Lenders and the L/C Banks pursuant to the Security Documents, and any successor thereto.

"COMMITMENT COMMISSION" shall have the meaning provided in Section 3.1(a).

"COMPANY" shall have the meaning provided in the first paragraph of this Agreement.

"COMPANY COMMON STOCK" shall mean the common stock, $0.25 par value per share, of the Company.

"COMPANY/ESOP CREDIT AGREEMENTS" shall mean, collectively, the Company/ESOP Mirror Credit Agreement and the Company/ESOP Non-Mirror Credit Agreement.

"COMPANY/ESOP CREDIT DOCUMENTS" shall mean, collectively, the (i) Company/ESOP Credit Agreements, (ii) Company/ESOP Notes and (iii) Company/ESOP Pledge Agreements.

"COMPANY/ESOP LOANS" shall mean, collectively, the Company/ESOP Mirror Loan and the Company/ESOP Non-Mirror Loan.

"COMPANY/ESOP MIRROR CREDIT AGREEMENT" shall mean the credit agreement executed and delivered in connection with the Original Credit Agreement between the Company and the Trust, as amended by a First Amendment, dated July 21, 1992 and a Second Amendment dated the date hereof, upon the terms and conditions of which the Company made a loan, in the aggregate principal amount of $275,000,000, to the Trust which enabled the Trust to purchase shares of the Company's common stock from certain Persons, as it may be amended from time to time to conform to the requirements of changes in ERISA, the Code or the rules
and regulations promulgated under either thereof, or as amended in accordance with the Existing Company Credit Agreement and this Agreement.

"COMPANY/ESOP MIRROR LOAN" shall mean the loan made by the Company to the Trust pursuant to the Company/ESOP Mirror Credit Agreement.

"COMPANY/ESOP MIRROR NOTE" shall mean the promissory note dated September 1, 1988, as amended by a First Amendment dated July 21, 1992 and a Second Amendment dated the date hereof, evidencing the Company/ESOP Mirror Loan, as it may be amended from time to time to conform to the requirements of changes in ERISA, the Code or the rules and regulations promulgated under either thereof, or as amended in accordance with the Existing Company Credit Agreement and this Agreement.

"COMPANY/ESOP NON-MIRROR CREDIT AGREEMENT" shall mean the credit agreement dated September 1, 1988, as amended by a First Amendment dated July 21, 1992 and a Second Amendment dated the date hereof, between the Company and the Trust upon the terms and conditions of which the Company made a loan, in the aggregate principal amount of $80,000,000, to the Trust which enabled the Trust to purchase shares of Company common stock from certain Persons, as it may be amended from time to time to conform to the requirements of changes in ERISA, the Code or the rules and regulations promulgated under either thereof, or as amended in accordance with the Existing Company Credit Agreement and this Agreement.

"COMPANY/ESOP NON-MIRROR LOAN" shall mean the loan made by the Company to the Trust pursuant to the Company/ESOP Non-Mirror Credit Agreement.

"COMPANY/ESOP NON-MIRROR NOTE" shall mean the promissory note, originally dated February 15, 1990, as amended by a First Amendment dated July 21, 1992, as restated by the Second Amended and Restated Non-Recourse Company/ESOP Non-Mirror Tranche B Note dated September 22, 1992, and as amended by a First Amendment dated the date hereof, evidencing the Company/ESOP Non-Mirror Loan, as it may be amended from time to time to conform to the requirements of changes in ERISA, the Code or the rules and regulations promulgated under either thereof, or as amended in accordance with the Existing Company Credit Agreement and this Agreement.

"COMPANY/ESOP NOTES" shall mean, collectively, the Company/ESOP Mirror Note and the Company/ESOP Non-Mirror Note.

"COMPANY/ESOP PLEDGE AGREEMENTS" shall mean the pledge agreements (and all amendments and restatements thereof) executed and delivered by the Trust to the Company in connection with the Company/ESOP Non-Mirror Credit Agreement and the Company/ESOP Mirror Credit Agreement.

"COMPANY GUARANTY" shall mean a second amended and restated guaranty agreement, substantially in the form of Exhibit C-2 to the Subsidiary Credit Agreement, as such agreement may hereafter be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"COMPANY PLEDGE AND SECURITY AGREEMENT" shall have the meaning provided in Section 5.1(d).

"COMPANY PLEDGE AND SECURITY AGREEMENT (ESOP)" shall have the meaning provided in Section 5.1(d).

"COMPANY STOCK AND NOTES PLEDGE" shall have the meaning provided in Section 5.1(c).

"CONTINUING LENDERS" shall mean each Existing Lender with a Commitment under this Agreement (after giving effect to the consummation of the Existing Company Credit Agreement Restructuring).

"CORE EBITDA" shall mean, for any period, the total of (a)
consolidated EBITDA of the Company and its Wholly-Owned Restricted Subsidiaries for such period, excluding, to the extent included therein, the income (or loss) of any Person (other than a Wholly-Owned Restricted Subsidiary) in which the Company or any Wholly-Owned Restricted Subsidiary has an equity interest, whether or not any such income has been actually received by the Company or any Wholly-Owned Restricted Subsidiary in the form of dividends or similar distributions, PLUS (b) to the extent the same does not exceed the product of (i) the Net Income of the payor thereof for such period or for the immediately preceding period and not previously received, and (ii) the Company's and its Wholly-Owned Restricted Subsidiaries aggregate percentage ownership interest therein, cash dividends and other cash distributions of profits and capital received in such period by the Company and its Wholly-Owned Restricted Subsidiaries from (i) Unrestricted Subsidiaries, (ii) joint ventures which are not Subsidiaries, and (iii) other Restricted Subsidiaries, MINUS (c) the Company's and its Wholly-Owned Restricted Subsidiaries' PRO RATA share of net losses of Unrestricted Subsidiaries and other Restricted Subsidiaries for such period PLUS, without duplication, (d) the Acquired NME Facilities EBITDA, if any.

"CORE INDEBTEDNESS" shall mean, as of any date of determination, the sum, without duplication, of (a) the Indebtedness of the Company and its Wholly-Owned Restricted Subsidiaries on a consolidated basis (including unused portions of the Total Revolving Loan Commitment as then in effect, but only to the extent the amount of such unused portion exceeds the Restricted Commitment Amount, if any), and (b) the summation of the product of (i) the Indebtedness of each other Restricted Subsidiary, and (ii) the Company's direct or indirect equity interest (expressed as a percentage) in such other Restricted Subsidiary.

"CREDIT DOCUMENTS" shall mean, collectively, this Agreement, each Note, the Subsidiary Credit Agreement, each Subsidiary Note, the Company Guaranty, each of the Security Documents, the Subsidiary Guaranty, each Letter of Credit, and each Supplement and Subsidiary Letter of Credit (as such terms are defined in the Subsidiary Credit Agreement). Each reference in this Agreement or any of the other Credit Documents to any of the foregoing Credit Documents shall be to such Credit Document as in effect on the Closing Date, and as the same may thereafter be amended, restated, supplemented or otherwise modified in accordance with the provisions hereof and thereof.

"CREDIT PARTIES" means, collectively, all of the Persons (other than the Agent, the Co-Agent, the Collateral Agent and the Lenders (including, without limitation, the L/C Banks)) which are a party to one or more of the Credit Documents.

"CURRENT ASSETS" shall mean, as at the date of determination, the current assets of the Company and its Restricted Subsidiaries on a consolidated basis determined in conformity with GAAP; PROVIDED that there shall be excluded therefrom all Cash, Cash Equivalents and other marketable securities.

"CURRENT LIABILITIES" shall mean, as at the date of determination, the current liabilities of the Company and its Restricted Subsidiaries determined on a consolidated basis in conformity with GAAP; PROVIDED that there shall be excluded therefrom all payments of principal due under the terms of any Funded Debt of the Company and its Restricted Subsidiaries within 12 months after the date of determination, all outstanding principal amounts of Loans and Subsidiary Loans classified as notes payable or current maturities in accordance with GAAP, and interest accrued and payable on or in respect of any Loan, Subsidiary Loan or any Permitted Subordinated Indebtedness.

"DEBT REFINANCING" has the meaning provided in the second "Whereas" clause to this Agreement.

"DEBT SERVICE COVERAGE TESTS" shall mean, with respect to any applicable Subject Transaction, each of the following requirements:
(a) the ratio of the actual Core EBITDA (without giving effect to such Subject Transaction or the use of the proceeds thereof) to the Total Interest Expense (without giving effect to such Subject Transaction or the use of the proceeds thereof), in each case for the 12-month period preceding the Test Date applicable to the date on which such Subject Transaction occurs, exceeds 3.0:1.0;

(b) the ratio of the Pro Forma Core EBITDA (after giving effect to such Subject Transaction and in the case of a Subject Transaction pursuant to Section 8.7 or 8.8, the use of the proceeds thereof), for the 12-month period preceding the Test Date applicable to the date on which such Subject Transaction occurs, to the Pro Forma Interest Charges exceeded 3.0:1.0;

(c) the ratios of Core Indebtedness (both before and after giving effect to such Subject Transaction and, in the case of a Subject Transaction pursuant to Section 8.7 or 8.8, the use of the proceeds thereof) to Core EBITDA and Pro Forma Core EBITDA, respectively, for the 12-month period preceding the Test Date applicable to the date on which such Subject Transaction occurs, is less than 4.0:1.0.

"DEFAULT" shall mean any event, act or condition which, with notice or lapse of time, or both, would constitute an Event of Default.

"DEFAULTING LENDER" shall mean any Lender with respect to which a Lender Default is in effect.

"DEFEASANCE AGREEMENT" shall mean the Deposit and Irrevocable Trust Agreement dated as of the Closing Date among the Company, certain Subsidiaries of the Company and Society National Bank, as trustee under the Existing Subordinated Debentures Indenture, concerning the defeasance and redemption by the Company of the Existing Subordinated Debentures.

"DEPOSIT ACCOUNT" shall mean a demand, savings, passbook, money market or like account with a commercial bank, savings and loan association or like organization or a government securities dealer, other than an account evidenced by a negotiable certificate of deposit.

"DOLLARS" or "$" shall mean dollars of the United States of America.

"DOMESTIC GUARANTORS" shall mean each Domestic Wholly-Owned Restricted Subsidiary (a) that is a party to each of the Subsidiary Guaranty, the Subsidiary Stock and Notes Pledge and the Subsidiary Pledge and Security Agreement, and (b) all of whose outstanding shares of capital stock, to the extent owned by the Company or a Domestic Wholly-Owned Restricted Subsidiary, is pledged to the Collateral Agent pursuant to the Stock and Note Pledges.

"DOMESTIC RESTRICTED SUBSIDIARY" shall mean each Restricted Subsidiary that is a Domestic Subsidiary.

"DOMESTIC SUBSIDIARY" shall mean each Subsidiary of the Company which is not a Foreign Subsidiary.

"DOMESTIC WHOLLY-OWNED RESTRICTED SUBSIDIARY" shall mean each Wholly-Owned Restricted Subsidiary of the Company which is a Domestic Subsidiary.

"EBITDA" shall mean, for any Person and any specified Subsidiaries of such Person, for any period, an amount equal to the total, determined for such Person on a consolidated basis with such Subsidiaries in conformity with GAAP,
of (a) Net Income for such period, plus (to the extent deducted in computing such Net Income), (b) the sum, without duplication, of (i) provisions for taxes (including cash taxes paid for the benefit of William A. Fickling, Jr. pursuant to the exercise of any stock options in the Company's 1994 fiscal year), (ii) Total Interest Expense, (iii) depreciation and amortization (including excess reorganization value), (iv) expenses accrued for contributions by the Company to the ESOP that are deductible for federal income tax purposes, (v) stock option expense, (vi) any loss from the early extinguishment of Indebtedness, (vii) any loss, together with any related provision for income taxes, realized upon any sale of assets other than in the ordinary course of business, (viii) any other non-cash charges for items (other than accounts receivable) made in accordance with GAAP, and (ix) any loss reported as an extraordinary item or as a change in accounting principle under and in accordance with GAAP, MINUS (to the extent included in computing such Net Income) (c) the sum, without duplication, of (i) any gain resulting from the early extinguishment of Indebtedness, (ii) any gains, together with related provisions for income taxes, realized upon any sale of assets other than in the ordinary course of business, and (iii) any gain reported as an extraordinary item or as a change in accounting principle under and in accordance with GAAP. MINUS (d) any reversal of reserves (other than accounts receivable) made during such period.

"ENVIRONMENTAL LAWS" means federal, state, local and foreign laws or regulations, codes, plans, orders, decrees, judgments, injunctions, notices or demand letters issued, promulgated, approved or entered thereunder relating to pollution or protection of the environment, including, without limitation, laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time. Section references to ERISA are to ERISA, as in effect at the date of this Agreement and any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA CONTROLLED GROUP" shall mean, when used with respect to a Plan, ERISA, the PBGC or a provision of the Code pertaining to employee benefit plans, a group consisting of any Person and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control with such Person that, together with such Person, are treated as a single employer under Sections 414(b), (c), (m), (n) and (o) of the Code.

"ERISA PERSON" when used with respect to a Plan, ERISA, the PBGC or a provision of the Code pertaining to employee benefit plans, shall have the meaning set forth in Section 3(9) of ERISA for the term "Person."

"ERISA PLAN" shall mean (a) any Plan (i) that is not a Multiemployer Plan and (ii) the fair market value of the assets of which is less than or equal to 90% of the present value of all benefit liabilities, as defined in Section 4001(a)(16) of ERISA, all determined as of the then most recent annual valuation date for such Plan (on the basis of assumptions prescribed by the PBGC for the purpose of Section 4044 of ERISA), and (b) any Plan that is a Multiemployer Plan.

"ESOP" means the Charter Medical Corporation Employee Stock Ownership Plan.

"ESOP TRUSTEE" means South Carolina National Bank in its capacity as trustee for the ESOP under the Trust Agreement, or any successor thereto.
"EURODOLLAR LOANS" shall mean Loans bearing interest at rates based on the Eurodollar Rate.

"EURODOLLAR RATE" shall mean, with respect to each Interest Period for a Eurodollar Loan, the rate determined by the Agent to be (a) the offered quotation to first-class banks in the interbank Eurodollar market by the Agent for Dollar deposits of amounts in immediately available funds comparable to the principal amount of the aggregate amount of Eurodollar Loans comprising such Borrowing for which an interest rate is then being determined with maturities comparable to the Interest Period to be applicable to such Eurodollar Loans, determined as of 10:00 A.M. (New York, New York time) on the date which is two Business Days prior to the commencement of such Interest Period, divided (and rounded upward to the next whole multiple of 1/16 of 1%) by (b) a percentage equal to 1 MINUS the then average stated maximum rate (stated as a decimal) of all reserve requirements (including without limitation any marginal, emergency, supplemental, special or other reserves) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D).

"EVENT OF DEFAULT" shall have the meaning provided in Section 9.

"EXCLUDABLE FOREIGN SUBSIDIARY" shall mean any Foreign Wholly-Owned Restricted Subsidiary listed on Schedule 10.1(b) and each other Foreign Subsidiary that is not required to be a guarantor of any Permitted Subordinated Indebtedness pursuant to the terms of any Subordinated Debt Document.

"EXECUTION DATE" shall have the meaning provided in Section 12.10.

"EXISTING COMMITMENTS" shall have the meaning provided in the fifth "Whereas" clause to this Agreement.

"EXISTING COMPANY CREDIT AGREEMENT" shall mean the Amended and Restated Credit Agreement dated as of July 21, 1992, as amended prior to the Closing Date, among the Company, the banking and other financial institutions party thereto and the Agent.

"EXISTING COMPANY CREDIT AGREEMENT RESTRUCTURING" shall have the meaning provided in the third "Whereas" clause hereto.

"EXISTING CREDIT AGREEMENTS" shall mean, collectively, the Existing Company Credit Agreement and the Existing Subsidiary Credit Agreement.

"EXISTING INTERCREDITOR AGREEMENT" shall have the meaning set forth for the term "Intercreditor Agreement" in the Existing Company Credit Agreement.

"EXISTING LENDERS" shall mean the banking and other financial institutions party to the Existing Company Credit Agreement.

"EXISTING LOANS" shall mean, collectively, the Tranche A Loans, the Tranche B Loans and the Tranche C Loans (as such terms are defined in the Existing Company Credit Agreement).

"EXISTING NOTES" shall have the meaning provided in Section 1.1(a).

"EXISTING PARTICIPATION AGREEMENTS" shall mean all of the outstanding participation agreements entered into by the Existing Lenders pursuant to the Existing Credit Agreements in respect of letters of credit issued pursuant thereto (including, without limitation, the Existing Subsidiary Letters of Credit).

"EXISTING SUBORDINATED DEBENTURES" shall have the meaning provided in the second "Whereas" clause to this Agreement.

"EXISTING SUBORDINATED DEBENTURES INDENTURE" shall mean the Indenture dated as of July 21, 1992, as amended, between the Company and Society National
"EXISTING SUBSIDIARY CREDIT AGREEMENT" shall mean the Amended and Restated Credit Agreement dated as of July 21, 1992, as amended prior to the Closing Date, among certain Subsidiaries of the Company, the banking and other financial institutions party thereto and BTCo as agent for such institutions.

"EXISTING SUBSIDIARY CREDIT AGREEMENT RESTRUCTURING" shall have the meaning provided in the Subsidiary Credit Agreement.

"EXISTING SUBSIDIARY LETTERS OF CREDIT" means the letters of credit outstanding on the date hereof for the account of certain of the Subsidiary Borrowers that are set forth on Schedule 10.1 hereto.

"EXISTING SUBSIDIARY LOANS" shall have the meaning provided for the term "Existing Loans" in the Subsidiary Credit Agreement.

"FACILITIES" shall mean hospitals and related medical facilities and residential treatment centers, schools, day hospitals, professional office buildings and similar tangible health care assets.

"FACILITY ACQUISITION" shall mean (a) the direct or indirect purchase or other acquisition (including, without limitation, by way of the pur-

chase or other acquisition of capital stock or other equity interests, but excluding the NME Acquisition) by any Person of any Facility and any other health care related asset to be used in connection with such Facility, (b) any expenditure made by any Person for the construction of a new Facility or any other health care related asset to be used in connection with such Facility, or (c) the purchase, directly or indirectly, of all or substantially all of the assets or capital stock of any health care or health care related business.

"FEDERAL FUNDS RATE" shall mean, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by the Agent.

"FINAL REVOLVING LOAN MATURITY DATE" shall mean March 31, 1999.

"FINANCE COMPANIES" shall mean, collectively, (a) CMFC, Inc. and (b) CMCI, Inc., each a Nevada corporation.

"FINCO PLEDGE AND SECURITY AGREEMENTS" shall have the meaning provided in Section 5.1(d).

"FIXED CHARGE COVERAGE RATIO" shall mean, as of any date of determination, the ratio of (a) the sum of Core EBITDA and consolidated operating lease rental expenses of the Company and its Wholly-Owned Restricted Subsidiaries, in each case for the four consecutive fiscal quarters of the Company ending on such date, to (b) the sum of (i) Total Interest Expense, (ii) income taxes paid in cash (other than up to $17,000,000 of income taxes and interest paid in cash during the Company’s 1996 fiscal year as a result of the settlement with the I.R.S. and various state taxing authorities pursu-

ant to revenue agent reports of the income taxes payable by the Company in respect of its 1989, 1990, 1991 and 1992 fiscal years), (iii) Maintenance Capital Expenditures, (iv) operating lease rental expenses, and (v) scheduled repayments of Indebtedness, in each case for the Company and its Restricted Subsidiaries on a consolidated basis for the four consecutive fiscal quarters of
the Company ending on such date; PROVIDED that "scheduled repayments of
Indebtedness" shall not include (A) any scheduled reductions of a revolving loan
commitment to the extent a cash repayment of the Indebtedness incurred pursuant
thereto is not required to be made in connection with such reduction, or (B) any
repayments of Indebtedness not listed on Schedule 8.7(e) hereto that are made by
the Company or any of its Wholly-Owned Restricted Subsidiaries on or prior to
the Closing Date.

"FOREIGN CONTRACTS CREDIT SUPPORT" shall have the meaning provided in
Section 8.7(i).

"FOREIGN RESTRICTED SUBSIDIARY" shall mean each Restricted Subsidiary
that is a Foreign Subsidiary.

"FOREIGN SUBSIDIARY" shall mean each direct or indirect Subsidiary of
the Company which is organized under the laws of any jurisdiction other than the
United States or any State thereof (including the District of Columbia).

"FOREIGN WHOLLY-OWNED RESTRICTED SUBSIDIARY" shall mean each Wholly-
Owned Restricted Subsidiary of the Company which is a Foreign Subsidiary.

"FUNDED DEBT" shall mean, as applied to the Company and its Restricted
Subsidiaries, all Indebtedness (other than Indebtedness that may be repaid and
reborrowed under the terms of any revolving credit or similar agreement) of such
Persons, on a consolidated basis, which by its terms or by the terms of any
instrument or agreement relating thereto matures, or which is otherwise payable
or unpaid, more than one year from, or is directly or indirectly renewable or
extendible at the option of the debtor to a date more than one year from the
date of the creation thereof.

"GAAP" means United States generally accepted accounting principles as
in effect as of the date of determination; PROVIDED that compliance by the
Company with the financial covenants and other requirements set forth in Section
7.9 shall be calculated, to the extent the same contemplate the use of GAAP, in
accordance with GAAP as in effect on the date hereof applied on a basis
consistent with the preparation of the financial statements referred to in
Section 6.4(a)(i).

"INCREASED COMMITMENT NOTE" shall have the meaning provided in Section
1.1(a).

"INDEBTEDNESS" of any Person means, without duplication: (a)
indebtedness of such Person for borrowed money or for the deferred purchase
price of property or services (other than trade payables on terms of 365 days or
less incurred in the ordinary course of business), (b) the principal portion of
obligations of such Person as lessee under leases which have been or should be,
in accordance with GAAP, recorded as capital leases, (c) all Accommodation
Obligations of such Person in respect of Indebtedness of others of the types
described in the preceding clauses (a) and (b) or clause (d) below, (d) at the
date of determination thereof, the aggregate amount which may then be drawn
under, PLUS the aggregate amount of all unreimbursed drawings in respect of,
letters of credit issued for the account of such Person (MINUS, other than for
purposes of Section 8.7(i), the lesser of $75,000,000 and the amount of Cash or
Cash Equivalents on deposit securing such letters of credit), and (e) all
indebtedness, obligations or other liabilities of such Person or of others for
borrowed money secured by a Lien on any property of such Person, whether or not
such indebtedness, obligations or liabilities are assumed by such Person;
PROVIDED that all or any portion of any Indebtedness of the Company and its
Restricted Subsidiaries that is defeased (whether pursuant to a legal defeasance
or a "covenant" or "in kind substance" defeasance) by Cash and Cash Equivalents
in accordance which the documents governing such Indebtedness and the defeasance
thereof shall, at all times such defeasance remains in effect, cease to be
treated, to the extent of such defeasance, as Indebtedness for purposes of this
Agreement if (i)
in the case of any defeasance of any Permitted Subordinated Indebtedness, such defeasance is not made with the proceeds of any Indebtedness other than new Permitted Subordinated Indebtedness of the Company, (ii) in the case of any defeasance of any such Indebtedness that is made in connection with or in anticipation of a refinancing of such Indebtedness, the Agent receives, at the sole cost and expense of the Company, a legal opinion, addressed to the Agent and the Lenders, reasonably acceptable to the Agent to the effect that (A) such defeasance has been made in accordance with the terms of the documents governing such Indebtedness, (B) the Indebtedness so defeased is secured by a perfected first priority Lien on such Cash and Cash Equivalents, and (C) such Cash and Cash Equivalents will not be subject to the rights of creditors other than the holders of such Indebtedness, and (iii) if at the time of such defeasance or any time thereafter the Indebtedness so defeased may be redeemed, repurchased or otherwise acquired by the Company or any of its Restricted Subsidiaries pursuant to the provisions of the documents governing the same, the Company or any such Subsidiary, at the time of such defeasance, provides for the delivery of a notice of redemption to the holders of such Indebtedness on the date of such defeasance or the earliest permitted date thereafter, as the case may be, in accordance with the terms of the documents governing such Indebtedness, and redeem, repurchases or otherwise acquires such Indebtedness (or causes such Indebtedness to be redeemed, repurchased or otherwise acquired) on the earliest date that is permitted by the documents governing such Indebtedness.

"INITIAL NME ACQUISITION CLOSING" shall mean the consummation in accordance with the NME Purchase Agreement of the purchase by the Company and the Domestic Guarantors of (i) at least seven of the Facilities described on Schedule 2.13A to the NME Purchase Agreement as in effect on March 29, 1994, and (ii) Facilities having the aggregate results of operations described in Section 2.13(a)(ii) of the NME Purchase Agreement as in effect on March 29, 1994.

"INSURANCE SUBSIDIARIES" means, collectively, (a) Golden Isle Assurance Company, and (b) Plymouth Insurance Company, Ltd., each a corporation organized under the laws of Bermuda, and their respective successors and permitted assigns.

"INTEREST PERIOD" shall have the meaning provided in Section 1.9.

"INTERIM MATURITY DATE" shall mean, with respect to any Loan outstanding on March 31, 1996 or March 31, 1998, (a) if such Loan is a Base Rate Loan, such date, and (b) if such Loan is a Eurodollar Loan, the last day of the then applicable Interest Period for such Eurodollar Loan.

"I.R.S." means the Internal Revenue Service of the United States of America.

"INVESTMENT" means, when used with respect to any Person, (a) any direct or indirect advance, loan or other extension of credit (other than the creation of receivables which are current assets arising in the ordinary course of business) or capital contribution by such Person (by means of transfers of property to others or payments for property or services for the account or use of others, or otherwise) to any other Person; (b) any direct or indirect purchase or other acquisition by such Person of, or of a beneficial interest in, capital stock, bonds, notes, debentures or other securities or ownership interests issued by any other Person; or (c) any direct or indirect guaranty by such Person of any Indebtedness or other obligations of any other Person. In computing the amount involved in any Investment at the time outstanding, (a) undistributed earnings of, and interest accrued in respect of Indebtedness owing by, such other Person accrued after the date of such Investment shall not be included, (b) there shall not be deducted from the amounts invested in such other Person any amounts received as earnings (in the form of dividends, interest or otherwise) on such Investment or as loans from such other Person, (c) unrealized increases or decreases in value, or write-ups, write-downs or write-offs, of Investments in such other Person shall be disregarded (d) amounts received by such Person representing a return of capital with respect to such Investment (determined in accordance with GAAP) shall be deducted, and (e) the foregoing to the contrary not-
withstanding, in the case of an Investment in a corporation, partnership or other entity (including, without limitation, a Restricted Subsidiary or an Unrestricted Subsidiary) in respect of which such Person is liable for taxes based upon the income of such corporation, partnership or other entity, such Investment shall be deemed to increase by the amount, if any, equal to the excess of taxes paid by such Person in respect of such income over cash distributions received by such Person from such corporation, partnership or other entity in respect of such income or pursuant to a Tax Sharing Agreement, if applicable. For the purposes of Section 8.8, the amount involved in Investments made during any period shall be the aggregate cost to such Person of all such Investments made during such period, determined in accordance with GAAP, but without regard to unrealized increases or decreases in value, or write-ups, write-downs or write-offs, of such Investments and without regard to the existence of any undistributed earnings or accrued interest with respect thereto accrued after the respective dates on which such Investments were made, less any net return of capital realized during such period upon the sale, repayment, payment of extraordinary dividends, or other liquidation of such Investments (determined in accordance with GAAP, but without regard to any amounts received during such period as earnings (in the form of dividends, interest or otherwise) on such Investments or as loans from any Persons in whom such Investments have been made); PROVIDED that for purposes of Sections 8.8(n), (o) and (r), the original amount of any Investment of any asset made pursuant thereto shall be deemed to be the greater of the book value and fair market value (determined (except as otherwise set forth in Section 8.8(n) for contributions of Facilities to Permitted Joint Ventures) by the Company in good faith and in a reasonable manner) of such property at the time such Investment is made.

"L/C BANK" shall mean BTCo and each other Lender with a Revolving Loan Commitment that agrees in writing with the Company and the Agent to issue Letters of Credit from time to time.

"L/C CASH COLLATERAL ACCOUNT" shall mean the cash collateral account established under the Collateral Accounts Assignment Agreement (and designated thereunder as the L/C Cash Collateral Account) in favor of the Agent for the benefit of the Lenders.

"LENDER" shall have the meaning provided in the first paragraph of this Agreement.

"LENDER DEFAULT" shall mean (a) the refusal (which has not been retracted) or continued failure of a Lender to (i) make available its portion of any Borrowing, or (ii) comply with its obligations under Section 1.4 or Section 2 hereof or under Section 2 of the Subsidiary Credit Agreement, (b) any takeover of a Lender by any regulatory authority or agency, or (c) the occurrence and continuance of any event of the type described in Section 9.5 with respect to a Lender.

"LENDING OFFICE" shall mean, for each Lender, the office specified opposite such Lender's name on the signature pages hereof with respect to each Type of Loan, or such other office as such Lender may designate in writing from time to time to the Company and the Agent with respect to such Type of Loan.

"LETTER OF CREDIT" shall mean each letter of credit issued by an L/C Bank on or after the Closing Date in accordance with Section 2 for the purpose of (a) supporting Indebtedness of the Company or any of its Restricted Subsidiaries in respect of the industrial revenue or development bonds listed on Schedule 8.7(e), or any refunding bonds issued in respect thereof, (b) providing credit enhancement in respect of obligations incurred in connection with any acquisition, construction or mortgage financing or a Sale/Leaseback Transaction permitted hereunder, (c) providing Foreign Contracts Credit Support, PROVIDED that the stated amount of Letters of Credit issued for the purpose set forth in this clause (c), together with Subsidiary Letters of Credit, as defined in the Subsidiary Credit Agreement, issued for the same purpose, shall not exceed, at any time outstanding, $50,000,000 minus the aggregate stated amount of letters of credit then outstanding under Section 8.7(i) which are not supported by a
it or a Subsidiary Letter of Credit, and (d) supporting appeal bonds or similar surety obligations.

"LETTER OF CREDIT EXPOSURE" shall mean, at any time, with respect to any Lender, the product of its then Adjusted Percentage and the then Letter of Credit Outstandings.

"LETTER OF CREDIT OUTSTANDINGS" means, with respect to Letters of Credit, as at any date of determination, the sum of (a) the maximum aggregate amount which at such date of determination is available to be drawn (assuming the conditions for drawing thereunder have been met) under all Letters of Credit then outstanding, plus (b) the aggregate amount of all drawings under Letters of Credit and honored by the applicable L/C Bank not theretofore reimbursed by the Company (it being understood that for purposes of any request for a Loan pursuant to Section 2.3, there shall be excluded from the amount determined in accordance with the preceding clause (b) an amount equal to the proceeds of such Loan).

"LETTER OF CREDIT REQUEST" shall have the meaning provided in Section 2.2(a).

"LIEN" means any mortgage, pledge, security interest, charge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement, other than notice filings not perfecting a security interest, under the Uniform Commercial Code or comparable law of any jurisdiction, domestic or foreign, in respect of any of the foregoing).

"LOANS" shall mean, collectively, the Revolving Loans and any outstanding principal of any outstanding Swingline Borrowing.

"MAINTENANCE CAPITAL EXPENDITURES" means, for any period, the sum, without duplication, of expenditures (whether paid in cash or accrued as a liability, including the portion of capital leases originally incurred during such period that is capitalized on the consolidated balance sheet of Company and its Restricted Subsidiaries) by the Company and its Restricted Subsidiaries during that period that, in conformity with GAAP, are included in "capital expenditures", "additions to property, plant or equipment" or comparable items in the statement of cash flows of the Company and its Restricted Subsidiaries (including, without limitation, expansions of, and additions to, then existing Facilities and additions of beds to any such Facilities); PROVIDED that Maintenance Capital Expenditures shall not include Facility Acquisitions.

"MARGIN STOCK" shall have the meaning provided for such term in Regulation U of the Board of Governors of the Federal Reserve System.

"MASTER TRANSFER SUPPLEMENT" shall have the meaning provided in the fifth "Whereas" clause to this Agreement.

"MATERIAL ADVERSE EFFECT" shall mean a material adverse effect on (a) the business, property, assets, condition (financial or otherwise), liabilities or operations, of the Company and its Restricted Subsidiaries taken as a whole, (b) the ability of the Company and the Domestic Guarantors, taken as a whole, to perform the Obligations, (c) the rights and remedies of the Lenders, the L/C Banks, the Collateral Agent and the Agent under the Credit Documents, taken as a whole, or (d) the validity or enforceability of any of the Credit Documents or the Liens created thereby on any material portion of the Collateral.

"MEASUREMENT DATE" shall mean, with respect to any date, (a) if such
date is a day of a month that occurs prior to the 30th day of such month, the last day of the penultimate month, and (b) if such date is a day of a month that occurs on or after the 30th day of such month, the last day of the immediately preceding month.

"MINIMUM INCOME TESTS" shall mean, with respect to any applicable Subject Transaction, each

(except as otherwise noted) of the following requirements:

(a) in the case of a contribution of a Facility to a Permitted Joint Venture pursuant to Section 8.8(n) or a Facility Acquisition only:

(i) each of the actual Base Core EBITDA (without giving effect to such Subject Transaction), and the Pro Forma Base Core EBITDA (after giving effect to such Subject Transaction), in each case for the 12-month period preceding the Test Date applicable to the date on which such Subject Transaction occurs, exceeds $130,000,000 (or, if the Initial NME Acquisition Closing shall not have occurred prior to such Test Date, $100,000,000); and

(ii) each of the actual Core EBITDA (without giving effect to such Subject Transaction), and the Pro Forma Core EBITDA (after giving effect to such Subject Transaction), in each case for the 12-month period preceding the Test Date applicable to the date on which such Subject Transaction occurs, exceeds $160,000,000 (or, if the Initial NME Acquisition Closing shall not have occurred prior to such Test Date, $130,000,000); and

(b) in the case of any other applicable Subject Transaction:

(i) the actual Base Core EBITDA for the 12-month period preceding the Test Date applicable to the date on which such Subject Transaction occurs, without giving effect to such Subject Transaction, exceeds $130,000,000 (or, if the Initial NME Acquisition Closing shall not have occurred prior to such Test Date, $100,000,000); and

(ii) the actual Core EBITDA for the 12-month period preceding the Test Date applicable to the date on which such Subject Transaction occurs, without giving effect to such Subject Transaction, exceeds $160,000,000 (or, if the Initial NME Acquisition Closing shall not have occurred prior to such Test Date, $130,000,000).

"MIS UNIT" shall mean the Subsidiaries of the Company formed or to be formed for the purpose of conducting health care related management and information systems businesses (which may include Strategic Advantage, Inc.), the names of which Subsidiaries are provided to the Agent promptly after the formation thereof.

"MORTGAGE DOCUMENTS" shall have the meaning provided in Section 5.1(f).

"MORTGAGE NOTES" means the notes of certain Subsidiaries of the Company listed in Schedule 10.1(c) hereto.

"MORTGAGED PROPERTIES" shall mean all of the real properties of each Mortgagor, which real properties are listed in Schedule 10.1(d) hereto, and including all additional property, if any, to become Mortgaged Property in accordance with Section 8.2.

"MORTGAGES" shall mean the mortgages by the Mortgagors in favor of the Collateral Agent for the benefit of the Lenders with respect to the Mortgaged Properties, as consolidated, in certain cases, by certain of the Mortgage Documents, as such mortgages may be otherwise amended or modified by the
Mortgage Documents and as such mortgages may be further amended, supplemented or modified from time to time.

"MORTGAGORS" shall mean the Subsidiaries of the Company listed in Schedule 10.1(d) hereto and all Subsidiaries, if any, which are required to deliver Mortgages or Mortgaged Properties after the Closing Date in accordance with Section 8.2.

"MULTIEMPLOYER PLAN" has the meaning set forth in Section 4001(a)(3) of ERISA.

"NET INCOME" shall mean for any Person, for any period, the net income (or loss) of such Person and any specified Subsidiaries of such Person for such period (taken as a single accounting period) after deducting all operating expenses,

provisions for all taxes (including provisions for deferred income taxes, but net of tax benefits) and all other proper deductions, all determined in conformity with GAAP on a consolidated basis with such specified Subsidiaries, after eliminating all intercompany transactions and after deducting portions of income properly attributable to minority interests, if any, in the stock and surplus of such specified Subsidiaries, excluding (to the extent otherwise included therein) (a) any gains or losses, together with any related provision for taxes, realized upon any sale of assets other than in the ordinary course of business, (b) the income (or loss) of any acquired Person accrued prior to the date such acquired Person becomes such a specified Subsidiary or any specified Subsidiaries or any of such specified Subsidiaries, (c) any gain (or loss) realized upon the termination of any Interest Rate Contract or currency protection agreement, and (d) the undistributed earnings of any such specified Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such specified Subsidiary is not at the time restricted in any manner by the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such specified Subsidiary.

"NET PROCEEDS" shall mean: (a) with respect to any Asset Sale, all Cash (including Cash receivable (when received) by way of deferred payment pursuant to a promissory note, a receivable or otherwise (other than interest payable thereon)) and other property received by the Company or any of its Restricted Subsidiaries as a result of or in connection with such transaction, net of expenses, fees and commissions incurred and taxes paid or expected to be payable in connection therewith and net of any payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness (other than the Loans and any Indebtedness subordinated to the Loans, including, without limitation, Permitted Subordinated Indebtedness) required to be repaid under the terms of such Indebtedness as a result of such Asset Sale; PROVIDED that, in the case of any Asset Sale made by a Restricted Subsidiary other than a Wholly-Owned Restricted Subsidiary, Net Proceeds shall only include the Company's and its Wholly-Owned Restricted Subsidiaries' PRO RATA share of the Net Proceeds of such Asset Sale; and (b) in the case of the issuance or sale of any shares of any capital stock or any warrants, options or other rights to purchase or acquire any shares of any capital stock of the Company (other than any Permitted Subordinated Indebtedness convertible into capital stock of the Company), all Cash and other property received by the Company in connection therewith, net of broker's fees and commissions and reasonable costs and expenses incurred in connection therewith.

"NEW LENDERS" shall mean each of the Persons listed on Annex II.

"NEW STOCK OPTION PLAN" shall mean, collectively, the Company's 1992 Stock Option Plan, 1994 Stock Option Plans, 1994 Directors Unit Award Plan, 1994 Employee Stock Purchase Plan, the Director's Stock Option Plan existing on the date hereof and future stock option and employee stock purchase plans approved
"NME" shall mean National Medical Enterprises, Inc., a Nevada corporation.

"NME ACQUISITION" shall mean the acquisition by the Company and its Domestic Wholly-Owned Restricted Subsidiaries of up to 47 facilities and related health care assets from NME upon the terms and conditions set forth in the NME Purchase Agreement.

"NME PURCHASE AGREEMENT" shall mean the Asset Sale Agreement dated as of March 29, 1994 between NME, as seller, and the Company, as purchaser (including, without limitation, the schedules and exhibits thereto), as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 8.11.

"NON-CONTINUING LENDER" shall mean each Existing Lender which is not a party to this Agreement on and as of the Closing Date.

"NON-DEFAULTING LENDER" shall mean and include each Lender other than a Defaulting Lender.

"NOTES" shall mean the Revolving Notes and the Swingline Note.

"NOTICE OF BORROWING" shall have the meaning provided in Section 1.3(a)(i).

"NOTICE OF CONVERSION" shall have the meaning provided in Section 1.6(ii).

"NOTICE OF SWINGLINE BORROWING" shall have the meaning provided in Section 1.3(a)(ii).

"OBLIGATIONS" shall mean all amounts owing to the Agent, the Co-Agent, the Collateral Agent, an L/C Bank or any Lender pursuant to the terms of this Agreement or any other Credit Document.

"ORIGINAL COMPANY CREDIT AGREEMENT" shall mean the Credit Agreement dated as of September 1, 1988, as amended prior to July 21, 1992, among the Company (as successor by merger to WAF Acquisition Corporation), the banking and other financial institutions party thereto, the Agent, and Wells Fargo Bank, N.A., and Bank of America National Trust and Savings Association, as co-agents.

"PAYMENT OFFICE" shall mean the office of the Agent located at 280 Park Avenue, New York, New York 10017, or such other office of the Agent as the Agent may hereafter designate in writing as such to the other parties hereto.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established under ERISA, or any successor thereto.

"PERMITTED FACILITY ACQUISITION AMOUNT" shall have the meaning provided in Section 8.10(b).

"PERMITTED JOINT VENTURE" shall mean any joint venture, whether in the form of a corporation, partnership or otherwise, that is in the health care or a health care related business.

"PERMITTED LIENS" means (i) Liens for Taxes not yet due, or Liens for Taxes being contested in good faith by appropriate proceedings and for which adequate reserves in conformity with GAAP have been established, (ii) Liens in respect of any property of the Company or any of its Restricted Subsidiaries which were incurred in the ordinary course of business and not in connection with the borrowing of money or the obtaining of credit, such as carriers', warehousemen's, landlords' and mechanics' liens, and other similar liens arising in the ordinary course of business, and which do not individually or in the
aggregate materially detract from the value of any material property or materially impair the use thereof in the operation of the business of the Company and its Restricted Subsidiaries (taken as a whole), (iii) bankers' liens and Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, title insurance, purchase contracts, agreements governing Indebtedness permitted under Section 8.7 (other than to secure the Indebtedness incurred thereby or any other Indebtedness), judgments liens (if released, bonded or stayed within 60 days) and subleases, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of Indebtedness and Foreign Contracts Credit Support) which do not individually or in the aggregate have a Material Adverse Effect; (iv) easements, rights-of-way, restrictions and other similar charges or encumbrances which do not individually or in the aggregate have a Material Adverse Effect; (v) any interest or title of a lessor under any operating lease permitted by Section 8.6; (vi) the interest of any issuer of a letter of credit or bonds (other than Foreign Contracts Credit Support and letters of credit and bonds issued in support of foreign projects) in any Cash or Cash Equivalent deposited with said issuer as collateral for the letters of credit or bonds so issued by such issuer; and (vii) prejudgment liens in respect of property of a Foreign Restricted Subsidiary which is incurred in connection with a claim or action against such Foreign Restricted Subsidiary before a court or other tribunal in a jurisdiction outside of the United States, which liens individually or in the aggregate do not have a Material Adverse Effect.

"PERMITTED SUBORDINATED INDEBTEDNESS" shall mean (a) the Senior Subordinated Notes, together with all guarantees of the Senior Subordinated Notes made by any Domestic Guarantor or Foreign Restricted Subsidiary that is a party to the Subsidiary Guaranty, whether such guarantees are made on the Closing Date or thereafter; and (b) any other unsecured Indebtedness of the Company which: (i) has a final maturity subsequent to the sixth anniversary of the Closing Date; (ii) is not guaranteed by any Person, unless such guaranty is from a Domestic Guarantor or a Foreign Restricted Subsidiary that is a party to the Subsidiary Guaranty, is unsecured and is subordinated, pursuant to provisions reasonably satisfactory to the Required Lenders, to the Obligations; (iii) does not provide for any scheduled repayments, required prepayments, fixed sinking fund payments, serial maturities, required offers to purchase or similar payments in respect of all of any of the principal of such Indebtedness prior to the sixth anniversary of the Closing Date (but excluding any conversion into capital stock of the Company of any convertible Permitted Subordinated Indebtedness in accordance with the terms thereof); (iv) does not permit any holder of such Indebtedness to declare all or any part of such Indebtedness to be paid or purchased before the date referred to in clause (b)(i) of this definition for any reason other than the occurrence of a default in respect thereof (but excluding any conversion into capital stock of the Company of any convertible Permitted Subordinated Indebtedness); (v) does not contain any financial maintenance covenants or a cross-default (although it may contain a cross-acceleration to, and a cross-default to a payment default upon the express final maturity of, Indebtedness having an outstanding aggregate principal amount of no less than $15,000,000, individually, and $30,000,000 in the aggregate); (vi) is subordinated, pursuant to provisions reasonably satisfactory to the Required Lenders; (vii) bears interest at a rate, and has payment dates for such interest, that are reasonably satisfactory to the Required Lenders; and (viii) is incurred pursuant to documentation containing terms, conditions, covenants, events of default and other provisions that are in form and substance acceptable to the Required Lenders; PROVIDED that, notwithstanding the foregoing, such Indebtedness may contain provisions requiring the Company to make an offer to purchase all or any of the principal thereof as a result of the occurrence of (i) a change of control of the Company so long as (A) the making of any such offer to purchase could not occur prior to the occurrence of a
change of control described in Section 9.10, and (B) such offer is not required to be made prior to the tenth day to occur after such change of control, and (ii) sales, leases, conveyances and other dispositions and transfers of property so long as the Company has at least 180 days to avoid making such offer by, at the Company's election, either repaying the Obligations or other unsubordinated Indebtedness with the net cash proceeds thereof, and/or re-investing such net cash proceeds in the Company's and/or its Subsidiaries' business.

"PERSON" shall mean and include any individual, partnership, joint venture, firm, corporation, association, trust or other enterprise or entity or any government or political subdivision or agency, department or instrumentality thereof.

"PLAN" means any employee benefit plan covered by Title IV of ERISA, the funding requirements of which:

(i) were the responsibility of the Company or a member of its ERISA Controlled Group at any time within the five years immediately preceding the date hereof,

(ii) are currently the responsibility of the Company or a member of its ERISA Controlled Group, or

(iii) hereafter becomes the responsibility of the Company or a member of its ERISA Controlled Group, including any such plans as may, within the last five years prior to the Closing Date, have been, or may hereafter be, terminated for whatever reason.

"PLEDGE AND SECURITY AGREEMENTS" means the Company Pledge and Security Agreement, the Company Pledge and Security Agreement (ESOP), the FINCO Pledge and Security Agreements and the Subsidiary Pledge and Security Agreement.

"PRO FORMA BASE CORE EBITDA" shall mean, for any period, with respect to any Subject Transaction, the total, without duplication, of (a) Base Core EBITDA for such period, PLUS (b) the EBITDA for such period of (i) any Person acquired by the Company and which becomes a Domestic Guarantor, or (ii) any Facility (determined as if such Facility was a separate Person) acquired by the Company or any Domestic Guarantor, in either such case as part of such Subject Transaction, MINUS (c) in the case of a contribution by the Company or any Domestic Guarantor of a Facility to a Permitted Joint Venture pursuant to Section 8.8(n), the portion of the Base Core EBITDA for such period attributable to the contributed Facility. In the case of a Subject Transaction involving the acquisition of a Person or a Facility that, as of the time of such acquisition has been in existence for less than 12-months, the EBITDA for such Person or Facility, as the case may be, for such period shall be deemed to be the product of (i) its actual EBITDA, and (2) the quotient, expressed as percentage, of the number of months in such period divided by the number of months for which such Person or Facility, as the case may be, has any EBITDA.

"PRO FORMA CORE EBITDA" shall mean, for any period, with respect to any Subject Transaction, the total, without duplication, of (a) Core EBITDA for such period, PLUS (b) the EBITDA for such period of (i) any Person which is acquired by the Company and becomes a Wholly-Owned Restricted Subsidiary of the Company, or (ii) any Facility (determined as if such Facility was a separate Person) acquired by the Company or any of its Wholly-Owned Restricted Subsidiaries, in either such case as part of such Subject Transaction, MINUS (c) in the case of a contribution by the Company or any of its Wholly-Owned Subsidiaries of a Facility to a Permitted Joint Venture pursuant to Section 8.8(n), the product of (i) the portion of the Core EBITDA for such period attributable to the contributed Facility, and (ii) the excess of 100% over the Company's and its Wholly-Owned Restricted Subsidiaries aggregate percentage ownership interest in such Permitted Joint Venture after giving effect to such contribution. In
the case of a Subject Transaction involving the acquisition of a Person or a Facility that, as of the time of such acquisition has been in existence for less than 12-months, the EBITDA for such Person or Facility, as the case may be, for such period shall be deemed to be the product of (1) its actual EBITDA, and (2) the quotient, expressed as a percentage, of the number of months in such period divided by the number of months for which such Person or Facility, as the case may be, has any EBITDA.

"PRO FORMA INTEREST CHARGES" shall mean, as of any date of determination, the sum, without duplication, for the Company and its Restricted Subsidiaries, on a consolidated basis, of (a) the amount actually scheduled to be paid during the period of 12 months next succeeding such date in respect of interest charges (including amortization of debt discount and expense (except as excluded below) and imputed interest attributable to capitalized leases in accordance with GAAP and assuming, in the case of fluctuating interest rates which cannot be determined in advance, that the rate in effect on such date will remain in effect throughout such period) on all Funded Debt outstanding on such date of determination, (b) the aggregate interest charges on all Short-Term Borrowing for the most recently completed period of 12 months (other than any such interest charges on Short-Term Borrowings refinanced during such period with Funded Debt), and (c) the greater of (i) the aggregate interest charges for the most recently completed period of 12 months on Indebtedness that may (assuming all conditions to reborrowing thereof are satisfied and there is no termination date therefor) be repaid and reborrowed pursuant to the terms of a revolving credit or similar agreement (other than any such interest charges on Indebtedness that has been refinanced during such period with Funded Debt or interest charges on the Existing Loans prior to the Closing Date to the extent such Existing Loans are repaid on the Closing Date), and (ii) the aggregate scheduled interest charges that would be payable during the period of 12 months next succeeding such date in respect of Indebtedness described in the preceding clause (i), assuming, for such purpose, that the principal amount of such Indebtedness that would be outstanding during such period is equal to the principal amount of such Indebtedness outstanding on such date; but excluding, however, any amounts referred to in Section 3.1 payable to the Agent and the Lenders on or before the Closing Date, debt discount or premium, if any, on the Senior Subordinated Notes and commissions, underwriting discounts and other transaction fees and charges relating to the initial issuance of any Permitted Subordinated Indebtedness, and amortization of any such debt discount or premium, if any, on the Senior Subordinated Notes and such commissions, underwriting discounts and other transaction fees and charges, all as determined in conformity with GAAP.

"REGULATION D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"REPLACED LENDER" shall have the meaning provided in Section 1.15.

"REPLACEMENT LENDER" shall have the meaning provided in Section 1.15.

"REPORT PERIOD" shall have the meaning provided in Section 7.1(e).

"REPORTABLE EVENT" has the meaning set forth in Section 4043(b) of ERISA (other than a Reportable Event as to which the provision of 30 days notice to the PBGC is waived under applicable regulations), or is the occurrence of the events described in Section 4068(f) or 4063(a) of ERISA.

"REQUIRED LENDERS" shall mean Non-Defaulting Lenders holding 51% or more of the sum of the outstanding principal amount of Loans of all Non-Defaulting Lenders, or if no such Loans are outstanding, Non-Defaulting Lenders holding 51% or more of the Adjusted Total Revolving Loan Commit-
Credit Outstandings, the aggregate amount of Swingline Borrowings outstanding (without duplication of Revolving Loans made with respect thereto pursuant to Section 1.4) and the Subsidiary Credit Extensions, and (ii) a Non-Defaulting Lender is deemed to hold all outstanding Loans and Subsidiary Loans funded by it, its Adjusted Percentage of Letter of Credit Outstandings, its Adjusted Percentage (as defined in the Subsidiary Credit Agreement) of Subsidiary Letter of Credit Outstandings and its Adjusted Percentage of Swingline Borrowings outstanding.

"RESTRICTED COMMITMENT AMOUNT" shall mean $100,000,000, as such amount may be reduced from time to time pursuant to this Agreement.

"RESTRICTED PAYMENT" shall have the meaning provided in Section 8.3.

"RESTRICTED SUBSIDIARIES" shall mean each Subsidiary of the Company that is not an Unrestricted Subsidiary.

"RETIRED NET PROCEEDS" shall have the meaning provided in Section 4.2(c).

"REVOLVING LOAN COMMITMENT" shall mean, at any time for any Lender, the amount set forth opposite such Lender's name on Annex I hereto under the heading "Revolving Loan Commitment," as such amount may be reduced from time to time pursuant to the terms of this Agreement.

"REVOLVING LOAN PERCENTAGE" of any Lender at any time shall mean a fraction (expressed as a percentage) the numerator of which is the Revolving Loan Commitment of such Lender at such time and the denominator of which is the Total Revolving Loan Commitment at such time; PROVIDED that if the Percentage of any Lender is to be determined after the Total Revolving Loan Commitment has been terminated, then the Percentages of the Lenders shall be determined immediately prior (and without giving effect) to such termination.

"REVOLVING LOAN SWINGLINE SUBCOMMITMENT" shall mean, at any time, the lesser of (a) $10,000,000, and (b) the then Total Adjusted Revolving Loan Commitment.

"REVOLVING LOANS" shall have the meaning provided in Section 1.1(b).

"REVOLVING NOTES" shall have the meaning provided in 1.5(a).

"RIGHTS PLAN" shall mean the Rights Agreement dated as of July 21, 1992 between the Company and First Union Bank of North Carolina, as Rights Agent (as defined therein).

"SALE/LEASEBACK TRANSACTION" means an arrangement with any bank, insurance company or other lender or investor or to which any such lender or investor is a party, providing for the leasing by the Company or a Restricted Subsidiary of the Company of any property, whether now owned or hereafter acquired, which has been or is to be sold or transferred by the Company or any Restricted Subsidiary of the Company to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such property; PROVIDED that Sale/Leaseback Transactions shall not include sale/leaseback transactions that are between (a) the Company and any Domestic Guarantor, (b) any Domestic Guarantor and another Domestic Guarantor, or (c) any Foreign Restricted Subsidiary and another Foreign Restricted Subsidiary.

"SEC" shall have the meaning provided in Section 7.1(g).

"SECURITIES REFINANCING" shall have the meaning provided in the second "Whereas" clause to this Agreement.

"SECURITY DOCUMENTS" shall mean the Stock and Notes Pledges, the Pledge and Security Agreements, the Collateral Accounts Assignment Agreement, the Subsidiary Collateral Accounts Assignment Agreement (as defined in the Subsidiary Credit Agreement) and the Mortgages.
"SENIOR SUBORDINATED NOTES" shall mean the $375,000,000 aggregate principal amount of 11-1/4% Senior Subordinated Notes Due 2004 issued by the Company pursuant to the Senior Subordinated Notes Indenture, and shall include, without limitation, the Unrestricted Securities (as defined in the Senior Subordinated Notes Indenture).

"SENIOR SUBORDINATED NOTES INDENTURE" shall mean the Indenture dated as of the Closing Date among the Company, the Subsidiaries of the Company named therein and Marine Midland Bank, as trustee, pursuant to which the Senior Subordinated Notes were issued, as the same may hereafter be amended, supplemented or otherwise modified in accordance with the terms hereof and thereof.

"SHORT-TERM BORROWING" shall mean, as applied to the Company and its Restricted Subsidiaries, all Indebtedness (other than Indebtedness that may be repaid and reborrowed under the terms of any revolving credit or similar agreement) of such Persons, on a consolidated basis, for borrowed money which by its terms or by the terms of any instrument or agreement relating thereto matures on demand or within one year from the date of the creation thereof and is not directly or indirectly renewable or extendible at the option of the debtor to a date more than one year from the date of the creation thereof.

"SIGNIFICANT SUBSIDIARY" shall mean any Subsidiary of the Company which has total assets in excess of $500,000 or which holds capital stock or other equity interests of a Subsidiary of the Company which has total assets in excess of $500,000.

"STOCK AND NOTES PLEDGES" means, collectively, the Company Stock and Notes Pledge and the Subsidiary Stock and Notes Pledges.

"SUBJECT TRANSACTIONS" shall mean, collectively, (a) any contribution of a Facility to a Permitted Joint Venture pursuant to Section 8.8(n), (b) any incurrence of any Permitted Subordinated Indebtedness (other than the Senior Subordinated Notes), (c) any incurrence of Indebtedness pursuant to Section 8.7(g), (d) any Facility Acquisition, and (e) any Investment pursuant to Section 8.8(o) or (r).

"SUBORDINATED DEBT DOCUMENTS" shall mean the Senior Subordinated Notes, the Senior Subordinated Notes Indenture and all other securities, instruments, agreements and other documents from time to time evidencing, guaranteeing, setting forth the terms of or providing for the issuance or sale by, or advance to, the Company of the Senior Subordinated Notes or any other Permitted Subordinated Indebtedness.

"SUBSIDIARY" shall mean, with respect to any Person, any corporation, association or other business entity a majority (by number of votes) of the stock of any class or classes (or equivalent interests) of which is at the time directly or indirectly owned by such Person, if the holders of the stock of such class or classes (or equivalent interests) (a) are ordinarily, in the absence of contingencies, entitled to vote for the election of a majority of the directors (or persons performing similar functions) of such business entity, even though the right so to vote has been suspended by the happening of such a contingency, or (b) are at the time entitled, as such holders, to vote for the election of a majority of the directors (or persons performing similar functions) of such business entity, whether or not the right so to vote exists by reason of the happening of a contingency.

"SUBSIDIARY BORROWER" shall mean a "Borrower" under and as defined in the Subsidiary Credit Agreement.

"SUBSIDIARY BORROWING" shall mean a "Borrowing" under and as defined in the Subsidiary Credit Agreement.

"SUBSIDIARY CREDIT AGREEMENT" shall mean the Second Amended and Restated Subsidiary Credit Agreement, substantially in the form of Exhibit I hereto, entered into between the Lenders and certain of the Domestic Guarantors,
as such agreement may be amended, restated, supplemented or otherwise modified from time to time.

"SUBSIDIARY CREDIT DOCUMENTS" shall have the meaning provided in the Subsidiary Credit Agreement.

"SUBSIDIARY CREDIT EXTENSIONS" shall mean, at any time, with respect to any Lender, the sum of (a) the then aggregate outstanding principal amount of Subsidiary Loans made by such Lender, and (b) the product of such Lender's Adjusted Percentage (as defined in the Subsidiary Credit Agreement) and the Subsidiary Letter of Credit Outstandings at such time.

"SUBSIDIARY GUARANTY" shall have the meaning provided in Section 5.1(b).

"SUBSIDIARY INCREASED COMMITMENT NOTE" shall have the meaning provided in the Subsidiary Credit Agreement.

"SUBSIDIARY LETTER OF CREDIT OUTSTANDINGS" shall have the meaning provided for such term in the Subsidiary Credit Agreement.

"SUBSIDIARY LOANS" shall mean the loans made by the Lenders under the Subsidiary Credit Agreement.

"SUBSIDIARY NOTES" shall have the meaning provided in Section 5.1(g).

"SUBSIDIARY OBLIGATIONS" shall mean all amounts owing to the Agent, the Co-Agent, the Collateral Agent or any Lender pursuant to the terms of the Subsidiary Credit Documents.

"SUBSIDIARY PLEDGE AND SECURITY AGREEMENT" shall mean the Second Amended and Restated Subsidiary Pledge and Security Agreement referred to in Section 5.1(d), as such agreement may be amended, supplemented or otherwise modified from time to time and shall include any other Subsidiary Pledge and Security Agreement executed and delivered from time to time after the Closing Date by any Significant Subsidiary to the Collateral Agent to the extent required by Section 7.11.

"SUBSIDIARY STOCK AND NOTES PLEDGE" shall mean the Second Amended and Restated Subsidiary Stock and Notes Pledge referred to in Section 5.1(c), as such agreement may be amended, supplemented or otherwise modified from time to time and shall include any other Subsidiary Stock and Notes Pledge executed and delivered from time to time after the Closing Date by any Significant Subsidiary to the Collateral Agent to the extent required by Section 7.11.

"SWINGLINE BORROWING" shall have the meaning provided in Section 1.3(a)(ii).

"SWINGLINE NOTE" shall have the meaning provided in Section 1.5(a).


"TAX SHARING AGREEMENT" shall have the meaning provided in Section 7.8, as such agreement may be amended, supplemented or otherwise modified from time to time in accordance with the terms of Section 8.11 hereof.

"TAXES" shall mean any present or future taxes, including any change in the basis of taxation (except a change in the rate of overall net income), levies, imposts, duties, fees, assessments, deductions, withholdings or other charges of whatever nature, including, without limitation, income, gross receipts, excise, property, sales, transfer, license, payroll, withholding, social security and franchise taxes now or hereafter imposed or levied by the
United States, or any state, local or foreign government or by any department, agency or other political subdivision or taxing authority thereof or therein and all interest, penalties, additions to tax or similar liabilities with respect thereto.

"TERMINATION EVENT" means (i) a Reportable Event, or (ii) the initiation of any action by the Company, any member of the Company's ERISA Controlled Group or any ERISA Plan fiduciary to terminate an ERISA Plan or the treatment of an amendment to an ERISA Plan as a termination under ERISA, or (iii) the institution of proceedings by the PBGC under Section 4042 of ERISA to terminate an ERISA Plan or to appoint a trustee to administer any ERISA Plan.

"TEST DATE" shall mean, with respect to any date, (a) if such date is a day of a month that occurs prior to the day on which the monthly financial statements for the immediately preceding month required by Section 7.1(a) should have been delivered pursuant to such Section, the first day of the immediately preceding month, and (b) in all other cases, the first day of the month in which such date occurs.

"TOTAL INTEREST EXPENSE" means, for any Person and its specified Subsidiaries, for any period, total interest expense (including, without limitation, amortization of debt discount and expense and imputed interest expense attributable to capitalized leases in accordance with GAAP) of such Person and such specified Subsidiaries on a consolidated basis, but excluding, however, any amounts referred to in Section 3.1 payable to the Agent and the Lenders on or before the Closing Date, debt discount or premium, if any, on the Senior Subordinated Notes and commissions, underwriting discounts and other transaction fees and charges relating to the initial issuance of any permitted Indebtedness, and amortization of any such debt discount or premium, if any, on the Senior Subordinated Notes and such commissions, underwriting discounts and other transaction fees and charges, all as determined in conformity with GAAP.

"TOTAL REVOLVING LOAN COMMITMENT" shall mean, at any time, the sum of the Revolving Loan Commitments of each of the Lenders at such time.

"TRANSACTIONS" shall mean the transactions contemplated by the Transaction Documents, including, without limitation, the Securities Refinancing, the NME Acquisition, the Debt Refinancing, the Existing Company Credit Agreement Restructuring, the Existing Subsidiary Credit Agreement Restructuring and the making of the Loans.

"TRANSACTION DOCUMENTS" shall mean, collectively, the Credit Documents, the Subsidiary Credit Documents, the Master Transfer Supplement, the Increased Commitment Note, the Subsidiary Increased Commitment Note, the NME Purchase Agreement, the Subordinated Debt Documents pertaining to the Senior Subordinated Notes, the Defeasance Agreement and all other similar agreements, instruments, certificates, and other documents executed, issued or delivered pursuant to or in connection with any of the foregoing. Each reference in this Agreement or any of the other Credit Documents to any of the foregoing Transaction Documents shall be to such Transaction Document as in effect on the Closing Date, and as the same may thereafter be amended, supplemented or otherwise modified in accordance with Section 8.11.

"TRANSFER SUPPLEMENT" shall have the meaning provided in Section 12.4(e).

"TRUST" means the trust established pursuant to the Trust Agreement.

"TRUST AGREEMENT" means the Charter Medical Corporation Employee Stock Ownership Trust Agreement between the Company and the ESOP Trustee.
"TYPE" shall mean any type of Loan determined with respect to the interest option applicable thereto, i.e., whether a Base Rate Loan or Eurodollar Loan.

"UNFUNDED ACCRUED BENEFITS" means with respect to any Plan at any time, the amount (if any) by which (i) the present value of benefit liabilities as defined in Section 4001(a)(16) of ERISA, together with any subsidized or ancillary benefits under such Plan (whether or not vested), exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan (on the basis of assumptions prescribed by the PBGC for the purpose of Section 4044 of ERISA).

"UNRESTRICTED REVOLVING LOAN COMMITMENT" shall mean, for any Lender, at any time, an amount equal to (a) the Revolving Loan Commitment of such Lender at such time, MINUS (b) the product of the then Restricted Commitment Amount, if any, and such Lender's Revolving Loan Percentage.

"UNRESTRICTED SUBSIDIARY" shall mean, collectively: (a) each of the Clinical Services Unit and the MIS Unit; (b) Strategic Advantage, Inc.; (c) each Subsidiary of the Company created or acquired after the Closing Date that is designated as an Unrestricted Subsidiary by the Company to the Agent in writing within 90 days after the creation or acquisition thereof; and (d) each other Subsidiary of the Company that is designated as such by the Company with the prior written approval of the Required Lenders; PROVIDED that in no event shall any Subsidiary of the Company be an Unrestricted Subsidiary if such Subsidiary (i) has a 5% or more equity interest in a Restricted Subsidiary, or (ii) constitutes a "Restricted Subsidiary" (or the equivalent thereof) under any Subordinated Debt Document.

"VARIABLE RATE NOTES" shall mean the tax exempt variable rate demand notes or bonds issued by industrial revenue or development authorities or municipalities on behalf of the Company or any of its Subsidiaries and identified as such on Schedule 8.7(e) hereto, or as otherwise permitted by Section 8.7(e) or 8.7(g), all of which notes and bonds, except as otherwise set forth on Schedule 8.7(e) hereto, are directly or indirectly supported by the Subsidiary Letters of Credit.

"WHOLLY-OWNED RESTRICTED SUBSIDIARY" shall mean each Restricted Subsidiary to the extent 95% or more (on a fully diluted basis) of the outstanding shares of each class of capital stock thereof is directly or indirectly owned by the Company or another Wholly-Owned Restricted Subsidiary.

"WORKING CAPITAL" means, at any time, Current Assets MINUS Current Liabilities.

Section 11. AGENCY PROVISIONS

11.1 APPOINTMENTS. The Lenders hereby ratify and confirm that, notwithstanding the consummation of the Existing Company Credit Agreement Restructuring, the Existing Subsidiary Credit Agreement Restructuring and the termination of the non-appointment provisions of the existing Intercreditor Agreement pursuant to Section 12.21, BTCo shall continue to act as Collateral Agent (the "Collateral Agent") under the Security Documents for the benefit of the agents and the lenders (including, without limitation, the banks and other financial institutions issuing Letters of Credit and Subsidiary Letters of Credit) from time to time under this Agreement and the Subsidiary Credit Agreement, and hereby authorize and ratify the authority of BTCo to act, in such capacity, as specified herein and in the Security Documents. The Lenders hereby designate BTCo as Agent (for purposes of this Section 11, the term "Agent" shall include BTCo in its capacity as Collateral Agent) to act as specified herein and in the other Credit Documents. The Lenders hereby designate First Union National Bank of North Carolina as Co-Agent (the "Co-Agent") to act as specified herein. Each Lender hereby irrevocably authorizes, and each holder of any Note by the acceptance of such
Note shall be deemed irrevocably to authorize, the Agent and the Co-Agent to
take such action on its behalf under the provisions of this Agreement, the other
Credit Documents and any other instruments and agreements referred to herein or
therein and to exercise such powers and to perform such duties hereunder and
thereunder as are specifically delegated to or required of the Agent and the Co-
Agent by the terms hereof and thereof and such other powers as are reasonably
incidental thereto. The Agent or the Co-Agent may perform any of its duties
hereunder by or through its agents or employees.

11.2 NATURE OF DUTIES. (a) Neither the Agent nor the Co-Agent shall
have any duties or responsibilities except those expressly set forth in this
Agreement and in the other Credit Documents. Neither the Agent, the Co-Agent
nor any of its officers, directors, employees or agents shall be liable to the
Lenders for any action taken or omitted by them as such hereunder or under any
other Credit Document or in connection herewith or therewith, unless caused by
their gross negligence or willful misconduct. The duties of the Agent and the
Co-Agent shall be mechanical and administrative in nature; neither the Agent nor
the Co-Agent shall have by reason of this Agreement or any Credit Document a
fiduciary relationship in respect of any Lender; and nothing in this Agreement
or any Credit Document, expressed or implied, is intended to or

shall be so construed as to impose upon the Agent or the Co-Agent any
obligations in respect of this Agreement or any Credit Document except as
expressly set forth herein.

(b) The Agent shall not be under any duty to give the Collateral held
by it under the Security Documents any greater degree of care than that given to
its own similar property and shall have no duty to take any affirmative steps
with respect to the collection of amounts payable with respect to the Collateral
and shall not be required to invest any Cash held as Collateral except as
directed hereunder or under the Security Documents. Uninvested funds held as
Collateral shall not earn or accrue interest. The Agent shall have no duty to
see to or give notice with respect to any required filing, registration,
recording, refiling, reregistration or rerecording in respect of any of the
Security Documents or the Collateral or to the payment of any fees, charges or
taxes in connection therewith.

11.3 LACK OF RELIANCE ON THE AGENT AND CO-AGENT. Independently and
without reliance upon the Agent or the Co-Agent, each Lender, to the extent it
deems appropriate, has made and shall continue to make (i) its own independent
investigation of the financial condition and affairs of the Company and its
Subsidiaries in connection with the making and the continuance of the Loans
hereunder and the taking or not taking of any action in connection herewith, and
(ii) its own appraisal of the creditworthiness of the Company and its
Subsidiaries, and, except as expressly provided in this Agreement or in any
other Credit Document, neither the Agent nor the Co-Agent shall have any duty or
responsibility, either initially or on a continuing basis, to provide any Lender
with any credit or other information with respect thereto, whether coming into
its possession before the making of the Loans, or at any time or time
thereafter. Neither the Agent nor the Co-Agent shall be responsible to any
Lender for any recitals, statements, information, representations or warranties
herein or in any other Credit Document or in any document, certificate or other
writing delivered in connection herewith or therewith or for the execution,
effectiveness, genuineness, validity, enforceability,

perfection, collectibility, priority or sufficiency of this Agreement or any
other Credit Document or the financial condition of the Company and its
Subsidiaries or any other Person or be required to make any inquiry concerning
either the performance or observance of any of the terms, provisions or
conditions of this Agreement or any other Credit Document, or the financial
condition of the Company, its Subsidiaries or any other Person or the existence
or possible existence of any Default or Event of Default.

11.4 ENFORCEMENT OF SECURITY DOCUMENTS. After the Agent has received
written notice from the Required Lenders that an Event of Default has occurred
and is continuing, the Agent shall, subject to the terms of the Security Documents, take such steps with respect to collection or enforcement of any Security Document and the Collateral (or any portion thereof), including without limitation any action to foreclose upon any Collateral, as may be instructed in writing by the Required Lenders; PROVIDED that in no event shall the Agent be required, and in all cases it shall be fully justified in failing or refusing, to take any action under or pursuant to any Security Document which, in the reasonable opinion of the Agent, (a) would be contrary to the terms of any Security Document or would subject it or its officers, employees or directors to liability, unless and until the Agent shall be indemnified or tendered security to its satisfaction by the Lenders against any and all loss, cost, expense or liability in connection therewith, or (b) would be contrary to law, in each case anything herein or elsewhere contained to the contrary notwithstanding. Except as expressly provided in this Section 11.4, the Agent shall not be required to take steps toward the collection of any amounts becoming payable upon any Collateral, or to take any action towards enforcing any Security Document or to institute, appear in or defend any action, suit or other proceeding in connection therewith.

11.5 CERTAIN RIGHTS OF THE AGENT AND CO-AGENT. (a) If the Agent or the Co-Agent shall request instructions from the Required Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Credit Document, the Agent or the Co-Agent shall be entitled to refrain from such act or taking such action unless and until the Agent or the Co-Agent shall have received instructions from the Required Lenders; and neither the Agent nor the Co-Agent shall incur liability to any Person by reason of so refraining. The Agent and the Co-Agent shall be fully justified in failing or refusing to take any action hereunder or under any Credit Document (i) if such action would, in the opinion of the Agent or the Co-Agent, as the case may be, be contrary to law or the terms of this Agreement or the Credit Documents, (ii) if it shall not receive such advice or concurrence of the Required Lenders as it deems appropriate, or (iii) if it shall not first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Agent or the Co-Agent (absent such Person's gross negligence or willful misconduct) as a result of it acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Lenders.

(b) Notwithstanding the immediately preceding paragraph of this Section 11.5, no provision of any Credit Document shall require the Agent or the Co-Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or under any Credit Document, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Agent and the Co-Agent may consult with and is continuing, the Agent shall, subject to the terms of the Security Documents, take such steps with respect to collection or enforcement of any Security Document and the Collateral (or any portion thereof), including without limitation any action to foreclose upon any Collateral, as may be instructed in writing by the Required Lenders; PROVIDED that in no event shall the Agent be required, and in all cases it shall be fully justified in failing or refusing, to take any action under or pursuant to any Security Document which, in the reasonable opinion of the Agent, (a) would be contrary to the terms of any Security Document or would subject it or its officers, employees or directors to liability, unless and until the Agent shall be indemnified or tendered security to its satisfaction by the Lenders against any and all loss, cost, expense or liability in connection therewith, or (b) would be contrary to law, in each case anything herein or elsewhere contained to the contrary notwithstanding. Except as expressly provided in this Section 11.4, the Agent shall not be required to take steps toward the collection of any amounts becoming payable upon any Collateral, or to take any action towards enforcing any Security Document or to institute, appear in or defend any action, suit or other proceeding in connection therewith.

11.5 CERTAIN RIGHTS OF THE AGENT AND CO-AGENT. (a) If the Agent or the Co-Agent shall request instructions from the Required Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Credit Document, the Agent or the Co-Agent shall be entitled to refrain from such act or taking such action unless and until the Agent or the Co-Agent shall have received instructions from the Required Lenders; and neither the Agent nor the Co-Agent shall incur liability to any Person by reason of so refraining. The Agent and the Co-Agent shall be fully justified in failing or refusing to take any action hereunder or under any Credit Document (i) if such action would, in the opinion of the Agent or the Co-Agent, as the case may be, be contrary to law or the terms of this Agreement or the Credit Documents, (ii) if it shall not receive such advice or concurrence of the Required Lenders as it deems appropriate, or (iii) if it shall not first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Agent or the Co-Agent (absent such Person's gross negligence or willful misconduct) as a result of it acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Lenders.

(b) Notwithstanding the immediately preceding paragraph of this Section 11.5, no provision of any Credit Document shall require the Agent or the Co-Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or under any Credit Document, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Agent and the Co-Agent may at any time request written instructions from the Lenders with respect to the interpretation of any Credit Document or in respect of any action to be taken or not taken hereunder or thereunder.

11.6 RELIANCE. The Agent and the Co-Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radio-
counsel satisfactory to it (including counsel for the Company), independent public accountants and other experts selected by it and the advice of such counsel, accountants or experts shall be full and complete authorization and protection in respect of, and neither the Agent nor the Co-Agent shall be liable for any action taken or omitted or suffered by it in accordance with, such advice. Whenever in connection with the performance of its duties and responsibilities under the Credit Documents the Agent or the Co-Agent shall deem it necessary or desirable that a matter be proved or established in connection with the taking, suffering or omitting of any action hereunder or under any Credit Document by the Agent or the Co-Agent, such matter (unless other evidence in respect thereof is specifically prescribed herein or in the relevant Credit Document) may be deemed to be conclusively proved or established by a certificate of an officer of the appropriate party, and such certificate shall be full warranty to the Agent and the Co-Agent for any action taken, suffered or omitted in reliance thereon.

11.7 INDEMNIFICATION. To the extent the Agent or the Co-Agent is not reimbursed and indemnified by or on behalf of the Company, the Lenders will reimburse and indemnify the Agent and the Co-Agent, in proportion to their respective initial Revolving Loan Commitments, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including counsel fees and expenses) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent or the Co-Agent in performing its duties hereunder or under any other Credit Document or in any way relating to or arising out of this Agreement or any other Credit Document; PROVIDED that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, finally determined by a court of competent jurisdiction and not subject to any appeal to be resulting from the Agent's or the Co-Agent's, as the case may be, gross negligence or willful misconduct.

11.8 THE AGENT AND CO-AGENT IN THEIR INDIVIDUAL CAPACITIES. With respect to its obligations to make Loans under this Agreement, and with respect to the Loans made by it and the Notes issued to it, the Agent and the Co-Agent shall have the same rights and powers as any other Lender or holder of a Note and may exercise the same as though it were not performing the duties specified herein; and the term "Lenders," "Required Lenders," "holders of Notes," or any similar terms shall, unless the context clearly otherwise indicates, include the Agent and the Co-Agent in their respective individual capacities. The Agent and the Co-Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust, financial advisory or other business with the Company or any of its Subsidiaries or any Affiliate of the Company or any of its Subsidiaries as if it were not performing the duties specified herein, and may accept fees and other consideration from the Company for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

11.9 HOLDERS. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Agent. Any request, authority or consent of any Person or entity who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee, assignee or endorsee, as the case may be, of such Note or of any Note(s) issued in exchange therefor.

11.10 SUCCESSOR AGENTS. (a) The Agent may resign from the performance of all its functions and duties hereunder and/or under the other Credit Documents at any time by giving five Business Days' prior written notice to the Company, the Co-Agent and the Lenders or may be removed, with or without cause, by the Required Lenders, and, so long as no Event of Default has occurred and is continuing, with the consent (which consent shall not be unreasonably
withheld) of the Company, at any time by giving five Business Days' prior
written notice to the Company, the Co-Agent and the Agent. Such resignation or
removal, as the case may be, shall take effect upon the appointment of a
successor Agent pursuant to clauses (b) and (c) below or as otherwise provided
below. The Co-Agent may resign at any time by giving 30 days prior written
notice thereof to the Company, the Agent and the Lenders.

(b) Upon any such notice of resignation or removal (and, in the
case of removal, so long as no Event of Default has occurred and is continuing,
upon the consent of the Company), as the case may be, the Required Lenders
shall, so long as no Event of Default has occurred and is continuing, with the
consent of the Company (which consent shall not be unreasonably withheld),
appoint a successor Agent hereunder or thereunder who may be the Co-Agent or
shall be a commercial bank, trust company or other financial institution with a
combined capital and surplus in excess of $1,000,000,000.

(c) If a successor Agent shall not have been so appointed within
fifteen Business Days of the Agent's notice of resignation or the Required
Lenders' notice of removal (and, in the case of removal, upon the consent of the
Company), as the case may be, the Agent, by five Business Days' notice to the
Company and the Lenders, may then, on behalf of the Lenders, appoint a successor
Agent (which shall be a commercial bank, trust company or other financial
institution with a combined capital and surplus in excess of $1,000,000,000) who
shall serve as Agent hereunder or thereunder until such time, if any, as the
Required Lenders appoint a successor Agent as provided above.

(d) If no successor Agent has been appointed pursuant to clause
(b) or (c) above by the 30th Business Day after the date such notice of
resignation was given by the Agent or notice of removal was given by the
Required Lenders, as the case may be, the Agent's resignation or removal, as the
case may be, shall become effective and the Co-Agent and Lenders shall
thereafter perform all the duties of the Agent hereunder and/or under the other
Credit Documents until such time, if any, as the Required Lenders appoint a
successor Agent as provided above.

(e) Upon the acceptance of any appointment as Agent hereunder by
a successor Agent, such successor Agent shall thereupon succeed to and become
vested with all the rights, powers, privileges and duties of the retiring Agent,
and the retiring Agent shall be discharged from its duties and obligations under
this Agreement. After any retiring Agent's resignation or removal, as the case
may be, hereunder as Agent, the provisions of this Section 11 shall inure to its
benefit as to any actions taken or omitted to be taken by it while it was Agent
under this Agreement.

Section 12. MISCELLANEOUS.

12.1 PAYMENT OF EXPENSES, ETC. The Company shall: (i) (A) whether
or not the transactions hereby contemplated are consummated, pay all reasonable
out-of-pocket costs and expenses of the Agent actually incurred in connection
with the administration (both before and after the execution hereof and
including advice of counsel as to the rights and duties of the Agent, the Co-
Agent and the Lenders with respect thereto) of, and in connection with the
preparation, execution and delivery of, the Credit Documents and the documents
and instruments referred to therein (including, without limitation, the
reasonable fees and disbursements of Skadden, Arps, Slate, Meagher & Flom) and
(B) pay all reasonable out-of-pocket costs and expenses of the Agent and each
Lender actually incurred in connection with the preservation of rights under,
enforcement of, and, after an Event of Default, the refinancing, renegotiation
or restructuring of the Credit Documents and the documents and instruments
referred to therein and any amendment, waiver or consent relating thereto
(including, without limitation, the reasonable fees and disbursements of counsel
for the Agent and the Lenders); (ii) pay

and hold each of the Lenders harmless from and against any and all present and
future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder (without duplication of Section 4.5) or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any of the other Credit Documents and save each Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission by the Company or any of its Subsidiaries to pay any such taxes, charges or levies; and (iii) indemnify the Agent, the Co-Agent and each Lender, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all costs, losses, liabilities, claims, damages or expenses actually incurred by any of them (whether or not any of them is designated a party thereto) arising out of or by reason of any investigation, litigation or other proceeding related to any actual or proposed use by the Company or any Subsidiary of the Company of the proceeds of any Loan or to any Credit Document or other Transaction Document or any Transaction or other transaction contemplated hereby or thereby, including, without limitation, the reasonable fees and disbursements of counsel actually incurred in connection with any such investigation, litigation or other proceeding. Notwithstanding anything in this Agreement to the contrary, the Company shall not be responsible to the Agent, the Co-Agent, the Lenders or any officer, director, employee, representative or agent of the foregoing (an "Indemnified Party") for any losses, damages, liabilities or expenses which result from such Indemnified Party's gross negligence or willful misconduct. It is understood that the Company shall not, in connection with any single action, suit, proceeding or claim or separate but substantially similar or related actions, suits, proceedings or claims, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at the same time for the Indemnified Parties (which firm shall be designated by the Agent) except that, if any Indemnified Party other than the Agent shall determine, in its sole discretion, that there may be a conflict in such firm representing the Agent and such Indemnified Party, then the Company shall be liable for the reasonable fees and expenses of an additional firm for such Indemnified Party whose interests may be in conflict. The Company's obligations under this Section 12.1 shall survive any termination of this Agreement or any other Credit Document.

12.2 RIGHT OF SETOFF. In addition to and not in limitation of all rights of offset that any Lender or other holder of a Note may have under applicable law, each Lender or other holder of a Note shall, subject to Section 1.13, upon the occurrence of any Event of Default and whether or not such Lender or such holder has made any demand or the Company's obligations are matured, have the right to appropriate and apply to the payment of the Obligations, all deposits (general or special, time or demand, provisional or final) then or thereafter held by and other indebtedness or property then or thereafter owing by such Lender or other holder, whether or not related to this Agreement or any transaction hereunder.

12.3 NOTICES. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telex or telecopier) and mailed, telexed, telecopied or delivered, if to any party, at its address specified opposite its signature below or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall, when mailed, telexed, telecopied, or sent by reputable overnight courier, be effective (i) when received or (ii) three Business Days after being deposited, postage prepaid, in the mails, the Business Day following delivery, freight prepaid, to an overnight courier or the same Business Day of transmission by telex or telecopier, whichever of (i) or (ii) shall be earlier, except that notices and communications to the Agent shall not be effective until received by the Agent.

12.4 BENEFIT OF AGREEMENT; LIMITATIONS ON RIGHTS OF OTHERS. (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns; PROVIDED that the Company may not assign or transfer any of
its interest or obligations hereunder without the prior written consent of the Lenders. Nothing in this Agreement (except for the proviso to the last sentence of Section 12.21), whether express or implied, shall be construed to give to any Person other than the Company, the Lenders, the Agent, the Co-Agent, the Collateral Agent and their respective successors and permitted assigns any legal or equitable right, remedy or claim under or in respect of this Agreement or any commitments, covenants, conditions or other provisions contained herein, and the same shall be for the sole and exclusive benefit of the Company, the Lenders, the Agent, the Co-Agent, the Collateral Agent and their respective successors and permitted assigns, as the case may be.

(b) Each Lender shall have the right at any time, upon the Agent's, each L/C Bank's and the Company's consent (which consents shall not be unreasonably withheld), to assign all or any part of its Loans, Notes, Revolving Loan Commitment or Letter of Credit Exposure to one or more Lenders or other commercial banks, insurance companies, savings and loan associations, savings banks or other financial institutions; PROVIDED that any assignment shall represent an aggregate principal amount of not less than $1,000,000 of Revolving Loan Commitments, Loans, Notes and Letter of Credit Exposure in the case of any such assignment to another Lender and not less than $5,000,000 in the case of any other such assignment; PROVIDED FURTHER, that if such assigning Lender has Loans and a Revolving Loan Commitment outstanding in an amount less than that required for any such assignment, such assignment may be made in the entire amount of such Loans and Revolving Loan Commitment; and, PROVIDED FURTHER, that the limitations on assignments and participations in this Section 12.4 and on participations in clause (c) below shall not, nor shall they be deemed to, apply to, limit or modify in any way, the obligations of each Lender to purchase assignments or participations, as the case may be, in each other's Loans, Notes, Letter of Credit Exposure and Revolving Loan Commitment pursuant to Section 1.13 and 2.4. In the case of any assignment of all or part of the Loans, the Notes, the Revolving Loan Commitments or Letter of Credit Exposure authorized under this Section 12.4(b), the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as it would if it were a Lender with respect to such Loans, Note, Revolving Loan Commitment, or Letter of Credit Exposure, including, without limitation, (x) the right to vote as a Lender, and (y) the obligation to fund Loans (including deemed Loans made for the purpose of reimbursing Swingline Borrowings) directly to the Agent pursuant to Section 1 or issue Letters of Credit or purchase participations therein pursuant to Section 2 and, provided the assignee thereunder has assumed such assigning Lender's obligations hereunder and provided the Agent shall have received the processing fee from the assignor Lender referred to in Section 12.4(f), such assigning Lender shall be relieved of its obligations hereunder to the extent of such assignment and assumption.

(c) Notwithstanding Section 12.4(b), each Lender may grant participations in all or any part of its Loans, Notes, Revolving Loan Commitment or Letter of Credit Exposure to one or more commercial banks, insurance companies, savings and loan associations, savings banks or other financial institutions, pension funds or mutual funds; PROVIDED that: (i) any such disposition shall not, without the consent of the Company, require the Company to file a registration statement with the SEC or under the blue sky law of any state; (ii) the holder of any such participation, other than an Affiliate of such Lender, shall not be entitled to require such Lender to take or omit to take any action hereunder except action directly affecting the extension of the final maturity of the principal amount of, or any payment date for interest on, a Loan allocated to such participation or the reduction in the principal amount of, or the rate of interest payable on, the Loans or postponing any date fixed for any payment in respect of principal of a Loan (including, without limitation, any date on which mandatory prepayments under Section 4.2 are due), allocated to such participation or the reduction in the principal amount of, or the rate of interest payable on, such Loan or any fee payable hereunder, (iii) such Lender shall require the holder of any such participation to agree in writing to comply with the provisions of Section 12.17; (iv) the Company shall not incur any addi-
tional costs or expenses solely as a result of such grant of a participation; and (v) the Lender selling such participation shall be able at any time such Lender is to be replaced pursuant to Section 1.15 to repurchase such participation. The Company hereby acknowledges and agrees that any such disposition will give rise to a direct obligation of the Company to the participant, and the participant shall be considered to be a "Lender" for purposes of, Sections 1.10, 1.11, 1.12, 1.13, 7.1 and 12.2, and shall be entitled to the benefits thereto to the extent that such Lender selling such participation would be entitled to such benefits if the participation had not been entered into or sold.

(d) Notwithstanding the foregoing provisions of this Section 12.4, (i) each Lender may, at any time sell, assign, transfer or negotiate all or any part of its Loans, Revolving Loan Commitment, Notes or Letter of Credit Exposure to any Affiliate of such Lender; PROVIDED that such Affiliate will not be treated as a "Lender" for purposes of Section 4.5 or 12.12 hereof (unless such assignment is made in accordance with Section 12.4(b)) but shall be treated as a "Lender" for purposes of Sections 1.10, 1.11, 1.12, 1.13, 7.1 and 12.2; PROVIDED FURTHER that the Company shall not incur any additional expenses as a result of such sale, assignment, transfer or negotiation; and (ii) no Lender may assign or grant a participation in its Revolving Loans, Letter of Credit Exposure or Revolving Loan Commitment unless it is assigning or granting a participation on a PRO RATA basis, in its Subsidiary Credit Extensions and such Lender's Commitment under and as defined in the Subsidiary Credit Agreement.

(e) For transfers effected by assignment of an interest in the Loans, Notes, Revolving Loan Commitments and Letter of Credit Exposure, the transferor and the transferee shall deliver to the Company and the Agent, a transfer supplement (a "Transfer Supplement") executed by an officer of each of the transferor and the transferee in the form of Exhibit K. Such Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such transferee as a Lender and the resulting adjustment of the Loans, the Notes, and the Revolving Loan Commitments or Letter of Credit Exposure arising from the purchase by such transferee (and such amendment shall not require the consent of any Person). Promptly after the consummation of any transfer to a transferee pursuant hereto, the Lender, the Agent and the Company shall make appropriate arrangements so that a replacement Note is issued to such Lender and a new Note is issued to such transferee, in each case in principal amounts reflecting such transfer.

(f) In the case of an assignment, concurrently with delivery of the Transfer Supplement, the assignor Lender shall deliver to the Agent, for the Agent's account, $3,500 as a processing fee; PROVIDED that in the case of an assignment by a Lender to another Lender such fee shall be $1,500.

(g) Notwithstanding any other provision set forth in this Agreement to the contrary, any Lender may at any time and from time to time pledge as collateral for advances, assign or endorse for discount, or otherwise transfer all or any portion of its rights under this Agreement and its Note to any Federal Reserve Bank pursuant to the Federal Reserve Act and related regulations of the Board of Governors of the Federal Reserve System (as such act or regulations are then or thereafter in effect or any successor act or regulations), as well as any applicable operating circular or other requirements of such Board of Governors or Federal Reserve Bank (as then or thereafter in effect). Any Federal Reserve Bank may at any time and from time to time subsequently transfer all or any portion of the rights acquired by such Lender pursuant to this subsection to any Person. No such pledge, assignment, endorsement or other transfer shall have the effect of releasing the Agent, any Lender or the Company from its respective obligations or conferring any obligations on the pledgee, assignee, endorsee or transferee, as the case may be, under this Agreement or the Note. The requirements of subsections (b), (c), (d), (e) and (f) of this Section 12.4 shall be deemed inapplicable to pledges, assignments, endorsements or other transfers permitted by this subsection.
(h) If, pursuant to this subsection, any interest in this Agreement or any Note is transferred to any assignee which is organized under the laws of any jurisdiction other than the United States or any state thereof, or the District of Columbia, the transferor Lender shall cause such assignee concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Agent and the Company) that it is either (A) entitled to the benefits of an income tax treaty with the United States which provides for an exemption from United States withholding tax on interest and other payments which may be made by the Company to such Lender pursuant to the terms of this Agreement or any other Credit Document; or (B) is engaged in the trade or business within the United States, (ii) to furnish to the transferor Lender, the Agent and the Company either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such assignee claims entitlement to complete exemption from U.S. federal withholding tax on all payments hereunder), and (iii) to agree (for the benefit of the transferor Lender, the Agent and the Company) to provide to the transferor Lender, the Agent and the Company a new Form 4224 or Form 1001 upon the obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such assignee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(i) Each Lender represents and warrants to the Company and the Agent that it is either (A) a United States person (as defined in Section 7701(a)(30) of the Code); (B) entitled to the benefits of an income tax treaty with the United States which provides for an exemption from United States withholding tax on interest and other payments which may be made by the Company to such Lender pursuant to the terms of this Agreement or any other Credit Document; or (C) engaged in trade or business within the United States. Each Lender that is organized under the laws of any jurisdiction other than the United States or any State thereof (including the District of Columbia) agrees to furnish to the Agent and the Company, prior to the date of the first interest payment hereunder, two copies of either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Lender claims entitlement to complete exemption from U.S. federal withholding tax on all payments hereunder) and to provide to the Agent and the Company a new Form 4224 or Form 1001 (or, if necessary, any successor forms) upon the obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such Lender, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemptions. Notwithstanding any other provisions of this Agreement, the representations, warranties and obligations of the Lenders set forth in Section 12.4(h) and this Section 12.4(i) shall survive the termination of the Lenders' Revolving Loan Commitment, the borrowing of the Loans and the assignment, sale, repayment or other disposition of the Loans or any interest therein.

(j) Except pursuant to an assignment, but only to the extent set forth in such assignment, no Lender shall, as between the Company and that Lender, be relieved of any of its obligations hereunder as a result of any sale, transfer or negotiation of, or granting of participations in, all or any part of the Revolving Loan Commitment, Loans, Notes or Letter of Credit Exposure of that Lender or other obligations owed to such Lender.

12.5 NO WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of the Agent, the Co-Agent, the Collateral Agent or any Lender or any holder of a Note in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Company and the Agent, the Co-Agent, the Collateral Agent or any Lender or the holder of any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not
exclusive of any rights or remedies which the Agent, the Co-Agent, the Collateral Agent or any Lender or the holder of any Note would otherwise have. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agent, the Co-Agent, the Collateral Agent, the Lenders or the holder of any Note to any other or further action in any circumstances without notice or demand.

12.6 PAYMENTS PRO RATA. (a) The Agent agrees that upon receipt of each payment from or on behalf of the Company in respect of any Obligations of the Company hereunder, it shall promptly thereafter (on the same day if such payment was received by the Agent prior to 11:00 A.M. (New York, New York time) or on the next Business Day if received thereafter) distribute funds in the form received relating to such payment to the Lenders PRO RATA based upon their respective shares, if any, of the Obligations with respect to which such payment was received after giving effect to the purchase of assignments and participations effected pursuant to Section 1.13 and 2.4 hereof.

(b) Each of the Lenders agrees, for the benefit of all other Lenders, that if, at any time following the acceleration of any of the Obligations, it should receive any amount payable under any Credit Document (including without limitation any voluntary payment, realization upon security, exercise of the right of setoff or banker's lien, counterclaim or cross action, enforcement of any right under the Credit Documents (including without limitation the Subsidiary Credit Agreement, or otherwise) which is applicable to the payment of any of the Obligations, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of the Obligations then owed and due to such Lender bears to the total of the Obligations then owed and due to all the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations of the Company and each Subsidiary Borrower, as the case may be, to such Lenders in such amount as shall result in a proportional participation by all of the Lenders in such amount; PROVIDED that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. Each of the Lenders hereby agrees that by accepting the benefits of Section 12.6(b) of the Subsidiary Credit Agreement it shall be bound by the terms of said Section.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 12.6(a) and (b) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders.

12.7 CALCULATIONS; COMPUTATIONS; RECORDS. (a) All financial statements to be furnished to the Lenders pursuant hereto shall be made and prepared in accordance with GAAP, except as otherwise provided herein. All accounting terms not specifically defined herein shall be construed in accordance with GAAP and all financial calculations to be made hereunder shall be made on the basis of and in accordance with GAAP (except as provided herein).

(b) All determinations of interest and Commitment Commission and other fees hereunder shall be made on the basis of the actual number of days elapsed (including the first day but excluding the last day) over a year of 360 days. Each such determination by the Agent of an interest rate or amount of Commitment Commission or other fee or amounts hereunder shall, except in the case of manifest error, be final, conclusive and binding for all purposes.

(c) If the Company is required by law or by order of a regulatory agency having jurisdiction over the Company to change its fiscal quarters or fiscal year, the parties hereto agree to enter into negotiations in
order to amend the financial covenants, standards or terms found in Sections 4, 7, 8 and 10 so as to equitably reflect such changes with the desired result that the criteria for evaluating the Company's financial condition shall be the same after such changes as if such changes had not been made.

(d) The Agent shall maintain records of all Borrowings and all payments received by the Agent in respect of Obligations; PROVIDED that the Agent shall not be liable in any manner to any Lender or the Company for any error or omissions in respect of such records.

12.8 GOVERNING LAW; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION. This Agreement and the other Credit Documents and the rights and obligations of the parties hereunder and thereunder shall be construed in accordance with and be governed by the law of the State of New York (without giving effect to the Conflict of Law Principles thereof). Any legal action or proceeding with respect to this Agreement, any other Credit Document or any document related thereto may be brought in the Courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, the Company hereby consents, for itself and in respect of its property, to the Jurisdiction of the Aforesaid Courts solely for the purpose of adjudicating its rights or the rights of the Agent, the Co-Agent and the Lenders with respect to this Agreement, any other Credit Document or any document related thereto. The Company hereby irrevocably designates CT Corporation System, located at 1633 Broadway, New York, New York 10019 as the Designee, Appointee and Agent of the Company to receive, for and on behalf of the Company, service of process in such Jurisdictions in any legal action or proceeding with respect to this Agreement, any other Credit Document, or any document related thereto and such service shall, to the extent permitted by applicable law, be deemed completed ten days after delivery thereof to said Agent. It is understood that a copy of such process served on such agent will be promptly forwarded by mail to the Company at its address set forth opposite its signature below, but the failure of the Company to receive such copy shall not, to the extent permitted by applicable law, affect in any way the service of such process. The Company hereby irrevocably waives, to the extent permitted by applicable law, any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any action or proceeding in such respective jurisdictions in respect of this Agreement, any other Credit Document or any document related thereto. Nothing herein shall affect the right of the Agent, the Co-Agent, any Lender or any Holder of a Note to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other jurisdiction.

12.9 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Company, the Co-Agent and the Agent.

12.10 EFFECTIVENESS; FUNDING OF MASTER TRANSFER SUPPLEMENT. This Agreement shall become effective on the later of (i) the date (the "Execution Date") on which each of the Company, the Subsidiary Borrowers, the Co-Agent, the Agent and each Lender shall have signed a counterpart of the Master Transfer Supplement and this Agreement, as applicable (whether the same or different counterparts), and shall have delivered the same to the Agent or, in the case of the Lenders, shall have given to the Agent telephonic (confirmed in writing), written or telex notice (actually received) that the same has been signed and mailed to it, and (ii) the date on which the conditions contained in Sections 5 and 12.10(b) are met to the satisfaction of the Agent and the Required Lenders. Unless the Agent has received actual notice from any Lender that the conditions contained in Section 5 have not been met to its satisfaction, then, upon the satisfaction of the condition described in clause (i) of the immediately
preceding sentence and upon the Agent's good faith determination that the conditions described in clause (ii) of the immediately preceding sentence have been met, the Existing Company Credit Agreement Restructuring and the amendment and restatement of the Existing Company Credit Agreement set forth herein shall have been deemed to have occurred, regardless of any subsequent determination that one or more of the conditions thereto had not been met (although the occurrence of the Existing Company Credit Agreement Restructuring and the amendment and restatement of the Existing Company Credit Agreement set forth herein shall not release the Company from any liability for failure to satisfy one or more of the applicable conditions contained in Section 5). The Agent will give the Company, the Co-Agent and each Lender prompt written notice of the occurrence of the consummation of the Existing Company Credit Agreement Restructuring.

(b) On the date specified in the initial Notice of Borrowing (under and as defined in the Subsidiary Credit Agreement) for the initial borrowing of Subsidiary Loans, each Lender shall have delivered to the Agent for the account of the Existing Lenders that are party to the Master Transfer Supplement, as transferors, an amount equal to (i) in the case of each New Lender, the amount of Subsidiary Loans to be purchased by such New Lender on such date pursuant to the Master Transfer Supplement and (ii) in the case of each Continuing Lender, the amount, if any, by which Existing Loans to be purchased by such Continuing Lender on such date pursuant to the Master Transfer Supplement exceed the amount of all of such Continuing Lender's Existing Loans outstanding on such date before giving effect to any of the Transactions. Notwithstanding anything to the contrary contained in this Section 12.10(b), in satisfying the foregoing condition, unless the Agent shall have been notified by any Lender prior to the occurrence of such date that such Lender does not intend to make available to the Agent such Lender's share of the purchase price for the Existing Loans and Existing Subsidiary Loans required to be paid by such Lender on such date pursuant to the Master Transfer Supplement, then the Agent may, in reliance on such assumption, make available to the Existing Lenders the corresponding amounts in accordance with the provisions of the Master Transfer Supplement, and the making available by the Agent of such amounts shall satisfy the condition contained in this Section 12.10(b).

12.11 HEADINGS DESCRIPTIVE. The headings of the several sections and subsections of this Agreement and the Table of Contents are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

12.12 AMENDMENT OR WAIVER. (a) No amendment or waiver of any provision of this Agreement or the other Credit Documents, nor consent to any event by the Company or any of its Subsidiaries therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED that no amendment, waiver or consent shall, unless in writing and signed by all the Non-Defaulting Lenders, do any of the following: (i) waive any of the conditions specified in Section 5, (ii) increase the Revolving Loan Commitments by such New Lender on such date pursuant to the Master Transfer Supplement and (iii) in the case of each Continuing Lender, the amount, if any, by which Existing Loans to be purchased by such Continuing Lender on such date pursuant to the Master Transfer Supplement exceed the amount of all of such Continuing Lender's Existing Loans outstanding on such date before giving effect to any of the Transactions. Notwithstanding anything to the contrary contained in this Section 12.10(b), in satisfying the foregoing condition, unless the Agent shall have been notified by any Lender prior to the occurrence of such date that such Lender does not intend to make available to the Agent such Lender's share of the purchase price for the Existing Loans and Existing Subsidiary Loans required to be paid by such Lender on such date pursuant to the Master Transfer Supplement, then the Agent may, in reliance on such assumption, make available to the Existing Lenders the corresponding amounts in accordance with the provisions of the Master Transfer Supplement, and the making available by the Agent of such amounts shall satisfy the condition contained in this Section 12.10(b).
under the Subsidiary Guaranty or release all or substantially all of the Collateral under the Security Documents; PROVIDED FURTHER that, notwithstanding the foregoing, any Lender may agree to reduce or postpone the due date of any amounts (other than principal of, and interest on, Loans

and Commitment Commissions and other fees) payable to it hereunder by the Company; and, PROVIDED FURTHER, that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required hereinabove to take such action, affect the rights or duties of the Agent under this Agreement or any Credit Document. For purposes hereof, “Loans”, shall include, without duplication, the Letter of Credit Outstandings and outstanding Swingline Borrowings.

(b) Each Lender, the Agent and the Co-Agent hereby authorizes the Collateral Agent to (i) release any Restricted Subsidiary from its obligation under the Subsidiary Guaranty if all of the capital stock of such Restricted Subsidiary that is owned by the Company or any of its other Restricted Subsidiaries is disposed of by the Company and/or such Restricted Subsidiaries pursuant to any Asset Sale which is consented to by the Required Lenders or is otherwise permitted hereby; PROVIDED that prior to or simultaneously with such release such Restricted Subsidiary is released from its guaranty, if any, of each and any Permitted Subordinated Indebtedness; and (ii) release any Collateral under any Security Document to the extent such Collateral (A) is disposed of by the Company or any of its Subsidiaries pursuant to an Asset Sale consented to by the Required Lenders or otherwise permitted hereby, (B) is required to be released pursuant to Section 8.8 hereof as a result of a contribution of Facility to a Permitted Joint Venture in accordance therewith, (C) is owned by a guarantor that is released from the Subsidiary Guaranty pursuant to clause (i), or (D) is otherwise expressly required to be released pursuant to any provision of the Credit Documents.

12.13 SURVIVAL. All indemnities set forth herein including, without limitation, in Sections 1.10, 1.11, 2.5, 4.5, 11.7 and 12.1 shall survive the execution and delivery of this Agreement and the Notes and the making and repayment of the Loans hereunder.

12.14 DOMICILE OF LOANS. Subject to the provisions of Section 1.14 hereof, each Lender may make, transfer or carry its Loans at, to or for the account of any branch office, subsidiary or affiliate of such Lender.

12.15 INDEPENDENT NATURE OF LENDERS' RIGHTS. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and each Lender shall be entitled to protect and enforce its rights arising out of this Agreement, and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

12.16 INDEPENDENCE OF COVENANTS. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or Event of Default if such action is taken or condition exists.

12.17 CONFIDENTIALITY. Subject to Section 12.4(c), the Lenders shall hold all non-public information, which has been identified as such by the Company, obtained in connection with or pursuant to the negotiation, preparation or requirements of this Agreement or any of the Credit Documents in accordance with the customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event, subject to Section 12.4(c), may make any disclosure reasonably required by any prospective bona fide transferee or participant in connection with the contemplated transfer of any Revolving Loan Commitment, Note, Loan or rights and obligations in respect of any Letter of Credit or participation therein so long as any such contemplated assignee or participant has agreed in writing (with a
copy to each of the Company and the Agent) to be bound by the provisions of this
Section 12.17 or as required by any governmental agency or representative
thereof or pursuant to legal process; PROVIDED that, unless specifically
prohibited by applicable law or court order, each Lender shall notify the
Company of any request by any governmental agency or representative thereof
(other than any such request in connection with an examination of the financial
condition of such

Lender by such governmental agency) for disclosure of any such non-public
information prior to disclosure of such information; and PROVIDED FURTHER that
in no event shall any Lender be obligated or required to return any materials
furnished by the Company or any of its Subsidiaries.

12.18 PERFORMANCE OF OBLIGATIONS. The Company agrees that the Agent,
upon the direction of the Required Lenders may, but shall have no obligation to,
make any payment or perform any act required of the Company under the Credit
Documents or any of them, or take any other action which such party in its
reasonable discretion deems necessary or desirable to protect or preserve the
Collateral, including, without limitation, any action to (i) pay or discharge
taxes, Liens or other encumbrances levied or placed on or threatened against any
Collateral, and (ii) effect any repairs or obtain any insurance called for by
the terms of any of the Credit Documents and to pay all or any part of the
premiums therefor and the costs thereof. The Company hereby agrees to pay, on
demand, to the Agent (i) any and all sums incurred by the Agent pursuant to this
Section 12.18, and (ii) interest on all such sums (A) prior to the occurrence of
an Event of Default, at the applicable rate provided for in Section 1.8 for
Revolving Loans that are Base Rate Loans, and (B) upon the occurrence and during
the continuance of an Event of Default, at the rate provided for in Section
1.8(d) hereof for such type of Loans, in each case, during the period beginning
on the date on which each such sum is paid by the Agent and ending on the date
on which the Agent actually receives payment therefor.

12.19 COLLATERAL. It is the intention and understanding of each of
the parties hereto that the payment and performance in full of the Obligations
shall be secured by the Collateral. Reference is hereby made to all of the
Security Documents for a statement of the terms and provisions thereof and for a
complete description of the Collateral.

12.20 WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE
IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY

JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION
WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR ANY MATTER ARISING HEREUNDER
OR THEREUNDER.

12.21 CERTAIN PROVISIONS CONCERNING EXISTING COMPANY CREDIT AGREEMENT
RESTRUCTURING. (a) On and as of the occurrence of the Existing Company Credit
Agreement Restructuring in accordance with Section 12.10 hereof, each New Lender
shall become a "Lender" under, and for all purposes of, this Agreement and the
other Credit Documents.

(b) The parties hereto acknowledge that no Existing Lender is
obligated to enter into the Master Transfer Supplement, as a transferee, or to
become a Continuing Lender. By their execution and delivery hereof, the Company
and the Required Lenders (under and as defined in the Existing Company Credit
Agreement after giving effect to the assignments contemplated by the Master
Transfer Supplement) consent to (i) the voluntary repayment by the Company on
the Closing Date of all Existing Loans of the Non-Continuing Lenders that do not
become parties to the Master Transfer Supplement, as transferees, (ii) the
voluntary termination by the Company of the Existing Commitments of each such
Non-Continuing Lender, (iii) the amendment, restatement, consolidation and
increase or decrease, as the case may be, of each Continuing Lender's Existing
Commitments pursuant to Section 1.1(a) hereof, (iv) the amendment and
restatement of the Existing Company Credit Agreement as set forth herein, and
the termination of the Existing Intercreditor Agreement (other than the provisions thereof appointing BTCo as Collateral Agent and the provisions thereof which expressly survive the termination of such agreement); in each case to be effective on, and contemporaneously with the occurrence of, the Closing Date.

(c) Notwithstanding anything to the contrary contained in the Existing Company Credit Agreement or any Credit Document as in effect immediately prior to the Closing Date, the Company, the Agent, the Co-Agent, the Collateral Agent and each of the Lenders hereby agrees that effective as of the Closing Date, (i) the Existing Intercreditor Agreement, other than the appointment therein of BTCo as Collateral Agent and the provisions thereof that expressly survive the termination of such agreement, shall be terminated, and (ii) the Existing Commitment of each Non-Continuing Lender that does not become a party to the Master Transfer Supplement, as a transferee, shall be terminated, and such Non-Continuing Lender shall no longer constitute a "Lender" under this Agreement and the other Credit Documents; PROVIDED that all indemnities of the Credit Parties under the Existing Company Credit Agreement, the Original Company Credit Agreement and the other Credit Documents (as in effect immediately prior to the Closing Date) for the benefit of such Non-Continuing Lender shall survive in accordance with the terms thereof for the benefit of such Non-Continuing Lender.

12.22 ENTIRE AGREEMENT. This Agreement, and the Notes, Security Documents, and other instruments and documents executed and delivered in connection herewith and therewith, constitute the entire understanding between the parties hereto with respect to the transactions contemplated hereby, and, except to the extent specified to the contrary below, all prior agreements, understandings, representations and statements with respect to such transactions are, as of the Closing Date, merged with and into this Agreement and the other Credit Documents. Notwithstanding the foregoing, (a) indemnification obligations of the Company under Sections 1.08(h) and 12.01 of the Existing Company Credit Agreement and the Original Company Credit Agreement shall survive the execution and effectiveness of this Agreement and, in the case of the Agent, the Collateral Agent and the Continuing Lenders, shall be deemed to be Obligations hereunder, and (b) the agreements and indemnities of the Company in favor of BTCo under the commitment letter and the fee letter, as either of the same may be modified, concerning the Transactions and the agreement of BTCo to pay certain up-front fees to the Lenders in connection with their commitments, shall, to the extent the matters set forth therein are not specifically covered hereby, survive the execution and effectiveness of this Agreement and the making of the Loans.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Second Amended and Restated Credit Agreement as of the date first above written.

ADDRESS:
BORROWER:
577 Mulberry Street
Macon, Georgia 31298
Attn: James R. Bedenbaugh, Treasurer
By
Name: James R. Bedenbaugh
Title: Treasurer

LENDER PARTIES:

AGENT:
280 Park Avenue                BANKERS TRUST COMPANY,
New York, NY 10017               Individually and as Agent
Attn:   Michael Shraga,
Managing Director;     By
-----------------------------------------------
Name:
Title:
with copies to:
Bankers Trust Company
130 Liberty Street
30th Floor
New York, New York  10006
Attn:   Mary Kay Coyle,
Vice President
CO-AGENT:
First Union National Plaza     FIRST UNION NATIONAL BANK OF
301 S. College St.              NORTH CAROLINA, Individually
Charlotte, NC 28288             and as Co-Agent
By
-----------------------------------------------
Name:
Title:
198
LEAD MANAGERS:
1230 Peachtree Street          BANK OF AMERICA NATIONAL
Suite 3600                       TRUST AND SAVINGS ASSOCIATION
Atlanta, GA 30309
By
-----------------------------------------------
Name:
Title:

75 Wall Street                 DRESDNER BANK AG, New York
New York, NY 10005-2889         Branch and Grand Caymen Branch
By
-----------------------------------------------
Name:
Title:

5665 New Northside             GENERAL ELECTRIC CAPITAL
Suite 200                       CORPORATION
Atlanta, GA 30328;
By
-----------------------------------------------
Name:
Title:
Two World Financial Center     THE MITSUBISHI BANK, LIMITED
225 Liberty Street             New York Branch
Annex I to
Second Amended and Restated
Credit Agreement

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SCHEDULE OF COMMITMENTS

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<table>
<thead>
<tr>
<th>LENDERS</th>
<th>REVOLVING LOAN COMMITMENT</th>
<th>LENDER'S REVOLVING LOAN PERCENTAGE</th>
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<td>Bankers Trust Company</td>
<td>$ 60,000,000</td>
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</tr>
<tr>
<td>First Union National Bank of</td>
<td>55,000,000</td>
<td>18.33333333%</td>
</tr>
<tr>
<td>North Carolina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Electric Capital Corporation</td>
<td>50,000,000</td>
<td>16.66666667%</td>
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<tr>
<td>Bank of America National Trust and Savings Association</td>
<td>45,000,000</td>
<td>15.00000000%</td>
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<tr>
<td>Dresdner Bank AG, New York Branch and Grand Cayman Branch</td>
<td>45,000,000</td>
<td>15.00000000%</td>
</tr>
<tr>
<td>The Mitsubishi Bank, Limited</td>
<td>45,000,000</td>
<td>15.00000000%</td>
</tr>
<tr>
<td>Total</td>
<td>$300,000,000</td>
<td>100.00000000%</td>
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Annex II to
Second Amended and Restated
Credit Agreement

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NEW LENDERS

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First Union National Bank of North Carolina

SCHEDULE 6.2

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SCHEDULE OF VIOLATIONS OF CONTRACTS

NONE
SCHEDULE 6.4

SCHEDULE OF EXCEPTIONS TO GAAP

The statement of cash flows does not begin with net income and disclose all reconciling items to arrive at a net increase or decrease in cash. Additionally, the statement of cash flows does not classify cash flows into the three categories (operating, investing and financing) required by GAAP.

The balance sheet presents stockholders' deficit as one condensed caption, rather than showing all classifications making up stockholders' deficit.

The statements also do not include footnote disclosures required by GAAP.

Statement of changes in stockholders' equity is not included as required by GAAP.

The NME interim EBITDA information, income statements and balance sheets for the assets subject to the NME Acquisition that are described in Section 6.4, 7.1(j) and 10.1(a) have not been prepared in accordance with GAAP. As originally prepared by NME, such information did not include expenses for chief executive officer and chief financial officer bonuses, management information services costs, allocated intercompany management fees and income taxes. The data in Schedule 10.1(a) includes, and the data to be delivered pursuant to Section 10.1(a) will include, the Company's good faith estimates of such bonuses and management information services as calculated by the Company in a reasonable manner.

SCHEDULE 6.5

SCHEDULE OF LITIGATION

NONE

SCHEDULE 6.7

SCHEDULE OF APPROVALS

1.) Filings required in connection with the perfection of Liens under the Security Documents.
SCHEDULE 6.10

SCHEDULE OF EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT PLANS

1. Charter Lake Hospital Pension Plan.
2. Charter Northside Hospital Pension Plan.
3. Middle Georgia Hospital Pension Plan.

DEFINED CONTRIBUTION PLANS

1. Charter Medical Corporation Cash Accumulation Plan (as amended and restated effective January 1, 1992).
2. Charter Medical Corporation Employee Stock Ownership Plan (ESOP).

SCHEDULE 6.16

SCHEDULE OF SUBSIDIARIES

DIRECT AND INDIRECT SUBSIDIARIES OF CHARTER MEDICAL CORPORATION

<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Jurisdiction</th>
<th>Authorized Capital (All Common Stock)(1)</th>
<th>Common Stock Issued and Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambulatory Resources, Inc.</td>
<td>Georgia</td>
<td>1,000 shares</td>
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<td>Subsidiary: Gwinnett Immediate Care Center, Inc.</td>
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<td>Holcomb Bridge Immediate Care Center, Inc.</td>
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<td>Georgia</td>
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<td>500 shares</td>
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<tr>
<td>Belview Homecare, Inc.</td>
<td>Texas</td>
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<tr>
<td>CCM, Inc.</td>
<td>Nevada</td>
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<td>100 shares Ch. Med. Corp.</td>
</tr>
<tr>
<td>100 shares CMCI, Inc.</td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td>1,000 shares</td>
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<tr>
<td>Charter Appalachian Hall Behavioral Health System, Inc.</td>
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<tr>
<td>Charter Arbor Indy Behavioral Health System, Inc.</td>
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<td>1,000 shares</td>
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<td>Charter Bay Harbor Behavioral Health System, Inc.</td>
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<td>1,000 shares</td>
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<td>Charter Behavioral Health System at Fair Oaks, Inc.</td>
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<td>1,000 shares</td>
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<td>500 shares</td>
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<td>1,000 shares</td>
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<td>Georgia</td>
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<td>500 shares</td>
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<td>1,000 shares</td>
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<tr>
<td>Charter Behavioral Health System of Charlotteville, Inc.</td>
<td>Virginia</td>
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<td>500 shares</td>
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<tr>
<td>Charter Behavioral Health System of Chicago, Inc.</td>
<td>Illinois</td>
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<td>1,100 shares</td>
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<td>California</td>
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<td>1,000 shares</td>
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<td>Charter Behavioral Health System of Columbia, Inc.</td>
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<td>1,000 shares</td>
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<td>Charter Behavioral Health System of Dallas, Inc.</td>
<td>Texas</td>
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<td>1,000 shares</td>
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<td>Charter Behavioral Health System of Evansville, Inc.</td>
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<td>1,000 shares</td>
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<td>Charter Behavioral Health System of Fort Worth, Inc.</td>
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<td>1,000 shares</td>
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<td>Charter Behavioral Health System of Jackson, Inc.</td>
<td>Mississippi</td>
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<td>Charter Behavioral Health System of Jacksonville, Inc.</td>
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<td>500 shares</td>
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<td>Charter Behavioral Health System of Jefferson, Inc.</td>
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<td>1,000 shares</td>
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<td>Charter Behavioral Health System of Kansas City, Inc.</td>
<td>Kansas</td>
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<td>500 shares</td>
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<tr>
<td>Charter Behavioral Health System of Lafayette, Inc.</td>
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<td>1,000 shares</td>
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<tr>
<td>Charter Behavioral Health System of Lake Charles, Inc.</td>
<td>Louisiana</td>
<td>2,500 shares(2)</td>
<td>1 share</td>
</tr>
</tbody>
</table>
### SCHEDULE 6.16

#### SCHEDULE OF SUBSIDIARIES

**DIRECT AND INDIRECT SUBSIDIARIES OF CHARTER MEDICAL CORPORATION**

<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Jurisdiction of Incorporation</th>
<th>Authorized Capital (All Common Stock)(1)</th>
<th>Common Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Behavioral Health System of Lakewood, Inc.</td>
<td>California</td>
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<td>1,000 shares</td>
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<td>Charter Behavioral Health System of Michigan City, Inc.</td>
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<td>1,000 shares</td>
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<td>Alabama</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
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<td>Charter Behavioral Health System of Nashua, Inc.</td>
<td>New Hampshire</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
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<td>Charter Behavioral Health System of Nevada, Inc.</td>
<td>Nevada</td>
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<td>100 shares</td>
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<tr>
<td>Charter Behavioral Health System of New Mexico, Inc.</td>
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<td>Charter Behavioral Health System of Northwest Arkansas, Inc.</td>
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<td>1,000 shares</td>
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<td>Charter Hospital of Northern New Jersey, Inc.</td>
<td>New Jersey</td>
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<td>Charter Behavioral Health System of Paducah, Inc.</td>
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<td>500 shares</td>
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<td>1,000 shares</td>
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<td>Arizona</td>
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<td>Charter Behavioral Health System of Winston-Salem, Inc.</td>
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<td>100,000 shares</td>
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<td>Charter Behavioral Health System of Ybor Linda, Inc.</td>
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<td>1,000 shares</td>
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<td>Charter Behavioral Health System of Atlanta, Inc.</td>
<td>Georgia</td>
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<td>500 shares</td>
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<tr>
<td>Charter Behavioral Health System of Africentric, Inc.</td>
<td>Georgia</td>
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<td>1,000 shares</td>
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<td>Subsidiary:</td>
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<td>Charter-By-The-Sea Behavioral Health System, Inc.</td>
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<td>1,000 shares</td>
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<td>Charter Centennial Peaks Behavioral Health System, Inc.</td>
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<td>Charter Colonial Institute, Inc.</td>
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<td>500 shares</td>
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<td>Charter Contract Services, Inc.</td>
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<td>Charter Fairmount Behavioral Health System, Inc.</td>
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<td>Charter Financial Office, Inc.</td>
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<td>Charter Hospital of Columbus, Inc.</td>
<td>Ohio</td>
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</tr>
<tr>
<td>Charter Hospital of Denver, Inc.</td>
<td>Colorado</td>
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</tr>
<tr>
<td>Charter Hospital of Ft. Collins, Inc.</td>
<td>Colorado</td>
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<td>500 shares</td>
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<tr>
<td>Charter Hospital of Laredo, Inc.</td>
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<tr>
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<tr>
<td>Charter Hospital of St. Louis, Inc.</td>
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<td>500 shares</td>
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<tr>
<td>Subsidiary:</td>
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</tr>
<tr>
<td>Charter Hospital of Miami, Inc.</td>
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<tr>
<td>Charter Hospital of Torrance, Inc.</td>
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<tr>
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<tr>
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<td>Charter Louisville Behavioral Health System, Inc.</td>
<td>Kentucky</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
</tbody>
</table>

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Page 2

### SCHEDULE 6.16

#### SCHEDULE OF SUBSIDIARIES

**DIRECT AND INDIRECT SUBSIDIARIES OF CHARTER MEDICAL CORPORATION**

<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Jurisdiction of Incorporation</th>
<th>Authorized Capital (All Common Stock)(1)</th>
<th>Common Stock</th>
</tr>
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<tbody>
<tr>
<td>Charter Forest Behavioral Health System, Inc.</td>
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<td>Charter Greensboro Behavioral Health System, Inc.</td>
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<td>100 shares</td>
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<td>Charter Health Management, Inc.</td>
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<td>1,000 shares</td>
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<td>Ohio</td>
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<td>500 shares</td>
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<td>Colorado</td>
<td>1,000 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Hospital of Ft. Collins, Inc.</td>
<td>Colorado</td>
<td>1,000 shares</td>
<td>500 shares</td>
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<tr>
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<td>Texas</td>
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<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Hospital of Mobile, Inc.</td>
<td>Alabama</td>
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<td>1,000 shares</td>
</tr>
<tr>
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<td>1,000 shares</td>
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<td>Charter Hospital of Santa Fea, Inc.</td>
<td>New Mexico</td>
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<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Hospital of St. Louis, Inc.</td>
<td>Missouri</td>
<td>1,000 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Subsidiary:</td>
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</tr>
<tr>
<td>Charter Hospital of Miami, Inc.</td>
<td>Florida</td>
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<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Hospital of Torrance, Inc.</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Indianapolis Behavioral Health System, Inc.</td>
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<tr>
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Page 2
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<tr>
<th>Name of Corporation</th>
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<th>Authorized Capital</th>
<th>Common Stock</th>
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<td>Name of Corporation</td>
<td>Jurisdiction of Incorporation</td>
<td>Authorized Capital (All Common Stock)(1)</td>
<td>Common Stock Issued and Outstanding</td>
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**NOTES**

(1) Par Value $1.00 per share unless otherwise noted.
(2) $10 par value.
(3) $.50 par value.
(4) $100 par value.
(5) $.10 par value.
(6) No par value.
(7) $.01 par value
(8) SF 1,000 par value
(9) $.25 par value
(10) 1 pound par value
SCHEDULE 6.19

SCHEDULE OF RECENTLY ACQUIRED REAL PROPERTY

1.) Charter-Provo School, Inc. has added a 64 bed dormitory addition

2.) The following hospitals are no longer operating but are still owned:
   a.) Beltway Community Hospital
   b.) Charter Hospital of West Palm Beach
   c.) Charter Hospital of Bradenton
   d.) Charter Brook Facility

3.) The following facilities were sold since July 21, 1992:
   a.) Charter Hospital of Denver
   b.) Charter Hospital of Aurora
   c.) Charter Hospital of Rockford
   d.) Charter Hospital of Bakersfield
   e.) Charter Retreat Hospital
   f.) Charter Hospital of Laredo
   g.) Charter-Provo School-South Campus
   h.) Land Parcels at Beltway Community Hospital
   i.) Charterton
   j.) Sale of 10 general hospitals to Quorum on September 30, 1993

SCHEDULE 6.20

SCHEDULE OF EXISTING DEFAULTS UNDER OTHER INDEBTEDNESS

1.) On April 9, 1991 S.G. Warburg Soditic, SA, the trustee for the 7.5% Swiss Bonds due 2001, accelerated the bonds pursuant to their interpretation of Section 11(c) of the Public Bond Issue Agreement dated March 4, 1986. The bonds are still outstanding in the amount of $6,443,280. Charter Medical Corporation has continued to pay interest on the bonds in accordance with their terms.

SCHEDULE 6.25

SCHEDULE OF CERTAIN FEES

NONE

SECTION 8.1(b)
SCHEDULE OF EXISTING LIENS

1. Liens listed in Schedule 8.7(e)
2. Permitted Liens as defined herein
3. Judgment filed against Charter Broad Oaks Hospital, as garnishee, on April 15, 1988, entered on General Execution Docket 139, page 195.
4. Judgment filed against Shallowford Community Hospital, as garnishee, on March 3, 1986, entered on General Execution Docket 514, page 260.
9. Liens revealed by searches, undertaken in 1992 in certain jurisdictions, of Uniform Commercial Code filings, judgements, state tax lien filings and federal tax lien filings, as such liens are described on ANNEX I to this List.
10. Liens revealed by searches undertaken in 1994 in certain jurisdictions of Uniform Commercial Code filings, judgments, state tax lien filings and federal tax lien filings, as such liens are described on ANNEX II to this List.

ANNEX I

CHARTER MEDICAL CORPORATION
AND ITS SUBSIDIARIES
SUMMARY OF LIENS

<table>
<thead>
<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
<th>FILE NO./DATE FILED</th>
<th>COLLATERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Business Credit Corp.</td>
<td>Alabama Secretary of State</td>
<td>92-09627 3-17-92</td>
<td>Leased Savin copy equipment (Debtor is Charter Medical Corporation/Charter Academy of Mobile)</td>
</tr>
</tbody>
</table>
Paramount Medical Development Co. California Secretary of State 12-13-82

All personal property, fixtures, and equipment on or about Long Beach Neuropsychiatric Institute (Charter Baywood Hospital), the name Long Beach Neuropsychiatric Institute, the health facility license, inventory, other licenses, insurance proceeds. (Debtors are Charter Medical-Long Beach, Inc.; Charter Medical Corporation and trade names Long Beach Neuropsychiatric Institute/Charter Baywood Hospital)

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SECURED PARTY LOCATION DATE FILED COLLATERAL
------------------- --------------------- ---------- -----------------------------------
82230927 Continuation of File No. 82230927

DEBTOR: CHARTER BEACON HOSPITAL

Kimco Leasing; Indiana Secretary of State 1420104 One Sharp copier
Summit Bank

Kimco Leasing, Inc. Indiana Secretary of State 1511975 Sharp copy equipment
Summit Bank (Secured Party) (Assignee)

Kimco Leasing, Inc. Indiana Secretary of State 1660553 Sharp copy equipment
Lincoln National Bank (Assignee)

DEBTOR: CHARTER COLONIAL INSTITUTE, INC.

** Peninsula Ports Virginia State Commission 910110534 Fixtures, machinery and equipment owned or hereafter leased by the Secured Party to the Debtor pursuant to the 11/1/78 Lease Agreement for use in the hospital facility in Newport News (fixture filing, but filed with SCC)
Authority of Virginia Corporation 1-3-91
(Covered Party) Crestar Bank (Assignee)

DEBTOR: CHARTER COMMUNITY HOSPITAL

Baxter Scientific Iowa Secretary of State K193511 Autoscan 4 microbiology system with printer and IBM PSII 60 computer
Products

Hewlett Packard Iowa K161998 Leased Hewlett Packard
Company                  Secretary of State       10-5-90             equipment including Ambulatory Egg System, memory module and laserjet printer

Business Equipment       Iowa                     W891438             Toshiba copy equipment
Lease (Secured Party)   Secretary of State       8-3-88
Midland Bank (Assignee)

Business Equipment       Iowa                     K236116             Leased Toshiba copy equipment
Leasing, Inc. (Assignee)

C&J Leasing Corp.        Iowa                     K017597             Leased Toshiba copy equipment (Secured Party)
Bankers Trust Company (Assignee)

Bankers Trust Company (Secured Party) Secretary of State       K144306             Assignment of File No. K017597 (Assignee)
Sanwa Leasing Corporation to Sanwa Leasing Corporation

---

DEBTOR:  CHARTER COMMUNITY HOSPITAL, INC.

Beckman                  California               89257770             Leased Synchron analyzer and refielded Astra w/enzymes
Instruments, Inc.        Secretary of State       10-2-89             (Debtor's trade name is Medicalab Management Corporation)

E I DuPont De Nemours & Co. California               91033007             DuPont discrete clinical analyzer (Debtor is FHP Inc. for Charter Community Hospital)

Better Beverages         California               91041618             Soda dispensing system
Secretary of State       2-25-91

---

DEBTOR:  CHARTER FOREST HOSPITAL, INC.

M&H Leasing Corp.        Caddo Parish,             850098             Leased IBM Actionwriter I
(Lessor)                  Louisiana                9-25-87             typewriter

M&H Leasing Corp.        Caddo Parish,             844129             Leased IBM Actionwriter I
(Lessor)                  Louisiana                6-15-87             typewriter

M&H Leasing Corp.        Caddo Parish,             838933             Leased IBM Actionwriter I
(Lessor)                  Louisiana                3-19-87             typewriters
<table>
<thead>
<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
<th>FILE NO./DATE FILED</th>
<th>COLLATERAL</th>
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</thead>
<tbody>
<tr>
<td>** Louisiana Dept. of Labor</td>
<td>Caddo Parish, Louisiana</td>
<td>1332700 2-3-92</td>
<td>$2,022.96 tax lien in favor of the Office of Employment Security</td>
</tr>
<tr>
<td>** Louisiana Dept. of Labor</td>
<td>Caddo Parish, Louisiana</td>
<td>1322667 10-23-91</td>
<td>$8,471.23 tax lien in favor of the Office of Employment Security</td>
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<tr>
<td>* Louisiana Dept. of Labor</td>
<td>Caddo Parish, Louisiana</td>
<td>01295082 2-7-91</td>
<td>$1,799.83 tax lien in favor of the Office of Employment Security</td>
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<tr>
<td>** Louisiana Dept. of Labor</td>
<td>Caddo Parish, Louisiana</td>
<td>01176357 2-18-88</td>
<td>$369.46 tax lien in favor of the Office of Employment Security</td>
</tr>
<tr>
<td>** Lee County Industrial Development Authority (Secured Party)</td>
<td>Lee County, Florida</td>
<td>OR 1972 2-20-90</td>
<td>Fixture filing covering machinery, equipment, fixtures and other personal property acquired with the Bonds proceeds (Debtor is CMSF, Inc.)</td>
</tr>
<tr>
<td>Lanier Business Products, Inc. (Secured Party)</td>
<td>New Mexico, Secretary of State</td>
<td>900301037 3-1-80</td>
<td>Dictation equipment</td>
</tr>
<tr>
<td>Lanier Financial Services (Assignee)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lanier Business Products, Inc. (Secured Party)</td>
<td>New Mexico, Secretary of State</td>
<td>900521069 5-21-90</td>
<td>Dictation equipment</td>
</tr>
<tr>
<td>Lanier Financial Services (Assignee)</td>
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<td></td>
</tr>
<tr>
<td>** New Mexico Employment Security Dept.</td>
<td>Bernalillo County, New Mexico</td>
<td>8011475 2-14-89</td>
<td>$364.65 tax lien for the quarter ending 9-30-88 (Debtors are Charter Sunrise Hospital, Inc. and Charter Hospital of Albuquerque)</td>
</tr>
<tr>
<td>GranTree</td>
<td>Colorado</td>
<td>892016117 2-24-89</td>
<td>Rental Agreement dated 10/18/88 including rental accounts</td>
</tr>
<tr>
<td>SECURED PARTY</td>
<td>LOCATION</td>
<td>FILE NO./ DATE FILED</td>
<td>COLLATERAL</td>
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<tr>
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</tr>
<tr>
<td>** State of Texas **</td>
<td>Travis County, Texas</td>
<td>9218211 Film Code Book 00687 Page 0225 6-15-92</td>
<td>State tax lien for $2,585.79 for 4/1/88 - 12/31/91</td>
</tr>
<tr>
<td>Republic Leasing Co. (Secured Party) Republic National Bank (Assignee)</td>
<td>South Carolina Secretary of State</td>
<td>92-012132 3-11-92</td>
<td>Mita copiers and copy equipment</td>
</tr>
<tr>
<td>* SCE&amp;G</td>
<td>Charleston County, South Carolina</td>
<td>91-08027 6-11-91</td>
<td>Fixture filing for four commercial W/H's and installation (water heaters?)</td>
</tr>
<tr>
<td>The CIT Group/Equipment Financing, Inc.</td>
<td>Virginia State Corporation Commission</td>
<td>920610377 6-2-92</td>
<td>Equipment, fixtures and other goods (other than inventory), relating to two parcels of the real property in Charlottesville</td>
</tr>
<tr>
<td>SYSCO of Virginia Food Services, Inc.</td>
<td>City of Charlottesville, Virginia</td>
<td>10929 11-19-90</td>
<td>Fixture filing for Alco juice generator (Debtor is Charter Hospital of Virginia/Charter Hospital of Charlottesville)</td>
</tr>
<tr>
<td>The Industrial Development Authority of Boone County, Mo. (Secured Party) Boatmen's Trust Company, Trustee (Assignee)</td>
<td>Missouri Secretary of State</td>
<td>2005200 5-24-91</td>
<td>Fixtures, furnishings, machinery and equipment acquired with the proceeds of the Series 1983 Bonds; leases of the Mortgaged Property; and rents, profits, proceeds and products</td>
</tr>
<tr>
<td>The Industrial Development Authority of Boone County, Mo.</td>
<td>Boone County, Missouri</td>
<td>126273 Book 824 Page 1 5-24-91</td>
<td>Fixture filing covering fixtures, furnishings, machinery and equipment acquired with the proceeds of</td>
</tr>
<tr>
<td>SECURED PARTY</td>
<td>LOCATION</td>
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<tr>
<td>Advanta Leasing Corp.</td>
<td>California</td>
<td>90293340</td>
<td>Leased computer equipment</td>
</tr>
<tr>
<td></td>
<td>Secretary of State</td>
<td>12-4-90</td>
<td></td>
</tr>
</tbody>
</table>

**DEBTOR: CHARTER HOSPITAL OF CORPUS CHRISTI, INC.**

* CMCI, Inc. Texas 098011 4-25-88 Blanket lien related to real property in Corpus Christi, Texas

Southwestern Bell Telecommunications, Inc. d/b/a Southwestern Bell Telecom Texas 098778 5-16-92 Norstar Telecommunication System

**DEBTOR: CHARTER HOSPITAL OF DALLAS, INC.**


* CMCI, Inc. Collin County, Texas 22532 Bk 3049 Pg 697 5-8-89 Deed of Trust

* CMCI, Inc. Collin County, Texas 44019 Bk 2895 Pg 871 8-11-88 Deed of Trust

**DEBTOR: CHARTER HOSPITAL OF DENVER, INC.**

* CMCI, Inc. Collin County, Texas 44018 Bk 2895 Pg 866 8-11-88 Deed of Trust
<table>
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</thead>
<tbody>
<tr>
<td>Saratoga Leasing</td>
<td>Arizona</td>
<td>596953/10-23-89</td>
<td>One Taylor W/C Yogurt Machine</td>
</tr>
<tr>
<td>Denitech Corporation</td>
<td>Texas</td>
<td>070335/4-9-92</td>
<td>Leased Ricoh FT7870, LCT and menu reader</td>
</tr>
<tr>
<td>Terry Shupp d/b/a Sunnyvale Fence Co.</td>
<td>Tarrant County, Texas</td>
<td>Vol. 8798/Pg 106/1-2-87</td>
<td>$5,050.00 Mechanic's and Materialman's Lien</td>
</tr>
<tr>
<td>Walsh Bros.</td>
<td>Arizona</td>
<td>455528/10-1-86</td>
<td>Rented office equipment and furniture</td>
</tr>
<tr>
<td>Walsh Bros.</td>
<td>Arizona</td>
<td>442950/6-25-86</td>
<td>Office equipment and furniture</td>
</tr>
<tr>
<td>Orix Credit Alliance, Inc.</td>
<td>Arizona</td>
<td>683729/10-28-91</td>
<td>Leased Electro Freeze</td>
</tr>
</tbody>
</table>

**DEBTOR: CHARTER HOSPITAL OF THE EAST VALLEY**

DEBTOR: CHARTER HOSPITAL OF FORT WORTH

DEBTOR: CHARTER HOSPITAL OF GLENDALE

DEBTOR: CHARTER HOSPITAL OF GREENSBORO, INC.

<table>
<thead>
<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
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<tbody>
<tr>
<td>GE Capital</td>
<td>North Carolina</td>
<td>0794116/6-17-91</td>
<td>Key wall brackets and cable runs</td>
</tr>
<tr>
<td>SECURED PARTY</td>
<td>LOCATION</td>
<td>FILE NO./DATE FILED</td>
<td>COLLATERAL</td>
</tr>
<tr>
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<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>GE Capital</td>
<td>North Carolina</td>
<td>0783851</td>
<td>Station and DSS console cards, voice processing system, CRT console, key telephones, etc.</td>
</tr>
<tr>
<td></td>
<td>Secretary of State</td>
<td>5-10-91</td>
<td></td>
</tr>
<tr>
<td>REH Leasing Company</td>
<td>Guilford County, North Carolina</td>
<td>385228</td>
<td>2 Canon copy systems (Debtor is Charter Hospital)</td>
</tr>
<tr>
<td>(Secured Party)</td>
<td>North Carolina</td>
<td>10-11-91</td>
<td></td>
</tr>
<tr>
<td>Central Carolina Bank &amp; Trust (National Association) (Assignee)</td>
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<td></td>
</tr>
<tr>
<td>GE Capital</td>
<td>Guilford County, North Carolina</td>
<td>378971</td>
<td>Station &amp; DSS console cards, voice processing system, CRT console, key telephones, etc.</td>
</tr>
<tr>
<td></td>
<td>North Carolina</td>
<td>5-10-91</td>
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<tr>
<td>GE Capital</td>
<td>Guilford County, North Carolina</td>
<td>380536</td>
<td>Key wall brackets and cable runs</td>
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<tr>
<td></td>
<td>North Carolina</td>
<td>6-18-91</td>
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<td>DEBTOR: CHARTER HOSPITAL OF GREENVILLE</td>
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<tr>
<td>Advanced Business</td>
<td>South Carolina</td>
<td>91-014650</td>
<td>Leased Sharp copier</td>
</tr>
<tr>
<td>Systems (Secured Party)</td>
<td>Secretary of State</td>
<td>91-014665</td>
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</tr>
<tr>
<td>Springs Leasing</td>
<td></td>
<td>3-21-91</td>
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<tr>
<td>Corporation (Assignee)</td>
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<tr>
<td>Lanier Worldwide, Inc.</td>
<td>South Carolina</td>
<td>92-009764</td>
<td>Specific equipment identified by serial numbers</td>
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<td>92-009765</td>
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<td>2-27-92</td>
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<tr>
<td>Modern Office</td>
<td>South Carolina</td>
<td>91-009029</td>
<td>Specific equipment identified by serial numbers</td>
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<tr>
<td>Leasing (Secured Party)</td>
<td>Secretary of State</td>
<td>91-009030</td>
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<tr>
<td>Eaton Financial</td>
<td></td>
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<td>(Assignee)</td>
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<tr>
<td>Advanced Business</td>
<td>South Carolina</td>
<td>89-053952</td>
<td>Sharp copy equipment</td>
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<tr>
<td>Systems (Secured Party)</td>
<td>Secretary of State</td>
<td>89-053955</td>
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<td>Springs Leasing</td>
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<tr>
<td>Corporation (Assignee)</td>
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<tr>
<td>Atlantic States Leasing</td>
<td>South Carolina</td>
<td>90-023117</td>
<td>Leased mailing machine and electronic scale</td>
</tr>
<tr>
<td>(Secured Party)</td>
<td>Secretary of State</td>
<td>4-30-90</td>
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<tr>
<td>Atlantic States Leasing</td>
<td>South Carolina</td>
<td>90-023117</td>
<td>Leased Xerox memorywriter typewriter</td>
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<tr>
<td></td>
<td>Secretary of State</td>
<td>90-023118</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>4-30-90</td>
<td></td>
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<tr>
<td>Modern Office</td>
<td>South Carolina</td>
<td>90-002011</td>
<td>Canon copy system</td>
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<tr>
<td>Machines (Secured Party)</td>
<td>Secretary of State</td>
<td>90-002014</td>
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<tr>
<td>Fiduciary Leasco, Inc.</td>
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<td>1-11-90</td>
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<tr>
<td>(Assignee)</td>
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### DEBTOR: CHARTER HOSPITAL OF INDIANAPOLIS

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<tbody>
<tr>
<td>Mid Continent</td>
<td>Indiana</td>
<td>1658353</td>
<td>Leased Soft Serve ice cream machine</td>
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<tr>
<td>Financial Corp.</td>
<td>Secretary of State</td>
<td>6-28-90</td>
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</tr>
<tr>
<td>Midwest Commerce</td>
<td>Indiana</td>
<td>1753102</td>
<td>Computer equipment and printers</td>
</tr>
<tr>
<td>Leasing (ILS)</td>
<td>Secretary of State</td>
<td>12-13-91</td>
<td></td>
</tr>
<tr>
<td>Dana Commercial Credit Corporation</td>
<td>Indiana</td>
<td>1754155</td>
<td>IBM monochrome monitor, IBM DOS 4.01, IBM PC Model and accounts, general intangibles and insurance proceeds relating to the equipment</td>
</tr>
<tr>
<td>Secretary of State</td>
<td></td>
<td>12-19-91</td>
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### DEBTOR: CHARTER HOSPITAL OF JACKSONVILLE

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<tr>
<td>Datamatic Leasing, Inc.</td>
<td>Florida</td>
<td>90-0000071122</td>
<td>Leased Canon copy equipment</td>
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<tr>
<td>Department of State</td>
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### DEBTOR: CHARTER HOSPITAL OF LAZEDO, INC.

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<tr>
<td>* CMCI, Inc.</td>
<td>Texas,</td>
<td>096390</td>
<td>Blanket fixture filing</td>
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<td>Secretary of State</td>
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### DEBTOR: CHARTER HOSPITAL OF LOUISVILLE

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<tbody>
<tr>
<td>Federal Leasing Corp.</td>
<td>Jefferson County, Kentucky</td>
<td>25266</td>
<td>Leased computer EKG system</td>
</tr>
<tr>
<td>Commonwealth of Kentucky, Transportation Cabinet, Dept. of Highways</td>
<td>Jefferson County, Kentucky</td>
<td>Book 6091</td>
<td>Deed of Easement</td>
</tr>
<tr>
<td>Page 56</td>
<td>5-24-91</td>
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### DEBTOR: CHARTER HOSPITAL OF MIAMI, INC.

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<tbody>
<tr>
<td>Charter Medical Corporation</td>
<td>Dade County, Florida</td>
<td>85R079238</td>
<td>Mortgage Deed and Security Agreement (Debtor is Dade County Psychiatric Hospital, Inc.)</td>
</tr>
<tr>
<td></td>
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<td>OR 12448</td>
<td>Pg 761</td>
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<th>FILE NO./ LOCATION</th>
<th>DATE FILED</th>
<th>COLLATERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Medical</td>
<td>Dade County, Florida</td>
<td>85R079239</td>
<td>OR 12448 Pg 769</td>
<td>Fixture filing covering fixtures, equipment, easements, rents, issues and profits</td>
</tr>
<tr>
<td>Danka Industries</td>
<td>Alabama</td>
<td>A318930R</td>
<td>5-1-89</td>
<td>Leased Konica copy equipment</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>McCracken County, Kentucky</td>
<td>13311</td>
<td>3-14-88</td>
<td>Horizon System and associated products (Debtor is Charter Medical Hospital d/b/a Health Group Inc.)</td>
</tr>
<tr>
<td>Grantree Furniture Rental Corp. (Lessor)</td>
<td>California</td>
<td>87148717</td>
<td>6-19-87</td>
<td>Leased office furniture</td>
</tr>
<tr>
<td>Grantree Furniture Rental Corp.</td>
<td>California</td>
<td>87148717</td>
<td>6-19-87</td>
<td>Leased office furniture</td>
</tr>
<tr>
<td>RTC Communications</td>
<td>California</td>
<td>88063802</td>
<td>3-18-88</td>
<td>Premier telephone system</td>
</tr>
<tr>
<td>Citibank, N.A., individually and as Agent</td>
<td>California</td>
<td>92100876</td>
<td>5-5-92</td>
<td>NEC Electra Mark II telecommunication system</td>
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<td>Citibank, N.A., individually and as Agent</td>
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<td>89233095</td>
<td>9-1-89</td>
<td>Blanket lien relating to real property in Placer County, CA (Debtor's trade name is Charter Medical-California, Inc.)</td>
</tr>
<tr>
<td>Citibank, N.A., individually and as Agent</td>
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<td>89233094</td>
<td>9-1-89</td>
<td>Blanket lien relating to real property in San Diego County, California</td>
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<tr>
<td>C Leasing Company, a division of Price's Producers, Inc.</td>
<td>New Mexico</td>
<td>870720017</td>
<td>7-20-87</td>
<td>Leased Motorola portable telephones</td>
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<tr>
<td>SECURED PARTY</td>
<td>LOCATION</td>
<td>FILE NO./DATE FILED</td>
<td>COLLATERAL</td>
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<tr>
<td>C Leasing, a division of Price's Producers, Inc.</td>
<td>Texas</td>
<td>190548 7-20-87</td>
<td>Leased Motorola portable telephones</td>
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<tr>
<td>* CMCI, Inc.</td>
<td>Georgia</td>
<td>238594 9-14-88</td>
<td>Blanket fixture filing</td>
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<tr>
<td>Advance Acceptance Corporation</td>
<td>South Dakota</td>
<td>893241105459 11-20-89</td>
<td>Leased equipment (camera with photo die cutter, laminator and lettering machine)</td>
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</tr>
<tr>
<td>Advanta Leasing Corp.</td>
<td>South Dakota</td>
<td>900991301485 4-9-90</td>
<td>Specific equipment (1 BMA 2590, IBM E915D, IBM K7449, etc.)</td>
<td></td>
</tr>
<tr>
<td>Texas Commerce Bank (Assignee)</td>
<td>Secretary of State</td>
<td>098946 4-25-89</td>
<td>Leased Xerox copy equipment</td>
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<tr>
<td>Xerox Corporation</td>
<td>Texas</td>
<td>192177 8-23-89</td>
<td>1 152.12A Taylor (Equipment)</td>
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<tr>
<td>Xerox Corporation</td>
<td>Texas</td>
<td>022620 2-5-92</td>
<td>1 Xerox 5065 RDH/FIN (Equipment)</td>
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<tr>
<td>Chesterfield Financial</td>
<td>Florida</td>
<td>91-0000147420 7-8-91</td>
<td>Leased equipment</td>
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<td>** Fleet Mortgage</td>
<td>Hillsborough</td>
<td>901116-3</td>
<td>Judgment Lien - $74,065.53</td>
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<td>Hoosier Copy Systems, Inc.</td>
<td>Indiana</td>
<td>1754069</td>
<td>Leased Canon copier equipment (Debtor is Charter Hospital)</td>
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<tr>
<td>Lease America Corporation</td>
<td>Secretary of State</td>
<td>12-19-91</td>
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<tr>
<td>(Secured Party)</td>
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<tr>
<td>Commercial Capital Corporation</td>
<td>Sedgwick County, Kansas</td>
<td>88-04921</td>
<td>Equipment (2 GE portable radios) (Debtor is Charter Medical Corp d/b/a Charter Hospital)</td>
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<tr>
<td>(Secured Party)</td>
<td></td>
<td>4-25-88</td>
<td></td>
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<tr>
<td>First National Bank of Shawnee Mission</td>
<td>(Assignee)</td>
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<tr>
<td>Business Systems Leasing</td>
<td>Sedgwick County, Kansas</td>
<td>92-05179</td>
<td>Canon copy equipment</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>6-11-92</td>
<td></td>
<td></td>
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<tr>
<td>Business Systems Leasing</td>
<td>Sedgwick County, Kansas</td>
<td>92-05180</td>
<td>Canon copy equipment</td>
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<td></td>
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<td>6-11-92</td>
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<tr>
<td>Argo Financial Services (Secured Party)</td>
<td>Bibb County, Georgia</td>
<td>196634</td>
<td>Canon and Minolta copy equipment</td>
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<tr>
<td>First Macon Bank &amp; Trust Company (Assignee)</td>
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<td>4-7-89</td>
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<tr>
<td>First United Leasing Corp.</td>
<td>Bibb County, Georgia</td>
<td>197799, 7-24-89</td>
<td>Leased facsimile machines</td>
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<tr>
<td>G.D.P. Leasing Company</td>
<td>Bibb County, Georgia</td>
<td>188195, 3-17-87</td>
<td>Leased copying equipment (maturity date 7-31-90)</td>
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<td>Georgia Duplicating Products</td>
<td>Bibb County, Georgia</td>
<td>191309, 1-25-88</td>
<td>Copying equipment</td>
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<tr>
<td>National Bank of Commerce</td>
<td>Mississippi, Secretary of State</td>
<td>0486320, 4-25-90</td>
<td>Panasonic telephone system and four telephones</td>
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<tr>
<td>National Bank of Commerce</td>
<td>Tennessee, Secretary of State</td>
<td>933488, 11-18-91</td>
<td>Leased Panasonic copying equipment</td>
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<tr>
<td>National Bank of Commerce</td>
<td>Tennessee, Secretary of State</td>
<td>909466, 8-21-91</td>
<td>Leased Panasonic copying equipment</td>
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<tr>
<td>Eaton Financial Corporation</td>
<td>Tennessee, Secretary of State</td>
<td>751905, 3-19-90</td>
<td>Leased office furniture</td>
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<td>National Bank of Commerce</td>
<td>Tennessee, Secretary of State</td>
<td>785477, 6-26-90</td>
<td>Leased Panasonic telephone system</td>
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<td>National Bank of Commerce</td>
<td>Tennessee, Secretary of State</td>
<td>835230, 12-11-90</td>
<td>Leased Panasonic telephone system</td>
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<tr>
<td>National Bank of Commerce</td>
<td>Tennessee, Secretary of State</td>
<td>696903, 9-22-89</td>
<td>Leased Panasonic telephone system</td>
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<tr>
<td>National Bank of Commerce</td>
<td>Tennessee, Secretary of State</td>
<td>725211, 12-28-89</td>
<td>Leased Panasonic telephone system</td>
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<tr>
<td>Pitney Bowes Credit Corp. (Lessor)</td>
<td>Tennessee, Secretary of State</td>
<td>471881, 9-28-87</td>
<td>Leased business equipment/machines</td>
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<tr>
<td>* CMCI, Inc.</td>
<td>Fort Bend County, Texas</td>
<td>8923914, 5-22-89</td>
<td>Deed of Trust</td>
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</tr>
<tr>
<td>* CMCI, Inc.</td>
<td>Fort Bend County, Texas</td>
<td>8923916, 5-22-89</td>
<td>Deed of Trust</td>
<td></td>
</tr>
<tr>
<td>Citibank, N.A., individually and as Agent</td>
<td>California, Secretary of State</td>
<td>89233095, 9-1-89</td>
<td>Blanket lien relating to real property in Placer County, CA (Debtor is Charter Hospital of Sacramento, Inc. d/b/a Charter Medical-California, Inc.)</td>
<td></td>
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</table>
**DEBTOR: CHARTER MEDICAL - JACKSONVILLE, INC.**

<table>
<thead>
<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
<th>FILE NO./DATE FILED</th>
<th>COLLATERAL</th>
</tr>
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<tbody>
<tr>
<td>Universal Fleet Leasing Inc.</td>
<td>Florida</td>
<td>880000040009</td>
<td>Leased copying equipment</td>
</tr>
<tr>
<td>San Jacinto Savings Association</td>
<td>Secretary of State</td>
<td>11-3-88</td>
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</table>

**San Jacinto Savings Association**

- **FILE NO./SECURED PARTY**
- **LOCATION**
- **DATE FILED**
- **COLLATERAL**

- **FILE NO./SECURED PARTY**
- **LOCATION**
- **DATE FILED**
- **COLLATERAL**

**DEBTOR: CHARTER MEDICAL - LONG BEACH, INC.**

<table>
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<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
<th>FILE NO./DATE FILED</th>
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<tbody>
<tr>
<td>Mutual Service Life Insurance Company</td>
<td>Pima County, Arizona</td>
<td>91050353</td>
<td>Subordination Agreement regarding property leased by Charter Counseling Center, a Division of Charter Hospital Long Beach d/b/a Charter Hospital of Tucson</td>
</tr>
<tr>
<td>Tucson Psychiatric Institute, Inc.</td>
<td>Pima County, Arizona</td>
<td>91035545</td>
<td>Special Warranty Deed from Charter Medical - Long Beach, Inc. to Tucson Psychiatric Hospital, Inc.</td>
</tr>
<tr>
<td><strong>CMFC, Inc.</strong></td>
<td>Pima County, Arizona</td>
<td>91041411</td>
<td>Warranty Deed re-recorded to correct the Grantee's name to Tucson Psychiatric Institute, Inc.</td>
</tr>
<tr>
<td>Paramount Medical Development Co.</td>
<td>California</td>
<td>82230927</td>
<td>Realty Mortgage (Mortgagor is Charter Medical - Tucson, Inc.)</td>
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</tbody>
</table>

- **FILE NO./SECURED PARTY**
- **LOCATION**
- **DATE FILED**
- **COLLATERAL**

Neuropsychiatric Institute, the health facility license, inventory, other licenses, insurance proceeds (Additional...
Debtors are Charter Medical Corporation and trade name Long Beach Neuropsychiatric Institute/Charter Baywood Hospital.

82230927  Continuation of File No. 11-16-87  82230927

DEBTOR: CHARTER MEDICAL - VIGO COUNTY, INC.

Citibank, N.A., individually and as Agent
Indiana  Secretary of State  1601311  Blanket lien relating to real property in Vigo County, Indiana

DEBTOR: CHARTER MEDICAL CORPORATION

Georgia Duplicating Products, Inc.
Bibb County, Georgia  194245  Canon Facsimile equipment

United States Leasing Corp.
Bibb County, Georgia  193163  Leased equipment identified by serial number

-23-

SECURED PARTY  LOCATION  FILE NO./ DATE FILED  COLLATERAL
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Unicom Computer Corporation
(Secured Party)
Bibb County, Georgia  191495  Leased computer equipment
Westinghouse Credit Corporation
(Assiginee)

Beckman Instruments, Inc.
Bibb County, Georgia  195805  Equipment (Astra 8)

DEBTOR: CHARTER MEDICAL CORPORATION OF RALEIGH, INC.

First Leasing Company
North Carolina  Secretary of State  0764321  Canon copier
(Esecured Party)
Eaton Financial Corp. (Assignee)

DCL Leasing Company
Wake County, North Carolina  88-18860  Canon copier (Debtor is Charter Northridge Hospital)

DEBTOR: CHARTER MEDICAL OF EAST VALLEY, INC.

* CMFC, Inc.
Arizona  Secretary of State  440897  Blanket fixtures filing (maturity date is 5-1-98)

* CMFC, Inc.
Maricopa County, Arizona  86-287999  Blanket fixture filing

* CMFC, Inc.
Maricopa County, Arizona  86-304864  Realty Mortgage

-24-
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>American Network Leasing Partnership</td>
<td>Texas</td>
<td>085637 4-18-90</td>
<td>Leased telephone equipment</td>
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<tr>
<td>** CMCI, Inc.</td>
<td>Tarrant County, Texas</td>
<td>415359 BK 09134</td>
<td>Blanket fixture filing</td>
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<td>Page 0189 12-1-87</td>
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<tr>
<td>** CMCI, Inc.</td>
<td>Tarrant County, Texas</td>
<td>BK 09134 Page 0194</td>
<td>Deed of Trust (maturity date is January 31, 2002)</td>
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<tr>
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<td>12-1-87</td>
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<tr>
<td>** CMCI, Inc.</td>
<td>Tarrant County, Texas</td>
<td>BK 09357 Page 1971</td>
<td>Deed of Trust</td>
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<td>8-18-88</td>
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<tr>
<td>Johnson Controls, Inc.</td>
<td>Tarrant County, Texas</td>
<td>Vol. 8806 Pg. 802</td>
<td>Mechanic's lien ($25,907.00)</td>
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<tr>
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<td>1-8-87</td>
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<tr>
<td>Public Easement</td>
<td>Tarrant County, Texas</td>
<td>42311 Vol. 8734,</td>
<td>Utility easement</td>
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<tr>
<td></td>
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<td>Page 101 10-31-86</td>
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<tr>
<td>Texas Electric Service Company</td>
<td>Tarrant County, Texas</td>
<td>353073 BK 8595</td>
<td>Easement and Agreement of Underground Facilities</td>
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DEBTOR: CHARTER MEDICAL OF RICHMOND COUNTY, INC.

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<tbody>
<tr>
<td>** CMCI, Inc.</td>
<td>Richmond County,</td>
<td>Reel 293 Page 2043;</td>
<td>Fixture filing</td>
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<tr>
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<td>Georgia</td>
<td>Reel 1003 Page 73</td>
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<td>8-23-88</td>
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DEBTOR: CHARTER NORTH HOSPITAL, INC.

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<tbody>
<tr>
<td>A.L. French Co.</td>
<td>Alaska UCC</td>
<td>285024 3-10-88</td>
<td>Two Lancer juice machines</td>
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<tr>
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<td>Central File</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>System</td>
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</tr>
<tr>
<td>A.L. French Co.</td>
<td>Alaska UCC</td>
<td>291011 7-11-88</td>
<td>One Lancer juice machine</td>
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<tr>
<td></td>
<td>Central File</td>
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<tr>
<td></td>
<td>System</td>
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DEBTOR: CHARTER NORTHRIDGE HOSPITAL

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<tr>
<td>First Leasing</td>
<td>North Carolina</td>
<td>0764321 3-6-91</td>
<td>Canon copy equipment (Debtor</td>
</tr>
<tr>
<td>Company (Secured</td>
<td>Secretary of State</td>
<td></td>
<td>is Charter Medical of Raleigh,</td>
</tr>
<tr>
<td>Party)</td>
<td></td>
<td></td>
<td>Inc. d/b/a Charter Northridge</td>
</tr>
<tr>
<td>SECURED PARTY</td>
<td>LOCATION</td>
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<tr>
<td>Eaton Financial Corp. (Assignee)</td>
<td>North Carolina</td>
<td>DLC Leasing Company</td>
<td>Secretary of State</td>
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<tr>
<td>DLC Leasing Company</td>
<td>Wake County, North Carolina</td>
<td>88-18860 11-22-88</td>
<td>Leased Canon copy equipment</td>
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<tr>
<td>Secretary of State</td>
<td>11-22-88</td>
<td>-26-</td>
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</tr>
<tr>
<td>** FILE NO./ SECURED PARTY</td>
<td>LOCATION</td>
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<tr>
<td>DEBTOR: CHARTER NORTHSIDE HOSPITAL, INC.</td>
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<tr>
<td>First Union National Bank of Georgia</td>
<td>Bibb County, Georgia</td>
<td>27559 Bk 1926 Pg 126 10-23-90</td>
<td>Landlord's Waiver regarding property leased by Debtor to M.R.I. of Middle Georgia, Inc. waiving rights to magnetic resonance imaging system and custom modular building located on the property</td>
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<tr>
<td>AT&amp;T Credit Corporation (Lessor)</td>
<td>Bibb County, Georgia</td>
<td>203938 1-29-91</td>
<td>Leased AT&amp;T 6486 PC equipment</td>
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<tr>
<td>Wellmark Inc.</td>
<td>California</td>
<td>91216771 10-7-91</td>
<td>Leased equipment pursuant to a certain Member's Agreement</td>
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<tr>
<td>Aloha Leasing, a Division of The Bennett Funding Group, Inc.</td>
<td>Texas</td>
<td>281684 11-2-87</td>
<td>Leased office furniture</td>
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<tr>
<td>** CMCI, Inc.</td>
<td>Texas</td>
<td>096394 4-21-88</td>
<td>Blanket fixture filing (The termination of this filing was erroneously filed in Hidalgo County, Texas. This filing remains active.)</td>
</tr>
<tr>
<td>Xerox Corporation</td>
<td>Texas</td>
<td>174223 9-9-91</td>
<td>Xerox copying system</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>Texas</td>
<td>038403 2-26-92</td>
<td>AT&amp;T telecommunications equipment sold under contract dated 1/27/92</td>
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<tr>
<td>AT&amp;T Credit Corp. (Assignee)</td>
<td>Texas</td>
<td>00662177 4-29-92</td>
<td>Assignment of File No. 038403 to AT&amp;T Credit Corp. (Lessor)</td>
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-27-
** CMCI, Inc.               Hildalgo County,         182593              Termination of File No. 096394
                 ...  COLLATERAL
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DEBTOR: CHARTER PINES HOSPITAL

Springs Leasing Corporation          North Carolina           0769395              Leased Fox Pollution Packers
Secretary of State       3-22-91

Springs Leasing Corporation          Mecklenburg County,      003651              Leased Fox Pollution Packers
North Carolina
Secretary of State       3-20-91

U.S. General Roofing, Inc.          Mecklenburg County,      Bk 319              Notice of Materialman's Lien
North Carolina
Pg 43 for $20,000
3-15-89

---28---

SECURED PARTY                     LOCATION                     FILE NO./ DATE FILED COLLATERAL
----------------------------------- -------------------------- --------------- -----------------------------------
American State Bank                Texas                         295159 Minolta copy equipment
Secretary of State       11-17-87
** CMCI, Inc.               Texas                         096393 Blanket fixture filing
Secretary of State       4-21-88
** CMCI, Inc.               Lubbock County,          23382 Blanket fixture filing
Texas                     Vol. 2881 Pg. 332
8-11-88

DEBTOR: CHARTER REAL HOSPITAL

Professional Telephone Systems, Inc. (Secured Party)
Westinghouse Credit Corp. (Assignee)
Secretary of State       166780 Telephone equipment
6-24-87

Lane Equipment Company (Secured Party)
Texas Commerce Bank
(Assignee)
Secretary of State       227198 Taylor Freezer
9-2-87

Commercial Equipment Leasing Company (Secured Party)
NBC Bank - San Antonio, National Association
(Assignee)
Secretary of State       250731 Leased office furniture
9-28-87

---29---

SECURED PARTY                     LOCATION                     FILE NO./ DATE FILED COLLATERAL
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<table>
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<tr>
<th>SECURED PARTY</th>
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<th>FILE NO./DATE FILED</th>
<th>COLLATERAL</th>
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<tbody>
<tr>
<td>Commercial Equipment Leasing Company</td>
<td>Texas</td>
<td>099921</td>
<td>Leased office furniture</td>
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<tr>
<td>(Secured Party)</td>
<td>Secretary of State</td>
<td>5-2-89</td>
<td></td>
</tr>
<tr>
<td>NBC Bank - San</td>
<td>Texas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Antonio, National Association</td>
<td>Secretary of State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Assignee)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NBC Bank - San</td>
<td>Texas</td>
<td>742513</td>
<td>Assignment of File No. 099921</td>
</tr>
<tr>
<td>Antonio, National Association</td>
<td>Secretary of State</td>
<td>8-2-89</td>
<td>to Commercial Equipment</td>
</tr>
<tr>
<td>(Secured Party)</td>
<td></td>
<td></td>
<td>Leasing Company</td>
</tr>
<tr>
<td>Commercial Equipment Leasing Company</td>
<td>Texas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Assignee)</td>
<td>Secretary of State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>Texas</td>
<td>126857</td>
<td>Leased telephone equipment</td>
</tr>
<tr>
<td>Telephone Systems, Inc.</td>
<td>Secretary of State</td>
<td>6-5-89</td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>Texas</td>
<td></td>
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</tr>
<tr>
<td>Telephone Systems, Inc.</td>
<td>Secretary of State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>Texas</td>
<td>061529</td>
<td>Leased telephone equipment</td>
</tr>
<tr>
<td>Telephone Systems, Inc.</td>
<td>Secretary of State</td>
<td>3-20-90</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>Texas</td>
<td>114177</td>
<td>Leased furniture</td>
</tr>
<tr>
<td>Equipment Leasing</td>
<td>Secretary of State</td>
<td>5-22-90</td>
<td></td>
</tr>
<tr>
<td>SECURED PARTY</td>
<td>LOCATION</td>
<td>FILE NO./ DATE FILED</td>
<td>COLLATERAL</td>
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<tr>
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</tr>
<tr>
<td>Cap-Co Leasing Co. (Secured Party)</td>
<td>Fayette County, Kentucky</td>
<td>9005206 6-27-90</td>
<td>Embosser</td>
</tr>
<tr>
<td>Capitol Leasing Company (Assignee)</td>
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<table>
<thead>
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<th>SECURED PARTY</th>
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<th>FILE NO./ DATE FILED</th>
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</thead>
<tbody>
<tr>
<td>Modern Office (Secured Party)</td>
<td>South Carolina</td>
<td>88-052260 10-3-88</td>
<td>Canon copier</td>
</tr>
<tr>
<td>Fiduciary Leasco, Inc. (Assignee)</td>
<td>Secretary of State</td>
<td></td>
<td></td>
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</table>

** Southeast Bank, N.A.**

<table>
<thead>
<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
<th>FILE NO./ DATE FILED</th>
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</thead>
<tbody>
<tr>
<td>Southeast Bank, N.A.</td>
<td>Marion County, Florida</td>
<td>84-056015 OR 1249 11-7-84</td>
<td>Blanket fixture filing (the corresponding Mortgage and Security Agreement was terminated on 10-28-88)</td>
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</table>

<table>
<thead>
<tr>
<th>SECURED PARTY</th>
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<th>FILE NO./ DATE FILED</th>
<th>COLLATERAL</th>
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</thead>
<tbody>
<tr>
<td>Monex Leasing (Secured Party)</td>
<td>Texas</td>
<td>077507 4-9-90</td>
<td>Computer equipment</td>
</tr>
<tr>
<td>YTB Leasing (Assignee)</td>
<td>Secretary of State</td>
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Baxter Scientific Products

<table>
<thead>
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<th>FILE NO./ DATE FILED</th>
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</thead>
<tbody>
<tr>
<td>Baxter Scientific Products</td>
<td>Texas</td>
<td>287191 12-16-88</td>
<td>Stratus and sample handler equipment</td>
</tr>
<tr>
<td>Baxter Scientific Products</td>
<td>Texas</td>
<td>124973 6-6-90</td>
<td>Stratus II immunoassay system</td>
</tr>
<tr>
<td>SECURED PARTY</td>
<td>LOCATION</td>
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<tr>
<td>-------------------------------</td>
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<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Citizens and Southern Trust Company (Georgia) National Association</td>
<td>Bibb County, Georgia</td>
<td>204854 5-6-91</td>
<td>Fixtures, equipment and personal property that is part of the Project pursuant to the Indenture with Athens-Clarke County Industrial Development Authority</td>
</tr>
<tr>
<td>The Citizens and Southern National Bank, as Trustee</td>
<td>Bibb County, Georgia</td>
<td>175880 5-8-84</td>
<td>Fixtures, equipment and personal property that is part of the Project pursuant to the Indenture with Athens-Clarke County Industrial Development Authority</td>
</tr>
<tr>
<td>The Citizens and Southern National Bank, as Trustee (Secured Party) Citizens and Southern Trust Company (Georgia) National Association</td>
<td>Bibb County, Georgia</td>
<td>175880 5-2-89</td>
<td>Assignment of File No. 175880 to Citizens and Southern Trust Company (Georgia) National Association</td>
</tr>
<tr>
<td>Circle Business Credit, Inc.</td>
<td>Texas</td>
<td>223771 10-3-89</td>
<td>Trash compactor</td>
</tr>
</tbody>
</table>

DEBTOR: CHARTER SUBURBAN HOSPITAL OF MESQUITE, INC.

Circle Business Credit, Inc.  Texas  223771 10-3-89  Trash compactor

DEBTOR: CHARTER SUNRISE HOSPITAL

** New Mexico Bernalillo County, New Mexico 8911475 8-91 MS713A 7-1-91 Pg. 343 2-14-89  $374.65 lien for unemployment compensation contributions for the quarter ended 9/30/88

DEBTOR: CHARTER WINDS HOSPITAL, INC.

Citizens and Southern Trust Company (Georgia) National Association  Bibb County, Georgia  204854 5-6-91  Fixtures, equipment and personal property that is part of the Project pursuant to the Indenture with Athens-Clarke County Industrial Development Authority

The Citizens and Southern National Bank, as Trustee  Bibb County, Georgia  175880 5-8-84  Fixtures, equipment and personal property that is part of the Project pursuant to the Indenture with Athens-Clarke County Industrial Development Authority (Debtor is Charter Medical-Athens, Inc.)

The Citizens and Southern National Bank, as Trustee (Secured Party) Citizens and Southern Trust Company (Georgia) National Association  Bibb County, Georgia  175880 5-2-89  Assignment of File No. 175880 to Citizens and Southern Trust Company (Georgia) National Association
<table>
<thead>
<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
<th>FILE NO./ DATE FILED</th>
<th>COLLATERAL</th>
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</thead>
<tbody>
<tr>
<td>Citizens and Southern Trust Company (Georgia) National Association</td>
<td>Bibb County, Georgia</td>
<td>175880 5-2-89</td>
<td>Continuation of File No. 175880</td>
</tr>
<tr>
<td></td>
<td></td>
<td>175880 5-6-91</td>
<td>Amendment to File No. 175880 changing the Debtor's name to Charter Winds Hospital, Inc.</td>
</tr>
<tr>
<td>Inland Finance Company</td>
<td>Clarke County, Georgia</td>
<td>901086 5-30-90</td>
<td>Microwave oven</td>
</tr>
<tr>
<td></td>
<td></td>
<td>911026 5-3-91</td>
<td>Fixtures, equipment and personal property that is part of the Project pursuant to the Indenture with Athens-Clarke County Industrial Development Authority</td>
</tr>
</tbody>
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DEBTOR: CHARTER WOODS HOSPITAL, INC.

<table>
<thead>
<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
<th>FILE NO./ DATE FILED</th>
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</tr>
</thead>
<tbody>
<tr>
<td>AT&amp;T Credit Corporation</td>
<td>Alabama Secretary of State</td>
<td>B90-31655 8-31-90</td>
<td>AT&amp;T Sale In Place Spirit equipment sold under a certain Lease</td>
</tr>
<tr>
<td>Xerox Corporation</td>
<td>Alabama Secretary of State</td>
<td>90-13056 4-8-91</td>
<td>Xerox copy machine</td>
</tr>
</tbody>
</table>

DEBTOR: DESERT SPRINGS HOSPITAL, INC.

<table>
<thead>
<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
<th>FILE NO./ DATE FILED</th>
<th>COLLATERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFB Leasing, a division of Nevada First Bank (Lessor)</td>
<td>Nevada Secretary of State</td>
<td>88-06852 6-23-88</td>
<td>Leased equipment (Aqua Matic and Automatic Battery Charger)</td>
</tr>
<tr>
<td>CooperVision CILCO, as part of Cooper Companies</td>
<td>Nevada Secretary of State</td>
<td>88-07205 7-8-88</td>
<td>Series 10,000 Master and ultrasonic handpiece</td>
</tr>
<tr>
<td>DataScope Corp</td>
<td>Nevada Secretary of State</td>
<td>90-03560 3-30-90</td>
<td>Balloon pump machine</td>
</tr>
<tr>
<td>Fuji Medical Systems U.S.A., Inc.</td>
<td>Nevada Secretary of State</td>
<td>90-04190 4-16-90</td>
<td>Inventory and equipment manufactured or distributed by Secured Party/Consignor to any of Debtor/Consignee's locations</td>
</tr>
<tr>
<td>Valleylab, Inc.</td>
<td>Nevada Secretary of State</td>
<td>90-12736 11-13-90</td>
<td>Valleylab medical equipment pursuant to Accessories Purchase Agreement</td>
</tr>
<tr>
<td>Instrumentation Laboratory</td>
<td>Nevada Secretary of State</td>
<td>91-09486 10-15-91</td>
<td>Blood gas analyzer, CO oximeter, BGH2 software and hardware, IBM workstation</td>
</tr>
<tr>
<td>SECURED PARTY</td>
<td>LOCATION</td>
<td>FILE NO./DATE FILED</td>
<td>COLLATERAL</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>----------------</td>
<td>---------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Charter Medical Corporation</td>
<td>Clark County,</td>
<td>BK 870811 8-11-87</td>
<td>Continuation of Book 1627, No. 1586236</td>
</tr>
<tr>
<td>(Secured Party)</td>
<td>Nevada</td>
<td>IN 00453</td>
<td></td>
</tr>
<tr>
<td>Hanover Leasing Corporation</td>
<td></td>
<td>BK 880217 2-17-88</td>
<td>Assignment of Book 1627, No. 1586236 to The CIT Group/Equipment Financing, Inc.</td>
</tr>
<tr>
<td>(Assignee)</td>
<td></td>
<td>IN 00694</td>
<td></td>
</tr>
<tr>
<td>Hanover Leasing Corporation</td>
<td></td>
<td>BK 870203 2-3-87</td>
<td>Continuation of Book 1518, No. 1477828</td>
</tr>
<tr>
<td>(Assignee)</td>
<td></td>
<td>IN 00896</td>
<td></td>
</tr>
<tr>
<td>NFB Leasing, a Division of Nevada</td>
<td>Clark County,</td>
<td>BK 880630 6-30-88</td>
<td>Leased equipment (Aqua Matic and Automatic Battery Charger)</td>
</tr>
<tr>
<td>First Bank</td>
<td>Nevada</td>
<td>IN 00819</td>
<td></td>
</tr>
<tr>
<td>CooperVision CILCO, a part of</td>
<td>Clark County,</td>
<td>BK 880712 7-12-88</td>
<td>Equipment (10,000 Master and ultrasonic handpiece)</td>
</tr>
<tr>
<td>Cooper Companies</td>
<td>Nevada</td>
<td>IN 00632</td>
<td></td>
</tr>
<tr>
<td>Fuji Medical Systems</td>
<td>Clark County,</td>
<td>BK 900510 5-10-90</td>
<td>Inventory and equipment manufactured or distributed by</td>
</tr>
<tr>
<td>U.S.A., Inc.</td>
<td>Nevada</td>
<td>IN 00856</td>
<td>Secured Party/Consignor to any of Debtor/Consigee’s locations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11-10-90</td>
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**Debtor: EAS, Inc.**

<table>
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<tr>
<th>SECURED PARTY</th>
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<th>FILE NO./DATE FILED</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Republic Leasing Co. (Secured Party)</td>
<td>North Carolina</td>
<td>0701075 7-27-90</td>
<td>Caterpillar Lift</td>
</tr>
<tr>
<td>Republic National Bank (Assignee)</td>
<td>Secretary of State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sunox, Inc.</td>
<td>North Carolina</td>
<td>0397187 11-30-87</td>
<td>Equipment (Miller Dialarc HF package)</td>
</tr>
<tr>
<td>SECURED PARTY</td>
<td>LOCATION</td>
<td>DATE FILED</td>
<td>COLLATERAL</td>
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<tr>
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</tr>
<tr>
<td>Alcon Surgical Inc.</td>
<td>Fulton County, Georgia</td>
<td>1-8-91</td>
<td>Medical equipment listed on Financing Agreement (Debtor is Metropolitan Eye &amp; Ear d/b/a Metropolitan Hospital)</td>
</tr>
<tr>
<td>Apple Funding Group, Inc.</td>
<td>Fulton County, Georgia</td>
<td>11-13-89</td>
<td>Kin-Com Computer System</td>
</tr>
<tr>
<td>LeaseAmerica Corporation</td>
<td>Fulton County, Georgia</td>
<td>12-8-88</td>
<td>Leased surgical laser</td>
</tr>
<tr>
<td>IMED Corporation</td>
<td>Bibb County, Georgia</td>
<td>205713</td>
<td>Volumetric infusion pumps</td>
</tr>
<tr>
<td>Sherwin-Williams Co.</td>
<td>Bibb County, Georgia</td>
<td>204549</td>
<td>Equipment (pressure washer, chemical injector, hose, extension wand)</td>
</tr>
<tr>
<td>Georgia Duplicating Products, Inc.</td>
<td>Bibb County, Georgia</td>
<td>191281</td>
<td>Copy equipment</td>
</tr>
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</table>
**DEBTOR:** NATIONAL RECOVERY NETWORK  

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Grantree Furniture Rental Corp. (Lessor)</td>
<td>California Secretary of State</td>
<td>87231486/9-22-87</td>
<td>Leased office furniture and equipment</td>
</tr>
<tr>
<td>Continental Telephone Co. of Ca.</td>
<td>California Secretary of State</td>
<td>87232631/9-24-87</td>
<td>Telephone system</td>
</tr>
<tr>
<td>AVCO Financial Services of Southern California, Inc.</td>
<td>California Secretary of State</td>
<td>87261640/10-28-87</td>
<td>Leased office furniture and equipment</td>
</tr>
<tr>
<td><strong>Internal Revenue Service</strong></td>
<td>California Secretary of State</td>
<td>89253642/9-26-89</td>
<td>Federal tax lien for $6556.68 for period ending 12/31/86</td>
</tr>
<tr>
<td><strong>Internal Revenue Service</strong></td>
<td>Los Angeles County, California</td>
<td>891566137/9-28-89</td>
<td>Federal tax lien for $6556.68 for period ending 12/31/86</td>
</tr>
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**DEBTOR:** PHYSICIANS & SURGEONS HOSPITAL, INC.

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<th>FILE NO./DATE FILED</th>
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</tr>
</thead>
<tbody>
<tr>
<td>General Electric Company (Lessor)</td>
<td>Caddo Parish, Louisiana</td>
<td>899049/12-6-90</td>
<td>Leased General Electric Sytec 3000 Whole Body CT Scanner</td>
</tr>
<tr>
<td>Baxter Diagnostics, Inc.</td>
<td>Caddo Parish, Louisiana</td>
<td>901690/6-3-91</td>
<td>Stratus Analyzer</td>
</tr>
<tr>
<td>E.I. Du Pont De Nemours &amp; Co.</td>
<td>Caddo Parish, Louisiana</td>
<td>905314/2-26-92</td>
<td>Du Pont Discrete Clinical Analyzer</td>
</tr>
<tr>
<td>Americorp Financial, Inc. (Secured Party)</td>
<td>Caddo Parish, Louisiana</td>
<td>872697/11-21-88</td>
<td>Leased equipment (Model 2080A Thermometers)</td>
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</tbody>
</table>

-40-

<table>
<thead>
<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
<th>FILE NO./DATE FILED</th>
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</thead>
<tbody>
<tr>
<td>Charter National Bank (Secured Party) Colonial Pacific Leasing (Assignee)</td>
<td>Caddo Parish, Louisiana</td>
<td>883975/7-21-89</td>
<td>Assignment of File No. 872697 to Colonial Pacific Leasing</td>
</tr>
<tr>
<td>Edwin H. Poole (Plaintiff)</td>
<td>Caddo Parish, Louisiana</td>
<td>Case No. 01217195</td>
<td>Judgment of $100,000 plus one-half future medical care and related benefits of Timothy Edwin Poole. The search reports that it was satisfied.</td>
</tr>
<tr>
<td>* The Travelers Insurance Company</td>
<td>Caddo Parish, Louisiana</td>
<td>Mort. Bk. 1155 Page 724 Chattel No. 570804 5-20-77 (chattel) 5-10-77 (mortgage)</td>
<td>Act of Mortgage securing $6,100,000 note with real property in Shreveport, rents and profits therefrom, equipment and fixtures thereon</td>
</tr>
<tr>
<td>SECURED PARTY</td>
<td>LOCATION</td>
<td>FILE NO./ DATE FILED</td>
<td>COLLATERAL</td>
</tr>
<tr>
<td>---------------</td>
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<td>------------</td>
</tr>
<tr>
<td>The Travelers Insurance Company</td>
<td>Caddo Parish, Louisiana</td>
<td>Mort. Bk. 1155, Page 745</td>
<td>Assignment of Leases 5-10-77</td>
</tr>
</tbody>
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**| SECURED PARTY | LOCATION | FILE NO./ DATE FILED | COLLATERAL |
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</tr>
</thead>
<tbody>
<tr>
<td>The Travelers Insurance Company</td>
<td>Caddo Parish, Louisiana</td>
<td>No. 857945</td>
<td>Partial Release of Mortgage 1-29-88</td>
</tr>
</tbody>
</table>

DEBTOR: SHALLOWFORD COMMUNITY HOSPITAL

Technicon Instruments Corp. | DeKalb County, Georgia | 88-08769 | Hematology analyzer 9-30-88 |

DEBTOR: STUART CIRCLE HOSPITAL CORPORATION

Baxter Diagnostics Corporation | Virginia State Commission | 911020413 | Stratus II immunochemistry analyzer 10-15-91 |

Beckman Instruments, Inc. Corporation | Virginia State Commission | 920111906 | Leased equipment (Synchron CX-7 and CX-5) 1-9-92 |

DEBTOR: TAMPA HEIGHTS HOSPITAL

** Fleet Mortgage Corp. (Plaintiff) | Hillsborough County, Florida | 90111643 | Summary Final Judgment of Foreclosure for $74,065.53 regarding real property in Hillsborough County, Case No. 90-85(F), against Mr. and Mrs. Charles McAfee, Jr., Karen Hedler, John Larrimer as trustee of Health Group Incorporated of Tampa d/b/a Tampa Heights Hospital, a dissolved corporation 5-23-90 |

<table>
<thead>
<tr>
<th>SECURED PARTY</th>
<th>LOCATION</th>
<th>FILE NO./ DATE FILED</th>
<th>COLLATERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonial Mortgage Company (Plaintiff)</td>
<td>Hillsborough County, Florida</td>
<td>91050399</td>
<td>Notice of Lis Pendens 91-2588</td>
</tr>
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</table>
DEBTOR: THE FAIRMOUNT INSTITUTE

<table>
<thead>
<tr>
<th>Secured Party</th>
<th>Location</th>
<th>File No./Date Filed</th>
<th>Collateral</th>
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</thead>
<tbody>
<tr>
<td>Xerox Corporation</td>
<td>Pennsylvania</td>
<td>20540314/2-20-92</td>
<td>Duplicating System (5065)</td>
</tr>
<tr>
<td>Xerox Corporation</td>
<td>Pennsylvania</td>
<td>20540315/2-20-92</td>
<td>Duplicating System (1090)</td>
</tr>
<tr>
<td>Xerox Corporation</td>
<td>Philadelphia County,</td>
<td>88-865/2-4-88</td>
<td>Xerox 1090 copier</td>
</tr>
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ANNEX II

LIEN SUMMARY

<table>
<thead>
<tr>
<th>Secured Party</th>
<th>Location</th>
<th>File No./Date Filed</th>
<th>Collateral</th>
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<tbody>
<tr>
<td>American Business Credit Corp.</td>
<td>Alabama, Secretary</td>
<td>92-09627/03/17/92</td>
<td>Leased Savin Copy</td>
</tr>
<tr>
<td>Paramount Medical Development Co.</td>
<td>California, Secretary of State</td>
<td>82230927/12/13/82</td>
<td>Personal Property, Fixtures and Equipment</td>
</tr>
<tr>
<td>Paramount Medical Development Co.</td>
<td>California, Secretary of State</td>
<td>11/16/87</td>
<td>Debtor-Charter Medical Long Beach, Additional Debtor-Charter Medical Corporation Continuation of File No. 82230927.</td>
</tr>
<tr>
<td>Paramount Medical Development Co.</td>
<td>California, Secretary of State</td>
<td>11/02/92</td>
<td>(Debtor-Charter Medical Long Beach, Additional Debtor-Charter Medical Corporation) Continuation of File No. 82230927.</td>
</tr>
<tr>
<td>Kimco Leasing, Inc.</td>
<td>Indiana, Secretary</td>
<td>1660553/07/10/90</td>
<td>(1) SP-8300 Sharp copier with cabinet</td>
</tr>
<tr>
<td>C&amp;J Leasing Corp.</td>
<td>Iowa, Secretary of State</td>
<td>K017597/08/18/89</td>
<td>Leased copies and other equipment</td>
</tr>
<tr>
<td>Sanwa Leasing Corporation (Assignee)</td>
<td>Iowa, Secretary of State</td>
<td>K144036/08/16/90</td>
<td>Assignment of K017597</td>
</tr>
<tr>
<td>Norwest Bank Iowa (Assignee)</td>
<td>Iowa, Secretary of State</td>
<td>K320532/01/03/92</td>
<td>Assignment of K017597</td>
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<tr>
<td>Hewlett Packard Corporation</td>
<td>Iowa, Secretary of State</td>
<td>K161998/10/05/90</td>
<td>Hewlett Packard equipment leased under Lease No. 4126-48102</td>
</tr>
<tr>
<td>Secured Party</td>
<td>Location</td>
<td>Date Filed</td>
<td>Collateral</td>
</tr>
<tr>
<td>---------------</td>
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</tr>
<tr>
<td>Baxter Scientific Products</td>
<td>California,</td>
<td>08/10/92</td>
<td>Coagulation Analyzer</td>
</tr>
<tr>
<td>Beckman Instruments, Inc., (Lessor)</td>
<td>California,</td>
<td>10/02/89</td>
<td>Medica Equipment</td>
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<tr>
<td>Biomerieux Vitek, Inc.</td>
<td>Iowa,</td>
<td>02/25/93</td>
<td>Vitek-JR/MS with accessories</td>
</tr>
<tr>
<td>AT&amp;T Credit Corporation (Lessor)</td>
<td>Pennsylvania,</td>
<td>04/02/93</td>
<td>AT&amp;T Definity Generic 3.1 equipment</td>
</tr>
<tr>
<td>M&amp;H Leasing Corp.</td>
<td>Caddo Parish, Louisiana</td>
<td>03/19/87</td>
<td>(2) IBM Actionwriter 1 Typewriters</td>
</tr>
<tr>
<td>M&amp;H Leasing Corp.</td>
<td>Caddo Parish, Louisiana</td>
<td>06/15/89</td>
<td>(1) IBM Actionwriter 1 Typewriter</td>
</tr>
<tr>
<td>State of Louisiana Office of Employment Security</td>
<td>Caddo Parish, Louisiana</td>
<td>02/07/92</td>
<td>Notice of Tax Assessment: $1,799.83</td>
</tr>
<tr>
<td>Barbara Loftis, Petitioner</td>
<td>Caddo Parish, Louisiana</td>
<td>01/19/90</td>
<td>Petition</td>
</tr>
<tr>
<td>Elaine S. and Brian B. Haloubek, Petitioners</td>
<td>Caddo Parish, Louisiana</td>
<td>10/29/93</td>
<td>Original Petition</td>
</tr>
<tr>
<td>Alice Gentry</td>
<td>Caddo Parish, Louisiana</td>
<td>10/21/87</td>
<td>Judgment: $4,000.00</td>
</tr>
<tr>
<td>Alice Gentry</td>
<td>Caddo Parish, Louisiana</td>
<td>01/08/87</td>
<td>Petition for Worker’s Compensation</td>
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-4-
<table>
<thead>
<tr>
<th>Secured Party</th>
<th>Location</th>
<th>Date Filed</th>
<th>Collateral</th>
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<tbody>
<tr>
<td>Lanier Business Products, Inc.</td>
<td>New Mexico,</td>
<td>03/01/90</td>
<td>Dictation equipment</td>
</tr>
<tr>
<td>Lanier Business Products, Inc.</td>
<td>New Mexico,</td>
<td>05/21/90</td>
<td>Dictation equipment</td>
</tr>
<tr>
<td>Republic Leasing Co.</td>
<td>South Carolina,</td>
<td>03/11/92</td>
<td>Equipment, fixtures and other goods (other than inventory), relating to 2 parcels of real property in Charlottesville</td>
</tr>
<tr>
<td>The CIT Group/Equipment Financing, Inc.</td>
<td>Virginia,</td>
<td>10/29/93</td>
<td>AT&amp;T upgrade to Definity Generic 31</td>
</tr>
<tr>
<td>Amrex Investment Co.</td>
<td>Texas,</td>
<td>03/11/92</td>
<td>All property located in leased premises known as 4101 Hwy. 77,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Suite #L-4, Corpus Christi, TX 78410 in the Five Points Shopping Center</td>
</tr>
<tr>
<td>Southwestern Bell Telecommunications Inc. d/b/a Southwestern Bell Telecomm</td>
<td>Texas,</td>
<td>03/18/92</td>
<td>One Norstar Telecommunication System</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td>AT&amp;T Credit Corp. (Lessor)</td>
<td>Texas,</td>
<td>10/29/93</td>
<td>AT&amp;T upgrade to Definity Generic 31</td>
</tr>
<tr>
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<tr>
<td>Xerox Corp.</td>
<td>Texas,</td>
<td>07/19/90</td>
<td>Xerox 1090 Marathon copier</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Debtor name: Charter Hospital One)</td>
</tr>
<tr>
<td>Advanta Leasing Corp.</td>
<td>California,</td>
<td>12/04/90</td>
<td>Leased Apple Computer</td>
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<tr>
<td>Norwest Financial Leasing, Inc.</td>
<td>Arizona,</td>
<td>08/26/93</td>
<td>Leased Sharp Copy Equipment</td>
</tr>
<tr>
<td>Denitech Corp. (Lessor)</td>
<td>Texas,</td>
<td>04/09/92</td>
<td>Sirem FT7370</td>
</tr>
<tr>
<td></td>
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<td>LCT, Menu Reorder</td>
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<tr>
<td>Orix Credit Alliance, Inc.</td>
<td>Arizona,</td>
<td>10/28/91</td>
<td>Leased Electric Freezer</td>
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<tr>
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<tr>
<td>Eaton Financial Corp.</td>
<td>Texas,</td>
<td>03/28/94</td>
<td>Sirem FT 3313 DF 40 Feeder, stand</td>
</tr>
<tr>
<td>Coca-Cola Fountain Division</td>
<td>Texas,</td>
<td>02/20/92</td>
<td>1-BC Ice/Drink Combo 6-V</td>
</tr>
<tr>
<td>Coca-Cola Bottling Company of</td>
<td>Texas,</td>
<td>91000104675</td>
<td>(Debtor: Charter Hospital)</td>
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<tr>
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<tr>
<td>DEBTOR: CHARTER HOSPITAL OF GREENVILLE</td>
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<tr>
<td>-----------------------------------------</td>
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</tr>
<tr>
<td>Advanced Business Systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Carolina, Secretary of State</td>
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<td></td>
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<tr>
<td>89-053935 Copier equipment</td>
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<tr>
<td>10/23/89</td>
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<tr>
<td>Modern Office Machines Assignee:</td>
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<tr>
<td>South Carolina, Secretary of State</td>
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<td></td>
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</tr>
<tr>
<td>90-020014 Canon Copy System equipment</td>
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<tr>
<td>located at 243 E. Blackstock Rd.,</td>
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<td></td>
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<tr>
<td>Spartanburg, S.C. 29301</td>
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<td></td>
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<tr>
<td>Modern Office Leasing Assignee:</td>
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</tr>
<tr>
<td>South Carolina, Secretary of State</td>
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<tr>
<td>91-009030 equipment</td>
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<tr>
<td>Advanced Business Systems</td>
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<tr>
<td>South Carolina, Secretary of State</td>
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</tr>
<tr>
<td>91-014605 Leased copier</td>
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<tr>
<td>03/21/91</td>
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<tr>
<td>Lanier Worldwide, Inc.</td>
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</tr>
<tr>
<td>South Carolina, Secretary of State</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>92-009765 equipment</td>
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<tr>
<td>02/27/92</td>
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<table>
<thead>
<tr>
<th>DEBTOR: CHARTER HOSPITAL OF INDIANAPOLIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest Commercial Leasing</td>
</tr>
<tr>
<td>Indiana, Secretary of State</td>
</tr>
<tr>
<td>1753102 (2) Ultra 386 SX 20 Notebook</td>
</tr>
<tr>
<td>computers</td>
</tr>
<tr>
<td>(2) Panasonic KXP1180 9-Pin printers</td>
</tr>
<tr>
<td>Dana Commercial Credit Corporation</td>
</tr>
<tr>
<td>Indiana, Secretary of State</td>
</tr>
<tr>
<td>1754155 (1) IBM Monochrome monitor</td>
</tr>
<tr>
<td>(1) IBM 500-031 PC</td>
</tr>
<tr>
<td>(1) IBM DOS 4.01</td>
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<table>
<thead>
<tr>
<th>DEBTOR: CHARTER HOSPITAL OF JACKSONVILLE</th>
</tr>
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<tbody>
<tr>
<td>Datamatic Leasing, Inc.</td>
</tr>
<tr>
<td>Florida, Secretary of State</td>
</tr>
<tr>
<td>900000071122 Leased Canon Copy Equipment</td>
</tr>
<tr>
<td>03/19/90</td>
</tr>
<tr>
<td>Joseph Samuel Hudson, Petitioner</td>
</tr>
<tr>
<td>Calcasieu Parish, Louisiana</td>
</tr>
<tr>
<td>88-5166 Petition for Damages ($450,000.00)</td>
</tr>
<tr>
<td>11/16/88</td>
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<table>
<thead>
<tr>
<th>DEBTOR: CHARTER HOSPITAL OF MOBILE</th>
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<tbody>
<tr>
<td>Danka Industries</td>
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<tr>
<td>Alabama, Secretary of State</td>
</tr>
<tr>
<td>A31830R Leased Konica Copy Equipment</td>
</tr>
<tr>
<td>05/01/89</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
</tr>
<tr>
<td>California, Secretary of State</td>
</tr>
<tr>
<td>89233095 Debtor Trade Name or Style-</td>
</tr>
<tr>
<td>Charter Medical California, Inc. Blanket</td>
</tr>
<tr>
<td>Lien pertaining to Real Property located in the County of Placer, California</td>
</tr>
<tr>
<td>09/01/89</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
</tr>
<tr>
<td>California, Secretary of State</td>
</tr>
<tr>
<td>03/09/93 Amendment to File No. 89233095 removing &quot;Charter Medical- California, Inc.&quot; as Debtor's Trade Name or Style</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
</tr>
<tr>
<td>California, Secretary of State</td>
</tr>
<tr>
<td>03/04/94 Continuation of File No. 89233095</td>
</tr>
<tr>
<td>RTC Communications-</td>
</tr>
<tr>
<td>A Division of Roseville Telephone Company</td>
</tr>
<tr>
<td>California, Secretary of State</td>
</tr>
<tr>
<td>92100876 NEC Electra Mark II Telecommunication Equipment</td>
</tr>
<tr>
<td>05/05/92</td>
</tr>
<tr>
<td>Secured Party</td>
</tr>
<tr>
<td>---------------------------------------</td>
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<tr>
<td><strong>DEBTOR: CHAPTER HOSPITAL OF SACRAMENTO, INC.</strong></td>
</tr>
<tr>
<td>Citibank, N.A.</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
</tr>
<tr>
<td>RTC Communications-Roseville Telephone Company</td>
</tr>
<tr>
<td><strong>DEBTOR: CHAPTER HOSPITAL OF SAN DIEGO, INC.</strong></td>
</tr>
<tr>
<td>Citibank, N.A.</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
</tr>
<tr>
<td><strong>DEBTOR: CHAPTER HOSPITAL OF SANTA TERESA, INC.</strong></td>
</tr>
<tr>
<td>Grantee Furniture Rental Corp. (Lessor)</td>
</tr>
<tr>
<td><strong>DEBTOR: CHAPTER HOSPITAL OF SIOUX FALLS, INC.</strong></td>
</tr>
<tr>
<td>Advance Acceptance Corp. (Lessor)</td>
</tr>
<tr>
<td>Advance Leasing Corp.</td>
</tr>
<tr>
<td>AT&amp;T Credit Corp.</td>
</tr>
<tr>
<td>Eaton Financial Corp. (Lessor)</td>
</tr>
<tr>
<td>National Bank of Commerce (Lessor)</td>
</tr>
<tr>
<td>National Bank of Commerce (Lessor)</td>
</tr>
<tr>
<td>National Bank of Commerce (Lessor)</td>
</tr>
<tr>
<td>Pitney Bowes Credit Corp.</td>
</tr>
</tbody>
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### Debtors

#### Charter Hospital of Sugarland
- **Credit Corp. and Dictaphone Corp.**
- **Equipment sold or distributed subject to lease #7152283-501**

<table>
<thead>
<tr>
<th>Secured Party</th>
<th>Location</th>
<th>Date Filed</th>
<th>Collateral</th>
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</thead>
<tbody>
<tr>
<td>Lane Equipment Co.</td>
<td>Texas, 8500192177</td>
<td>08/23/89</td>
<td>Equipment</td>
</tr>
<tr>
<td>Xerox Corporation</td>
<td>Texas, 9200026260</td>
<td>02/05/92</td>
<td>One Xerox 5065 RDN/FIN</td>
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#### Charter Hospital of Tampa Bay, Inc.

<table>
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<th>Secured Party</th>
<th>Location</th>
<th>Date Filed</th>
<th>Collateral</th>
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<tbody>
<tr>
<td>Chesterfield Financial Corp.</td>
<td>Florida, 910000147420</td>
<td>07/08/91</td>
<td>Leased Data Card Cardwriter</td>
</tr>
<tr>
<td>Chesterfield Financial Corp.</td>
<td>Florida, 910000194272</td>
<td>09/09/91</td>
<td>I Embossing System</td>
</tr>
</tbody>
</table>

#### Charter Hospital of Thousand Oaks

<table>
<thead>
<tr>
<th>Secured Party</th>
<th>Location</th>
<th>Date Filed</th>
<th>Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wellmark, Inc.</td>
<td>California, 9126770</td>
<td>10/07/91</td>
<td>Leased Equipment</td>
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</tbody>
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### Debtors

#### Charter Hospital of Winston-Salem, Inc.

<table>
<thead>
<tr>
<th>Secured Party</th>
<th>Location</th>
<th>Date Filed</th>
<th>Collateral</th>
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</thead>
<tbody>
<tr>
<td>AT&amp;T Credit Corporation (Lessor)</td>
<td>North Carolina, 0384498</td>
<td>04/02/93</td>
<td>AT&amp;T Definity Generic 3.1 equipment</td>
</tr>
<tr>
<td>First United Leasing Corp. (Lessor)</td>
<td>Bibb County, Georgia, 197799</td>
<td>07/24/89</td>
<td>Four Pitney Bowes facsimile machines</td>
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</tbody>
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#### Charter Lake Hospital, Inc.

<table>
<thead>
<tr>
<th>Secured Party</th>
<th>Location</th>
<th>Date Filed</th>
<th>Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Bank of Commerce</td>
<td>Mississippi, 486320</td>
<td>06/25/90</td>
<td>(Debtor: Charter Lakeside Hospital) Panasonic Telephone System and 4 telephones</td>
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</tbody>
</table>

#### Charter Lakeside Hospital, Inc.

<table>
<thead>
<tr>
<th>Secured Party</th>
<th>Location</th>
<th>Date Filed</th>
<th>Collateral</th>
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</thead>
<tbody>
<tr>
<td>American Business Credit Corporation</td>
<td>Alabama, 92-09627</td>
<td>03/17/92</td>
<td>Leased Savin Copy</td>
</tr>
<tr>
<td>Saratoga Leasing</td>
<td>Arizona, 586955</td>
<td>10/23/89</td>
<td>(dba Charter Hospital) Leased Cafeteria Equipment</td>
</tr>
<tr>
<td>Nicolet Instrument Corporation</td>
<td>Arizona, 41692</td>
<td>04/10/90</td>
<td>Nicolet BEAM II System</td>
</tr>
<tr>
<td>Cerritos Gardens General Hospital Company, a California Ltd. Partnership</td>
<td>California, 80-091831</td>
<td>05/27/80</td>
<td>[Copy not available as of 4/25/94]</td>
</tr>
</tbody>
</table>

#### Charter Medical Corporation

<table>
<thead>
<tr>
<th>Secured Party</th>
<th>Location</th>
<th>Date Filed</th>
<th>Collateral</th>
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</thead>
<tbody>
<tr>
<td>Cerritos Gardens General Hospital Company, a California Ltd. Partnership</td>
<td>California, 05/10/90</td>
<td>(Debtor = Charter Community Hospital Inc., additional debtor = Charter Medical Corporation) Continuation of File No. 80-091831</td>
<td></td>
</tr>
<tr>
<td>Paramount General Hospital Company, a California Ltd. Partnership</td>
<td>California, 80-091826</td>
<td>05/27/80</td>
<td>(Debtor = Charter Suburban Hospital, Inc., formerly known as Ziggurat, Inc.) [Not available as of 04/25/94]</td>
</tr>
<tr>
<td>Paramount General Hospital Company, a California Ltd. Partnership</td>
<td>California, 80-091829</td>
<td>05/27/80</td>
<td>(Debtor = Charter Suburban Hospital, Inc., formerly known as Ziggurat, Inc.) [Not available as of 04/25/94]</td>
</tr>
<tr>
<td>Paramount General Hospital Company, a California Ltd. Partnership</td>
<td>California, 05/10/90</td>
<td>(Debtor = Charter Suburban Hospital, Inc., formerly known as Ziggurat, Inc.) Continuation of File No. 809-091829</td>
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</tr>
<tr>
<td>Secured Party</td>
<td>Location</td>
<td>File No./Date Filed</td>
<td>Collateral</td>
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</tr>
<tr>
<td>AT&amp;T Credit Corporation</td>
<td>Bibb County, Georgia</td>
<td>210685</td>
<td>03/05/92</td>
</tr>
<tr>
<td>Value Added Distributors Inc.</td>
<td>Bibb County, Georgia</td>
<td>210854</td>
<td>03/22/92</td>
</tr>
<tr>
<td>State of Georgia Department of Revenue</td>
<td>Bibb County, Georgia</td>
<td>295 99 p. 039</td>
<td>04/30/90</td>
</tr>
<tr>
<td>Nicolet Instrument Corporation</td>
<td>Kentucky, Secretary of State</td>
<td>127527</td>
<td>03/22/90</td>
</tr>
<tr>
<td>AT&amp;T Credit Corporation</td>
<td>Kentucky, Secretary of State</td>
<td>124239</td>
<td>02/09/93</td>
</tr>
<tr>
<td>Christa Friedman, Plaintiff</td>
<td>Caddo Parish, Louisiana</td>
<td>346228</td>
<td>03/01/88</td>
</tr>
<tr>
<td>Jo Alice Seymour, Petitioner</td>
<td>Calcasieu Parish, Louisiana</td>
<td>89-2786</td>
<td>08/14/89</td>
</tr>
<tr>
<td>Donald A. Sigur, Petitioner</td>
<td>Calcasieu Parish, Louisiana</td>
<td>93-3627</td>
<td>07/21/93</td>
</tr>
<tr>
<td>Donald A. Sigur, Petitioner</td>
<td>Calcasieu Parish, Louisiana</td>
<td>93-3627</td>
<td>08/25/93</td>
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<tr>
<td>Secured Party</td>
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<td>Date Filed</td>
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<tr>
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<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Atlantic States Leasing</td>
<td>South Carolina,</td>
<td>03/15/91</td>
<td>IBM W.W.30 Typewriter</td>
</tr>
<tr>
<td>Cash Register Specialities, Inc.</td>
<td>Wisconsin,</td>
<td>08/01/91</td>
<td>(1) Leased Omron RS5010 cash register</td>
</tr>
<tr>
<td>American Network Leasing</td>
<td>Texas,</td>
<td>04/18/90</td>
<td>leased equipment</td>
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<tr>
<td>Cash Register Specialities, Inc.</td>
<td>Wisconsin,</td>
<td>08/01/89</td>
<td>(1) Leased Omron RS3010 cash register</td>
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<tr>
<td>State of Georgia Department of Revenue</td>
<td>Bibb County, Georgia</td>
<td>02/04/94</td>
<td>Delinquent tax liability amount of $199,867.41</td>
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<tr>
<td>State of Georgia Department of Revenue</td>
<td>Bibb County, Georgia</td>
<td>02/04/94</td>
<td>Delinquent tax liability amount of $67,708.50</td>
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<td>AT&amp;T Credit Corporation</td>
<td>Indiana,</td>
<td>01/29/91</td>
<td>AT&amp;T Merlin Legend with attachments</td>
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<tr>
<td>Merchants National Bank of Terre Haute</td>
<td>Bibb County, Georgia</td>
<td>07/07/93</td>
<td>leased with Lease No. 5520352</td>
</tr>
<tr>
<td>AT&amp;T Credit Corporation</td>
<td>Bibb County, Georgia</td>
<td>06/27/91</td>
<td>AT&amp;T 6486 PC equipment</td>
</tr>
<tr>
<td>Baxter Diagnostics Inc.</td>
<td>Bibb County, Georgia</td>
<td>06/22/92</td>
<td>Stratus II Analyzer</td>
</tr>
<tr>
<td>I Dupont Desmouilles &amp; Co.</td>
<td>Bibb County, Georgia</td>
<td>06/26/92</td>
<td>&quot;This filing is missing from the jurisdiction's files. A copy is not available.&quot;</td>
</tr>
<tr>
<td>Curtis Matheson Scientific</td>
<td>Bibb County, Georgia</td>
<td>01/08/93</td>
<td>AT&amp;T Definity Generic 3.1</td>
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<tr>
<td>AT&amp;T Credit Corporation</td>
<td>Bibb County, Georgia</td>
<td>12/28/92</td>
<td>Mistral Centrifuge</td>
</tr>
<tr>
<td>AT&amp;T Credit Corporation</td>
<td>Bibb County, Georgia</td>
<td>01/08/93</td>
<td>AT&amp;T Definity Generic 3.1</td>
</tr>
<tr>
<td>Baxter Diagnostics Inc.</td>
<td>Bibb County, Georgia</td>
<td>06/27/91</td>
<td>Amending Lessee headquarter address to 400 Charter Blvd., Macon, Georgia 31210</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
<td>Indiana,</td>
<td>09/05/89</td>
<td>Certain real estate in Vigo County, Indiana and rights pertaining thereto</td>
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<tr>
<td>Merchants National Bank of Terre Haute</td>
<td>Bibb County, Georgia</td>
<td>07/07/93</td>
<td>(1) Leased Canon 2020 copier with accessories</td>
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<tr>
<td>Baxter Diagnostics Inc.</td>
<td>Bibb County, Georgia</td>
<td>06/22/92</td>
<td>Stratus II Analyzer</td>
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<td>AT&amp;T Credit Corporation</td>
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<td>AT&amp;T 6486 PC equipment</td>
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<tr>
<td>I Dupont Desmouilles &amp; Co.</td>
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<td>AT&amp;T Credit Corporation</td>
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<td>Xerox Corp.</td>
<td>Texas,</td>
<td>910017423</td>
<td>09/09/91</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>Texas,</td>
<td>9200038403</td>
<td>02/28/92</td>
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<tr>
<td>Assignee: AT&amp;T Credit Corp.</td>
<td>Secretary of State</td>
<td>04/29/92</td>
<td>Assignment to AT&amp;T Credit Corp.</td>
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<tr>
<td>AT&amp;T Credit Corp.</td>
<td>Texas,</td>
<td>90082177</td>
<td>04/29/92</td>
</tr>
<tr>
<td>Paul &amp; Sharon Best</td>
<td>DeKalb County,</td>
<td>92-12202-6</td>
<td>12/16/92</td>
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<tr>
<td>Advance Acceptance Corporation</td>
<td>Florida,</td>
<td>930000149578</td>
<td>07/19/93</td>
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<td>Monex Leasing</td>
<td>Texas,</td>
<td>9000077507</td>
<td>04/09/90</td>
</tr>
<tr>
<td>Lessee: YTB Leasing</td>
<td>Secretary of State</td>
<td>04/09/90</td>
<td></td>
</tr>
<tr>
<td>Baxter Scientific Products Division</td>
<td>Texas,</td>
<td>90000124973</td>
<td>06/06/90</td>
</tr>
<tr>
<td>Baxter Scientific Products</td>
<td>California,</td>
<td>92197050</td>
<td>09/10/92</td>
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<tr>
<td>Baxter Scientific Products</td>
<td>California,</td>
<td>94037483</td>
<td>02/25/94</td>
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<td>Vitek Systems, Inc.</td>
<td>California,</td>
<td>91033082</td>
<td>02/25/91</td>
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<td>Circle Business Credit, Inc.</td>
<td>Texas,</td>
<td>89-223771</td>
<td>Marathon Ram Jet V.I.P.</td>
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<td>10/03/89</td>
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<tr>
<td>DEBTOR: CHARTER SUMMIT HOSPITAL</td>
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<tr>
<td>Young Electric Sign Company</td>
<td>Utah,</td>
<td>366956</td>
<td>Parts and labor required for the refinishing of two lexan-faced signs, worth approximately $12,000.00</td>
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<td>Secretary of State</td>
<td></td>
<td>07/20/93</td>
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<td>Inland Finance Co.</td>
<td>Clarke County</td>
<td>901086</td>
<td>Class A SMIII 3627</td>
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<tr>
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<td>Georgia</td>
<td>05/30/90</td>
<td></td>
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<td>AT&amp;T Credit Corporation</td>
<td>Alabama,</td>
<td>90-31655</td>
<td>AT&amp;T Spirit</td>
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<td>Secretary of State</td>
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<td>08/31/90</td>
<td>Communication Equipment</td>
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<tr>
<td>Xerox Corporation</td>
<td>Alabama,</td>
<td>91-13056</td>
<td>Xerox Copy Equipment</td>
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<td>04/08/91</td>
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<td>DEBTOR: CHARTER WINDS HOSPITAL, INC.</td>
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<tr>
<td>Fuji Medical Systems U.S.A. Inc. (Consignor)</td>
<td>Nevada,</td>
<td>90-04190</td>
<td>All inventory of goods, merchandise, and all equipment to any of Consignee's locations as per certain agreement</td>
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<tr>
<td>Secretary of State</td>
<td></td>
<td>04/16/90</td>
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<tr>
<td>Instrumentation Laboratory</td>
<td>Nevada,</td>
<td>91-09486</td>
<td>Blood Gas Analyzer Oximeter, BOMZ software and hardware and IBM PS2 Model 30 workstation</td>
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<tr>
<td>Secretary of State</td>
<td></td>
<td>10/15/91</td>
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</tr>
<tr>
<td>Hewlett-Packard Co. (Lessee)</td>
<td>Nevada,</td>
<td>93-01686</td>
<td>Leased Hewlett-Packard equipment</td>
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<tr>
<td>Secretary of State</td>
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<td>02/19/93</td>
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<tr>
<td>KCI Financial Services, Inc.</td>
<td>Nevada,</td>
<td>93-07152</td>
<td>MEMS System equipment pursuant to an Equipment Rental Agreement</td>
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<tr>
<td>Secretary of State</td>
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<td>07/15/93</td>
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<tr>
<td>Secretary of State</td>
<td></td>
<td>10/13/93</td>
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<td>DEBTOR: EMPLOYEE ASSISTANCE SERVICES, INC.</td>
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<tr>
<td>Town &amp; Country, Inc.</td>
<td>Virginia,</td>
<td>920130019</td>
<td>(1) Panasonic Copier with accessories, valued at $6,740.00</td>
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<td>State Corporation Commission</td>
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<td>01/21/92</td>
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<td>Secured Party</td>
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<td>Date Filed</td>
<td>Collateral</td>
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<tr>
<td>Apple Funding Group, Inc.</td>
<td>Fulton County</td>
<td>11/13/89</td>
<td>(1) Kin-Computer System with all accessories and attachments</td>
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<tr>
<td>Alcon Surgical, Inc.</td>
<td>Fulton County</td>
<td>01/08/91</td>
<td>Equipment listed on Alcon Surgical, Inc. Contract No. 15151C, dated 11/26/90</td>
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<tr>
<td>Baxter Diagnostics</td>
<td>Bibb County</td>
<td>12/17/92</td>
<td>Stratus II Analyzer</td>
</tr>
<tr>
<td>AT&amp;T Credit Corporation</td>
<td>Bibb County</td>
<td>04/02/93</td>
<td>3.1 Equipment</td>
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<tr>
<td>The Travelers Insurance Company</td>
<td>Caddo Parish</td>
<td>01/11/00</td>
<td>Partial Release of Mortgage</td>
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<td>Americorp Financial, Inc.</td>
<td>Caddo Parish</td>
<td>08/27/85</td>
<td>Leased Medical Equipment</td>
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<tr>
<td>Americorp Financial, Inc.</td>
<td>Caddo Parish</td>
<td>04/20/89</td>
<td>Leased Medical Equipment</td>
</tr>
<tr>
<td>Charter National Bank</td>
<td>Caddo Parish</td>
<td>07/21/89</td>
<td>Assignment of File No. 872697 to Colonial Pacific Leasing</td>
</tr>
<tr>
<td>General Electric (Lessor)</td>
<td>Caddo Parish</td>
<td>12/06/90</td>
<td>Leased General Electric Whole Body Scanner including laser scanners and all present and future attachments</td>
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<tr>
<td>E.I. DuPont De Nemours &amp; Co.</td>
<td>Caddo Parish</td>
<td>03/26/92</td>
<td>DuPont 710 ACA IV Discrete Clinical Analyzer</td>
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<tr>
<td>Space Labs Medical, Inc. (Lessor)</td>
<td>Caddo Parish</td>
<td>03/21/88</td>
<td>Lease Space Labs patient monitoring</td>
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</tbody>
</table>
Louisiana                          01/13/94            equipment
Joel Hollis Hunt, Plaintiff          Caddo Parish                       387412-A            Motion to Produce
Louisiana                          02/16/93
Kathy A. Maxwell and Terry           Caddo Parish                       387608            Petition for Damages
Carpenter, Plaintiffs                Louisiana                          02/23/93
Shirley W. Fatheree                  Caddo Parish                       355130            Petition for Damages
Louisiana                          01/07/94
Roosevelt Singleton, Plaintiff       Caddo Parish                       310429            Judgment: $32,500.00
Louisiana                          01/02/85
Ethyl Joyce Willingsworth Lewis,     Caddo Parish                       387445            Judgment: $9,000.00
Plaintiff                            Louisiana                          09/05/86

File No./ Secured Party                        Location                           Date Filed          Collateral
--------                        --------                           ----------          ----------
Douglas Logan, Plaintiff             Caddo Parish                       312795              Judgment: $2,500.00
Louisiana                          10/09/86
Morrie Woodall                      Caddo Parish                       330500              Judgment: $10,000.00
Louisiana                          02/10/88
Rosie Randal and Ernest Randal       Caddo Parish                       375859              Judgment: Dismissing
Louisiana                          06/30/93            plaintiff’s actions
Board of Trustees, State             Caddo Parish                       313309              Pending Suit
Employees Group Benefits             Louisiana                          12/20/85
Program (Plaintiff)
Annie Griffin (Plaintiff)            Caddo Parish                       352746              Pending Suit
Louisiana                          5/2/89
Janis Rudd Ellis (Plaintiff)         Caddo Parish                       373022              Pending Suit
Louisiana                          07/03/91
M.D. Anesthesia, P.C. et al.         Caddo Parish                       374112              Pending Suit
(Plaintiffs)                         Louisiana                          08/21/91
Betty and Kenneth Skaggs             Caddo Parish                       377916              Pending Suit
(Plaintiffs)                         Louisiana                          02/07/92
Betty Skaggs et al. (Plaintiffs)     Caddo Parish                       378381              Pending Suit
Louisiana                          03/02/92
Betty and Kenneth Skaggs             Caddo Parish                       379772              Pending Suit
(Plaintiffs)                         Louisiana                          04/18/92

File No./ Secured Party                        Location                           Date Filed          Collateral
--------                        --------                           ----------          ----------
Shirley Ward Fatheree,               Caddo Parish                       380905              Pending Suit
Charles M. Ward, et al.              Louisiana                          05/26/92
(Plaintiffs)
Shirley Ward Fatheree et al.         Caddo Parish                       381201              Pending Suit
(Plaintiffs)                         Louisiana                          06/03/92

DEBTOR: STUART CIRCLE HOSPITAL

R. Wayne Wehunt and Amanda           DeKalb County                      93-12187-3             Pending Suit
Wehunt                             Georgia                            12/17/93
Richard Turner                      DeKalb County                      92-11540-1             Judgment: $20,000.00
Georgia                            02/15/94
Continental Assurance Company       DeKalb County                      178378              Blanket Lien pertaining to
Georgia                            08/15/94            all goods at and proceeds from
                                        4575 N. Shallowford Rd.,
                                        Chamblee, GA 30341
Continental Assurance Company       DeKalb County                      0300268             Land contained in Land Lot 344 of
Georgia                            01/11/93            the 18th District of DeKalb
                                        County, Georgia

DEBTOR: SHALLOWFORD COMMUNITY HOSPITAL, INC.

Beckman Instruments, Inc.           Virginia,                          920111306             Leased Computer equipment
### TAX SEARCH

<table>
<thead>
<tr>
<th>Secured Party</th>
<th>Location</th>
<th>File No./Date Filed</th>
<th>Collateral</th>
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<tr>
<td><strong>New Mexico Department of Labor</strong></td>
<td>Bernalillo County, New Mexico</td>
<td>8911475/02/14/89</td>
<td>Warrant of Levy and Lien: $364.65</td>
</tr>
<tr>
<td><strong>Julia E. Marshall</strong> (Plaintiff)</td>
<td>Salt Lake County, Utah</td>
<td>2188810/01/12/94</td>
<td>Judgment: $3,508.88</td>
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<tr>
<td><strong>Margaret M. Hennessey</strong> (Plaintiff)</td>
<td>Jefferson County, Kentucky</td>
<td>93-CI-0384/01/25/93</td>
<td>Pending Suit</td>
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<tr>
<td><strong>Jeanette M. Young</strong> (Plaintiff)</td>
<td>Jefferson County, Kentucky</td>
<td>90-CI-07670/12/15/93</td>
<td>Judgment: Amount not available</td>
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<tr>
<td><strong>CMCI, Inc.</strong></td>
<td>Jefferson County, Kentucky</td>
<td>Bk 2/239/08/11/89</td>
<td>Fixture Blanket Lien property known as Tract 3 Farrer-Hislop</td>
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<tr>
<td><strong>Cap-Co Leasing Company</strong></td>
<td>Fayette County, Kentucky</td>
<td>9005206/06/27/90</td>
<td>(1) Model 120 Embosser</td>
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<tr>
<td><strong>Canon Financial Services, Inc.</strong></td>
<td>Fayette County, Kentucky</td>
<td>9301846/05/21/93</td>
<td>(1) Canon NP6060 Copier</td>
</tr>
<tr>
<td><strong>New Mexico Department of Labor</strong></td>
<td>Bernalillo County, New Mexico</td>
<td>8911475/02/14/89</td>
<td>Warrant of Levy and Lien: $364.65</td>
</tr>
<tr>
<td><strong>U.S. Government</strong></td>
<td>Shelby County, Tennessee</td>
<td>AV9268/03/27/89</td>
<td>Federal Tax Lien: $1,785.38</td>
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<tr>
<td><strong>State of Tennessee</strong></td>
<td>Shelby County, Tennessee</td>
<td>AR2588/07/08/88</td>
<td>State Tax Lien: Amount not Provided</td>
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<tr>
<td><strong>Lee Bolen</strong> (Plaintiff)</td>
<td>McCracken County, Kentucky</td>
<td>93-CI-00610/08/25/93</td>
<td>Pending Suit</td>
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</table>

**SCHEDULE 8.1(c)**
SCHEDULE OF ASSUMED NME LIENS

1.) SEE ATTACHED EXHIBIT A

2.) SEE ATTACHED EXHIBIT B

3.) LIENS LISTED ON SCHEDULE 8.7(d)

EXHIBIT A

1. With respect to Facility No. 2, Tucson Psychiatric Institute, Tucson, Pima County, Arizona:
   a. Settlement Agreement recorded in Docket 7440, page 836, Pima County, Arizona.

2. With respect to Facility No. 4, Los Altos Hospital, Long Beach, Los Angeles County, California:
   a. Ground Lease from NME Hospitals, Inc. to Union Bank and Paul Allen, as trustees, recorded July 26, 1985 as Instrument No. 85-862196.
   b. Lease from Union Bank and Paul Allen, as trustees, to NME Hospitals, Inc., recorded July 26, 1985 as Instrument No. 85-862197.
   c. Deed of Trust from NME Hospitals, Inc. to Ticor Title Insurance Company of California for the benefit of the First National Bank of Boston and Paul Allen, as trustees, recorded July 26, 1985 as Instrument No. 85-862198, as modified by Agreement executed by Union Bank, Kelly Caldwell, as successor trustee, RST Holding Corporation, State Street Bank and Trust Company and Lese Amato recorded February 28, 1992 as Instrument No. 92-332922, as further amended by Agreement executed by Union Bank, Kelly Caldwell, as trustees, RST Holding Corporation and State Street Bank and Trust Company, recorded December 10, 1992 as Instrument No. 92-2316780.
   d. Assignment of Lessor's Interests under Leases recorded July 26, 1985 as Instrument No. 85-862201.
   e. Assignment of Lessor's Interests under Leases recorded July 26, 1985, as Instrument No. 85-862204.
   f. Deed of Trust from Union Bank and Paul D. Allen, as trustees, to Ticor Title Insurance Company for the benefit of RST Holding Corporation recorded July 26, 1985 as Instrument No. 85-862199, as assigned by Assignment of Beneficial Interest under Deed of Trust to the Connecticut Bank and Trust Company, National Association and F.H. Kaham, as trustees, recorded July 26, 1985 as Instrument No. 85-862202.
   g. Assignment of Lessor's Interests under Leases recorded July 26, 1985 as Instrument No. 85-862200.
   h. Assignment of Lessor's Interests under Leases recorded July 26, 1985 as Instrument No. 85-862203.
   i. Financing Statement showing SGE (New York) Associates, as debtor, and General Electric Credit and Leasing Corporation, as secured party, recorded December 30, 1991 as Instrument No. 91-2043294 as partially released pursuant to Instrument No. 92-332926 recorded February 28, 1992.

3. With respect to Facility No. 6, Yorba Hills Hospital, Yorba Linda, Orange County, California:
a. Easement recorded in Book 5804, page 177.

b. Right of Way recorded in Book 203, page 291.

c. Easement recorded in Book 495, page 41.

d. Oil and Gas Lease recorded in Book 3090, page 10.

e. Easement recorded in Book 264, page 146.


4. With respect to Facility No. 8, Oak Creek Hospital, San Jose, Santa Clara County, California:

a. Diagram assessments to be collected with County taxes, a lien not yet due and payable.

5. With respect to Facility No. 11, Bay Harbour RTC and Facility No. 14, Medfield Hospital, Largo, Pinellas County, Florida:


6. With respect to Facility No. 12, Manatee Palms RTC, Bradenton, Manatee County, Florida:

a. Easement for drainage canal right of way as depicted on Manatee County Property Appraisers Map, of the South 1/2 of Section 1, Township 35 South, Range 17 East.


7. With respect to Facility No. 13, Laurel Oaks Hospital, and Facility No. 59, Laurel Oaks RTC, Orlando, Orange County, Florida:


-2-

8. With respect to Facility No. 15, Laurel Heights Hospital, Atlanta, Cobb County, Georgia:

a. Permit for anchors, guy poles and wires to Georgia Power Company recorded in Deed Book 2214, page 544.

b. Permit to trim trees to Georgia Power Company recorded in Deed Book 2289, page 724.

c. Permit for anchors and wires to Georgia Power Company recorded in Deed Book 2289, page 725.

d. Easement to Georgia Power Company recorded in Deed Book 7243, page 433.

e. Rights of others in 10-foot alleyway along southern property line.

9. With respect to Facility No. 17, Psychiatric Institute of Atlanta, Atlanta, Cobb County, Georgia:

a. Indemnity Agreement to City of Atlanta recorded in Book 13929, page 322.

10. With respect to Facility No. 22, Acadian Oaks, Lafayette, Lafayette Parish, Louisiana:

a. Water Line Easement under Entry No. 93-17226.
b. Gas Pipe Line Easements recorded under Entry Nos. 542518 and 548918.

11. With respect to Facility No. 23, New Beginnings at Hidden Brook, Bel Air, Harford County, Maryland:

12. With respect to Facility No. 24, New Beginnings at Meadows, Gambrills, Anne Arundel County, Maryland:

-3-

13. With respect to Facility No. 28, Appalachian Hall, Asheville, Buncombe County, North Carolina:
   a. Easement to Carolina Power and Light Company recorded in Book 1148, page 86.
   b. Sewer Easement recorded in Book 427, page 467.

14. With respect to Facility No. 30, New Beginnings at Lakehurst, Lakehurst, Ocean County, New Jersey:
   a. Easement contained in Deed Book 1761, page 90.

15. With respect to Facility No. 34, Psychiatric Institute of Richmond, Richmond, Goochland County, Virginia:
   a. Water System Agreement with County of Goochland recorded in Deed Book 259, page 342.
   c. Easement to Chesapeake and Potomac Telephone Company recorded in Deed Book 128, page 120.
   d. Easement to Commonwealth of Virginia recorded in Deed Book 128, page 122.
   e. Agreement with Commonwealth of Virginia recorded in Deed Book 144, page 224.

16. With respect to Facility No. 35, Tidewater Psychiatric Institute, Norfolk, Virginia:
   a. Easements granted Virginia Electric and Power Company by Instruments recorded in Deed Book 247, page 411; Deed Book 1289, page 303; Deed Book 1460, page 168; Deed Book 1155, page 316; Deed Book 1659, page 956; Deed Book 2003, page 336; and Deed Book 2234, page 679.

17. With respect to Facility No. 36, New Beginnings at Serenity Lodge, Chesapeake, Virginia:
   b. Easement granted Norfolk and Carolina Telephone and Telegraph Company of Virginia recorded in Deed Book 556, page 456.
18. With respect to Facility No. 38, New Beginnings at Lakewood, Lakewood, Los Angeles County, California:
   a. Lease dated August 1, 1956 between Lakewood Park and Lakewood Building Corp. recorded as Instrument No. 4201 in Book 52381, page 372 as assigned to National Medical Hospital of Long Beach, Inc. by Instrument No. 79-357333.

19. With respect to Facility No. 39, Southwood Hospital and RTC, Chula Vista, San Diego County, California:
   a. Easement granted to Sweetwater Water Company recorded in Book 320, page 364.
   b. Easement granted to San Diego Gas and Electric Company recorded as File No. 76-317602.
   c. Easement granted to San Diego Gas and Electric Company recorded as File No. 84-411024.

20. With respect to Facility No. 40, Centennial Peaks, Louisville, Boulder County, Colorado:
   a. Deed of Trust from Rocky Mountain Affiliated Adventist Health Service, Inc. to the Public Trustee of Boulder County for the benefit of Carol Rose Spicer Briggs Wealth Accumulation Trust, et al. recorded on Film 1450 at Reception No. 816850.
   b. Unrecorded Lease dated July 27, 1987 between Rocky Mountain Affiliated Adventist Health Services and PIA Colorado Inc. d/b/a Boulder Psychiatric Institute, as amended by First Amendment to Lease dated August 1, 1989 between Arista Hospital and PIA Colorado, Inc.
   c. Easement to Mountain States Telephone and Telegraph Company recorded in Book 942, page 348.
   d. Site Plan for Louisville Psychiatric Hospital recorded on Film 1482 at Reception No. 859722, as revised.
   e. Subdivision Agreement for Health Park Subdivision recorded on Film 1482 at Reception 859723.
   f. Easement as shown on the recorded plat of Health Park Subdivision, Filing No. 2 in Plan File P-22 F-3 #34 and rerecorded on Film 1554 at Reception No. 952938.
   g. Plat of Centennial Health Park Preliminary P.U.D. recorded on Film 1553 at Reception No. 950959, as amended.
   h. Plat of Centennial Health Park Preliminary P.U.D. Landscape Concept recorded on Film 1553, at Reception 950960.
   i. Plat of Health Park Subdivision Filing No. 3 recorded on Film 1609 at Reception No. 1021645.
   j. Plat for Health Park Subdivision Filing No. 4 recorded on Film 1626 at Reception No. 1041906.

21. With respect to Facility No. 42, Brawner Psychiatric Institute, Smyrna, Cobb County, Georgia:
   a. Lease between Health Care Property Partners and PIA Brawner Realty,
Inc. recorded in Deed Book 3570, page 386.

b. Sanitary Sewer Easements and a Colonial Pipeline Easement as shown on a previous plat of the property.


d. Sanitary Sewer Easement to City of Smyrna recorded in Deed Book 473, page 368.

e. Right of Way Easement to Colonial Pipeline Company recorded in Deed Book 675, page 707.

f. Right of Way Easement to Georgia Power Company recorded in Deed Book 587, page 592.

g. Easement to Southern Bell Telephone and Telegraph recorded in Deed Book 374, page 512.

h. Easement to Atlanta Gas Light Company recorded in Deed Book 105, page 243.

22. With respect to Facility No. 44, New Beginnings at Warwick Manor, East New Market, Dorchester County, Maryland:

   a. Lease between J. Edward Powell and Recovery Centers of America, Inc. dated December 19, 1984 (5 acres); lease between J. Edward Powell and Recovery Center of America, Inc. dated November 1, 1987 (1 acre).

   b. Deed of Trust and Security Agreement from J. Edward Powell to Jon P. Sherwell and Amos T. Meredith, trustees securing the First National Bank of Maryland recorded in LIBER 288, Folio 781 and further secured by financing statement recorded in LIBER 288, Folio 804 and Assignment of Lessor's Interest in Leases and Rents recorded in LIBER 288, Folio 812.

c. Right of Way to ChopTank Co-Operative, Inc. recorded in LIBER 43, Folio 189.

d. Right of Way to ChopTank Co-Operative recorded in LIBER 43, Folio 269.

e. Right of Way easement to ChopTank Electric Cooperative, Inc. recorded in LIBER 119, Folio 499.

   f. Right of Way to County Commissioners of Dorchester County recorded in LIBER 192, Folio 528.

   g. Right of Way Easement to ChopTank Electric Cooperative, Inc. recorded in LIBER 199, Folio 165.

   h. Right of Way Easement to the County Commissioners of Dorchester County recorded in LIBER 214, Folio 704.

23. With respect to Facility No. 45, Potomac Ridge Treatment Center and Facility No. 47 PI Montgomery County RTC, Rockville, Montgomery County, Maryland:


   b. Right of Way to Chesapeake and Potomac Telephone Company recorded in LIBER 324, Folio 451.

   c. Right of Way Agreement to TransContinental Gas Pipe Line Corporation recorded in LIBER 3984, Folio 820.
d. Right of Way Agreement to TransContinental Gas Pipe Line Corporation recorded in LIBER 4188, Folio 864.

e. Agreement with Colonial Pipeline Company recorded in LIBER 5558, Folio 810.


g. Right of Way to Washington Suburban Sanitary Commission recorded in LIBER 5616, Folio 331.

h. Right of Way to Washington Suburban Sanitary Commission recorded in LIBER 5627, Folio 785.


-7-


k. Easement to Potomac Electric Power Company recorded in LIBER 7537, Folio 410.

l. Utility Easement shown on Plat recorded in Plat Book 101 at Plat No. 11464.

24. With respect to Facility No. 46, New Beginnings at White Oak, Woolford, Dorchester County, Maryland:


   b. Lease Agreement between White Oak Center, Inc. and Addiction Treatment Centers of Maryland, dated July 31, 1986.


   d. Easements to Delmarva Power & Light Company recorded in LIBER 254, Folio 581; LIBER 254, Folio 556; LIBER 159, Folio 1; and LIBER 159, Folio 6.

   e. Rights acquired by the State of Maryland contained in Deed recorded in LIBER 136, Folio 41.

   f. Right of Way to Eastern Shore Public Service recorded in LIBER 57, Folio 686.

25. With respect to Facility No. 48, Fair Oaks Hospital, Summitt, Union County, New Jersey:

   a. Easements contained in Deed Book 2296, page 368 and Deed Book 3290, page 847.

26. With respect to Facility No. 49, New Beginnings at Cove Forge, Woodbury, Blair County, Pennsylvania:


   b. Lease Agreement, dated May 1, 1986 between Charles C. Powell and Addictive Treatment Centers of Maryland, Inc.

d. Mortgage from Charles C. Powell to Mellon Bank (Central) N.A. recorded in Mortgage Book Volume 932, page 443.

e. Mortgage from Charles C. Powell to Hollidaysburg Trust Co. recorded in Mortgage Book Volume 1012, page 498.


g. Rights granted to The United Telephone Company of Pennsylvania in Deed Book Volume 991, page 144.


i. Rights granted to Pennsylvania Edison Company as in Deed Book Volume 473, page 329.

j. Agreement as to Water System between Camp Manahath, Inc. et al. and Borough of Williamsburg recorded in Deed Book Volume 681, page 485.

k. Agreement between Camp Manahath, Inc. and Borough of Williamsburg recorded in Deed Book Volume 679, page 552.


m. Agreement in Deed Book Volume 166, page 167.

n. Any and all matters revealed by a current and accurate survey of the subject property.

27. With respect to Facility No. 50, Fenwick Hall, Johns Island, Charleston County, South Carolina:

a. Lease dated March 31, 1980 between the Valley Vista Apartments Limited Partnership and Fenwick Hall, Inc. This leasehold interest will be insured.


d. Easement to Southern Bell Telephone and Telegraph Company recorded in Book Q-32, page 539.

e. Easement to South Carolina Electric and Gas Company recorded in Book K-66, page 587.

f. Easement to State Rural Electrification Authority recorded in Book B-40, page 139.

g. Easement recorded in Book W-114, page 187.
h. Easement to St. John's Water Company, Inc. recorded in Book V-120, page 397.

28. With respect to Facility No. 52, Springwood Psychiatric Institute, Leesburg, Loudoun County, Virginia:
   a. Deed of Lease between Charles M. Davis and Phil Collins and Leesburg Institute, Inc. recorded in Deed Book 647, page 376, as amended and extended and as assigned to Docsley Associates Limited Partnership by Assignment recorded in Deed Book 647, page 380.
   b. Sublease between Docsley Associates Limited Partnership and Leesburg Institute, Inc. recorded in Deed Book 647, page 384.
   c. Deed of Trust from Docsley Associates Limited Partnership securing Benjamin R. Jacobs, Joseph B. Gildenorn and Donald A. Brown recorded in Deed Book 647, page 390, as affected by Recognition and Attornment Agreement by and between Benjamin R. Jacobs, Joseph B. Gildenorn and Donald A. Brown and Leesburg Institute, Inc. recorded in Deed Book 647, page 419.

29. With respect to Facility No. 53, Tidewater Psychiatric Institute of Virginia Beach, Virginia Beach, Virginia:
   a. Lease Agreement between I.P.T. Associates and Tidewater Psychiatric Institute, Inc. as amended by Amendment Number One and Amendment Number Two.

   -10-


30. With respect to Facility No. 55, Linden Oaks Hospital, Naperville, DuPage County, Illinois:
   a. Lease dated July 1, 1984 between Edward Hospital District and Edward Hospital Association, recorded as document R88-063155 as amended by First Amendment and Second Amendment.
   b. Ground Sublease dated November 1, 1988 between Edward Hospital Association and Naperville Health Ventures, recorded as Document No. R92-042946 and rerecorded as Document R93-060724.
   c. Subsublease dated November 1, 1988 between Naperville Health Ventures and Naperville Psychiatric Ventures.
   d. Leasehold Mortgage made by Naperville Psychiatric Ventures to Harris Bank Naperville recorded as Document R92-042948.
   e. Collateral Assignment of Lease made by Naperville Psychiatric Ventures to Harris Bank Naperville, recorded as Document R92-042949.

31. With respect to Facility No. 70, Alvarado, La Mesa, San Diego County, California:
   a. Easement recorded in Book 7580, page 158.
<table>
<thead>
<tr>
<th>NO.</th>
<th>FACILITY NAME</th>
<th>TRADENAME</th>
<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pinewood Hospital</td>
<td>National Medical Enterprises, Inc. dba</td>
<td>Southwestern Bell Telecomunications, Inc.</td>
<td>Leased equipment with all accessories and Panasonic Assembly 3000A Monitors, 2 Finger Probes.</td>
<td>5/8/92</td>
</tr>
<tr>
<td>2</td>
<td>NME Hospitals Inc. dba</td>
<td>Universal Corporation</td>
<td>Leased equipment: 25500-002 dated 4/25/91.</td>
<td>12/18/92</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Oak Creek Hospital</td>
<td>Oak Creek Hospital</td>
<td>Pitney Bowes Credit Corp.</td>
<td>Leased equipment subject to lease #6591200-002 dated 4/25/91.</td>
<td>4/19/93</td>
</tr>
<tr>
<td>4</td>
<td>Los Altos Hospital and Mental Health Center</td>
<td>Los Altos Hospital</td>
<td>Pitney Bowes Credit Corp.</td>
<td>Leased equipment subject to lease #6591200-002 dated 4/25/91.</td>
<td>6/21/91</td>
</tr>
<tr>
<td>5</td>
<td>Mill Creek Hospital</td>
<td>National Medical Enterprises dba</td>
<td>Pricketts Dist. Inc.</td>
<td>Juice dispenser.</td>
<td>11/20/92</td>
</tr>
</tbody>
</table>

Schedule 3.8(a)
Draft - 3/27/94
<table>
<thead>
<tr>
<th>FACILITY</th>
<th>FACILITY NAME</th>
<th>TRADENAME</th>
<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>Kingwood Hospital</td>
<td>Kingwood Hospital</td>
<td>Citicorp Leasing, Inc.</td>
<td>1 Mac 6.</td>
<td>4/6/93</td>
</tr>
</tbody>
</table>

Schedule 3.8(a)
Page 4
Draft - 3/27/94

<table>
<thead>
<tr>
<th>FACILITY</th>
<th>FACILITY NAME</th>
<th>TRADENAME</th>
<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>Appalachian Hall</td>
<td>PIA Asheville db# Appalachian Hall</td>
<td>Lanier Worldwide, Inc.</td>
<td>Office equipment.</td>
<td>10/26/92</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FACILITY</th>
<th>FACILITY NAME</th>
<th>TRADENAME</th>
<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>32</td>
<td>The MidSouth Hospital</td>
<td>Mid-South Hospital</td>
<td>Hardin's - SYSCO Food Services, Inc.</td>
<td>Equipment (dishes).</td>
<td>4/6/89</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FACILITY</th>
<th>FACILITY NAME</th>
<th>TRADENAME</th>
<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>33</td>
<td>Baywood Hospital</td>
<td>National Medical Enterprises, Inc.</td>
<td>Texas Commerce Bank, N.A.</td>
<td>Office furniture and furnishings.</td>
<td>5/22/89</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FACILITY</th>
<th>FACILITY NAME</th>
<th>TRADENAME</th>
<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>34</td>
<td>Psychiatric Institute of Richmond</td>
<td>Psychiatric Institute of Richmond, Inc.</td>
<td>The Equipment Leasing Company</td>
<td>2 Royal copiers with ADP, 2 cabinets and 2 Danyl Units.</td>
<td>3/13/91</td>
</tr>
</tbody>
</table>

Schedule 3.8(a)
Page 5
Draft - 3/27/94
<table>
<thead>
<tr>
<th>NO.</th>
<th>FACILITY NAME</th>
<th>TRADENAME</th>
<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>44</td>
<td>New Beginnings at Warwick Manor</td>
<td>New Beginnings Salisbury Leasing Co. Inc.</td>
<td>Eaton Financial Corporation</td>
<td>Canon copier, cabinet, RADF and bin sorter.</td>
<td>3/23/92</td>
</tr>
</tbody>
</table>

Schedule 3.8(a)
Page 6
Draft - 3/27/94
<table>
<thead>
<tr>
<th>NO.</th>
<th>FACILITY NAME</th>
<th>TRADENAME</th>
<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Leased office furniture subject to lease</td>
<td>3/26/86</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6-16-1992-1 dated 3/12/86.</td>
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</tbody>
</table>

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<thead>
<tr>
<th>FACILITY NO.</th>
<th>FACILITY NAME</th>
<th>TRADENAME</th>
<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>48</td>
<td>Fair Oaks Hospital</td>
<td>P.I.A. New Jersey, Inc. dba Fair Oaks Hospital</td>
<td>Citizens North America, Inc.</td>
<td>Spectrum Software Package</td>
<td>5/15/90</td>
</tr>
<tr>
<td>48</td>
<td>Fair Oaks Hospital</td>
<td>Pitney Bowes Credit Corporation</td>
<td></td>
<td>Dictaphone equipment including all accessories and attachments</td>
<td>8/1/90</td>
</tr>
<tr>
<td>48</td>
<td>Psychiatric Institute of New Jersey, Inc. dba Fair Oaks Hospital</td>
<td>Spencer Capital Group, Inc. (Assignee: Germaine Savings Bank)</td>
<td></td>
<td>Computer equipment</td>
<td>3/27/91</td>
</tr>
</tbody>
</table>

Schedule 3.8(a)
Page 8
Draft - 3/27/94

<table>
<thead>
<tr>
<th>FACILITY NO.</th>
<th>FACILITY NAME</th>
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<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>49</td>
<td>New Beginnings at Cove Forge</td>
<td>1. New Beginnings at Cove Forge</td>
<td>Keystone Financial Leasing Corp.</td>
<td>Bridge 24 Port Channel Bank (1) with all parts and accessories</td>
<td>6/6/92</td>
</tr>
<tr>
<td>49</td>
<td>New Beginnings at Cove Forge</td>
<td>2. Recovery Center of America, Inc.</td>
<td>Meridian Leasing, Inc.</td>
<td>Voice mail system</td>
<td>8/3/92</td>
</tr>
<tr>
<td>49</td>
<td>New Beginnings at Cove Forge</td>
<td></td>
<td></td>
<td></td>
<td>11/6/92</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FACILITY NO.</th>
<th>FACILITY NAME</th>
<th>TRADENAME</th>
<th>PARTY</th>
<th>DESCRIPTION</th>
<th>DATE OF FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>52</td>
<td>Springwood Psychiatric Institute</td>
<td>Leesburg Institute, Inc.</td>
<td>Orix Credit Alliance, Inc.</td>
<td>Leased equipment subject 5/8/92 to lease #3-1-1283 dated April 28, 1992</td>
<td>-</td>
</tr>
<tr>
<td>52</td>
<td>Springwood Psychiatric Institute</td>
<td>Pitney Bowes Credit Corporation</td>
<td></td>
<td>Leased equipment subject 10/8/93 to lease #5048244-308 dated 8/11/93.</td>
<td>-</td>
</tr>
</tbody>
</table>

Schedule 3.8(a)
Page 9
Draft - 3/27/94
Schedule 8-4

SCHEDULE OF RESTRICTIONS IN DEBT DOCUMENTS

1. Indenture of Mortgage from Naperville Psychiatric Ventures to Harris Bank Naperville in the amount of four million dollars ($4,000,000.00) dated February 28, 1992 (P.I.A. Naperville, Inc.-Linden Oaks Hospital).


Schedule 8.7(d)

SCHEDULE OF ASSUMED NME INDEBTEDNESS

<table>
<thead>
<tr>
<th>BORROWER</th>
<th>LENDER</th>
<th>DEBT DESCRIPTION</th>
<th>BOOK BALANCE AT JANUARY 31, 1994</th>
<th>MATURITY DATE</th>
<th>SECURITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medfield Residential Treatment Center, Inc.</td>
<td>Safeco</td>
<td>Utility one year bond</td>
<td>$1,000</td>
<td>07/09/94</td>
<td>N/A</td>
</tr>
<tr>
<td>Psychiatric Facility at Palm Springs, Inc.</td>
<td>Safeco</td>
<td>Health &amp; Welfare Agency Bond</td>
<td>$2,000</td>
<td>06/17/94</td>
<td>N/A</td>
</tr>
<tr>
<td>Alvarado Parkway Institute, Inc.</td>
<td>Safeco</td>
<td>Health &amp; Welfare Agency Bond</td>
<td>$3,000</td>
<td>07/17/94</td>
<td>N/A</td>
</tr>
<tr>
<td>P.I.A. Long Beach, Inc.</td>
<td>Safeco</td>
<td>Health &amp; Welfare Agency Bond</td>
<td>$3,000</td>
<td>07/07/94</td>
<td>N/A</td>
</tr>
<tr>
<td>Borrower</td>
<td>Lender</td>
<td>Description</td>
<td>Debt</td>
<td>Book Balance at March 31, 1994</td>
<td>Maturity Date</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>---------------------------------------------</td>
<td>---------------------------</td>
<td>------</td>
<td>---------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>P.I.A., Visalia, Inc.</td>
<td>Safeco</td>
<td>Health &amp; Welfare Agency one year bond</td>
<td>$5,000</td>
<td>07/17/94</td>
<td>N/A</td>
</tr>
<tr>
<td>Psychiatric Institute of San Jose, Inc.</td>
<td>Safeco</td>
<td>Health &amp; Welfare Agency one year bond</td>
<td>$5,000</td>
<td>07/17/94</td>
<td>N/A</td>
</tr>
<tr>
<td>Psychiatric Institute of Richmond, Inc.</td>
<td>Safeco</td>
<td>Proprietary School bond - one year</td>
<td>$5,000</td>
<td>07/01/94</td>
<td>N/A</td>
</tr>
<tr>
<td>Leesburg Institute, Inc.</td>
<td>Safeco</td>
<td>Proprietary School bond - one year</td>
<td>$5,000</td>
<td>07/01/94</td>
<td>N/A</td>
</tr>
<tr>
<td>Psychiatric Facility at Yorba Linda, Inc.</td>
<td>Safeco</td>
<td>Health &amp; Welfare Agency one year bond</td>
<td>$5,000</td>
<td>01/17/95</td>
<td>N/A</td>
</tr>
<tr>
<td>Tidewater Psychiatric Institute, Inc.</td>
<td>Safeco</td>
<td>Health &amp; Welfare Agency School for handicapped bond</td>
<td>$10,000</td>
<td>09/17/94</td>
<td>N/A</td>
</tr>
<tr>
<td>P.I.A. Colorado, Inc.</td>
<td>First National Bank of Louisville</td>
<td>To cover operating expenses of new city project</td>
<td>$20,000</td>
<td>02/01/95</td>
<td>N/A</td>
</tr>
<tr>
<td>Naperville Psychiatric Ventures&lt;FN&gt;1</td>
<td>Harris Bank</td>
<td>Mortgage</td>
<td>$4,000,000</td>
<td>01/31/99</td>
<td>Land and building</td>
</tr>
<tr>
<td>I.P.T. Associates&lt;FN&gt;2</td>
<td>Peoples Life Insurance Company</td>
<td>Deed of Trust</td>
<td>$580,000</td>
<td>10/31/99</td>
<td>Land and building</td>
</tr>
<tr>
<td>I.P.T. Associates</td>
<td>Peoples Life Insurance Company</td>
<td>Deed of Trust</td>
<td>$1,170,000</td>
<td>07/31/03</td>
<td>Land and building</td>
</tr>
</tbody>
</table>

<FN>1 P.I.A. Naperville, Inc. owns a 75% interest in this joint venture.
<FN>2 P.I.A. Tidewater Realty, Inc. owns a 50% interest in this real estate partnership.

SCHEDULE 8.7(e)

SCHEDULE OF EXISTING INDEBTEDNESS

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Lender</th>
<th>Description</th>
<th>Debt</th>
<th>Book Balance at March 31, 1994</th>
<th>Maturity Date</th>
<th>Security</th>
<th>Charter Guaranty</th>
<th>Negative Pledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Behavioral Health System of Columbia</td>
<td>Public</td>
<td>IRS</td>
<td>$2,600,000</td>
<td>May, 1997</td>
<td>Hospital, Land &amp;</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>
### SCHEDULE OF EXISTING INDEBTEDNESS

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Lender</th>
<th>Description</th>
<th>Book Balance at March 31, 1994</th>
<th>Maturity Date</th>
<th>Security</th>
<th>Charter Guaranty</th>
<th>Negative Pledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Societe Anonyme de la Metairie</td>
<td>Banque Cantonale Vaudoise</td>
<td>Mortgage</td>
<td>$1,120,568</td>
<td>July 2033</td>
<td>Hospital &amp; Land (Nyon, Switzerland)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Central Georgia, Inc.</td>
<td>The CIT Group/Equipment Financing, Inc.</td>
<td>Mortgage</td>
<td>$707,897</td>
<td>Sep. 1994</td>
<td>Hospital, Land &amp; Equipment</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Charter Medical Corporation</td>
<td>Strategic Advantage, Note Inc.</td>
<td>None</td>
<td>$439,762</td>
<td>Nov. 1998</td>
<td>None</td>
<td>-</td>
<td>No</td>
</tr>
</tbody>
</table>

### SCHEDULE OF EXISTING INDEBTEDNESS

VARIABLE RATE BONDS WITH SUBSIDIARY LETTERS OF CREDIT

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Description</th>
<th>L/C Bank</th>
<th>Book Balance at March 31, 1994</th>
<th>Maturity Date</th>
<th>Letters of Credit at March 31, 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Behavioral Health System of Central Georgia, Inc.</td>
<td>VRDN</td>
<td>Bankers Trust Company*</td>
<td>$4,800,000</td>
<td>March 2005</td>
<td>$5,006,861.00</td>
</tr>
<tr>
<td>Charter Palms Behavioral Health System, Inc.</td>
<td>VRDN</td>
<td>Bankers Trust Company*</td>
<td>$5,650,000</td>
<td>March 2007</td>
<td>$5,820,273.98</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Northwest Arkansas, Inc.</td>
<td>VRDN</td>
<td>Bankers Trust Company*</td>
<td>$3,750,000</td>
<td>March 2007</td>
<td>$3,874,315.06</td>
</tr>
<tr>
<td>Charter Rivers Behavioral Health System, Inc.</td>
<td>VRDN</td>
<td>Bankers Trust Company*</td>
<td>$4,400,000</td>
<td>June 2007</td>
<td>$4,559,123.29</td>
</tr>
<tr>
<td>CMSF, Inc. (Charter Glade Hospital)</td>
<td>VRDN</td>
<td>Bankers Trust Company*</td>
<td>$5,150,000</td>
<td>Aug. 2007</td>
<td>$5,320,726.03</td>
</tr>
</tbody>
</table>
Subsidiary Letters of Credit issued by Bankers Trust Company on the Closing Date to back-up letters of credit issued by Mitsubishi Bank, Limited in support of such VRDN’S.

### Schedule 8.7(e)

**Schedule of Existing Indebtedness**

**Variable Rate Bonds with Subsidiary Letters of Credit**

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Description</th>
<th>L/C Bank</th>
<th>Book Balance at March 31, 1994</th>
<th>Maturity</th>
<th>Letters of Credit at March 31, 1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Forest Behavioral Health System, Inc.</td>
<td>VRDN</td>
<td>Bankers Trust Company</td>
<td>$5,100,000</td>
<td>Dec. 2013</td>
<td>$5,269,068.49</td>
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<tr>
<td>Charter Behavioral Health System of New Mexico, Inc.</td>
<td>VRDN</td>
<td>Bankers Trust Company</td>
<td>$6,400,000</td>
<td>March 2014</td>
<td>$6,612,164.38</td>
</tr>
<tr>
<td>Charter Plains Behavioral Health System, Inc.</td>
<td>VRDN</td>
<td>Bankers Trust Company</td>
<td>$5,700,000</td>
<td>Oct. 2013</td>
<td>$5,888,958.80</td>
</tr>
<tr>
<td>Charter Fairmount Behavioral Health System, Inc.</td>
<td>VRDN</td>
<td>Bankers Trust Company</td>
<td>$8,175,000</td>
<td>Jan. 2001</td>
<td>$8,512,527.00</td>
</tr>
<tr>
<td>Charter Ridge Behavioral Health System, Inc.</td>
<td>VRDN</td>
<td>Bankers Trust Company</td>
<td>$4,525,000</td>
<td>March 2005</td>
<td>$4,711,827.00</td>
</tr>
<tr>
<td>Charter Springs Hospital, Inc.</td>
<td>VRDN</td>
<td>Bankers Trust Company</td>
<td>$4,150,000</td>
<td>July 2004</td>
<td>$4,287,575.34</td>
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<tr>
<td>Charter Hospital of St. Louis, Inc. (Charter Hospital of Greenville)</td>
<td>VRDN</td>
<td>Bankers Trust Company</td>
<td>$7,200,000</td>
<td>June 2011</td>
<td>$7,842,000.00</td>
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### Schedule 8.7(m)

**Schedule of Certain Intercompany Indebtedness**

<table>
<thead>
<tr>
<th>Company</th>
<th>Amounts (Due to Charter)</th>
<th>Amounts (Due to CCM, Inc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CH WESTBROOK</td>
<td>(23,156,986.67)</td>
<td>28,201,436.86</td>
</tr>
<tr>
<td>CH HOSP GREENSBORO</td>
<td>(24,492,496.35)</td>
<td>14,965,863.24</td>
</tr>
<tr>
<td>CH HOSP ST LOUIS</td>
<td>(598,946.17)</td>
<td>0.00</td>
</tr>
<tr>
<td>CH SUB MESQUITE</td>
<td>78,160.78</td>
<td>393,328.07</td>
</tr>
<tr>
<td>CH HOSP WINSTON-SALEM</td>
<td>(13,732,610.67)</td>
<td>10,542,791.16</td>
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<tr>
<td>BELTWAY COMMUNITY</td>
<td>(3,468,357.57)</td>
<td>3,406,878.03</td>
</tr>
<tr>
<td>CH LAKE</td>
<td>(13,171,916.58)</td>
<td>10,428,096.30</td>
</tr>
<tr>
<td>CH BARCLAY</td>
<td>(5,864,574.27)</td>
<td>7,349,099.15</td>
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<tr>
<td>CH RIDGE</td>
<td>(14,827,631.14)</td>
<td>12,471,219.60</td>
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<tr>
<td>CH HOSP SAVANNAH</td>
<td>(15,618,958.47)</td>
<td>10,840,218.82</td>
</tr>
<tr>
<td>CH HOSP WICHITA</td>
<td>(4,763,430.93)</td>
<td>903,054.92</td>
</tr>
<tr>
<td>CH REAL</td>
<td>(5,289,373.38)</td>
<td>6,263,691.69</td>
</tr>
<tr>
<td>CH HOSP TUCSON</td>
<td>1,295,951.43</td>
<td>0.00</td>
</tr>
<tr>
<td>COMPANY</td>
<td>AMOUNTS (DUE TO CHARTER)</td>
<td>AMOUNTS (DUE TO CCM, INC.)</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td></td>
<td>DUE FROM CHARTER</td>
<td>DUE FROM CCM, INC.</td>
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<tr>
<td>CH HOSP GRAPEVEINE</td>
<td>(9,240,283.72)</td>
<td>9,828,314.58</td>
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<tr>
<td>CH WOODS</td>
<td>(6,961,312.51)</td>
<td>4,771,012.25</td>
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<tr>
<td>CH HOSP SACRAMENTO</td>
<td>(1,374,321.25)</td>
<td>3,694,060.72</td>
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<tr>
<td>CH MINDS</td>
<td>(14,845,881.22)</td>
<td>8,435,766.92</td>
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<tr>
<td>CH HOSP DENVER</td>
<td>2,695,998.50</td>
<td>(1,193,102.76)</td>
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<td>CH GLADE</td>
<td>(12,785,282.61)</td>
<td>11,947,699.45</td>
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<tr>
<td>CH HOSP LITTLE ROCK</td>
<td>(3,074,187.32)</td>
<td>3,798,038.61</td>
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<tr>
<td>CH HOSP NORTHWEST INDIANA</td>
<td>(9,280,386.89)</td>
<td>11,997,537.41</td>
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<tr>
<td>CH CANYON</td>
<td>(720,449.87)</td>
<td>319,732.93</td>
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<td>CH HOSP SIOUX FALLS</td>
<td>(9,525,635.86)</td>
<td>5,577,995.02</td>
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<td>CH HOSP SOUTH BEND</td>
<td>(10,774,012.13)</td>
<td>10,497,580.67</td>
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<td>CH HOSP MISSION VIEJO</td>
<td>(6,349,328.35)</td>
<td>12,705,172.82</td>
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<td>CH HOSP LONG BEACH</td>
<td>(10,589,505.93)</td>
<td>6,941,499.92</td>
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<tr>
<td>CH SUMMIT</td>
<td>(2,810,090.50)</td>
<td>1,364,269.43</td>
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<td>CH HOSP THOUSAND OAKS</td>
<td>(14,813,514.27)</td>
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<td>CH HOSP INDIANAPOLIS</td>
<td>(9,027,786.11)</td>
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<td>1,400,235.53</td>
<td>2,081,523.99</td>
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<td>CH HOSP LAS VEGAS</td>
<td>(14,985,619.75)</td>
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<td>CH HOSP CORONA</td>
<td>(27,567,878.85)</td>
<td>7,908,963.13</td>
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<td>CH HOSP COLUMBIA</td>
<td>(7,380,334.77)</td>
<td>4,727,661.24</td>
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<td>CH NORTH</td>
<td>(16,624,612.75)</td>
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<td>CH N COUNSEL CTR INC</td>
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<td>CH MED SOUTHEAST</td>
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<td>CH HOSP BRADENTON</td>
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<td>CHARTERTON</td>
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<td>CH HOSP TERRE HAUTE</td>
<td>(7,717,305.67)</td>
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<td>CH MED ORANGE CO (FL)</td>
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<td>CH CLINIC CHELSEA</td>
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<td>CH PLAINS</td>
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<td>CH HOSP TAMPA BAY</td>
<td>(23,404,376.46)</td>
<td>10,813,004.34</td>
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<td>COMPANY</td>
<td>AMOUNTS (DUE TO CHARTER)</td>
<td>AMOUNTS (DUE TO CCM, INC.)</td>
</tr>
<tr>
<td>---------------------------------------------</td>
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<td>---------------------------</td>
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<tr>
<td>CH OAK</td>
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<td>9,032,975.42</td>
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<td>LA METAIRIE CLINIC</td>
<td>(125,172.70)</td>
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<td>CH CLINIC NIGHTINGALE</td>
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<td>CH MED MOT CO</td>
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<td>CH MED CLEVELAND</td>
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<td>PLYMOUTH INS LTD</td>
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<td>GOLDEN ISLE LTD</td>
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<td>MANDARIN MEADOWS</td>
<td>(217,530.00)</td>
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<td>CH MED CAMYAN</td>
<td>(3,039,254.79)</td>
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<tr>
<td>ATLANTA MOB</td>
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<td>CH MED INTL</td>
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<td>EMPLOYEE ASSISTANCE</td>
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<td>BELTWAY MOB</td>
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<td>SISTEMA</td>
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<td>5,694,074.89</td>
<td>(5,762,368.58)</td>
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<td>HAWAIAN GARDENS MOB</td>
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<td>CMMC ENGLAND</td>
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<td>CH-CAL ENGLAND DIV</td>
<td>(1,583,758.00)</td>
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<tr>
<td>CH MED CERRITOS</td>
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<td>CH HOSP ST LOUIS-ENGLAND DIV</td>
<td>(7,802,971.00)</td>
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<td>CMCI INC</td>
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<td>PACIFIC CMC</td>
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<td>RIDGE MOB</td>
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<td>PEACHFORD DRS BLDG</td>
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<td>CM CALIFORNIA</td>
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<td>WESTERN BEHAVIOR SYSTEMS</td>
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<td>CHARLOTTESVILLE MOB</td>
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<tr>
<td>TAMPA BAY MOB</td>
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<td>CH CANYON MOB</td>
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<td>CMPC</td>
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<td>PROVO CANYON SCHOOL</td>
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<tr>
<td>CH MED SACRAMENTO</td>
<td>693,375.85</td>
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<tr>
<td>WICHITA MOB</td>
<td>(755,953.49)</td>
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<tr>
<td>CPS ASSOCIATES (WESTBROOK)</td>
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<td>C.A.C.O., INC.</td>
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<td>STRUCTURED HEALTHCARE SYSTEMS</td>
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<td>FLA RESIDENT TREATMENT CTR</td>
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<td>CM CAYMAN-AL AMAL PROJ</td>
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<td>AMOUNTS (DUE TO CHARTER)</td>
<td>AMOUNTS (DUE FROM CCM, INC.)</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>--------------------------</td>
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<td>MIDWEST SERVICE CTR-CAO</td>
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<td>CMC HLTH MGT-CBO-SAN ANTON</td>
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<td>GROUP PRACTICE AFFILIATES INC</td>
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<td>CANYON BUILDING DIVISION</td>
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<td>DISC OPERATIONS OFFSET</td>
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<td>CCM INC</td>
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<td>CORPORATE OFFICE</td>
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<td>CMC STUART CIRCLE</td>
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<td>CMC PHYSICIANS AND SURGEONS</td>
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<td>CMC MIDDLE GEORGIA</td>
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<td>CMC DESERT SPRINGS</td>
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<td>CMC COMMUNITY DES MOINES</td>
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<td>CMC METROPOLITAN</td>
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<td>6,567,345.96</td>
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<td>CMC REGIONAL MD CTR-CLEVILND</td>
<td>8,916,531.01</td>
<td>(4,567,602.81)</td>
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<tr>
<td>CMC SUBURBAN-PARAMOUNT</td>
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<td>(10,289,740.93)</td>
</tr>
<tr>
<td>CMC NORTHSIDE-MACON</td>
<td>(8,386,380.63)</td>
<td>11,046,862.58</td>
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<td>CMC AMBULATORY RESOURCES</td>
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<td>CMC HOLCOMB BRIDGE ICC</td>
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<td>CMC GWINNETT ICC</td>
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<td>CMC DUNWOODY INTERNAL MED</td>
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<td>CMC SATELITE FAM PRACT</td>
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<td>CMC NORTHSIDE MOB II</td>
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**SCHEDULE 8.8(g)**

**SCHEDULE OF EXISTING INVESTMENTS**

1.) Ownership of 50% of Capital Area PsySystems, Inc. by Group Practice Affiliates, Inc.

**SCHEDULE 8.8(1)**

**SCHEDULE OF CERTAIN PERMITTED INVESTMENTS**
(1) Cash and Cash Equivalents as defined.

(2) Corporate notes and bonds rated "A" or better with remaining maturities of ten years or less.

(3) Municipal bonds rated "A" or better with remaining maturities of ten years or less except issues which are putable at par within one year or less in which case there shall be no limitation on the final maturity.

(4) Money market preferred stock rated "A" or better (auctionable at par each 49 days).

(5) Direct obligations of the United States of America, or any agency, instrumentality or sponsored corporation thereof, which are rated at least A or the equivalent thereof by Standard & Poor's Corporation or at least A2 or the equivalent thereof by Moody's Investor Services, Inc., and in each case having maturities of ten years or less from the date of acquisition.

(6) Obligations, including deposits, denominated in Swiss francs in any bank having capital and surplus in excess of $500,000,000 U.S. dollar equivalent, the maturity of which shall not exceed the final stated maturity of the remaining outstanding Swiss Bonds.

(7) Certificates of deposit issued by banks of recognized standing rated at least A or the equivalent thereof by Standard & Poor's Corporation or at least A2 or the equivalent thereof by Moody's Investor Services, Inc., and having maturities of ten years or less from the date of acquisition.

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### SCHEDULE 8.15

**SCHEDULE OF EXISTING ACCOMMODATION OBLIGATIONS**

1.) Accommodation Obligations listed on Schedules 8.7(d) and 8.7(e).

---

### Schedule 10.1

**SCHEDULE OF EXISTING SUBSIDIARY LETTERS OF CREDIT**

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<thead>
<tr>
<th>Borrower</th>
<th>Debt</th>
<th>L/C</th>
<th>Bank</th>
<th>Book Balance at March 31, 1994</th>
<th>Maturity</th>
<th>Letters of Credit at March 31, 1994</th>
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<tr>
<td>Charter Forest Behavioral Health System, Inc.</td>
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<td>Bankers Trust Company</td>
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<td>(61,668)</td>
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<td>7,846</td>
<td>4,660</td>
<td>5,660</td>
<td></td>
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</tr>
<tr>
<td>MIS Costs</td>
<td></td>
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## Schedule 10.1(a)

### SCHEDULE OF ACQUIRED HMK FACILITIES EBITDA

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<td>MARCH</td>
<td>APRIL</td>
<td>MAY</td>
<td>JUNE</td>
<td>JULY</td>
<td>AUGUST</td>
<td>SEPTEMBER</td>
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<td>(55,628)</td>
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<td>54,372</td>
<td>541,392</td>
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</table>

| 45 POTOMAC RIDGE | EBITDA | 11,000 | 129,000 | 88,000 | 1,572,000 |
| LESS:           | CEO/CFO SALARIES & BONUSES | 1,968 | 1,968 | 1,968 | 1,968 | 1,968 | 58,300 |
|                 | MIS COSTS | 4,660 | 4,660 | 4,660 | 4,660 | 4,660 | 65,478 |
| TOTAL EBITDA    | 4,372 | 162,372 | 122,372 | 44,372 | 81,372 | 1,447,392 |

<p>| 17 PSY INST OF ATLANTA | EBITDA | 9,000 | 127,000 | 59,000 | 77,000 | 1,222,000 |
| LESS:                  | CEO/CFO SALARIES &amp; BONUSES | 1,968 | 1,968 | 1,968 | 1,968 | 1,968 | 58,300 |
|                       | MIS COSTS | 4,660 | 4,660 | 4,660 | 4,660 | 4,660 | 65,478 |
| TOTAL EBITDA          | (35,628) | 120,372 | 85,372 | 70,372 | 1,097,392 |</p>
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<th>TOTAL EBITDA</th>
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<td>4,660</td>
<td>65,372</td>
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Schedule 10.1(a)

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Schedule 10.1(a)

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Schedule 10.1(a)

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Schedule 10.1(a)

SCHEDULE OF ACQUIRED NME FACILITIES EBITDA

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| Month          | (46,000) | 92,000 | 268,000  | 14,000  | 14,000   |
| **TOTAL EBITDA** | (46,000) | 92,000 | 268,000  | 14,000  | 14,000   |

| Month          | 371,888 | 297,888 | 264,888  | 114,888 | 236,888  |
| **CEO/CFO SALARIES & BONUSES** | 1,968   | 1,968   | 1,968    | 1,968   | 1,968    |
| **MIS COSTS**     | 4,660   | 4,660   | 4,660    | 4,660   | 4,660    |
| **TOTAL EBITDA** | 371,888 | 297,888 | 264,888  | 114,888 | 236,888  |

| Month          | 1,968   | 1,968   | 1,968    | 1,968   |
| **TOTAL EBITDA** | 1,968   | 1,968   | 1,968    | 1,968   |

| Month          | 424,000 | 350,000 | 314,000  | 167,000 | 285,000  |
| **CEO/CFO SALARIES & BONUSES** | 1,968   | 1,968   | 1,968    | 1,968   |
| **MIS COSTS**     | 4,660   | 4,660   | 4,660    | 4,660   |
| **TOTAL EBITDA** | 424,000 | 350,000 | 314,000  | 167,000 | 285,000  |

| Month          | 371,888 | 297,888 | 264,888  | 114,888 | 236,888  |
| **CEO/CFO SALARIES & BONUSES** | 1,968   | 1,968   | 1,968    | 1,968   |
| **MIS COSTS**     | 4,660   | 4,660   | 4,660    | 4,660   |
| **TOTAL EBITDA** | 371,888 | 297,888 | 264,888  | 114,888 | 236,888  |

| Month          | 424,000 | 350,000 | 314,000  | 167,000 | 285,000  |
| **CEO/CFO SALARIES & BONUSES** | 1,968   | 1,968   | 1,968    | 1,968   |
| **MIS COSTS**     | 4,660   | 4,660   | 4,660    | 4,660   |
| **TOTAL EBITDA** | 424,000 | 350,000 | 314,000  | 167,000 | 285,000  |

| Month          | 371,888 | 297,888 | 264,888  | 114,888 | 236,888  |
| **CEO/CFO SALARIES & BONUSES** | 1,968   | 1,968   | 1,968    | 1,968   |
| **MIS COSTS**     | 4,660   | 4,660   | 4,660    | 4,660   |
| **TOTAL EBITDA** | 371,888 | 297,888 | 264,888  | 114,888 | 236,888  |

| Month          | 424,000 | 350,000 | 314,000  | 167,000 | 285,000  |
| **CEO/CFO SALARIES & BONUSES** | 1,968   | 1,968   | 1,968    | 1,968   |
| **MIS COSTS**     | 4,660   | 4,660   | 4,660    | 4,660   |
| **TOTAL EBITDA** | 424,000 | 350,000 | 314,000  | 167,000 | 285,000  |

| Month          | 371,888 | 297,888 | 264,888  | 114,888 | 236,888  |
| **CEO/CFO SALARIES & BONUSES** | 1,968   | 1,968   | 1,968    | 1,968   |
| **MIS COSTS**     | 4,660   | 4,660   | 4,660    | 4,660   |
| **TOTAL EBITDA** | 371,888 | 297,888 | 264,888  | 114,888 | 236,888  |
### Schedule of Acquired NME Facilities EBITDA (1993-1994)

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### MIS Costs

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### 12 Months

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**Notes:**
- All amounts are in thousands.
- All EBITDA figures are for the months ending in the respective year.
### Schedule 10.1(a)

**SCHEDULE OF ACQUIRED NME FACILITIES EBITDA**

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<th>JULY</th>
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<td>1,968</td>
<td>1,968</td>
<td>1,968</td>
<td>58,530</td>
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<tr>
<td>EBITDA</td>
<td>228,372</td>
<td>(117,000)</td>
<td>(241,000)</td>
<td>235,000</td>
<td>57,000</td>
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<td>11 BAY HARBOR RTC</td>
<td>1,968</td>
<td>1,968</td>
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<td>1,968</td>
<td>58,530</td>
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<tr>
<td>EBITDA</td>
<td>109,372</td>
<td>(117,000)</td>
<td>(241,000)</td>
<td>235,000</td>
<td>57,000</td>
<td>238,000</td>
</tr>
</tbody>
</table>

Total Unadjusted EBITDA: 4,214,000

SCHEDULE 10.1(b)

SCHEDULE OF EXCLUDABLE FOREIGN RESTRICTED SUBSIDIARIES

Golden Isle Assurance Company, Ltd.
Plymouth Insurance Company, Ltd.
Societe Anonyme De La Metairie

SCHEDULE 10.1(c)

SCHEDULE OF MORTGAGE NOTES

<table>
<thead>
<tr>
<th>BORROWER</th>
<th>LENDER</th>
<th>AMOUNT OUTSTANDING AT APRIL 1, 1994</th>
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<tr>
<td>Charter Behavioral Health</td>
<td>Citibank, N.A.</td>
<td>$6,070,833.15</td>
</tr>
<tr>
<td>System of Northern California, Inc.</td>
<td>Citibank, N.A.</td>
<td>$6,070,833.15</td>
</tr>
<tr>
<td>Charter Terre Haute Behavioral Health Systems, Inc.</td>
<td>Citibank, N.A.</td>
<td>$4,333,333.15</td>
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<td>Charter San Diego Behavioral Health System, Inc.</td>
<td>Citibank, N.A.</td>
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<td>MORTGAGORS</td>
<td>MORTGAGED PROPERTY</td>
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<tr>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------------------------------------</td>
<td></td>
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<tr>
<td>1. Charter Peachford Behavioral Health System, Inc.</td>
<td>2151 Peachford Road</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Atlanta, Georgia 30338</td>
<td></td>
</tr>
<tr>
<td>2. Charter Oak Behavioral Health System, Inc.</td>
<td>1161 East Covina Boulevard</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Covina, California 91724</td>
<td></td>
</tr>
<tr>
<td>3. Charter Behavioral Health System of Chicago, Inc.</td>
<td>4700 North Clarendon Avenue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chicago, Illinois 60640</td>
<td></td>
</tr>
<tr>
<td>4. Charter Westbrook Behavioral Health System, Inc.</td>
<td>1500 Westbrook Avenue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>P.O. Box 9127</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Richmond, VA 23227</td>
<td></td>
</tr>
<tr>
<td>5. Charter Behavioral Health System of Tampa Bay, Inc.</td>
<td>4004 North Riverside Drive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tampa, FL 33603</td>
<td></td>
</tr>
<tr>
<td>6. Charter North Behavioral Health System, Inc.</td>
<td>2530 DeBarr Road</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Anchorage, AK 99508-2996</td>
<td></td>
</tr>
<tr>
<td>7. Charter Behavioral Health System of Savannah, Inc.</td>
<td>1150 Cornell Avenue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>P.O. Box 13817</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Savannah, GA 31406</td>
<td></td>
</tr>
<tr>
<td>8. Charter-by-the-Sea Behavioral Health System, Inc.</td>
<td>2927 Demere Road</td>
<td></td>
</tr>
<tr>
<td></td>
<td>St. Simons Island, GA 31522</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(includes Charter Klubhaus)</td>
<td></td>
</tr>
<tr>
<td>9. Charter Behavioral Health System of Jackson, Inc.</td>
<td>East Lakeland Drive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jackson, MS 39208</td>
<td></td>
</tr>
<tr>
<td>10. Charter Hospital of Miami, Inc.</td>
<td>11100 N.W. 27th Street</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Miami, FL 33172</td>
<td></td>
</tr>
<tr>
<td>11. Charter Behavioral Health System of Dallas, Inc.</td>
<td>6800 Preston Road</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Plano, TX 75024</td>
<td></td>
</tr>
<tr>
<td>12. Charter Real Behavioral Health System, Inc.</td>
<td>8550 Huebner Road</td>
<td></td>
</tr>
<tr>
<td></td>
<td>San Antonio, TX 78240</td>
<td></td>
</tr>
<tr>
<td>13. Charter - Provo School, Inc. (d/b/a Provo Canyon School)</td>
<td>4501 North University Avenue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provo, UT 84603</td>
<td></td>
</tr>
<tr>
<td>14. Charter Wichita Behavioral Health System, Inc.</td>
<td>8901 East Orme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wichita, KS 67207</td>
<td></td>
</tr>
<tr>
<td>15. Charter Behavioral Health System of Paducah, Inc.</td>
<td>435 Berger Road</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Paducah, KY 42002</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
<tr>
<td>16. Charter Northridge Behavioral Health System, Inc.</td>
<td>400 Newton Road</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Raleigh, NC 27615</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Property Name</td>
<td>Address</td>
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<tr>
<td>17.</td>
<td>Charter Woods Behavioral Health System, Inc.</td>
<td>700 Cottonwood Road P.O. Box 6138 Dothan, AL 36302</td>
</tr>
<tr>
<td>18.</td>
<td>Charter Behavioral Health System of Austin, Inc.</td>
<td>8402 Cross Park Dr P.O. Box 140585 (P.O. Zip 78714) Austin, TX 78754</td>
</tr>
<tr>
<td>19.</td>
<td>Charter Behavioral Health System of Fort Worth, Inc.</td>
<td>6201 Overton Ridge Boulevard Fort Worth, TX 76132</td>
</tr>
<tr>
<td>20.</td>
<td>Charter Medical of East Valley, Inc.</td>
<td>2190 N. Grace Boulevard Chandler, AZ 85224</td>
</tr>
<tr>
<td>21.</td>
<td>Charter Hospital of Mobile, Inc. (d/b/a Charter Academy of Mobile)</td>
<td>251 Cox Street Mobile, AL 36604</td>
</tr>
<tr>
<td>22.</td>
<td>Charter Fairmount Behavioral Health System, Inc. (in Texas, d/b/a Charter Behavioral Health System of Kingwood)</td>
<td>2001 Ladbrook Drive Kingwood, TX 77339</td>
</tr>
<tr>
<td>23.</td>
<td>Charter Lakeside Behavioral Health System, Inc.</td>
<td>2911 Brunswick Road Memphis, TN 38134</td>
</tr>
<tr>
<td>24.</td>
<td>Charter Fairmount Behavioral Health System, Inc. (in Texas, d/b/a Charter Behavioral Health System of Sugarland)</td>
<td>1550 First Colony Boulevard Sugarland, TX 77487</td>
</tr>
<tr>
<td>25.</td>
<td>Charter Behavioral Health System of Kansas City, Inc.</td>
<td>8000 West 127th Street Overland Park, KS 66213</td>
</tr>
<tr>
<td>26.</td>
<td>Charter Canyon Behavioral Health System, Inc.</td>
<td>1350 East 750 North Orem, UT 84057</td>
</tr>
<tr>
<td>27.</td>
<td>Charter Canyon Behavioral Health System, Inc.</td>
<td>175 West 7200 South Midvale, UT 84047</td>
</tr>
<tr>
<td>28.</td>
<td>Charter Hospital of Santa Teresa, Inc.</td>
<td>100 Charter Lane Santa Teresa, NM 88008</td>
</tr>
<tr>
<td>29.</td>
<td>Charter Behavioral Health System of Central Georgia, Inc.</td>
<td>3500 Riverside Dr Macon, GA 31210</td>
</tr>
<tr>
<td>30.</td>
<td>Charter Rivers Behavioral Health System, Inc.</td>
<td>2900 Sunset Boulevard West Columbia, SC 29171</td>
</tr>
<tr>
<td>31.</td>
<td>Charter Ridge Behavioral Health System, Inc.</td>
<td>3050 Rio Doso Drive Lexington, KY 40509</td>
</tr>
<tr>
<td>32.</td>
<td>Charter Springs Behavioral Health System, Inc.</td>
<td>3130 S.W. 27th Avenue Ocala, FL 32678</td>
</tr>
<tr>
<td>33.</td>
<td>CMSF, Inc. (d/b/a Charter Glade Hospital)</td>
<td>3550 Colonial Boulevard P.O. Box 06120 Fort Myers, FL 33906</td>
</tr>
<tr>
<td>34.</td>
<td>Charter Medical Corporation (The Glade Center)</td>
<td>10140 Deer Run Farms Road Fort Myers, FL 33906</td>
</tr>
<tr>
<td>35.</td>
<td>Charter Forest Behavioral Health System, Inc.</td>
<td>9320 Linwood Avenue Shreveport, LA 71106</td>
</tr>
<tr>
<td>36.</td>
<td>Charter Plains Behavioral Health System, Inc.</td>
<td>801 N. Quaker Avenue P.O. Box 10560 Lubbock, TX 79408</td>
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<tr>
<td>37.</td>
<td>Charter Behavioral Health System of Northwest Arkansas, Inc.</td>
<td>4253 Crossover Road P.O. Box 1906</td>
</tr>
<tr>
<td></td>
<td>Corporate Name</td>
<td>Address</td>
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<tr>
<td>38</td>
<td>Charter Palms Behavioral Health System, Inc.</td>
<td>1421 East Jackson Avenue P.O. Box 5239 Fayetteville, AR 72703</td>
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<tr>
<td>39</td>
<td>Charter Hospital of St. Louis, Inc.</td>
<td>2700 E. Phillips Road Greer, SC 29651</td>
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<td>40</td>
<td>Charter Behavioral Health System of Charleston, Inc.</td>
<td>2777 Speiszegger Drive Charleston, SC 29405</td>
</tr>
<tr>
<td>41</td>
<td>Charter Behavioral Health System of New Mexico, Inc.</td>
<td>5901 Zuni Road, S.E. Albuquerque, NM 87108</td>
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<tr>
<td>42</td>
<td>Pacific - Charter Medical, Inc.</td>
<td>2055 Kellogg Drive Corona, CA 91720</td>
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<tr>
<td>43</td>
<td>Charter Hospital of Ft. Collins, Inc.</td>
<td>4601 Corbett Drive Ft. Collins, CO 80525</td>
</tr>
<tr>
<td>44</td>
<td>Charter Bay Harbor Behavioral Health System, Inc.</td>
<td>4480 51st Street West Bradenton, FL 34210</td>
</tr>
<tr>
<td>45</td>
<td>Charter Hospital of St. Louis, Inc. (d/b/a Charter Behavioral Health System of Orlando South)</td>
<td>206 Park Place Drive Kissimmee, FL 34741</td>
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<tr>
<td>46</td>
<td>Charter Medfield Behavioral Health System, Inc.</td>
<td>1950 Benoist Farms Road West Palm Beach, FL 33411</td>
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<tr>
<td>47</td>
<td>Charter Behavioral Health System of Lake Charles, Inc.</td>
<td>4250 Fifth Avenue, South Lake Charles, LA 70605</td>
</tr>
<tr>
<td>48</td>
<td>Charter Behavioral Health System of Toledo, Inc.</td>
<td>1725 Timberline Road Maumee, OH 43537</td>
</tr>
<tr>
<td>49</td>
<td>Charter Grapevine Behavioral Health System, Inc.</td>
<td>2300 William D. Tate Avenue Grapevine, TX 76051</td>
</tr>
<tr>
<td>50</td>
<td>Charter Peachford Behavioral Health System, Inc.</td>
<td>3913 N. Peachtree Road Atlanta, GA 30341</td>
</tr>
<tr>
<td>51</td>
<td>Charter Indianapolis Behavioral Health System, Inc.</td>
<td>5602 Caito Drive Indianapolis, IN 46226</td>
</tr>
<tr>
<td>52</td>
<td>Charter Behavioral Health System of Nevada, Inc.</td>
<td>7000 West Spring Mountain Road Las Vegas, NV 89180</td>
</tr>
<tr>
<td>53</td>
<td>Charter Behavioral Health System of Winston-Salem, Inc.</td>
<td>3637 Old Vineyard Road Winston-Salem, NC 27104</td>
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<tr>
<td>54</td>
<td>Charter Beacon Behavioral Health System, Inc.</td>
<td>1720 Beacon Street Fort Wayne, IN 46805</td>
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<tr>
<td>55</td>
<td>Charter Augusta Behavioral Health System, Inc.</td>
<td>3100 Perimeter Parkway Augusta, GA 30909</td>
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<tr>
<td>56</td>
<td>Charter Behavioral Health System of Corpus Christi, Inc.</td>
<td>3126 Rodd Field Road Corpus Christi, TX 78414</td>
</tr>
<tr>
<td>57</td>
<td>Charter Medical of North Phoenix, Inc. (d/b/a Charter Hospital of Glendale)</td>
<td>6015 W. Peoria Avenue Glendale, AZ 85311</td>
</tr>
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Schedule 10.1(d)

SCHEDULE OF MORTGAGED PROPERTIES

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<tr>
<td>47</td>
<td>Charter Behavioral Health System of Lake Charles, Inc.</td>
<td>4250 Fifth Avenue, South Lake Charles, LA 70605</td>
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<td>Charter Behavioral Health System of Toledo, Inc.</td>
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<td>49</td>
<td>Charter Grapevine Behavioral Health System, Inc.</td>
<td>2300 William D. Tate Avenue Grapevine, TX 76051</td>
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<tr>
<td>50</td>
<td>Charter Peachford Behavioral Health System, Inc.</td>
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</tr>
<tr>
<td>51</td>
<td>Charter Indianapolis Behavioral Health System, Inc.</td>
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</tr>
<tr>
<td>52</td>
<td>Charter Behavioral Health System of Nevada, Inc.</td>
<td>7000 West Spring Mountain Road Las Vegas, NV 89180</td>
</tr>
<tr>
<td>53</td>
<td>Charter Behavioral Health System of Winston-Salem, Inc.</td>
<td>3637 Old Vineyard Road Winston-Salem, NC 27104</td>
</tr>
<tr>
<td>54</td>
<td>Charter Beacon Behavioral Health System, Inc.</td>
<td>1720 Beacon Street Fort Wayne, IN 46805</td>
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<tr>
<td>55</td>
<td>Charter Augusta Behavioral Health System, Inc.</td>
<td>3100 Perimeter Parkway Augusta, GA 30909</td>
</tr>
<tr>
<td>56</td>
<td>Charter Behavioral Health System of Corpus Christi, Inc.</td>
<td>3126 Rodd Field Road Corpus Christi, TX 78414</td>
</tr>
<tr>
<td>57</td>
<td>Charter Medical of North Phoenix, Inc. (d/b/a Charter Hospital of Glendale)</td>
<td>6015 W. Peoria Avenue Glendale, AZ 85311</td>
</tr>
</tbody>
</table>
|   | Charter Behavioral Health System of Jacksonville, Inc. | 3947 Salisbury Road  
Jacksonville, FL 32216 |
|---|------------------------------------------------------|---------------------------------------------------------------|
| 58. | Charter Little Rock Behavioral Health System, Inc. | 1601 Murphy Drive  
Maumelle, AR 72118 |
| 59. | Charter Louisville Behavioral Health System, Inc. | 1405 Browns Lane  
Louisville, KY 40207 |
| 60. | Charter Mission Viejo Behavioral Health System, Inc. | 23228 Madero  
Mission Viejo, CA 92691 |
| 61. | Charter Behavioral Health System of Northwest Indiana, Inc. | 101 West 61st Avenue  
State Road 51  
Hobart, IN 46342 |
| 62. | Charter Sioux Falls Behavioral Health System, Inc. | 2812 South Louise Avenue  
Sioux Falls, SD 57106 |
| 63. | Charter South Bend Behavioral Health System, Inc. | 6704 North Gumwood Drive  
Granger, IN 46530 |
| 64. | Charter Thousand Oaks Behavioral Health System, Inc. | 150 Via Merida  
Thousand Oaks, CA 91361 |
| 65. | Charter Pines Behavioral Health System, Inc. | 3621 Randolph Road  
Charlotte, NC 28211 |
| 66. | Charter Behavioral Health System of Athens, Inc. | 240 Mitchell Bridge Road  
Athens, GA 30606 |
| 67. | Charter Behavioral Health System of Charlottesville, Inc. | 2101 Arlington Boulevard  
Charlottesville, VA 22903 |
| 68. | Charter Greensboro Behavioral Health System, Inc. | 700 Walter Reed Drive  
Greensboro, NC 27403 |
| 69. | Florida Health Facilities, Inc.  
(d/b/a Charter Hospital of Pasco) | 21808 State Road 54  
Lutz, FL 33549 |
| 70. | Charter Lafayette Behavioral Health System, Inc. | 3700 Rome Drive  
Lafayette, IN 47905 |
SUBSIDIARY BORROWERS
OF CHARTER MEDICAL CORPORATION

$300,000,000
SECOND AMENDED AND RESTATED
SUBSIDIARY CREDIT AGREEMENT

Dated as of May 2, 1994

TABLE OF CONTENTS

Section 1. Amount and Terms of Credit............................... 2
  1.1 Commitments............................................... 2
  1.2 Minimum Amount of Each Borrowing........................................... 4
  1.3 Notice of Borrowing....................................... 5
  1.4 Disbursement of Funds..................................... 6
  1.5 Notes..................................................... 7
  1.6 Conversions of Base Rate Loans and Continuations
      of Eurodollar Loans........................................ 8
  1.7 Pro Rata Borrowings............................................ 9
  1.8 Interest................................................... 9
  1.9 Interest Periods.......................................... 11
  1.10 Increased Cost, Illegality, etc.................................................. 12
  1.11 Capital Adequacy......................................... 15
  1.12 Funding Losses........................................... 16
  1.13 Sharing of Payments, etc........................................... 16
  1.14 Change of Lending Office...................................... 17
  1.15 Replacement Lenders......................................... 18
  1.16 Maturity of Borrowings...................................... 19

Section 2. Subsidiary Letter of Credit Subfacility.................. 20
  2.1 Subsidiary Letters of Credit...................................... 20
  2.2 Notice of Issuance; Agreement to Issue.............................. 22
  2.3 Payment of Amounts Drawn Under Subsidiary Letters
      of Credit.................................................. 23
  2.4 Payment by Lenders............................................ 25
  2.5 Compensation................................................ 26
      2.6 Additional Payments; Illegality...................................... 27
  2.7 Obligations Absolute........................................ 29
  2.8 Indemnification; Nature of L/C Banks' Duties.............. 30

Section 3. Commitments.............................................. 31
  3.1 Voluntary Reduction of Commitments........................... 31
  3.2 Mandatory Reduction of Commitments.......................... 32
  3.3 Pro Rata Reductions; No Reinstatement.................... 32
SECOND AMENDED AND RESTATED SUBSIDIARY CREDIT AGREEMENT dated as of May 2, 1994 among the corporations listed on Annex I hereto as "Borrowers" (each a "Borrower" and, collectively, the "Borrowers"), the banking institutions and other financial institutions signatory hereto (each a "Lender" and, collectively, the "Lenders"), BANKERS TRUST COMPANY, acting in the manner and to the extent described in Section 11 (in such capacity, the "Agent"), and FIRST UNION NATIONAL BANK OF NORTH CAROLINA, acting in the manner and to the extent described in Section 11 (in such capacity, the "Co-Agent").

WHEREAS, certain of the Borrowers (among certain other Subsidiaries of the Company that no longer have any obligations under the Existing Subsidiary Credit Agreement), the Existing Lenders and the Agent entered into the Existing Subsidiary Credit Agreement; the Existing Subordinated Debentures, and the Existing Subsidiary Credit Agreement, which amended and restated the Original Subsidiary Credit Agreement;

WHEREAS, the Company intends to (i) consummate the NME Acquisition, (ii) refinance the Existing Subordinated Debentures, and (iii) refinance the Mortgage Notes;
WHEREAS, in connection with the NME Acquisition and the refinancing of the Existing Subordinated Debentures, the Company and the Lenders desire to consummate the Existing Company Credit Agreement Restructuring;

WHEREAS, in connection with the Existing Company Credit Agreement Restructuring and the refinancing of the Mortgage Notes, the Borrowers and the Lenders desire to amend and restate the Existing Subsidiary Credit Agreement in order to, among other things: (i) restructure the Existing Loans, Existing Subsidiary Letters of Credit and Existing Commitments under the Existing Subsidiary Credit Agreement, (ii) substitute certain of the Existing Lenders with other financial institutions, and (iii) add certain Subsidiaries of the Company as Borrowers (together with the transactions described in the foregoing clause (i), and as more fully described in Sections 1.1(a) and 12.21, the "Existing Subsidiary Credit Agreement Restructuring"); and

WHEREAS, subject to and upon the terms and conditions set forth in the Master Transfer Supplement, the Existing Lenders will transfer to the Lenders as of the Closing Date all of the Existing Lenders' respective rights and obligations under the Existing Credit Agreements, including, without limitation, the Existing Loans of the Existing Lenders outstanding under the Existing Credit Agreements, together with each Existing Lender's Commitment under and as defined in the Existing Subsidiary Credit Agreement (collectively, the "Existing Commitments");

NOW, THEREFORE, the parties hereto agree that, effective as of the Closing Date, the Existing Subsidiary Credit Agreement shall be and hereby is amended and restated in its entirety as follows:

Section 1. AMOUNT AND TERMS OF CREDIT.

1.1 COMMITMENTS. (a) The Existing Lenders made certain revolving loans to the Borrowers pursuant to the Original Subsidiary Credit Agreement. Under the Existing Subsidiary Credit Agreement the outstanding principal amount of such loans as of July 21, 1992 were amended and restated so that, once repaid, such loans could not, subject to certain exceptions, be reborrowed (the "Existing Loans"). Subject to and upon the terms and conditions set forth in the Master Transfer Supplement, the Existing Lenders will sell and assign to the Lenders, and the Lenders, subject to and upon the terms and conditions set forth herein and therein, will purchase and assume from the Existing Lenders on a ratable basis in accordance with their respective Commitments as set forth on Annex II hereto, all outstanding rights and obligations under the Existing Subsidiary Credit Agreement of the Existing Lenders, including, without limitation, the outstanding Existing Loans and each Existing Lender's Existing Commitment; and, in furtherance thereof the Existing Lenders have agreed to deliver to the Agent their respective promissory notes (the "Existing Notes") evidencing the Existing Commitments of the Existing Lenders, duly endorsed in favor of the Agent, for the benefit of the Lenders. As of the date hereof and prior to giving effect to any of the Transactions, $46,775,000 of the Existing Loans are outstanding under the Existing Subsidiary Credit Agreement. Subject to and upon the terms and conditions herein set forth, as of the Closing Date, after giving effect to the assignments contemplated by the Master Transfer Supplement, (a) each Lender's Commitment (as such term is defined in the Existing Subsidiary Credit Agreement) shall be, and hereby is, consolidated and amended and restated as a "Commitment" and shall be increased (or decreased, as the case may be) so that, after giving effect to such consolidation, amendment, restatement and increase (or decrease), the Commitment of each Lender will be as set forth on Annex II hereto and (b) the Existing Loans shall be amended and restated to be Loans on the Closing Date. In furtherance of the foregoing, the Company shall (i) execute and deliver to the Agent a promissory note substantially in the form of Exhibit A-1 hereto (the "Subsidiary Increased Commitment Note") in the principal amount of
$160,964,733.84 payable to the order of the Agent, for the ratable benefit of the Lenders, and representing the amount by which the Total Commitment exceeds the Existing Commitments assigned to the Lenders pursuant to the Master Transfer Supplement, and (ii) execute and deliver to each Lender, in accordance with Section 1.5, a Note in consolidation, renewal and replacement of the Existing Notes assigned to the Agent for the benefit of the Lenders pursuant to the Master Transfer Supplement and the Subsidiary Increased Commitment Note.

(b) Subject to and upon the terms and conditions herein set forth, each Lender severally agrees, at any time and from time to time on and after the Closing Date and prior to the Final Maturity Date, to make a loan or loans (together with the Existing Loans assigned to the Lenders pursuant to the Master Transfer Supplement, collectively, the "Loans"; and each individually a "Loan") to each and any Borrower, which Loans to a Borrower (including, without limitation, such Existing Loans) (i) shall, at the option of such Borrower, be made as part of one or more Borrowings, each of which Borrowings shall, unless otherwise specifically provided herein, consist entirely of Base Rate Loans or Eurodollar Loans, (ii) may be repaid and reborrowed in accordance with the provisions hereof, (iii) shall not exceed for any Lender at any time outstanding that aggregate principal amount, which, when added to the sum of (A) such Lender's Subsidiary Letter of Credit Exposure at such time and (B) the amount of such Lender's Company Credit Extensions at such time, equals the Unrestricted Commitment of such Lender at such time, and (iv) shall not exceed in aggregate principal amount at any time outstanding for all of the Lenders an amount equal to (A) the Total Commitment at such time less (B) the sum of (1) the Subsidiary Letter of Credit Outstandings at such time, (2) the aggregate amount of all the Lenders' Company Credit Extensions at such time and (3) the Restricted Commitment Amount.

(c) Notwithstanding the foregoing provisions of this Section 1.1 or the provisions of Section 1.3, all Borrowings made prior to the 60th day following the Closing Date shall consist entirely of Base Rate Loans; PROVIDED that up to one such Borrowing at any time outstanding may consist of Eurodollar Loans having a one-month Interest Period, unless there is an outstanding Company Borrowing consisting of Eurodollar Loans (under and as defined in the Company Credit Agreement) that was made (or continued or converted) on a different day than such Borrowing or has a different Interest Period than such Borrowing.

1.2 MINIMUM AMOUNT OF EACH BORROWING. Except as set forth in Section 12.12(c) with respect to minimum amounts of the initial Borrowings hereunder for Supplemental Borrowers, the aggregate principal amount of each Borrowing of Loans by one or more Borrowers, together with a Company Borrowing of Revolving Loans on the same day of each such Borrowing hereunder, shall be not less than $10,000,000 and, if greater, shall be in an integral multiple of $1,000,000. Notwithstanding the foregoing limitations, (i) there shall be no minimum Borrowing amount for Borrowings consisting of Base Rate Loans made to reimburse drawings under Subsidiary Letters of Credit pursuant to a deemed Borrowing under Section 2.3, and (ii) the Borrowers may borrow an amount equal to the entire undrawn portion of the Adjusted Total Commitment. At no time shall the number of Borrowings outstanding hereunder, together with the number of Company Borrowings, exceed 10; PROVIDED that for purposes of determining the number of Borrowings outstanding hereunder and the number of outstanding Company Borrowings (including, without limitation, for purposes of conversions of Base Rate Loans and continuations of Eurodollar Loans pursuant to Section 1.6), (i) all Borrowings of Loans consisting of Base Rate Loans, together with all Company Loans consisting of Base Rate Loans (as defined in the Company Credit Agreement) shall, collectively, be deemed one Borrowing and (ii) all Borrowings of Eurodollar Loans, together with all Company Borrowings of Eurodollar Loans (as defined in the Company Credit Agreement), in each case continued, incurred or converted on the same day and having identical Interest Periods, shall, collectively, be
1.3 NOTICE OF BORROWING. (a) Whenever a Borrower (or Borrowers) desires to make a Borrowing hereunder (other than a conversion or continuation pursuant to Section 1.6), the Company shall, on behalf of each such Borrower, give the Agent (i) at least one Business Day's prior written notice (or telephonic notice confirmed promptly in writing) before the requested date of the making of any such Borrowing consisting of Base Rate Loans, and (ii) at least three Business Days' prior written notice (or telephonic notice confirmed promptly in writing), before the requested date of the making of any such Borrowing consisting of Eurodollar Loans, each such notice to be given at the Payment Office prior to 11:00 A.M. (New York, New York time) on the date specified; PROVIDED that, upon the notice set forth in Section 2.3, a Borrower may make a Borrowing hereunder consisting of Base Rate Loans, the proceeds of which shall be used solely to reimburse drawings under Subsidiary Letters of Credit pursuant to the operation of Section 2.3. Each such notice or confirmation thereof (each a "Notice of Borrowing") shall be substantially in the form of Exhibit B-1 hereto, shall be irrevocable and shall specify (A) the aggregate principal amount of the Loans to be made pursuant to such Borrowing, (B) the name or names of the Borrower or Borrowers making such Borrowing, (C) the date of such Borrowing (which shall be a Business Day), and (D) whether such Borrowing shall consist of Base Rate Loans or Eurodollar Loans and, in the case of Eurodollar Loans, the initial Interest Period to be applicable thereto. Notwithstanding anything to the contrary contained herein, the Existing Loans assigned to the Lenders pursuant to the Master Transfer Supplement and the Loans made on the Closing Date shall be Base Rate Loans from and including the Closing Date until such date as the same are converted to Eurodollar Loans in accordance with Section 1.9 hereof.

(b) Without in any way limiting the Company's obligation to confirm in writing any telephonic notice given under this Agreement, the Agent may act without liability upon the basis of telephonic notice believed by the Agent in good faith to be from the Company prior to receipt of written confirmation.

(c) The Agent shall promptly and, to the extent practicable, on the same day, give each Lender written notice (or telephonic notice confirmed in writing) of each proposed Borrowing, of such Lender's proportionate share thereof and of the other matters covered by the applicable Notice of Borrowing.

1.4 DISBURSEMENT OF FUNDS. (a) No later than Noon (New York, New York time) on the date specified in each Notice of Borrowing, each Lender will, subject to the terms and conditions of this Agreement, make available its PRO RATA portion of each such Borrowing requested to be made on such date (based on each Lender's respective Commitment) to the relevant Borrower. All such amounts shall be made available in Dollars and immediately available funds at the Payment Office. The Agent will make available to such Borrower or to the Company on behalf of the relevant Borrower at the Payment Office the aggregate of the amounts so made available by the Lenders; PROVIDED that, to the extent such Loan is being made pursuant to Section 2.3, the Agent shall distribute the proceeds of such Loan directly to the L/C Bank which has honored the Subsidiary Letter of Credit in respect of which such Loan is being made.

(b) Unless the Agent shall have been notified by any Lender prior to the date of a Borrowing that such Lender does not intend to make available to the Agent such Lender's portion of the Borrowing to be made on such date, the Agent may assume that such Lender has made such amount available to the Agent on such date and the Agent may make available to the relevant Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Agent by such Lender on the date of Borrowing, the Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest at the customary rate set by the Agent for the correction of errors among banks. If such Lender does not pay such corresponding amount forthwith upon the Agent's demand therefor, the Agent
shall promptly notify such Borrower, and such Borrower shall pay such corresponding amount (to the extent such amount is not collected from such Lender) to the Agent promptly, and, provided the Agent has made such demand prior to 11:00 A.M. on a Business Day, no later than the next succeeding Business Day, together with interest at the rate specified for the Borrowing which includes such amount paid. Nothing in this subsection shall be deemed to relieve any Lender from its obligation to fulfill its Commitment hereunder or to prejudice any rights which the Borrowers may have against any Lender as a result of any default by such Lender hereunder.

(c) No Lender shall be responsible for any default by any other Lender in its obligation to make Loans hereunder, and each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to fulfill its Commitment hereunder.

1.5 NOTES. (a) Each Borrower's obligation to pay the principal of, and interest on, all of the Loans made by each Lender shall be evidenced by a promissory note (collectively, the "Notes") duly executed and delivered by the Borrowers substantially in the form of Exhibit A-2 hereto with blanks appropriately completed in conformity herewith.

(b) The Notes issued to each Lender by the Borrowers shall (i) be payable to the order of such Lender and be dated the Closing Date or the date on which such Borrower executes a Supplement hereto, (ii) be in a stated principal amount equal to the Commitment of such Lender to the Borrowers and be payable in the principal amount of the Loans evidenced thereby, (iii) mature on the Final Maturity Date and be subject to mandatory prepayment as provided herein, (iv) bear interest as provided in the appropriate clause of Section 1.8 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, and (v) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) Each Lender will note on its internal records the amount of each Loan made by it and each payment and each conversion in respect thereof and will prior to any transfer of its Note endorse on the reverse side thereof the outstanding principal amount of Loans evidenced thereby. Failure to make any such notation shall not affect any Borrower's obligations in respect of such Loans.

1.6 CONVERSIONS OF BASE RATE LOANS AND CONTINUATIONS OF EURODOLLAR LOANS. Subject to Section 1.1(c), one or more Borrowers shall have the option to convert PRO RATA on any Business Day all or a portion equal to at least $10,000,000 (including in such amount the amount of conversions of Company Loans converted on the same day pursuant to Section 1.6 of the Company Credit Agreement) (or if greater, an integral multiple of $1,000,000) of the aggregate outstanding principal amount of any Base Rate Loan or Base Rate Loans made pursuant to one or more Borrowings to such Borrowers into one Borrowing of Eurodollar Loans; PROVIDED that (i) Base Rate Loans may only be converted into Eurodollar Loans if no Default or Event of Default is then in existence, and (ii) no conversion pursuant to this Section 1.6 shall result in a greater number of Borrowings than is permitted under Section 1.2. Each such conversion shall be effected by the Company, on behalf of each such Borrower, giving the Agent at the Payment Office prior to 11:00 A.M. (New York, New York time) at least three Business Days' prior telephonic (confirmed promptly in writing) or written notice (a "Notice of Conversion") specifying the Base Rate Loans to be so converted and the Interest Period to be initially applicable thereto. The Agent shall give each Lender prompt and, to the extent practicable, same day, written notice (or telephonic notice confirmed in writing) of any such proposed conversion affecting any of its Loans. Base Rate Loans to a Borrower converted into Eurodollar Loans pursuant to this Section 1.6 shall continue as Eurodollar Loans so long as the Company, on behalf of such Borrower, elects, in accordance with the provisions of Section 1.9, prior to the expiration of any Interest Period applicable thereto, an Interest Period for such Loans which shall commence on the date such current Interest Period expires. Notwithstanding the
foregoing or the provisions of Section 1.9, if a Default or Event of Default is in existence at the time any Interest Period in respect of any Eurodollar Loans is to expire, such Loans may not be continued as Eurodollar Loans but instead shall be automatically converted on the last day of such Interest Period into Base Rate Loans.

1.7 PRO RATA BORROWINGS. All Borrowings by each Borrower under this Agreement shall be incurred from the Lenders PRO RATA on the basis of their respective Commitments applicable to all Borrowers; PROVIDED that all deemed Borrowings pursuant to Section 2.3 shall be incurred from the Lenders PRO RATA on the basis of their respective Adjusted Percentages.

1.8 INTEREST. (a) Each Borrower agrees to pay interest in respect of the unpaid principal amount of each Base Rate Loan incurred by it from the date of the respective Borrowing (or deemed Borrowing) thereof until repayment thereof in full in cash at a rate per annum which shall be equal to the sum of the Base Lending Rate in effect from time to time, plus the Applicable Margin.

(b) Each Borrower agrees to pay interest in respect of the unpaid principal amount of each Eurodollar Loan incurred by it from the date of the respective Borrowing until repayment thereof in full in cash at a rate per annum which shall be equal to the sum of the relevant Eurodollar Rate, plus the Applicable Margin.

(c) The "Applicable Margin" shall be (i) in the case of Loans that are Base Rate Loans, .75 of 1%, and (ii) in the case of Loans that are Eurodollar Loans, 1.75%; PROVIDED that, for so long as (i) no Default or Event of Default shall have occurred and be continuing, (ii) the Company has public senior Permitted Subordinated Indebtedness that is rated by Standard & Poor's Corporation and Moody's Investors Service, Inc. as set forth below, and (iii) the ratio, as of the last day of the most recently ended fiscal quarter of the Company, of Core EBITDA to Total Interest Expense of the Company and its Restricted Subsidiaries, in each case for the four consecutive fiscal quarters of the Company ending on such day, exceeds the applicable ratio set forth below, then, upon written notice thereof from the Company to the Agent, the Applicable Margins for the Loans set forth in the preceding proviso shall be reduced, effective as of the date of receipt of such notice by the Agent, from the percentages specified in such proviso by the number of basis points (with one basis point being equal to one-one hundredth of one percent) set forth below for such ratings and ratio:

(1) If such ratio is greater than 4.0:1.0 and such Permitted Subordinated Indebtedness is rated at least "BBB-" by Standard & Poor's Corporation and at least Baa3 by Moody's Investors Service, Inc., then the Applicable Margins for Base Rate Loans and Eurodollar Loans shall each be reduced by 25 basis points; or

(2) If such ratio is greater than 4.5:1.0 and such Permitted Subordinated Indebtedness is rated at least "BBB" by Standard & Poor's Corporation and at least Baa2 by Moody's Investors Service, Inc., then the Applicable Margins for Base Rate Loans and Eurodollar Loans shall each be reduced by 50 basis points.

(d) Notwithstanding anything to the contrary contained herein, overdue principal and, to the extent permitted by law, overdue interest in respect of each Loan and all other overdue amounts owing hereunder shall bear interest at a rate per annum equal to the greater of (i) the sum of 2.75% per annum and the Base Lending Rate in effect from time to time, and (ii) the sum of the interest rate otherwise applicable to such Loan from time to time and 2.00% per annum.
(e) Interest shall accrue from and including the date of any Borrowing to but excluding the date of any repayment thereof and shall be payable (i) in respect of each Base Rate Loan outstanding at any time during a calendar month, monthly in arrears on the last Business Day of each month, through and including the last day of such month, (ii) in respect of each Eurodollar Loan, on the last day of each Interest Period applicable to such Loan and, in the case of an Interest Period of six months, on the date occurring three months after the first day of such Interest Period, and (iii) in respect of all Loans, on any prepayment or conversion thereof (on the principal amount prepaid or converted), at maturity (whether by acceleration or otherwise) and, after maturity, on demand.

(f) The Agent, upon determining the interest rate for any Borrowing of Eurodollar Loans for any Interest Period, shall promptly notify the relevant Borrowers, through the Company, and the Lenders thereof. The Agent shall promptly notify the Borrowers, through the Company, and the Lenders, of any change in the Base Lending Rate and the effective date thereof. Failure of the Agent to provide the Company, the Borrowers or the Lenders with any notice described in this clause (f) shall not affect any obligations of the Company, the Borrowers or the Lenders under this Agreement nor will such failure result in any liability on the part of the Agent to the Company, the Borrowers or any Lender.

1.9 INTEREST PERIODS. At the time it gives any Notice of Borrowing or Notice of Conversion in respect of the making of, or conversion into, a Borrowing (which Borrowing may be part of a Company Borrowing) of Eurodollar Loans (in the case of the initial Interest Period applicable thereto) or on the third Business Day prior to the expiration of an Interest Period applicable to a Borrowing of Eurodollar Loans (in the case of subsequent Interest Periods), the Company, on behalf of each and any Borrower, shall have the right to elect by giving the Agent written notice (or telephonic notice confirmed promptly in writing) thereof, the interest period (each, an "Interest Period") to be applicable to such Borrowing, which Interest Period shall, at the option of the Company, on behalf of such Borrowers, be a one, two, three or six month period; PROVIDED that: (i) the initial Interest Period for any Borrowing of Eurodollar Loans shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of Base Rate Loans) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires; (ii) if any Interest Period relating to a Borrowing consisting of Eurodollar Loans begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month; (iii) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; PROVIDED that if any Interest Period for a Eurodollar Loan would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day; (iv) no Interest Period in respect of any Loan shall extend beyond the Final Maturity Date; (v) no Interest Period in respect of any Loan shall extend beyond any date upon which the Total Commitment is reduced pursuant to Section 3.2(b) unless the aggregate principal amount of Loans which are Base Rate Loans or which have Interest Periods which will expire on or before such date, plus the unutilized Total Commitment after giving effect to the incurrence of such Loan, is equal to or in excess of, the amount of the aggregate prepayment of Loans required to be made on such date; and (vi) the Interest Period for a Eurodollar Loan which is converted into a
Base Rate Loan pursuant to Section 1.10(b) shall commence on the date of such conversion and shall expire on the date on which the Interest Periods for the Loans of the other Lenders which were not converted expire. If upon the expiration of any Interest Period, the Company, on behalf of a Borrower, has failed to elect a new Interest Period to be applicable to the respective Borrowing of Eurodollar Loans as provided above, such Borrower shall be deemed to have elected to convert such Borrowing into a Borrowing of Base Rate Loans effective as of the expiration date of such current Interest Period.

1.10 INCREASED COST, ILLEGALITY, ETC. (a) In the event that the Agent, in the case of clause (i) below, or any Lender, in the case of clauses (ii) and (iii) below, shall have reasonably determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties):

(i) on any date for determining the Eurodollar Rate for any Interest Period, that by reason of any changes arising after the date of this Agreement affecting the interbank Eurodollar market adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that the Eurodollar Rate shall not represent the effective pricing to such Lender for funding or maintaining the affected Eurodollar Loan, or such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder in respect thereof that are considered by such Lender in its sole discretion to be material, in either such case because of (x) any change since the date of this Agreement in any applicable law or governmental rule, regulation, guideline or order (or any interpretation thereof by any governmental agency or authority and including the introduction of any new law or governmental rule, regulation, guideline or order) (such as, for example, but not limited to, a change in official reserve requirements, but, in all events, excluding reserves to the extent included in the computation of the Eurodollar Rate), whether or not having the force of law and whether or not failure to comply therewith would be unlawful, and/or (y) other circumstances arising after the date of this Agreement affecting such Lender or the interbank Eurodollar market or the position of such Lender in such market; or

(iii) at any time, that the making or continuance of any Eurodollar Loan has become unlawful by compliance by such Lender in good faith with any law, governmental rule, regulation, guideline or order or request of an applicable governmental authority enacted, adopted or made after the date of this Agreement (whether or not having the force of law), or has become impracticable as a result of a contingency occurring after the date of this Agreement which materially and adversely affects the interbank Eurodollar market;

then, and in any such event, the Agent or such Lender, as the case may be, shall on or promptly after the date of any determination of such event, give notice (by telephone confirmed in writing) to the Borrowers, through the Company, and, in the case of a Lender, to the Agent of such determination (which notice the Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as the Agent notifies the Borrowers, through the Company, and the Lenders that the circumstances giving rise to such notice by the Agent no longer exist, and any Notice of Borrowing or Notice of Conversion given by any Borrower or by the Company on behalf of any Borrower with respect to Eurodollar Loans which have not yet been incurred shall be deemed rescinded by such Borrower, (y) in the case of clause (ii) above, the Borrowers, without duplication of any amounts payable under Section 1.11 and 2.6 or the Company Credit Agreement, shall pay to such Lender, promptly after a written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as
such Lender in its sole discretion shall determine) as shall be required to compensate such Lender for such increased costs or reduction in amounts receivable hereunder (a written notice as to additional amounts owed such Lender, setting forth in reasonable detail the conditions giving rise thereto and the calculation of such amounts (which calculations shall be made in the same manner as for similar outstanding loans made by such Lender of a similar type and amount as those set forth herein to Persons of a similar creditworthiness as the Company), submitted to the Borrowers, through the Company, by such Lender shall, absent manifest error, be final and conclusive and binding upon all of the parties hereto) and (z) in the case of clause (iii) above take one of the actions specified in Section 1.10(b) as promptly as possible. The failure of any Lender to give any notice as provided in this Section shall not release or diminish any of the Borrowers' obligations to pay any additional amounts to such Lender pursuant to clause (y) above.

(b) At any time that any Eurodollar Loans are affected by the circumstances described in Section 1.10(a), the Company, on behalf of each and any Borrower, may (and in the case of a Eurodollar Loan affected pursuant to Section 1.10(a)(iii) 'shall') either (x) if the affected Eurodollar Loan is then being made pursuant to a Borrowing or a conversion, cancel, with respect to such affected Lender, said Borrowing or conversion by giving the Agent telephonic notice (confirmed in writing) thereof on the same date that the Company, for the benefit of such Borrower, was notified by the Lender or the Agent, as the case may be, pursuant to Section 1.10(a) and such Lender shall make a Base Rate Loan to such Borrower as part of such requested Borrowing, or (y) if the affected Eurodollar Loan is then outstanding, upon at least 3 Business Days' written notice to the Agent, or, in the case of a Eurodollar Loan affected pursuant to Section 1.10(a)(iii) which may no longer be lawfully maintained, immediately, require the affected Lender to convert each such Eurodollar Loan into a Base Rate Loan; PROVIDED that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 1.10(b).

(c) In the event that the Agent determines at any time following its giving of notice based on the conditions described in clause (a)(i) above that none of such conditions exist, the Agent shall promptly give notice thereof to the Borrowers, through the Company, whereupon the Borrowers' rights to request Eurodollar Loans from the Lenders and the Lenders' obligations to make Eurodollar Loans shall be restored.

(d) In the event that a Lender determines at any time following its giving of a notice based on the conditions described in clause (a)(iii) above that none of such conditions exist, such Lender shall promptly give notice thereof to the Agent and the Borrowers, through the Company, whereupon the Company's and the Borrowers' rights to request Eurodollar Loans from such Lender and such Lender's obligation to make Eurodollar Loans shall be restored.

1.11 CAPITAL ADEQUACY. If any Lender determines that any applicable law, rule, regulation, mandatory guideline, request or directive, whether or not having the force of law, from an applicable regulatory authority concerning capital adequacy or reserves (excluding reserves to the extent included in the computation of the Eurodollar Rate), or any change therein or in interpretation or administration thereof by any governmental authority, central bank or comparable agency has or will have the effect of reducing the rate of return on the capital or assets of such Lender (or any corporation controlling such Lender) based on the existence of such Lender's Commitment hereunder (including, without limitation, its outstanding Loans) or its obligations hereunder, in an amount considered by such Lender to be material in its sole discretion, it will notify the Borrowers, thereof,
through the Company, on or promptly after the date of such determination. The relevant Borrower, without duplication of any amounts payable under Sections 1.10 and 2.6 or the Company Credit Agreement, will pay to such Lender promptly after a written demand therefor made upon the Company or such Borrower (which demand may be contained in the notice referred to above) such additional amounts as are necessary to compensate such Lender for the reduction to such rate of return as a result of the event described in the first sentence of this Section 1.11. In determining such amount, such Lender will act reasonably and in good faith and will use averaging and attribution methods which are reasonable, and such Lender's determination of compensation shall be conclusive, absent manifest error, if made in accordance with this provision. Each notice delivered pursuant to this Section 1.11 shall set forth in reasonable detail the conditions giving rise thereto, and each demand delivered pursuant to this Section 1.11 shall set forth the calculations of the amounts demanded thereby (which calculations shall be made in the same manner as for similar outstanding loans made by such Lender of a similar type and amount as those set forth herein to Persons of a similar creditworthiness as the Company). The failure of any Lender to give any notice or demand as provided in this Section 1.11 shall not release or diminish any of the Borrowers' obligations to pay any increased costs to such Lender pursuant to this Section.

1.12 FUNDING LOSSES. Each Borrower shall compensate each Lender, upon its written request (which request shall set forth in reasonable detail the basis for requesting such amounts and which request shall, absent manifest error, be final, conclusive and binding upon all the parties hereto), for all losses, expenses and liabilities (including, without limitation, any interest paid by such Lender to lenders of funds borrowed by it to make or carry its Eurodollar Loans to the extent not reasonably able to be recovered by such Lender in its sole discretion in connection with the re-employment of such funds) which such Lender may sustain: (i) if for any reason (other than a default by such Lender) a Borrowing of, or conversion from or into, Eurodollar Loans to such Borrower does not occur on a date specified therefor in a Notice of Borrowing or a Notice of Conversion (whether or not withdrawn); (ii) if any repayment (including, without limitation, payment after acceleration) or conversion of any of its Eurodollar Loans to such Borrower occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any prepayment of any of its Eurodollar Loans to such Borrower is not made on any date specified in a notice of prepayment given by such Borrower or the Company on behalf of such Borrower; or (iv) as a consequence of (A) any default by such Borrower to repay its Loans when required by the terms of this Agreement or a Note of such Lender or (B) an election made pursuant to Section 1.10(b).

1.13 SHARING OF PAYMENTS, ETC. If any Lender shall obtain any payment or reduction (including, without limitation, any amounts received as adequate protection of a deposit treated as cash collateral under the Bankruptcy Code) of any Obligation hereunder (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share of payments or reductions on account of such Obligations obtained by all the Lenders, such Lender shall forthwith (i) notify each of the other Lenders and the Agent of such receipt, and (ii) purchase from the other Lenders such assignments as shall be necessary to cause such purchasing Lender to share the excess payment or reduction, net of costs incurred in connection therewith, ratably with each of them; PROVIDED that if all or any portion of such excess payment or reduction is thereafter recovered from such purchasing Lender or additional costs are incurred, the purchase of such assignment shall be rescinded and the purchase price thereof
Each Borrower agrees that any Lender so purchasing an assignment from another Lender pursuant to this Section 1.13, may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such assignment as fully as if such Lender were the direct creditor of such Borrower in the amount of such assignment.

1.14 CHANGE OF LENDING OFFICE. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), 1.11, 4.4 or 12.1 (to the extent Section 12.1 requires the payment of any Taxes) with respect to such Lender, it will, if requested by the Company on behalf of the Borrowers, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, provided that such designation is made on such terms that such Lender suffers no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such Section; PROVIDED that if such disadvantage is not material (to be determined by such Lender in its sole discretion), such Lender shall designate another lending office if the Company and/or the Borrowers shall fully compensate such Lender for such disadvantage. Nothing in this Section 1.14 shall affect or postpone any of the obligations of any Borrower or the right of any Lender provided in Section 1.10, 1.11 or 4.4 or 12.1 (to the extent such Section 12.1 requires the payment of any Taxes).

1.15 REPLACEMENT LENDERS. If (a) the obligation of any Lender to make Eurodollar Loans has been suspended pursuant to Section 1.10 as a result of the occurrence of any event or circumstance described therein affecting Lenders having less than 25% of the Total Commitment, (b) any Lender has demanded compensation under Section 1.10, 1.11, 2.6 or any Taxes referred to in Section 4.4 or 12.1 have been imposed or any Lender has sought compensation thereunder, and the amount of such compensation or Taxes is considered by the Company, in its sole discretion, to be material, or (c) if any Lender becomes a Defaulting Lender, the Company, on behalf of the Borrowers, may, if no Default or Event of Default then exists, with the assistance of the Agent, seek a bank or banks or other financial institutions (which may be one or more of the Lenders or other banks or financial institutions approved by the Agent (such approval not to be unreasonably withheld or delayed), but none of which shall constitute a Defaulting Lender at the time of such replacement (each, a "Replacement Lender")), to purchase all of the Notes, Loans and Subsidiary Letter of Credit Exposure, and assume the Commitment and other obligations, of such Lender (the "Replaced Lender"); PROVIDED that each such Replacement Lender shall assume a pro rata portion of all of the obligations and rights of the Replaced Lender under the Company Credit Agreement; and PROVIDED FURTHER that (i) at the time of any replacement pursuant to this Section 1.15, each Replacement Lender shall execute and deliver a Transfer Supplement pursuant to Section 12.4(e) (and with all fees payable pursuant to Section 12.4(f) of the Company Credit Agreement to be paid by the Company) pursuant to which each Replacement Lender shall acquire its portion of the Commitment, outstanding Loans and participations in Subsidiary Letters of Credit of the Replaced Lender and, in connection therewith, shall pay to (A) the Replaced Lender in respect thereof an amount equal to the sum of (1) the outstanding principal of, and accrued and unpaid interest on, all outstanding Loans of the Replaced Lender acquired by such Replacement Lender, (2) an amount equal to such Replacement Lender's portion of all drawings in respect of any Subsidiary Letter of Credit that have been funded by (and not reimbursed to) such Replaced Lender pursuant to Section 2.4, together with all accrued and unpaid interest with respect thereto, and (3) such Replacement Lender's
portion of all accrued, but theretofore unpaid, fees and commissions owing to the Replaced Lender pursuant to Section 2.5 hereof, and (B) the Agent (for distribution to the Lenders entitled to the same) an amount equal to such Replacement Lender's portion of such Replaced Lender's Adjusted Percentage (for this purpose, determined as if the adjustment described in clause (y) of the immediately succeeding sentence had been made with respect to such Replaced Lender) of any drawing in respect of any Subsidiary Letter of Credit (which at such time remains unpaid) to the extent such amount was not theretofore funded by such Replaced Lender; and (ii) all obligations of the Borrowers due and owing to the Replaced Lender at such time (other than those specifically described in clause (i) above in respect of which the purchase price has been, or is concurrently being, paid) shall be paid in full by the Company to such Replaced Lender concurrently with such replacement. Upon the execution of the respective Transfer Supplements, the payment of amounts referred to in clauses (i) and (ii) above and Section 1.15 of the Company Credit Agreement and, if so requested by a Replacement Lender, delivery to such Replacement Lender of the appropriate Note or Notes and Revolving Note or Revolving Notes executed by the appropriate Borrowers and the Company, as applicable, (x) each such Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions under this Agreement, which shall survive as to such Replaced Lender and (y) the Adjusted Percentage of the Lenders shall be automatically adjusted at such time to give effect to the replacement, if any, of a Defaulting Lender with one or more Non-Defaulting Lenders. Without duplication of any amounts paid to a Lender pursuant to Section 1.15 of the Company Credit Agreement, each Borrower jointly and severally agrees, except in the case of the replacement of a Defaulting Lender, to pay all reasonable costs and expenses of any such Replaced Lender which sells its Notes, Loans, Subsidiary Letter of Credit Exposure and Commitment pursuant to this Section 1.15.

1.16 MATURITY OF BORROWINGS. Notwithstanding any other provision of this Agreement to the contrary (i) all Loans will mature and become due and payable on the Final Maturity Date, and (ii) all Loans will mature and become due and payable on the Interim Maturity Date with respect to such Loan. Provided that no Event of Default shall have occurred and be continuing on any Interim Maturity Date, the Lenders shall be deemed to have made Loans ("Rollover Loans") and the Borrowers shall be deemed to have made a Borrowing of Loans (each such Borrowing, a "Rollover Borrowing") of the same principal amount of Loans maturing on such Interim Maturity Date, and the proceeds of such Rollover Loans shall be applied to the repayment of such Loans maturing on such Interim Maturity Date. Subject to Sections 3.2 and 4.2 hereof, no such deemed repayment of Loans shall require any cash payment by the Borrowers nor shall any such Rollover Borrowing require the actual delivery of any funds by any Lender, or compliance with Section 1.1(b), 1.2, 1.3 (unless such Borrower desires that such Rollover Borrowing consist of Eurodollar Loans) or 1.4.

Section 2. SUBSIDIARY LETTER OF CREDIT SUBFACILITY.

2.1 SUBSIDIARY LETTERS OF CREDIT. (a) Subject to and upon the terms and conditions, and in reliance upon the representations and warranties of the Borrowers, set forth in this Agreement, in addition to requesting that the Lenders make Loans pursuant to Section 1, each Borrower, or the Company on behalf of a Borrower, may request, in accordance with the provisions of this Section 2.1 and Section 2.2, that, on and after the Closing Date and prior to the termination or expiration of the Total Commitment, any L/C Bank issue one or more Subsidiary Letters of Credit for the account of such Borrower; PROVIDED that any Subsidiary Letter of Credit issued by an L/C Bank shall be in a form customarily used by such L/C Bank or in any other form requested by such Borrower or the Company on behalf of such Borrower and approved by such L/C Bank; PROVIDED FURTHER, that (i) no Subsidiary Letter of Credit shall have an expiration date that is later than 12 (or, if approved by the L/C Bank and Agent, 18) months after the date of issuance thereof; PROVIDED that a Subsidiary Letter of Credit may provide that it is extendible for additional consecutive one year periods (or, with the approval
of the L/C Bank and the Agent, other consecutive periods having a duration of 18 months or less); (ii) in no event shall any Subsidiary Letter of Credit issued by an L/C Bank have an expiration date (or be extended or extendible so that it will ex-

pire) later than the Final Maturity Date; (iii) each Subsidiary Letter of Credit issued by an L/C Bank shall have a stated amount of at least $500,000; (iv) neither a Borrower nor the Company, on behalf of a Borrower, shall request that any L/C Bank issue any Subsidiary Letter of Credit if, after giving effect to such issuance, the aggregate Subsidiary Letter of Credit Outstanding PLUS the then outstanding aggregate principal amount of Loans made by Non-Defaulting Lenders PLUS the then aggregate outstanding amount of Company Credit Extensions of the Non-Defaulting Lenders would exceed the total of the Adjusted Total Commitment then in effect (after giving effect to any reductions or increases to the Adjusted Total Commitment on such date); and (v) neither a Borrower nor the Company, on behalf of a Borrower, shall request the issuance of any Subsidiary Letter of Credit if, after giving effect to such issuance, the aggregate Subsidiary Letter of Credit Outstanding PLUS the aggregate outstanding principal amount of Loans made by Non-Defaulting Lenders PLUS the then aggregate outstanding amount of Company Credit Extensions of the Non-Defaulting Lenders would exceed $275,000,000; and, PROVIDED FURTHER, that, subject to and upon the terms and conditions set forth herein, for all purposes of this Agreement and the other Credit Documents, the Existing Subsidiary Letters of Credit previously issued by BTCo shall be deemed to have been issued by BTCo, as the L/C Bank therefor, pursuant to this Agreement on the Closing Date.

(b) Each Subsidiary Letter of Credit may provide that the L/C Bank may (but shall not be required to) pay the beneficiary thereof upon the occurrence of an Event of Default and the acceleration of the maturity of the Loans or, if payment is not then due to the beneficiary, provide for the deposit of funds in an account to secure payment to the beneficiary and that any funds so deposited shall be paid to the beneficiary of the Subsidiary Letter of Credit if conditions to such payment are satisfied or returned to the L/C Bank for distribution to the Lenders (or, if all Obligations shall have been indefeasibly paid in full, to the applicable Borrower) if no payment to the beneficiary has been made and the final date available for drawings under the Subsidiary Letter of Credit has passed. Each payment or deposit of funds as provided in this paragraph shall be treated for all purposes of this Agreement as a drawing duly honored by the L/C Bank under the related Subsidiary Letter of Credit.

2.2 NOTICE OF ISSUANCE; AGREEMENT TO ISSUE. (a) Whenever a Borrower desires the issuance of a Subsidiary Letter of Credit, such Borrower, or the Company on behalf of such Borrower, shall deliver to the Agent (with a copy to its Letter of Credit Department) and the desired L/C Bank a written notice no later than 11:00 A.M. (New York, New York time) at least five Business Days, or such shorter period (which shall not be less than two Business Days) as may be agreed to by the applicable L/C Bank in any particular instance, in advance of the proposed date of issuance. Each such notice shall be substantially in the form of Exhibit B-2 (each a "Subsidiary Letter of Credit Request"), shall specify (i) the proposed date of issuance (which shall be a business day under the laws of the jurisdiction of the applicable L/C Bank), (ii) the face amount of the Subsidiary Letter of Credit, (iii) the expiration date of the Subsidiary Letter of Credit, and (iv) the name and address of the beneficiary with respect to such Subsidiary Letter of Credit, and shall be accompanied by a precise description of the documents and a verbatim text of any certificate to be presented by the beneficiary of such Subsidiary Letter of Credit, which if presented by such beneficiary prior to the expiration date of the Subsidiary Letter of Credit, would require the L/C Bank to make payment under the Subsidiary Letter of Credit; PROVIDED that the applicable L/C Bank may require changes in any such documents and certificates in accordance with its customary letter of credit practices; and,
provided further, that no Subsidiary Letter of Credit shall require payment against a conforming draft to be made thereunder on the same Business Day that such draft is presented if such presentation is made after 11:00 A.M. (New York, New York time); provided further that the Subsidiary Letters of Credit identified with an asterisk on Schedule 8.7(e) to the Company Credit Agreement may require payment on the same day a conforming draft is presented if such presentation is made prior to 1:00 p.m. In determining whether to pay under any Subsidiary Letter of Credit, each L/C Bank shall be responsible only to determine that the documents and certificates required to be delivered under its Subsidiary Letter of Credit have been delivered and that they comply on their face with the requirements of its Subsidiary Letter of Credit. Promptly after receipt of a Subsidiary Letter of Credit Request, the Agent shall deliver a copy thereof to each Lender. Each L/C Bank shall furnish to the Agent a specimen copy of each Sub-

sidiary Letter of Credit issued by such L/C Bank pursuant to this Agreement promptly upon the issuance thereof; and the Agent shall furnish copies thereof to a Lender promptly upon such Lender's request therefor, together with a notice of such Lender's respective participation therein, determined in accordance with Section 2.2(b).

(b) Each L/C Bank receiving a Subsidiary Letter of Credit Request from a Borrower or from the Company on behalf of a Borrower agrees, subject to the terms and conditions set forth in this Agreement, and so long as it shall not have received any notice from any Lender pursuant to the immediately preceding sentence, to issue for the account of such Borrower, on the date specified in such Subsidiary Letter of Credit Request, a Subsidiary Letter of Credit in a face amount equal to the face amount requested in such Subsidiary Letter of Credit Request. Immediately upon the issuance of each Subsidiary Letter of Credit, each Lender shall be deemed to, and hereby agrees to, have irrevocably purchased from the applicable L/C Bank a participation in such Subsidiary Letter of Credit and any drawing thereunder in an amount equal to the product of such Lender's Adjusted Percentage and the maximum amount which is or at any time may become available to be drawn thereunder; provided that no Lender shall have delivered a notice to such L/C Bank prior to the issuance of such Subsidiary Letter of Credit (with a copy to the Agent which shall be promptly forwarded to the other Lenders) to the effect that one or more of the conditions set forth in Section 5.1 or 5.2, as applicable, are not then satisfied or that the issuance of such Subsidiary Letter of Credit or purchase of a participation therein by such Lender would violate Section 2.6(b). Upon any change in the Commitments of the Lenders pursuant to Section 1.15 or 12.4 or in the Adjusted Percentages of the Lenders as a result of the occurrence of a Lender Default, it is hereby agreed that, with respect to all outstanding Subsidiary Letters of Credit and drawings thereunder which are unpaid, there shall be an automatic adjustment to the participations in the Subsidiary Letters of Credit pursuant to this Section 2.2(b) to reflect the new Adjusted Percentages of the Lenders.

2.3 Payment of Amounts Drawn Under Subsidiary Letters of Credit. (a) In the event of any request for payment under any Subsidiary Letter of Credit by the beneficiary thereof, the L/C Bank shall promptly notify the applicable Borrower (through the Company), the Agent and the Lenders required to participate therein in accordance with Section 2.2(b) and, in any event, unless otherwise expressly provided in such Subsidiary Letter of Credit or the terms of such Subsidiary Letter of Credit require the honoring of a drawing thereunder on the date of, or the Business Day after, such drawing, no later than 10:00 A.M. (New York, New York time) on the Business Day immediately preceding the date on which such L/C Bank intends to honor such
drawing; and the applicable Borrower shall reimburse such L/C Bank on the day on which such drawing is honored in same day funds in an amount equal to the amount of such drawing; PROVIDED that, unless the applicable Borrower or the Company, on behalf of such Borrower, shall have notified the Agent and such L/C Bank prior to 11:00 A.M. (New York, New York time) on the Business Day immediately prior to the date on which such drawing is honored that such Borrower or the Company, on behalf of such Borrower, intends to reimburse such L/C Bank for the amount of such drawing with funds other than the proceeds of Loans, (i) such Borrower shall be deemed to have timely given a Notice of Borrowing to the Agent requesting a Borrowing of Loans which are Base Rate Loans on the date on which such drawing is honored in an amount equal to the amount of such drawing, and (ii) subject to Section 1.1, each Lender shall, by 1:00 P.M. (New York, New York time) on the date of the honoring of such drawing, make a Loan to such Borrower which is a Base Rate Loan in an amount equal to the product of the amount of such drawing and such Lender’s Adjusted Percentage, the proceeds of which shall be applied directly by the Agent to reimburse such L/C Bank for the amount of such drawing (PROVIDED that, solely for purposes of such Borrowing, the conditions precedent set forth in Section 5.2 shall not be applicable); PROVIDED FURTHER that, if for any reason, proceeds of Loans are not received by such L/C Bank on such date in an amount equal to the amount of such drawing, such Borrower shall reimburse such L/C Bank on the Business Day immediately following the date of such drawing, in an amount in Dollars and immediately available funds equal to the excess of the amount of such drawing over the amount of such Loans, if any, which are so received by the Agent from the Lenders, plus accrued interest on such amount at the applicable rate of interest for Base Rate Loans set forth in Section 1.8. If the applicable Borrower or the Company, on behalf of such Borrower, notifies the Agent and such L/C Bank prior to 11:00 A.M. (New York, New York time) on the Business Day immediately prior to the date on which such drawing is honored that such Borrower or the Company, on behalf of such Borrower, intends to reimburse such L/C Bank for the amount of such drawing with funds other than the proceeds of Loans, such Borrower or the Company, on behalf of such Borrower, shall reimburse such L/C Bank on the day on which such drawing is honored in an amount in same day funds equal to the amount of such drawing. Notwithstanding anything contained in this Agreement to the contrary, to the extent such Borrower or the Company in accordance with the preceding provisions of this Section 2.3 or an Event of Default exists at the time of the honoring of a drawing under a Subsidiary Letter of Credit does not reimburse a L/C Bank, amounts, if any, then held by the Agent in the Subsidiary L/C Cash Collateral Account may be applied to reimburse the applicable L/C Bank for the honoring of such drawing, and the aggregate amount of Revolving Loans, if any, required to be made by the Lenders pursuant to this Section 2.3 shall be reduced by a corresponding amount.

(b) Any payments owed by a Borrower pursuant to this Section 2.3 which are made later than 11:00 A.M. (New York, New York time) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made under this Section 2.3 shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day.

(c) Each Lender shall indemnify and hold harmless the Agent and each L/C Bank from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, costs and expenses (including, without limitation, attorney's fees and expenses) resulting from any failure on the part of such Lender to provide, on the same day of any drawing under a Subsidiary Letter of Credit, the Agent with such Lender's Adjusted Percentage of the amount of any drawing under such Subsidiary Letter of Credit in accordance with the provisions of Section 2.3(a).

2.4 PAYMENT BY LENDERS. In the event that a Borrower shall fail to reimburse an L/C Bank as provided in Section 2.3 by borrowing Loans or otherwise for all or any portion, as the case may be, of any drawing
honored by such L/C Bank under a Subsidiary Letter of Credit issued by it, such L/C Bank shall promptly notify each Lender of the unreimbursed amount of such drawing and the amount of such Lender's Adjusted Percentage therein. Each Lender shall make available to such L/C Bank an amount equal to its Adjusted Percentage of such unreimbursed payment in Dollars and immediately available funds, at the office of such L/C Bank specified in such notice, not later than 1:00 P.M. (New York City time) on the business day (under the laws of the jurisdiction of such L/C Bank and a Business Day) after the date notified by such L/C Bank. In the event that any such Lender fails to make available to such L/C Bank the amount of such Lender's Adjusted Percentage of such unreimbursed payment as provided in this Section 2.4, such L/C Bank shall be entitled to recover such amount on demand from such Lender together with interest at the interbank compensation rate set by the Agent for three Business Days and thereafter at the Base Rate. Nothing in Section 2.3 or this Section 2.4 shall be deemed to prejudice the right of any Lender to recover from such L/C Bank any amounts made available by such Lender pursuant to Section 2.3 or this Section 2.4 in the event that the payment with respect to a Subsidiary Letter of Credit by such L/C Bank in respect of which payment was made by such Lender constituted gross negligence or willful misconduct on the part of such L/C Bank shall distribute to each other Lender which has paid all amounts payable by it under this Section 2.4 with respect to any Subsidiary Letter of Credit issued by such L/C Bank such other Lender's share (based on the proportionate aggregate amount funded by such Lender to the aggregate amount funded by all Lenders) of all payments received by such L/C Bank from the applicable Borrower or the Company, on behalf of such Borrower, in reimbursement of drawings honored by such L/C Bank under such Subsidiary Letter of Credit when such payments are received (including interest payable under Section 1.8 with respect to the period commencing on the date of the funding of such participation).

2.5 COMPENSATION. (a) Each Borrower agrees to pay to the Agent for distribution to each Non-Defaulting Lender in respect of all Subsidiary Letters of Credit outstanding for the account of such Borrower such Non-Defaulting Lender's Adjusted Percentage of (i) a commission equal to 1.75% per annum of the difference of the daily average amount available to be drawn from time to time under such outstanding Subsidiary Letters of Credit minus the average daily cash balance on deposit from time to time in the Subsidiary L/C Cash Collateral Account pursuant to Section 4.2(a)(i), and (ii) a commission equal to 0.5 of 1% per annum on the average daily cash balance on deposit from time to time in the Subsidiary L/C Cash Collateral Account pursuant to Section 4.2(a)(i), in each case payable monthly in arrears on the last Business Day of each month, through and including the last calendar day of such month; PROVIDED, that the rate at which the commission described in clause (i) above is calculated shall be reduced at all times that, and by the same number of basis points as, the interest rate for Base Rate Loans is reduced pursuant to Section 1.8(c). Promptly upon receipt by the Agent of any amount described in this Section 2.5(a), the Agent shall distribute to each Lender its Adjusted Percentage of such amount.

(b) Each Borrower agrees to pay to each L/C Bank in respect of each Subsidiary Letter of Credit issued by it such fees (including, without limitation, facing, processing and transfer fees), in such amounts, and at such times, as the Company and such L/C Bank may agree; and, notwithstanding anything to the contrary contained herein, such L/C Bank shall not be required to issue a Subsidiary Letter of Credit hereunder for the account of such Borrower unless and until such Borrower provides such L/C Bank with a written acknowledgement of the fees agreed to by such L/C Bank in respect of such Subsidiary Letter of Credit.

2.6 ADDITIONAL PAYMENTS; ILLEGALITY. (a) Without
duplication of any amounts payable under Sections 1.10, 1.11, 4.5 and 12.1 or under the Company Credit Agreement, if by reason of (x) any change in applicable law, regulation, rule, regulatory requirement, guideline, request or directive, whether or not having the force of law, or any change in the interpretation or application thereof by any judicial or other applicable governmental or regulatory authority, or (y) compliance by any Lender in good faith with any direction, request or mandatory guideline of any applicable governmental or monetary authority including, without limitation, Regulation D:

(i) such Lender shall be subject to any tax, levy, charge or withholding of any nature or to any variation thereof or to any penalty with respect to the maintenance or fulfillment of its obligations under this Section 2, whether directly or by such being imposed on or suffered by such Lender;

(ii) any reserve, deposit or similar requirement is or shall be applicable, imposed or modified in respect of any Subsidiary Letter of Credit issued by such Lender or any participations purchased by such Lender in any Subsidiary Letter of Credit (or in respect of such Lender's commitment to purchase such a participation); or

(iii) there shall be imposed on such Lender any other condition regarding this Section 2, any Subsidiary Letter of Credit or any participation therein;

and the result of the foregoing is to directly or indirectly increase the cost to such Lender of committing to issue, purchase, purchasing or maintaining any participation in any Subsidiary Letter of Credit, or to reduce the amount receivable in respect thereof by such Lender, then and in any such case such Lender may, without duplication of any payments required to be made pursuant to Section 1.10, 1.11, 4.5 or 12.1, at any time after the additional cost is incurred or the amount received is reduced, promptly notify the Borrowers, through the Company, and the Borrowers shall pay to such Lender promptly after a written demand therefor (which demand may be contained in such notice), such additional amounts as shall be required to compensate such Lender for such increased costs or reduction in amounts receivable hereunder (a written notice as to additional amounts owed such Lender setting forth in reasonable detail the conditions giving rise thereto and the calculation of such amounts (which calculations shall be made in the same manner as for similar outstanding credit extensions made by such Lender of a similar type and amount as those set forth herein to Persons of a similar creditworthiness as the Company), submitted to the Borrowers, through the Company, by such Lender shall, absent manifest error, be final and conclusive and binding upon all parties hereto). The failure of any Lender to give any notice or demand as provided in this Section shall not release or diminish any of the Borrowers' obligations to pay any additional costs to such Lender pursuant to this Section.

(b) Notwithstanding any other provision contained in this Agreement, no L/C Bank shall be obligated to issue any Subsidiary Letter of Credit, nor shall any Lender be obligated to purchase its participation in any Subsidiary Letter of Credit to be issued hereunder, if the issuance of such Subsidiary Letter of Credit or purchase of such participation shall have become unlawful or prohibited by compliance by such L/C Bank or Lender in good faith with any law, governmental rule, guideline, request, order, injunction, judgement or decree (whether or not having the force of law); PROVIDED that in the case of the obligation of a Lender to purchase such participation, such Lender shall have notified any L/C Bank for the related Subsidiary Letter of
Credit to such effect pursuant to Section 2.2(b).

2.7 OBLIGATIONS ABSOLUTE. The respective obligations under Sections 2.3 and 2.4 of the Borrowers and the Lenders to reimburse each L/C Bank for drawings made under the Subsidiary Letters of Credit shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of any Subsidiary Letter of Credit;

(b) the existence of any claim, set-off, defense or other right which any Borrower, the Company or any other Subsidiary or Affiliate of the Company may have at any time against a beneficiary or any transferee of any Subsidiary Letter of Credit (or any persons or entities for whom any such beneficiary or transferee may be acting), any Lender or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including, without limitation, any underlying transaction between any Borrower, the Company or any of its other Subsidiaries or Affiliates and the beneficiary for which the Subsidiary Letter of Credit was procured); PROVIDED that nothing in this Section 2.8 shall affect the right of any Borrower or the Company, on behalf of the Borrowers, to seek relief against any beneficiary, transferee, Lender or any other Person in an action or proceeding or to bring a counterclaim in any suit involving such Persons;

(c) any draft, demand, certificate or any other document presented under any Subsidiary Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect;

(d) payment by such L/C Bank under any Subsidiary Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Subsidiary Letter of Credit;

(e) any other circumstance or happening whatsoever, which is similar to any of the foregoing; or

(f) the fact that a Default or an Event of Default shall have occurred and be continuing.

2.8 INDEMNIFICATION; NATURE OF L/C BANKS' DUTIES. (a) In addition to amounts payable as elsewhere provided in this Section 2, but without duplication thereof, each Borrower hereby agrees to protect, indemnify, pay and save each L/C Bank harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and reasonable expenses (including reasonable attorneys' fees and disbursements and, after a Default, allocated costs of internal counsel) which such L/C Bank may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Subsidiary Letter of Credit other than as a result of the gross negligence or willful misconduct of such L/C Bank or (ii) the failure of such L/C Bank to honor a drawing under any Subsidiary Letter of Credit due to an act or omission (whether rightful or wrongful) of any present or future DE JURE or DE FACTO government or governmental authority.

(b) As between each Borrower and each L/C Bank, the Borrowers assume all risks of the acts and omissions of, or misuse of the Subsidiary Letters of Credit issued by such L/C Bank, by the respective beneficiaries of such Subsidiary Letters of Credit, other than losses resulting from the gross negligence or willful misconduct of such L/C Bank. In furtherance and not in limitation of the foregoing, no L/C Bank shall be respon-
(c) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by any L/C Bank under or in connection with the Subsidiary Letters of Credit issued by it or the related certificates, if taken or omitted in the absence of gross negligence or willful misconduct, shall not put such L/C Bank under any resulting liability to any Borrower.

Section 3. COMMITMENTS.

3.1 VOLUNTARY REDUCTION OF COMMITMENTS. Upon at least two Business Days' prior written notice (or telephonic notice confirmed promptly in writing) to the Agent (which notice the Agent shall promptly and, to the extent practicable, on the same day, transmit to each of the Lenders), the Borrowers or the Company, on behalf of the Borrowers, shall have the right, without premium or penalty, to terminate in whole or reduce in part the unutilized portion of the Total Commitment available to the Borrowers; PROVIDED that any partial reduction of the Total Commitment pursuant to this Section 3.1 shall be in the aggregate amount of $5,000,000 or, if greater, an integral multiple of $1,000,000.

3.2 MANDATORY REDUCTION OF COMMITMENTS.

(a) Notwithstanding anything to the contrary herein, the Total Commitment shall be terminated on September 30, 1994 unless the Closing Date has occurred on or prior to such date.

(b) The Total Commitment shall automatically reduce on each date on which the Total Revolving Loan Commitment is reduced pursuant to Section 3.2 or 3.3 of the Company Credit Agreement by an amount equal to the reduction on such date to the Total Revolving Loan Commitment.

3.3 PRO RATA REDUCTIONS; NO REINSTATEMENT. Each reduction of the Total Commitment shall be applied PRO RATA according to the respective Commitments of the Lenders. The Lenders' Commitments, once reduced or terminated, may not be reinstated.

Section 4. PAYMENTS.
4.1 VOLUNTARY PREPAYMENTS. Each Borrower shall have the right to prepay Loans incurred by it in whole or in part from time to time on the following terms and conditions: (i) such Borrower or the Company, on behalf of such Borrower, shall give the Agent at the Payment Office at least two Business Days' prior written notice (or telephonic notice confirmed promptly in writing) of such Borrower's intent to prepay such Loans specifying the amount of such prepayment and the Type(s) of Loans to be prepaid, which notice the Agent shall promptly transmit to each of the Lenders and which notice of prepayment having been given, the principal amount of the Loans specified in such notice shall become due and payable on the prepayment date specified therein; (ii) each partial prepayment of any Borrowing by one or more Borrowers shall be in an aggregate principal amount of $5,000,000 (including any Company Borrowing simultaneously repaid) or, if greater, shall be in an integral multiple of $1,000,000; PROVIDED that no partial prepayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Loans made pursuant to such Borrowing (together with a Company Borrowing made on the same date of such Borrowing) to an amount less than $10,000,000; (iii) prepayments of Eurodollar Loans made pursuant to this Section 4.1 may only be made on the last day of an Interest Period applicable thereto; and (iv) each prepayment by a Borrower in respect of any Loans to such Borrower made pursuant to a Borrowing shall be applied PRO RATA among such Loans; PROVIDED that at such Borrower's or the Company's on behalf of such Borrower, election in connection with any prepayment pursuant to this Section 4.1, any prepayment in respect of Loans shall not be applied to any Loan of a Defaulting Lender.

4.2 MANDATORY PREPAYMENTS. (a) (i) If, at any time, after giving effect to any termination or reduction of the Adjusted Total Commitment pursuant to the terms of this Agreement, the total of (A) the aggregate principal amount of all outstanding Loans made by Non-Defaulting Lenders at such time PLUS (B) the aggregate Subsidiary Letter of Credit Outstandings at such time MINUS (C) amounts on deposit in the Subsidiary L/C Cash Collateral Account, shall exceed the Adjusted Total Commitment at such time the Borrowers shall immediately prepay Loans of Non-Defaulting Lenders in an aggregate amount equal to such excess and, to the extent that the sum of the aggregate Subsidiary Letter of Credit Outstandings exceeds the Adjusted Total Commitment as so reduced, the Borrowers shall deposit an amount equal to such excess in the Subsidiary L/C Cash Collateral Account. The amount required hereunder to be maintained on deposit in the Subsidiary L/C Cash Collateral Account shall at no time exceed the amount, if any, by which the sum of aggregate Subsidiary Letter of Credit Outstandings plus the aggregate Loans of all the Non-Defaulting Lenders then outstanding exceeds the Adjusted Total Commitment; any amount held in the Subsidiary L/C Cash Collateral Account in excess of such required amount shall, so long as no Default or Event of Default has occurred and is continuing, be payable to the Borrowers, PRO RATA in respect of the Subsidiary Letters of Credit issued on such Borrowers' behalf, upon request of such Borrowers or the Company, on behalf of such Borrowers.

(ii) On any day on which the aggregate outstanding principal amount of the Loans made by any Defaulting Lender exceeds the Unrestricted Commitment of such Defaulting Lender, the Borrowers shall prepay principal of Loans of such Defaulting Lender in an amount equal to such excess, less any amount owed by or due from such Defaulting Lender to the Borrowers or any Non-Defaulting Lender; PROVIDED that if the Borrowers so set-off any amounts owed to a Non-Defaulting Lender, the Borrowers shall pay such amounts to such Non-Defaulting Lender simultaneously with such set-off.
With respect to each prepayment of Loans required by this Section 4.2, the Company, on behalf of each Borrower, may designate the Types of Loans which are to be prepaid and the specific Borrowing(s) pursuant to which made; PROVIDED that (i) Eurodollar Loans may be designated for prepayment pursuant to this Section 4.2 only on the last day of an Interest Period applicable thereto unless (A) all Loans incurred by such Borrower which are Eurodollar Loans with Interest Periods ending on such date of required prepayment have been paid in full and (B) all Loans incurred by such Borrower which are Base Rate Loans have been paid in full; (ii) if any prepayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Loans made pursuant to such Borrowing to an amount less than $10,000,000 (including any Company Borrowing made on the same date of such Borrowing), such Borrowing shall immediately be converted into Base Rate Loans; and (iii) each prepayment of any Loans made pursuant to a Borrowing shall be applied PRO RATA among such Loans; PROVIDED that no prepayment of Loans made pursuant to Section 4.2(a)(i) shall be applied to the Loans of any Defaulting Lender and prepayments pursuant to Section 4.2(a)(ii) shall only be applied to the Loans of the Defaulting Lenders. In the absence of a designation by such Borrower as described in the preceding sentence, the Agent shall apply such prepayment FIRST to Base Rate Loans, SECOND to Eurodollar Loans with Interest Period ending on the date of such prepayment and THIRD, subject to the above, as the Agent may determine in its sole discretion; PROVIDED, that such prepayment be applied to the Eurodollar Loan with the shortest remaining time to the end of the Interest Period. Any prepayment made pursuant to Section 4.2 shall be made together with all amounts payable pursuant to Section 1.12.

(c) On each date on which there occurs a remarketing of Variable Rate Notes which were purchased with the proceeds of a drawing under a Subsidiary Letter of Credit or a letter of credit backed by a Subsidiary Letter of Credit, pursuant to the exercise by the holder of such note of its rights under the indenture pursuant to which such Variable Rate Note was issued to require such purchase, such Borrower shall prepay Loans to the extent incurred to fund such purchases in an amount equal to the aggregate principal amount of Variable Rate Notes so remarkeeted. Proceeds of the remarketing of Variable Rate Notes received by the Agent from the L/C Banks or from any trustee for the holders of Variable Rate Notes supported by a Subsidiary Letter of Credit shall be applied by the Agent to such prepayment of Loans.

4.3 METHOD AND PLACE OF PAYMENT. Except as otherwise specifically provided herein, all payments under this Agreement and the Notes shall be made to the Agent for the ratable account of the Lenders entitled thereto not later than 11:00 A.M. (New York, New York time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Office of the Agent. Any payments by a Borrower under this Agreement or the Notes which are made later than 11:00 A.M. (New York, New York time) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder or under any Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension. All payments made by a Borrower hereunder in respect of outstanding Loans shall be applied first to outstanding interest then due and payable and then to payments of principal.

4.4 NET PAYMENTS. (a) All payments made by the Borrowers hereunder and under the other Credit Documents will be made without setoff or counterclaim. All such payments will be made free and clear of and without deduction or withholding for any Taxes (but excluding, except as provided in paragraph (c) hereof,
any Taxes imposed on the overall net income of a Lender pursuant to the laws of the jurisdiction in which the principal executive office or applicable Lending Office of such Lender is located. If any Taxes are so levied or imposed, each Borrower agrees (i) to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every net payment of all amounts due hereunder and under the other Credit Documents, after withholding or deduction for or on account of any such Taxes (including additional sums payable under this Section 4.4), will not be less than the amount provided for herein, (ii) to make such withholding or deduction and (iii) to pay the full amount deducted to the relevant authority in accordance with applicable law; PROVIDED that no Borrower shall be required to pay any additional amount on account of any Taxes of, or imposed by, the United States pursuant to this Section 4.4(a) to any Lender or the Agent which (A) is not entitled, on the Execution Date or Closing Date (or, in the case of an assignee of a Lender, on the date on which the assignment to it became effective), to submit Form 1001 or Form 4224 (or any successor forms) so as to meet its obligations to submit such a form pursuant to Sections 12.4(g) and (h), (B) shall have failed to submit any form or other certification which it was required to file pursuant to Sections 12.4(g) and (h) and entitled to file under applicable law, or (C) shall have filed any such form which is incorrect or incomplete in any material respect and shall not have corrected or completed such form.

(b) Each Borrower will indemnify and hold harmless each Lender and reimburse each Lender upon the written request of the Agent on behalf of such Lender (which request the Agent shall promptly make after receiving a written request from such Lender setting forth the basis for requesting such amount), for the amount of any such Taxes (other than Taxes described in the proviso following Section 4.4(a)(iii) for which the Borrowers have no obligation thereunder) so levied or imposed and paid by such Lender and any liability (including incremental Taxes as set forth in Section 4.4(c), penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

(c) Each Borrower shall also reimburse each Lender, upon the written request of such Lender, for any taxes imposed on or measured by the overall net income of such Lender or its applicable Lending Office pursuant to the laws of the jurisdiction in which the principal executive office or applicable Lending Office of such Lender is located or any political subdivision or taxing authority thereof or therein as such Lender shall determine in good faith are payable by such Lender in respect of amounts paid to or on behalf of such Lender pursuant to paragraph (a) or (b) hereof.

(d) With respect to any Taxes which are paid by a Borrower in accordance with the provisions of this Section 4.4, each Lender receiving the benefits of such payments of Taxes hereby agrees to pay to such Borrower any amounts refunded to such Lender which such Lender determines in its sole discretion to be a refund in respect of such Taxes.

4.5 USE OF PROCEEDS. Each Borrower shall use all of the proceeds of the Loans made to it (a) for the purpose of repaying the Mortgage Notes of such Borrower and consummating the Existing Subsidiary Credit Agreement Restructuring, and (b) for working capital and other general corporate purposes, including, without limitation, to finance permitted acquisitions (including the NME Acquisition) and Investments.

Section 5. CONDITIONS PRECEDENT.

5.1 CONDITIONS PRECEDENT TO INITIAL LOANS. The obligation of each Lender to make its Loans, if any, on the Closing Date and consummate the Existing Subsidiary Credit Agreement Restructuring, and the obligation of each L/C Bank to issue any Subsidiary Letter of Credit (including, without limitation, the Existing Subsidiary Letters of Credit deemed to be issued hereunder as of the Closing Date) on the Closing Date, is subject to the satisfaction of the following conditions precedent prior to, on or contemporaneously with the Closing Date:
(a) NOTES. The Agent shall have received, for the account of each Lender, the Subsidiary Increased Commitment Note and the Notes of such Lender, in each case duly completed, executed and delivered by an authorized officer of each Borrower.

(b) GUARANTIES. Each Wholly-Owned Restricted Subsidiary (other than Excludable Foreign Subsidiaries) shall have duly completed, executed and delivered to the Agent for the benefit of the Lenders a guaranty (as hereafter amended, restated, varied, supplemented or modified from time to time, the "Subsidiary Guaranty") of the Obligations, substantially in the form of Exhibit C to the Company Credit Agreement and amending and restating the guaranty provided by certain of such Restricted Subsidiaries pursuant to the Existing Company Credit Agreement, and the same shall be in full force and effect. The Company shall have executed and delivered the Company Guaranty and the same shall be in full force and effect.

(c) STOCK AND NOTES PLEDGES. The Company shall have executed and delivered to the Collateral Agent for the benefit of the Lenders a pledge agreement (as hereafter amended, restated, varied, supplemented or modified from time to time, the "Company Stock and Notes Pledge"), substantially in the form of Exhibit D-1 to the Company Credit Agreement and amending and restating the stock and notes pledge delivered by the Company pursuant to the Existing Credit Agreements, and each Domestic Wholly-Owned Restricted Subsidiary shall have executed and delivered to the Collateral Agent for the benefit of the Lenders a Subsidiary Stock and Notes Pledge, substantially in the form of Exhibit D-2 to the Company Credit Agreement and amending and restating the stock and notes pledge delivered by such Restricted Subsidiaries pursuant to the Existing Credit Agreements, pursuant to which each of the Company and such Restricted Subsidiaries pledges, as security for the Obligations: (i) all of the issued and outstanding shares of capital stock or equivalent interests from time to time owned by it of present and future Domestic Subsidiaries (other than hereafter created Domestic Subsidiaries that are not Significant Subsidiaries), (ii) all of the intercompany notes of any direct or indirect Subsidiary of the Company (other than Excludable Foreign Subsidiaries) now or hereafter held by it, and (iii) to the extent permitted by applicable law, all of the outstanding capital stock or equivalent interests owned by it of present and future Foreign Subsidiaries (other than hereafter created Foreign Subsidiaries that are not Significant Subsidiaries); PROVIDED that in no event shall the Company or any such Restricted Subsidiary be required to pledge more than 65% of all of the outstanding capital stock or equivalent interests of any Foreign Subsidiary that is an Excludable Foreign Subsidiary. Each of the Stock and Notes Pledges shall be in full force and effect and each pledgor under each of the Stock and Notes Pledges shall have duly delivered to the Collateral Agent in pledge under such Stock and Notes Pledge, for the benefit of the Lenders (A) share certificates representing all of the shares of capital stock pledged thereunder, together with undated stock powers therefor duly executed in blank by such pledgor, and (B) all of the intercompany notes pledged thereunder, together with undated instruments of assignment thereof duly executed in blank by such pledgor.

(d) PLEDGE AND SECURITY AGREEMENTS. The Company shall have executed and delivered to the Collateral Agent for the benefit of the Lenders (i) a pledge and security agreement (as hereafter amended, restated, varied, supplemented or modified from time to time, the "Company Pledge and Security Agreement") substantially in the form of Exhibit E-1 to the Company Credit Agreement, and (ii) a pledge and security agreement (as hereafter amended, restated, varied, supplemented or modified from time to time, the "Company
Pledge and Security Agreement (ESOP") substantially in the form of Exhibit E-2 to the Company Credit Agreement and amending and restating the pledge and security agreement delivered by the Company pursuant to the Existing Credit Agreements. Each Finance Company shall have executed and delivered to the Collateral Agent for the benefit of the Lenders a pledge and security agreement (as hereafter amended, restated, varied, supplemented or modified from time to time, collectively, the "FINCO Pledge and Security Agreements") substantially in the form of Exhibit F to the Company Credit Agreement and amending and restating the pledge and security agreements delivered by the Finance Companies pursuant to the Existing Credit Agreements. Each Domestic Wholly-Owned Restricted Subsidiary shall have executed and delivered to the Collateral Agent for the benefit of the Lenders a Subsidiary Pledge and Security Agreement substantially in the form of Exhibit G to the Company Credit Agreement and amending and restating the pledge and security agreement delivered by such Restricted Subsidiaries pursuant to the Existing Credit Agreements. Each of the Pledge and Security Agreements shall be in full force and effect and the Company and each Domestic Wholly-Owned Restricted Subsidiary shall have
duly delivered to the Collateral Agent in pledge under the Pledge and Security Agreements, for the benefit of the Lenders, all instruments and other documents evidencing collateral in which a Lien is created thereunder to the extent necessary to perfect such security interest, together with undated stock powers or instruments of assignment thereof duly executed in blank by the Company or the relevant Domestic Wholly-Owned Restricted Subsidiary.

(e) SUBSIDIARY COLLATERAL ACCOUNTS ASSIGNMENT AGREEMENT. The Agent, on behalf of the Lenders, and each Borrower shall have executed and delivered a collateral accounts assignment agreement (as hereafter amended, restated, varied, supplemented or modified from time to time, the "Subsidiary Collateral Accounts Assignment Agreement"), substantially in the form of Exhibit C hereto, and the same shall be in full force and effect.

(f) MORTGAGE DOCUMENTS. The applicable Mortgagors shall have duly executed and delivered to the Collateral Agent for the benefit of the Lenders such mortgages, mortgage consolidations and other documents (collectively, the "Mortgage Documents") as the Collateral Agent or the Lenders deem necessary or desirable to fully perfect the Liens granted pursuant to the Mortgages as security for the Obligations; the Mortgage Documents shall be in full force and effect; the Mortgage Documents shall have been filed in such places as the Collateral Agent or the Lenders deem necessary or desirable for such perfection; and all taxes, fees and expenses payable in connection with the execution and delivery of the Mortgage Documents and such filings shall have been paid by the Company and the Mortgagors.

(g) COMPANY CREDIT AGREEMENT. The Company, the Agent, the Co-Agent and the Lenders shall have executed and delivered the Company Credit Agreement and the same shall be in full force and effect. Each of the conditions precedent specified in the Company Credit Agreement to the Existing Company Credit Agreement Restructuring shall have occurred to the reasonable satisfaction of the Lenders; and the Existing Company Credit Agreement Restructuring shall occur simultaneously with the making of the initial Loans.

(h) OFFICERS' CERTIFICATES. The Agent shall have received (with a copy for each of the Lenders) (i) a certificate of the Secretary or an Assistant Secretary of each of the Borrowers certifying the names and true signatures of the officers of such corporation authorized to sign the Credit Documents to which it is a party and the other documents to be delivered thereunder, and (ii) a certificate of the chief executive officer, chief financial officer, any vice president or treasurer of each of the Borrowers
certifying that the conditions set forth in Section 5.2(a) and (b) are satisfied as of the Closing Date, in each case in form and substance satisfactory to the Lenders.

(i) OPINIONS OF THE BORROWERS’ COUNSEL. The Agent shall have received (with a copy for each of the Lenders) a favorable opinion of (i) King & Spalding, counsel for the Borrowers, in substantially the form of Exhibit J-1 to the Company Credit Agreement, and (ii) such local counsels of the Company and its Restricted Subsidiaries reasonably acceptable to the Lenders addressing such matters pertaining to the Wholly-Owned Foreign Restricted Subsidiaries as any Lender may reasonably request, in each case in form and substance reasonably satisfactory to the Lenders.

(j) OPINION OF AGENT’S COUNSEL. The Agent shall have received (with a copy for each of the Lenders) an opinion of Skadden, Arps, Slate, Meagher & Flom, special counsel for the Agent, substantially in the form of Exhibit J-2 to the Company Credit Agreement.

(k) APPROVALS. The Agent shall have received (with copies for each of the Lenders) copies of all material orders, consents, approvals, licenses, authorizations, validations, filings, recordings, registrations, exemptions and notices of, by or to any governmental or public body or authority, domestic or foreign, or any subdivision thereof, or any other Person or group of Persons requested by the Lenders, in each case which are required to be obtained on or prior to the Closing Date to authorize, or are required in connection with (i) the execution, delivery or performance of any Transaction Document to which a Credit Party is a party (other than the performance of the NME Purchase Agreement), or consummation of any of the Transactions (other than the NME Acquisition), or (ii) the legality, validity, binding effect or enforceability of any Transaction Document to which a Credit Party is a party.

(l) ENVIRONMENTAL REPORTS. The Lenders shall have received copies of environmental reports that are in form and substance reasonably satisfactory to the Lenders in respect of the Facilities and the other real property to be acquired by the Company and its Subsidiaries pursuant to the NME Purchase Agreement and all other Facilities and other real property acquired by the Company or any of its Subsidiaries since July 22, 1992, and updated reports and assessments, as may be reasonably determined by the Agent to be necessary based on responses to environmental questionnaires completed by or for the Company or its Subsidiaries, of the most recently delivered environmental reports in respect of other Facilities and real property of the Company and its Subsidiaries, in each case prepared, at the cost and expense of the Company, by a Person designated by the Company that is reasonably acceptable to the Required Lenders.

(m) SECURITY INTERESTS. The Lenders shall be reasonably satisfied that the Security Documents create or will create, upon the completion of the filings of the Security Documents, financing statements and other instruments tendered for filing, as security for the Obligations (including, without limitation, the Subsidiary Obligations), a valid and enforceable perfected security interest in and Lien on all of the Collateral (other than the collateral assignments of mortgages securing pledged intercompany notes, Collateral covered by the Subsidiary Pledge and Security Agreement which is located in the State of Tennessee, and Collateral covered by the Subsidiary Pledge and Security Agreement to the extent such Collateral is not covered by Article 9 of the Uniform Commercial Code as in effect in the relevant jurisdiction) in favor of the Collateral Agent for the benefit of the Lenders, superior and prior to the rights of all other Persons therein (as provided in the Uniform Commercial Code) and subject to no other Liens other than Liens permitted hereby. The Security Documents, or financing statements or other instruments with respect thereto, as may be necessary, shall have been duly filed or recorded (or tendered for filing or recording) in such manner and in such places as are required by law to establish, perfect, preserve and protect the security
interests and Liens (other than (i) the collateral assignment of mortgages securing pledged intercompany notes and (ii) Collateral covered by the Subsidiary Pledge and Security Agreement which is located in the State of Tennessee) in favor of the Collateral Agent for the benefit of the Lenders, granted pursuant to such Security Documents, and all taxes, fees and other charges payable in connection therewith due on or prior to the Closing Date shall have been paid in full.

(n) MATERIAL EVENTS. No event, action or proceeding shall have occurred or condition shall have arisen and continue to exist since September 30, 1993 with respect to any Credit Party, any Transaction Document or any of the Transaction which the Agent, the Co-Agent or any Lender has reasonably determined could have a Material Adverse Effect.

(o) INTEREST; FEES; EXISTING LOANS, ETC.

(i) The Agent and the Lenders shall have received payment in full of all fees and Commitment Commissions referred to in Section 3.1 of the Company Credit Agreement which are payable on or prior to the Closing Date, and all reasonable costs and expenses payable on the Closing Date by the Company pursuant to Section 12.1 of the Company Credit Agreement (including, without limitation, all reasonable fees and expenses of Skadden, Arps, Slate, Meagher & Flom, special counsel to the Agent and the Lenders, for which the Company has received an invoice at least two Business Days prior to the Closing Date) shall have been paid.

(ii) Each Existing Lender shall have executed and delivered the Master Transfer Supplement or the Existing Loans of such Existing Lenders shall have been paid in full by the applicable Borrowers; and the Agent shall have received from the applicable Borrowers, for the account of the Existing Lenders, all accrued and unpaid interest and fees as of the Closing Date on the Existing Loans, the Existing Commitments and the Existing Subsidiary Letters of Credit, and the Company, the Borrowers and BTCo shall have agreed in writing to the fees and other amounts to be payable to BTCo in respect of the Existing Subsidiary Letters of Credit from and after the Closing Date.

(p) CERTAIN DEBT REPAYMENTS. The Mortgage Notes and all obligations of the Borrowers thereunder or in respect thereof (other than indemnities and costs and expenses accruing thereunder after the Closing Date) shall be paid in full or payment in full shall have been provided for in accordance with the terms thereof or otherwise in a manner reasonably satisfactory to the Lenders, and all Liens securing the Mortgage Notes shall have been released (or arrangements providing for such release shall have been made) to the satisfaction of the Agent. In addition, the Existing Participation Agreements shall have been terminated.

(q) CORPORATE PROCEEDINGS. All corporate, partnership and legal proceedings and all instruments and agreements (not otherwise attached as Exhibits hereto or to the Company Credit Agreement) in connection with the transactions contemplated by this Agreement, the other Credit Documents and the other Transaction Documents shall be reasonably satisfactory in form and substance to the Lenders, and the Agent shall have received (with copies for each of the Lenders) all information and copies of all documents and papers, including records of corporate proceedings and governmental approvals, if any, which any Lender may have reasonably requested in connection therewith.

(r) SYNDICATION MARKET. There shall have been no material adverse change after the date hereof to the syndication market for
non-investment grade revolving credit loan facilities of a similar duration and nature as the facilities set forth herein and in the Company Credit Agreement, and there shall not have occurred and be continuing a disruption of, or an adverse change in financial, banking or capital markets that would have a material adverse effect on such syndication market, in each case as determined by the Agent in its sole discretion.

5.2 CONDITIONS PRECEDENT TO EACH LOAN. The obligation of each Lender to make any Loan (including the obligation of any Continuing Lender to convert all or any portion, as the case may be, of its Existing Loans) or consummate the Existing Subsidiary Credit Agreement Restructuring, and the obligation of each L/C Bank to issue (or renew or extend pursuant to Section 2.1) any Subsidiary Letter of Credit (including, without limitation, the Loans to be made and Subsidiary Letters of Credit to be issued on the Closing Date) is subject to its having received a copy of the Notice of Borrowing in respect of such Loan or a Subsidiary Letter of Credit Request for such Subsidiary Letter of Credit, as the case may be, in accordance with the terms hereof and the satisfaction of the following further conditions precedent:

(a) REPRESENTATIONS AND WARRANTIES TRUE; NO DEFAULT. On the date of such Loan and/or the consummation of the Existing Subsidiary Credit Agreement Restructuring, as the case may be, both before and after giving effect thereto and, in the case of the making of a Loan, to the application of the proceeds thereof, or on the date of the issuance of such Subsidiary Letter of Credit, as the case may be, the following statements shall be true (and each of the giving of the applicable Notice of Borrowing or the Subsidiary Letter of Credit Request, as the case may be, (and, in the case of the consummation of the Existing Subsidiary Credit Agreement Restructuring, the execution and delivery by the Borrowers of the Notes) shall constitute a representation and warranty by such Borrower that on the date of such Loan, consummation of the Existing Subsidiary Credit Agreement Restructuring, or issuance of such Subsidiary Letter of Credit, as the case may be, both before and after giving effect thereto and, in the case of a Loan, to the application of the proceeds thereof, such statements are true):

(i) the representations and warranties contained in Section 6 hereof and Section 6 of the Company Credit Agreement are true and correct on and as of the date of such Loan, consummation of the Existing Subsidiary Credit Agreement Restructuring or issuance of such Subsidiary Letter of Credit, as the case may be, as though made on and as of such date except for representations and warranties relating to a particular point in time; and

(ii) no event has occurred and is continuing or condition exists, or would result from such Loan or the application of the proceeds thereof, the consummation of the Existing Subsidiary Credit Agreement Restructuring or the issuance of such Subsidiary Letter of Credit, as the case may be, which constitutes an Event of Default or a Default;

(b) MATERIAL EVENTS. No event, action or proceeding shall have occurred or condition shall exist with respect to the Company, any of its Subsidiaries, any Credit Document, any transaction contemplated thereby or any Facility of the Company or any of its Subsidiaries (including, without limitation, any such Facility acquired or proposed to be acquired from NME) which the Agent, the Co-Agent or the Required Lenders reasonably determines is likely to have a Material Adverse Effect;
(c) LITIGATION, APPROVALS, ETC. On the date of such Loan, consummation of the Existing Subsidiary Credit Agreement or the issuance of such Subsidiary Letter of Credit, as the case may be, the existence of the litigation set forth on any supplement to Schedule 6.5 or Schedule 6.17 of the Company Credit Agreement and the absence of approvals set forth on any supplement to Schedule 6.7 of the Company Credit Agreement in the reasonable determination of the Agent, the Co-Agent or the Required Lenders would not have a Material Adverse Effect;

(d) COMPANY CREDIT AGREEMENT. The Company Credit Agreement shall be in full force and effect;

(e) DOCUMENTATION WITH RESPECT TO SUBSIDIARY LETTERS OF CREDIT. In the case of the issuance of any Subsidiary Letter of Credit that will provide credit enhancement for obligations of a Borrower or any of its Subsidiaries incurred in connection with any acquisition, construction or mortgage financing or a Sale/Leaseback Transaction, all documentation in respect of the issuance of such Subsidiary Letter of Credit and the making and honoring of drawings thereunder shall be in form and substance satisfactory to the Agent and the applicable L/C Bank; and

(f) OTHER. The Lenders making Loans, participating in the Existing Subsidiary Credit Agreement Restructuring or issuing Subsidiary Letters of Credit on such date shall have received such other documents as they may reasonably request.

5.3 CONDITIONS PRECEDENT TO INITIAL LOANS TO SUPPLEMENTAL BORROWERS. The obligation of each Lender to make any Loan to, and each L/C Bank to issue any Subsidiary Letter of Credit for the account of, a Supplemental Borrower is subject to such Supplemental Borrower having delivered a Note to each Lender in a principal amount equal to such Lender's Commitment hereunder and a supplement, in the form of Exhibit F hereto (a "Supplement"), to the Agent, in each case executed by such Supplemental Borrower.

Section 6. REPRESENTATIONS, WARRANTIES AND AGREEMENTS. In order to induce the Lenders to enter into this Agreement and to make available the credit facilities contemplated hereby, each Borrower makes the following representations, warranties and agreements, each of which shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans:

6.1 CORPORATE EXISTENCE; COMPLIANCE WITH LAW. Each Borrower and its Subsidiaries (i) is a corporation or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, as the case may be, (ii) has the power and authority to own its property and assets and to transact the business in which it is engaged, (iii) has duly qualified and is authorized to do business and is in good standing as a foreign corporation or partnership, as the case may be, in every jurisdiction in which the failure to so qualify would have a Material Adverse Effect, and (iv) is in full compliance with its certificate or articles of incorporation and by-laws or other organizational or governing documents and all laws, regulations, orders, writs, judgments, decrees, determinations or awards, except to the extent that the failure to comply therewith would not have a Material Adverse Effect.

6.2 POWER; AUTHORITY; NO VIOLATION. The execution, delivery and performance by each of the Credit Parties of the Credit Documents and other Transaction
Documents to which it is a party and the consummation of the Transactions are within such Credit Party's corporate or partnership powers, as the case may be, have been (or, in the case of the consummation of all or any portion of any Transaction, will be by the time all or such portion of such Transaction is consummated) duly authorized by all necessary corporate, partnership or other action, and do not and will not contravene (i) the certificate or articles of incorporation or by-laws or other organizational or governing documents of any Credit Party or (ii) any law, regulation, order, writ, judgment, decree, determination or award currently in effect or any contractual restriction binding on or affecting any Credit Party, except where such contravention would not have a Material Adverse Effect, or (iii) any franchise, license, permit, certificate, authorization, qualification, accreditation or other right, consent or approval referred to in Section 6.21 of the Company Credit Agreement, except where such contravention would not have a Material Adverse Effect and, except as set forth on Schedule 6.2 to the Company Credit Agreement, do not and will not conflict or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (except pursuant to the Security Documents) upon any of the property or assets of any Credit Party pursuant to the terms of, any indenture, mortgage, deed of trust, agreement or other instrument to which any Credit Party is a party or by which it or any of its properties or assets is bound or to which it may be subject, except to the extent such conflict, breach, default or creation or imposition would not have a Material Adverse Effect.

6.3 BINDING EFFECT. Each of the Credit Parties has duly executed and delivered each Credit Document and other Transaction Document to which it is a party. Each such Credit Document and other Transaction Document is in full force and effect and constitutes the legal, valid and binding obligation of each Credit Party thereto, enforceable against each such Credit Party in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

6.4 LITIGATION, ETC. Except as set forth on Schedule 6.5 to the Company Credit Agreement, to the knowledge of each of the Borrowers, there is no pending or threatened action, proceeding or investigation before any court, governmental agency or arbitrator (a) affecting any Credit Party which could be reasonably expected to be adversely determined against such Credit Party and, if so determined, would have a Material Adverse Effect, or (b) with respect to this Agreement, any other Credit Document or Transaction Document or any of the Transactions.

6.5 USE OF PROCEEDS. All proceeds of the Loans will be used only in accordance with Sections 2.3 and 4.5. No part of the proceeds of any Loan will be used by the Borrowers or others to purchase or carry any Margin Stock in violation of Regulations G, U, T or X of the Board of Governors of the Federal Reserve System.

6.6 APPROVALS, ETC. To the knowledge of each of the Borrowers, except (i) such as have been duly obtained, made or given and are in full force and effect, (ii) as fully disclosed on Schedule 6.7 to the Company Credit Agreement, and (iii) in the case of the performance or consummation of all or any portion of the NME Purchase Agreement and the NME Acquisition, respectively, such as will be duly obtained, made or given and be in full force and effect at the time of such performance or consummation, as applicable, no material order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or notice to or exemption by any governmental or public body or authority, domestic or foreign, or any subdivision thereof, or any other Person or group of Persons is required to authorize, or is required in connection with (a) the execution, delivery or performance of any Credit Document or any other Transaction Document or the consummation of any of the Transactions; or (b) the legality, validity, binding effect or enforceability of any Credit Document or other
6.7 SECURITY INTERESTS. (a) The Security Documents create or will create, upon proper filings and recordings of the Security Documents, financing statements and other instruments tendered for filing, as security for the Obligations (including, without limitation, the obligations of the Company under the Credit Documents), a valid and enforceable perfected security interest in and Lien on all of the Collateral (other than the collateral assignments of mortgages securing pledged intercompany notes and other than Collateral covered by the Subsidiary Pledge and Security Agreement to the extent such Collateral is not covered by Article 9 of the Uniform Commercial Code as in effect in the relevant jurisdiction or is located in the State of Tennessee) in favor of the Collateral Agent for the benefit of the Lenders, superior to and prior to the rights of all other Persons therein (as provided in the Uniform Commercial Code) and subject to no other Liens other than Liens permitted hereby. The respective pledgor or assignor, as the case may be, has good and marketable title to all Collateral free and clear of all Liens other than Liens permitted hereby. The Security Documents or financing statements or other instruments with respect thereto, as may be necessary, have been duly filed or recorded (or tendered for filing or recording) in such manner and in such places as are required by law to establish, perfect, preserve and protect the security interests and Liens, in favor of the Collateral Agent for the benefit of the Lenders, granted pursuant to such Security Documents and all taxes, fees and charges payable in connection therewith shall have been paid in full when due (other than the recording of any collateral assignment of mortgage pursuant to the FINCO Pledge and Security Agreements and other than Collateral covered by the Subsidiary Pledge and Security Agreement to the extent such Collateral is not covered by Article 9 of the Uniform Commercial Code as in effect in the relevant jurisdiction or is located in the State of Tennessee).

6.8 TAXES. Each of the Borrowers and its Subsidiaries has filed all material tax returns required to be filed by it and all such tax returns are true, correct and complete in all material respects. Each of the Borrowers and its Subsidiaries has paid all taxes, assessments and other charges which have become due, other than those not yet delinquent and except for those contested in good faith by appropriate proceedings for which adequate reserves in conformity with GAAP have been provided and other than those which individually or in the aggregate would not have a Material Adverse Effect. No tax liens have been filed (except with respect to real property taxes not yet due) and no claims or assessments are being asserted with respect to any such taxes, assessments or other charges, other than liens, claims or assessments which individually or in the aggregate would not have a Material Adverse Effect.

6.9 INVESTMENT COMPANY ACT; PUBLIC UTILITY HOLDING COMPANY ACT. None of the Borrowers nor any of their respective Subsidiaries is (a) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended, (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended or (c) subject to any other federal or state law or regulation which purports to restrict its ability to borrow money.

6.10 NO DEFAULT UNDER OTHER AGREEMENTS. None of the Borrowers nor any of their respective Subsidiaries is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound in any respect which would have a
Material Adverse Effect. On and as of the Closing Date and prior to giving effect to the consummation of the Transactions, no Default or Event of Default under and as defined in the Existing Credit Agreements has occurred and is continuing.

6.11 REFINANCED INDEBTEDNESS. The Mortgage Notes and accrued and unpaid interest thereon and fees in respect thereof have been paid in full or provision for such payment has been made such that, in accordance with the express provisions of the instruments governing the same, the Borrowers have been released from all liability and contractual obligations with respect thereto (other than indemnifications contained therein which survive the payment in full of all Indebtedness evidenced thereby), and any and all Liens securing the Mortgage Notes have been effectively released or arrangements for such release promptly after the Closing Date have been made.

6.12 MEDICARE REIMBURSEMENT. After giving effect to the consummation of the transactions contemplated by the Credit Documents and the other Transaction Documents, the Borrowers and their respective Subsidiaries that participate in the Medicare program shall be entitled to Medicare reimbursement in respect of interest expense on the Loans and other Indebtedness incurred by the Borrowers and their respective Subsidiaries under the Credit Documents and the other Transaction Documents or such lesser amount of such interest expense as would not have a Material Adverse Effect.

Section 7. CERTAIN COVENANTS. Each Borrower covenants and agrees that until the Total Commitment has terminated and all Obligations of such Borrower have been paid in full:

7.1 INFORMATION COVENANT. (a) Upon any redemption, cancellation or defeasance of any or all of a series of Variable Rate Notes or any conversion of the interest rate under a series of Variable Rate Notes to a fixed interest rate, the Borrower that is a party to the Variable Rate Documents relating to such series of Variable Rate Notes shall, or shall use its best efforts to cause the trustee for the holders of such series of Variable Rate Notes to, furnish to the L/C Bank which issued a Subsidiary Letter of Credit in direct or indirect support of such series of Variable Rate Notes: (i) in the case of any such redemption, cancellation or defeasance, a notice of the reduction in the available credit under the Subsidiary Letter of Credit issued in direct or indirect support of such series of Variable Rate Notes, and (ii) in the case of any such conversion, a notice of conversion stating that, upon such conversion, the Subsidiary Letter of Credit directly or indirectly supporting such Variable Rate Notes shall terminate.

(b) In the event that any series of Variable Rate Notes has been put to the remarketing agent therefor and such Variable Rate Notes have not been successfully remarketed on the first day of such agent's remarketing effort, the Borrower that is a party to the Variable Rate Notes Documents relating to such series of Variable Rate Notes shall promptly notify the Agent and the L/C Bank which issued a Subsidiary Letter of Credit in direct or indirect support of such series of Variable Rate Notes of such occurrence; PROVIDED that such obligation shall apply only so long as such Borrower is entitled to receive notice of such an occurrence, and shall have received such notice from the applicable remarketing agent or shall otherwise have actual knowledge thereof.

(c) Each Borrower will promptly furnish to each Lender such other information or documents (financial or otherwise) as any Lender may, through the Agent, reasonably request from time to time, but not confidential.
patient information or other information required by applicable law to be kept confidential.

7.2 AFFIRMATIVE COVENANTS CONCERNING VARIABLE RATE NOTE DOCUMENTS. Each Borrower shall cause all Variable Rate Notes that the Company, such Borrower or any of their respective Subsidiaries acquires to be registered in the name of the Company, such Borrower or such Subsidiary, as the case may be, in accordance with the indenture pursuant to which such Variable Rate Notes were issued.

7.3 AMENDMENTS, ETC. TO VARIABLE RATE NOTES DOCUMENTS. So long as a drawing is available under any Subsidiary Letter of Credit issued in direct or indirect support of any series of Variable Rate Notes, no Borrower shall, without the prior written consent of the Required Lenders, enter into or consent to any material amendment or other modification of any Variable Rate Notes Documents relating to such Variable Rate Notes (including, without limitation, any such amendment or other modification that would adversely affect any Lender); PROVIDED that the Borrowers may convert the interest rates and/or principal amortization applicable to such Variable Rate Notes in accordance with Section 8.7(e) of the Company Credit Agreement and in accordance with the terms of such Variable Rate Notes Documents without the prior written consent of the Required Lenders.

Section 8. COMPANY CREDIT AGREEMENT COVENANTS. Each Borrower covenants and agrees that, until the Total Commitment has terminated and all Obligations have been paid in full, it shall, and shall cause each of its Subsidiaries to, comply with the covenants set forth in Sections 7 and 8 of the Company Credit Agreement (subject to all standards of materiality and reasonableness set forth therein) to the extent such covenants apply to actions, obligations and restrictions applicable to such Borrower or any of such Subsidiaries and will not engage in any activities which would cause a breach or violation of any such covenant. For purposes of compliance with this Section 8, defined terms used in Sections 7 and 8 of the Company Credit Agreement shall have the meanings ascribed to such terms in the Company Credit Agreement.

Section 9. EVENTS OF DEFAULT. Upon the occurrence of any of the following specified events (each an "Event of Default"):  

9.1 PAYMENTS. Any Borrower shall default in the payment (a) when due of any principal of any Loan, (b) within two Business Days of when due, of any reimbursement obligation in respect of the honoring of any drawing under any Subsidiary Letter of Credit, any interest on any principal of any Loans or any Subsidiary Letter of Credit commission, or (c) of any other fees or amounts owing of any nature whatsoever owing by the Borrowers or any other Credit Party hereunder or under any other Credit Document (other than those referred to in the preceding clauses (a) and (b)) which is not paid by such Borrower or such Credit Party within 15 Business Days after the receipt by such Borrower or such Credit Party of a written demand thereof from any Lender; or

9.2 REPRESENTATIONS, ETC. Any representation, warranty or statement made or deemed made by any Borrower or any other Credit Party or any of their respective officers herein or in any other Credit Document or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

9.3 COVENANTS. Without limitation in any respect on the occurrence of an Event of Default pursuant to Section 9.7, a Borrower shall default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in Sections 9.1 and 9.2) contained in this Agreement or any other Credit Document (other than those referred to in Section 9.6) to which it is a party and such default shall continue unremedied for a period of 30 days after the earlier of (i) an executive officer of the Company obtaining actual knowledge thereof and (ii) written notice thereof to the Company by the Agent or any Lender; or
9.4 DEFAULT UNDER OTHER AGREEMENTS. Any Borrower or any of its Subsidiaries shall default in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any other Indebtedness, in an individual outstanding principal amount of $12,500,000 or more or items of Indebtedness having an aggregate outstanding principal amount of $30,000,000 or more, of such Borrower or any of its Subsidiaries or such Borrower or such Subsidiary shall default in the performance or observance of any obligation or condition with respect to any such Indebtedness or any other event shall occur or condition shall exist if the effect of such default, event or condition is to accelerate the maturity of any such Indebtedness or to permit the holder or holders thereof, or any trustee or agent for such holders, to cause such Indebtedness to become due and payable prior to its stated maturity or any such Indebtedness shall become due and payable prior to its stated maturity;

9.5 BANKRUPTCY, ETC. Any Borrower shall commence a voluntary case concerning itself under the Bankruptcy Code; or an involuntary case is commenced against any Borrower and the petition is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or any substantial part of the property of any Borrower, or any Borrower commences any other proceedings under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to such Borrower, or there is commenced against any Borrower any such proceeding which remains undischarged for a period of 60 days, or any Borrower is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or any Borrower suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or any Borrower makes a general assignment for the benefit of creditors; or any Borrower shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or any Borrower shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts; or any Borrower shall by any act or failure to act indicate its consent to, approval of or acquiescence in any of the foregoing; or any corporate action shall be taken by any Borrower for the purpose of effecting any of the foregoing; or

9.6 SECURITY DOCUMENTS; SUBSIDIARY GUARANTY. (a) The Subsidiary Guaranty, Company Guaranty or any Security Document shall for any reason cease to be in full force and effect, or the Security Documents shall cease to give the Collateral Agent for the benefit of the Lenders, the Liens, rights, powers and privileges created thereby (including, without limitation, with respect to the Security Documents (other than the FINCO Pledge and Security Agreements in accordance with the terms thereof), a perfected security interest in, and Lien on, all of the Collateral in favor of the Collateral Agent for the benefit of the Lenders, to the extent contemplated therein), (b) any Credit Party shall default in the due performance or observance of any material term, covenant or agreement on its part to be performed or observed pursuant to the Subsidiary Guaranty, the Company Guaranty or any Security Document and such default shall continue for a period of 30 days following the earlier of (i) the date on which an executive officer of the Company obtains actual knowledge thereof and (ii) the date on which the Agent or any Lender gives notice to the Company of the existence of such default or (c) any Credit Party shall contest in any manner that the Subsidiary Guaranty, Company Guaranty or any Security Document to which it is a party constitutes its valid and enforceable agreement or any Credit Party
shall assert in any manner that it has no further obligation or liability under the Subsidiary Guaranty, Company Guaranty or Security Document to which it is a party; PROVIDED, that to the extent any Credit Party has been released from the Subsidiary Guaranty, Company Guaranty or any Security Document the foregoing will not constitute an Event of Default to the extent the same relates to such Credit Party and such agreement; or

9.7 COMPANY CREDIT AGREEMENT. An Event of Default (under and as defined in the Company Credit Agreement) shall have occurred; or

9.8 JUDGMENTS. One or more judgments or orders for the payment of money (to the extent not covered by insurance) in an amount in excess of $7,500,000, individually or in the aggregate, shall be rendered against a Borrower or any of its Subsidiaries and such judgment(s) or order(s) shall continue undischarged for a period of 30 days during which execution shall not be effectively stayed, bonded or deferred (whether by action of a court, by agreement or otherwise);

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Agent may, and, upon the written request of the Required Lenders, shall, by written notice to the Borrowers (or to the Company, for the benefit of the Borrowers), take any or all of the following actions, without prejudice to the rights of the Agent, the Co-Agent, the Collateral Agent, any Lender, or the holder of any Note to enforce its claims against the Borrowers or any other Credit Party (provided, that, if an Event of Default specified in Section 9.5 shall occur with respect to any Borrower or any other Credit Party, the result which would occur upon the giving of written notice by the Agent to the Borrowers or the Company as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Total Commitment terminated, whereupon the Commitment of each Lender shall forthwith terminate immediately and all accrued fees shall thereafter be due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans PLUS an amount equal to the maximum amount which would be available at any time to be drawn under all Subsidiary Letters of Credit then outstanding (whether or not any beneficiary under any Subsidiary Letter of Credit shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Subsidiary Letter of Credit), and shall be entitled at such time to present, the drafts or other documents required to draw under such Subsidiary Letter of Credit), and all obligations owing hereunder and under the other Credit Documents, to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers; and (iii) exercise any rights or remedies in its capacity as Collateral Agent under the Security Documents. So long as any Subsidiary Letter of Credit shall remain outstanding, any amounts described in clause (ii) above with respect to Subsidiary Letters of Credit, when received by the Agent shall be deposited in the Subsidiary L/C Cash Collateral Account as cash collateral for the obligations of the Borrowers under Section 2 in the event of any drawing under a Subsidiary Letter of Credit, and upon drawing under any outstanding Subsidiary Letter of Credit in respect of which the Agent has deposited in the Subsidiary L/C Cash Collateral Account any amounts described in clause (ii) above, the Agent shall pay such amounts held in the Subsidiary L/C Cash Collateral Account to the L/C Banks to reimburse the L/C Banks for the amount of such drawing.

Section 10. DEFINITIONS.

10.1 CERTAIN DEFINITIONS. As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms in this Agreement shall include in the singular
"ADJUSTED PERCENTAGE" shall mean (a) at a time when no Lender Default exists, for each Lender such Lender's Percentage and (b) at a time when a Lender Default exists (i) for each Lender that is a Defaulting Lender, zero, and (ii) for each Lender that is a Non-Defaulting Lender, the percentage determined by dividing such Lender's Unrestricted Commitment at such time by the Adjusted Total Commitment at such time, it being understood that all references herein to the Unrestricted Commitments and the Adjusted Total Commitment at a time when the Total Commitment or the Adjusted Total Commitment, as the case may be, has been terminated shall be references to the Unrestricted Commitments or the Adjusted Total Commitment, as the case may be, in effect immediately prior to such termination; PROVIDED that (A) no Lender's Adjusted Percentage shall change upon the occurrence of a Lender Default from that in effect immediately prior to such Lender Default if after giving effect to such Lender Default, and any repayment of the Loans at such time pursuant to Section 4.2(a) or otherwise, the sum of (1) the aggregate outstanding principal amount of the Loans made by all the Non-Defaulting Lenders, (2) the aggregate amount of Company Credit Extensions of all the Non-Defaulting Lenders, (3) the aggregate Subsidiary Letter of Credit Outstandings, exceed the adjusted Total Commitment; (B) the changes to the Adjusted Percentage that would have become effective upon the occurrence of a Lender Default but that did not become effective as a result of the preceding clause (A) shall become effective on the first date after the occurrence of the relevant Lender Default on which the sum of the amounts described in clauses (1) through (3) of such clause (A) is equal to or less than the Adjusted Total Commitment; and (C) if (1) a Non-Defaulting Lender's Adjusted Percentage is changed pursuant to the preceding clause (B), and (2) any repayment of such Lender's Loans or Company Loans, any reimbursement of any honoring of any drawings with respect to Subsidiary Letters of Credit or Letters of Credit, in each case that were made by the Company or any other Credit Party during the period commencing after the date of the relevant Lender Default and ending on the date of such change to its Adjusted Percentage, must be returned or paid to the Company, a Borrower, any other Credit Party or any other Person as a preferential or similar payment in any bankruptcy or similar proceeding of the Company, a Borrower, or any other Credit Party then the change to such Non-Defaulting Lender's Adjusted Percentage effected pursuant to said clause (B) shall be reduced to that positive change, if any, as would have been made to its Adjusted Percentage if (x) such repayments or reimbursements had not been made, and (y) the maximum change of its Adjusted Percentage would have resulted in the sum of the outstanding principal amount of Loans and Revolving Loans made by such Lender plus such Lender's new Adjusted Percentage of the outstanding principal amount of Swingline Borrowings, Subsidiary Letter of Credit Outstandings and Letter of Credit Outstandings equalling such Lender's Commitment at such time.

"ADJUSTED TOTAL COMMITMENT" shall mean, at any time, the sum of each Non-Defaulting Lenders' Unrestricted Commitment at such time.

"AGENT" shall have the meaning provided in the first paragraph of this Agreement.

"AGREEMENT" shall mean this Second Amended and Restated Credit Agreement as the same may hereafter be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"APPLICABLE MARGIN" shall have the meaning provided in Section 1.8(c).

"BASE RATE LOANS" shall mean Loans bearing interest at the rates provided in Section 1.8(a).
"BORROWER" and "BORROWERS" shall mean each of the entities identified as a Borrower in the first paragraph of this Agreement and each Supplemental Borrower which becomes a party hereto in accordance with Section 12.12(c) hereof.

"BORROWING" shall mean the incurrence by one or more Borrowers of one Type of Loan from all of the Lenders on a given date (or resulting from conversions or continuations on a given date), having in the case of Eurodollar Loans, the same Interest Period (except as otherwise provided in Section 1.10).

"BTCo" shall mean Bankers Trust Company in its individual capacity, and not in its capacity as Agent.

"CLOSING DATE" shall mean the date of the initial Borrowing hereunder, which date shall be between and including May 2, 1994 and September 30, 1994, unless otherwise consented to by the Required Lenders.

"CO-AGENT" shall have the meaning provided in Section 11.1.

"COLLATERAL AGENT" shall have the meaning provided in Section 11.1.

"COMMITMENT" shall mean, at any time for any Lender to the Borrowers, the amount set forth opposite such Lender's name on Annex II hereto under the heading "Commitment," as such amount may be reduced from time to time pursuant to the terms of this Agreement.

"COMPANY" shall mean Charter Medical Corporation, a Delaware corporation.

"COMPANY BORROWING" shall mean a "Borrowing" under and as defined in the Company Credit Agreement.

"COMPANY CREDIT AGREEMENT" shall mean the Second Amended and Restated Credit Agreement, substantially in the form of Exhibit E hereto, entered into between the Company, the Lenders and BTCo, as agent for the Lenders, as such agreement may be amended, supplemented or otherwise modified from time to time.

"COMPANY CREDIT EXTENSIONS" shall mean, at any time, with respect to any Lender, the sum of (a) the then aggregate outstanding principal amount of Revolving Loans made by such Lender, and (b) the product of (i) such Lender's Adjusted Percentage (as defined in the Company Credit Agreement), and (ii) the sum of (A) the Letter of Credit Outstandings at such time, and (B) the then outstanding aggregate principal amount of Swingline Borrowings pursuant to Section 1.4(b) of the Company Credit Agreement (without duplication of Revolving Loans made by the Lenders to reimburse a Swingline Borrowing pursuant to Section 1.4 of the Company Credit Agreement).

"COMPANY GUARANTY" shall mean a second amended and restated guaranty agreement, substantially in the form of Exhibit D hereto as such agreement may at any time be amended, restated, varied, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"COMPANY LOANS" shall mean the loans made from time to time by the Lenders under the Company Credit Agreement.

"COMPANY PLEDGE AND SECURITY AGREEMENT" shall have the meaning provided in Section 5.1(d), as such agreement may be amended, supplemented or otherwise modified from time to time.

"COMPANY STOCK AND NOTES PLEDGE" shall have the meaning provided in Section 5.1(c), as such agreement may be amended, supplemented or
otherwise modified from time to time.

"CONTINUING LENDERS" shall mean each Existing Lender with a Commitment under this Agreement (after giving effect to the consummation of the Existing Subsidiary Credit Agreement Restructuring).

"DEFAULT" shall mean any event, act or condition which, with notice or lapse of time, or both, would constitute an Event of Default.

"EURODOLLAR LOANS" shall mean Loans bearing interest at the rates provided in Section 1.8(b).

"EURODOLLAR RATE" shall mean, with respect to each Interest Period for a Eurodollar Loan, the rate determined by the Agent to be (a) the offered quotation to first-class banks in the interbank Eurodollar market by the Agent for Dollar deposits of amounts in immediately available funds comparable to the principal amount of the aggregate amount of Eurodollar Loans comprising such Borrowing for which an interest rate is then being determined with maturities comparable to the Interest Period to be applicable to such Eurodollar Loans, determined as of 10:00 A.M. (New York, New York time) on the date which is two Business Days prior to the commencement of such Interest Period, divided (and rounded upward to the next whole multiple of 1/16 of 1%) by (b) a percentage equal to 1 MINUS the then average stated maximum rate (stated as a decimal) of all reserve requirements (including without limitation any marginal, emergency, supplemental, special or other reserves) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D).

"EVENT OF DEFAULT" shall have the meaning provided in Section 9.

"EXECUTION DATE" shall have the meaning provided in Section 12.10.

"EXISTING COMMITMENTS" shall have the meaning provided in the fifth "Whereas" clause to this Agreement.

"EXISTING LENDERS" shall mean the banking and other financial institutions party to the Existing Subsidiary Credit Agreement.

"EXISTING LOANS" shall have the meaning provided in Section 1.1(a).

"EXISTING NOTES" shall have the meaning provided in Section 1.1(a).

"EXISTING SUBSIDIARY CREDIT AGREEMENT" shall mean the Amended and Restated Subsidiary Credit Agreement dated as of July 21, 1992, as amended prior to the Closing Date, among certain Subsidiaries of the Company, the banking and other financial institutions party thereto and BTCo as agent for such institutions.

"EXISTING SUBSIDIARY CREDIT AGREEMENT RESTRUCTURING" shall have the meaning provided in the fifth "Whereas" clause hereto.

"EXISTING SUBSIDIARY LETTERS OF CREDIT" means the letters of credit outstanding on the date hereof for the account of certain of the Borrowers that are set forth on Schedule 10.1 to the Company Credit Agreement.
"FINAL MATURITY DATE" shall mean March 31, 1999.

"FINCO PLEDGE AND SECURITY AGREEMENTS" shall have the meaning provided in Section 5.1(d).

"INTEREST PERIOD" shall have the meaning provided in Section 1.9.

"INTERIM MATURITY DATE" shall mean, with respect to any Loan outstanding on March 31, 1996 or March 31, 1998, (a) if such Loan is a Base Rate Loan, such date, and (b) if such Loan is a Eurodollar Loan, the last day of the then applicable Interest Period for such Eurodollar Loan.

"L/C BANK" shall mean BTCo and each other Lender with a Commitment that agrees in writing with the Company and the Agent to issue Subsidiary Letters of Credit from time to time.

"LENDER" shall have the meaning provided in the first paragraph of this Agreement.

"LENDING OFFICE" shall mean, for each Lender, the office specified opposite such Lender's name on the signature pages hereof with respect to each Type of Loan, or such other office as such Lender may designate in writing from time to time to the Borrowers and the Agent with respect to such Type of Loan.

"LOAN" shall have the meaning provided in Section 1.1(b).

"MORTGAGE NOTES" shall mean the notes of certain Subsidiaries of the Company listed on Schedule 10.1 to the Company Credit Agreement.

"NEW LENDERS" shall mean each of the Persons listed on Annex III.

"NON-CONTINUING LENDER" shall mean each Existing Lender which is not a party to this Agreement on and as of the Closing Date.

"NOTES" shall have the meaning provided in Section 1.5(a).

"NOTICE OF BORROWING" shall have the meaning provided in Section 1.3.

"NOTICE OF CONVERSION" shall have the meaning provided in Section 1.6.

"ORIGINAL SUBSIDIARY CREDIT AGREEMENT" shall mean the Credit Agreement dated as of September 1, 1988, as amended prior to July 21, 1992, among the Subsidiaries of the Company party thereto, the banking and other financial institutions party thereto, the Agent, and Wells Fargo Bank, N.A., and Bank of America National Trust and Savings Association, as co-agents.

"PAYMENT OFFICE" shall mean the office of the Agent located at 280 Park Avenue, New York, New York 10017, or such other office of the Agent as the Agent may hereafter designate in writing as such to the other parties hereto.

"PERCENTAGE" of any Lender at any time shall mean a fraction (expressed as a percentage) the numerator of which is the Commitment of such Lender at such time and the denominator of which is the Total Commitment at such time; PROVIDED that if the Percentage of any Lender is to be determined after the Total Commitment has been terminated, then the Percentages of the Lenders shall be determined immediately prior (and without giving effect) to such termination.

"PLEDGE AND SECURITY AGREEMENTS" means the FINCO Pledge and Security Agreements and the Subsidiary Pledge and Security Agreement.
"REPLACED LENDER" shall have the meaning provided in Section 1.15.

"REPLACEMENT LENDER" shall have the meaning provided in Section 1.15.

"ROLLOVER BORROWING" shall have the meaning provided in Section 1.16.

"ROLLOVER LOANS" shall have the meaning provided in Section 1.16.

"SUBSIDIARY COLLATERAL ACCOUNTS ASSIGNMENT AGREEMENT" shall have the meaning provided in Section 5.1(e).

"SUBSIDIARY CREDIT DOCUMENTS" shall mean, collectively, this Agreement, each Note, the Company Guaranty, each of the Security Documents, each Subsidiary Letter of Credit and each Supplement. Each reference in this Agreement or any of the other Credit Documents to any of the foregoing Credit Documents shall be to such Credit Document as in effect on the Closing Date, and as the same may thereafter be amended, restated, supplemented or otherwise modified in accordance with the provisions hereof and thereof.

"SUBSIDIARY GUARANTY" shall have the meaning provided in Section 5.1(b).

"SUBSIDIARY INCREASED COMMITMENT NOTE" shall have the meaning provided in Section 1.1(a).

"SUBSIDIARY L/C CASH COLLATERAL ACCOUNT" shall mean the cash collateral account established under the Subsidiary Collateral Accounts Assignment Agreement (and designated thereunder as the Subsidiary L/C Cash Collateral Account) in favor of the Agent.

"SUBSIDIARY LETTER OF CREDIT" shall mean each Existing Subsidiary Letter of Credit and any letter of credit issued by an L/C Bank in accordance with Section 2 for the purpose of (a) supporting Indebtedness of the Borrowers in respect of industrial revenue or development bonds listed on Schedule 8.7(e) to the Company Credit Agreement, or any refunding bonds issued in respect thereof, (b) providing credit enhancement in respect of lease obligations incurred in connection with any acquisition, construction or mortgage financing or a Sale/Leaseback Transaction permitted under the Company Credit Agreement, (c) providing Foreign Contracts Credit Support; PROVIDED that the stated amount of Subsidiary Letters of Credit issued for the purpose set forth in this clause (c), together with Letters of Credit, as defined in the Company Credit Agreement, issued for the same purpose, shall not exceed, at any time outstanding, $50,000,000 minus the aggregate stated amount of letters of credit then outstanding under Section 8.7(i) of the Company Credit Agreement which are not supported by a Subsidiary Letter of Credit or Letter of Credit, and (d) supporting appeal bonds or similar surety obligations.

"SUBSIDIARY LETTER OF CREDIT EXPOSURE" shall mean, at any time, with respect to any Lender, the product of its Adjusted Percentage and the Subsidiary Letter of Credit Outstandings.

"SUBSIDIARY LETTER OF CREDIT OUTSTANDINGS" shall mean, with respect to Subsidiary Letters of Credit, at any date of determination, the sum of (a) the maximum aggregate amount which at such date of determination is available to be drawn (assuming the conditions for drawing thereunder have been met) under all Subsidiary Letters of Credit then outstanding, plus (b) the aggregate amount of all drawings under Subsidiary Letters of Credit
honored by the applicable L/C Bank and not theretofore reimbursed by such Borrower (it being understood that for purposes of any request for a Loan pursuant to Section 2.3, there shall be excluded from the amount determined in accordance with the preceding clause (b) an amount equal to the proceeds of such Loan).

"SUBSIDIARY LETTER OF CREDIT REQUEST" shall have the meaning provided in Section 2.2(a).

"SUBSIDIARY PLEDGE AND SECURITY AGREEMENT" shall mean the Subsidiary Pledge and Security Agreement referred to in Section 5.1(d), as such agreement may be amended, supplemented or otherwise modified from time to time and shall include any other Subsidiary Pledge and Security Agreement executed and delivered from time to time after the Closing Date by any Significant Subsidiary to the Collateral Agent.

"SUBSIDIARY STOCK AND NOTES PLEDGE" shall mean the Subsidiary Stock and Notes Pledge referred to in Section 5.1(c), as such agreement may be amended, supplemented or otherwise modified from time to time, and shall include any other Subsidiary Stock and Notes Pledge executed and delivered from time to time after the Closing Date by any Significant Subsidiary to the Collateral Agent.

"SUPPLEMENT" shall have the meaning provided in Section 5.3.

"SUPPLEMENTAL BORROWER" shall mean each Subsidiary of the Company which becomes a Borrower hereunder pursuant to Section 12.12(c).

"TOTAL COMMITMENT" shall mean, at any time, the sum of the Commitments of each of the Lenders at such time.

"TRANSFER SUPPLEMENT" shall have the meaning provided in Section 12.4(e).

"TYPE" shall mean any type of Loan determined with respect to the interest option applicable thereto, i.e., whether a Base Rate Loan or Eurodollar Loan.

"UNRESTRICTED COMMITMENT" shall mean, for any Lender, at any time, an amount equal to (a) the Commitment of such Lender at such time, MINUS (b) the product of the then Restricted Commitment Amount, if any, and such Lender's Adjusted Percentage.

"VARIABLE RATE NOTES DOCUMENTS" shall mean, collectively, each agreement, instrument and other documents (including, without limitation, any loan agreements, trust indenture, letter of credit and guaranty) relating to any series of Variable Rate Notes, as any such documents may be amended, restated, supplemented or otherwise modified from time to time.

10.2 OTHER DEFINITIONS. Capitalized terms used herein and not otherwise defined in Section 10.1 or elsewhere in this Agreement, shall have the meaning assigned thereto in the Company Credit Agreement.

Section 11. AGENCY PROVISIONS.

11.1 APPOINTMENTS. The Lenders, the Agent and the Co-Agent hereby ratify and confirm that, notwithstanding the consummation of the Existing Subsidiary Credit Agreement Restructuring, the Existing Company Credit Agreement Restructuring and the termination of the non-appointment
provisions of the Existing Intercreditor Agreement pursuant to Section 12.21, BTCo shall continue to act as Collateral Agent (the "Collateral Agent") under the Security Documents for the benefit of the agents and lenders (including, without limitation, the banks and other financial institutions issuing Letters of Credit and Subsidiary Letters of Credit) from time to time under this Agreement and the Company Credit Agreement and hereby authorize and ratify the authority of BTCo to act, in such capacity, as specified herein and in the Security Documents. The Lenders hereby designate BTCo as Agent (for purposes of this Section 11, the term "Agent" shall include BTCo in its capacity as Collateral Agent) to act as specified herein and in the other Credit Documents. The Lenders hereby designate First Union National Bank of North Carolina as Co-Agent (the "Co-Agent") to act as specified herein. Each Lender hereby irrevocably authorizes, and each holder of any Note by the acceptance of such Note shall be deemed irrevocably to authorize, the Agent and the Co-Agent to take such action on its behalf under the provisions of this Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Agent or the Co-Agent may perform any of its duties hereunder by or through its agents or employees.

11.2 NATURE OF DUTIES. (a) Neither the Agent nor the Co-Agent shall have any duties or responsibilities except those expressly set forth in this Agreement and in the other Credit Documents. Neither the Agent, the Co-Agent nor any of its officers, directors, employees or agents shall be liable to the Lenders for any action taken or omitted by them as such hereunder or under any other Credit Document or in connection herewith or therewith, unless caused by their gross negligence or willful misconduct. The duties of the Agent and the Co-Agent shall be mechanical and administrative in nature; neither the Agent nor the Co-Agent shall have by reason of this Agreement or any Credit Document a fiduciary relationship in respect of any Lender; and nothing in this Agreement or any Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Agent or the Co-Agent any obligations in respect of this Agreement or any Credit Document except as expressly set forth herein.

(b) The Agent shall not be under any duty to give the Collateral held by it under the Security Documents any greater degree of care than that given to its own similar property and shall have no duty to take any affirmative steps with respect to the collection of amounts payable with respect to the Collateral and shall not be required to invest any Cash held as Collateral except as directed hereunder or under the Security Documents. Uninvested funds held as Collateral shall not earn or accrue interest. The Agent shall have no duty to see to or give notice with respect to any required filing, registration, recording, refiling, reregistration or rerecording in respect of any of the Security Documents or the Collateral or to the payment of any fees, charges or taxes in connection therewith.

11.3 LACK OF RELIANCE ON THE AGENT AND CO-AGENT. Independently and without reliance upon the Agent or the Co-Agent, each Lender, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Company, the Borrowers and their respective Subsidiaries in connection with the making and the continuance of the Loans hereunder and the taking or not taking of any action in connection herewith, and (ii) its own appraisal of the creditworthiness of the Company, the Borrowers and their respective Subsidiaries, and, except as expressly provided in this Agreement or in any other Credit Document, neither the Agent nor the Co-Agent shall have any duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans, or at any time or times thereafter. Neither the Agent nor the Co-Agent shall be responsible to any Lender for any recitals, statements, information, representations or warranties herein or in any other Credit Docu-
ment or in any document, certificate or other writing delivered in connection
herewith or therewith or for the execution, effectiveness, genuineness,
validity, enforceability, perfection, priority or sufficiency of this Agreement
or any other Credit Document or the financial condition of the Company, the
Borrowers and their respective Subsidiaries or any other Person or be required
to make any inquiry concerning either the performance or observance of any of
the terms, provisions or conditions of this Agreement or any other Credit
Document, or the financial condition of the Company, the Borrowers, their
respective Subsidiaries or any other Person or the existence or possible
existence of any Default or Event of Default.

11.4 ENFORCEMENT OF SECURITY DOCUMENTS. After the Agent has
received written notice from the Required Lenders that an Event of Default has
occurred and is continuing, the Agent shall, subject to the terms of the
Security Documents, take such steps with respect to collection or enforcement
of any Security Document and the Collateral (or any portion thereof),
including without limitation any action to foreclose upon any Collateral, as
may be instructed in writing by the Required Lenders; PROVIDED that in no
event shall the Agent be required, and in all cases it shall be fully
justified in failing or refusing, to take any action under or pursuant to any
Security Document which, in the reasonable opinion of the Agent, (a) would be
contrary to the terms of any Security Document or would subject it or its
officers, employees or directors to liability, unless and until the Agent
shall be indemnified or tendered security to its satisfaction by the Lenders
against any and all loss, cost, expense or liability in connection therewith,
or (b) would be contrary to law, in each case anything herein or elsewhere
contained to the contrary notwithstanding. Except as expressly provided in
this Section 11.4, the Agent shall not be required to take steps toward the
collection of any amounts becoming payable upon any Collateral, or to take any
action towards enforcing any Security Document or to institute, appear in or
defend any action, suit or other proceeding in connection therewith.

11.5 CERTAIN RIGHTS OF THE AGENT AND CO-AGENT. (a) If the
Agent or the Co-Agent shall request instructions from the Required Lenders
with respect to

any act or action (including failure to act) in connection with this Agreement
or any other Credit Document, the Agent or the Co-Agent shall be entitled to
refrain from such act or taking such action unless and until the Agent or the
Co-Agent shall have received instructions from the Required Lenders; and
neither the Agent nor the Co-Agent shall incur liability to any Person by
reason of so refraining. The Agent and the Co-Agent shall be fully justified
in failing or refusing to take any action hereunder or under any Credit
Document (i) if such action would, in the opinion of the Agent or the
Co-Agent, as the case may be, be contrary to law or the terms of this
Agreement or the Credit Documents, (ii) if it shall not receive such advice or
concurrence of the Required Lenders as it deems appropriate, or (iii) if it
shall not first be indemnified to its satisfaction by the Lenders against any
and all liability and expense which may be incurred by it by reason of taking
or continuing to take any such action. Without limiting the foregoing, no
Lender shall have any right of action whatsoever against the Agent or the
Co-Agent (absent such Person's gross negligence or willful misconduct) as a
result of it acting or refraining from acting hereunder or under any other
Credit Document in accordance with the instructions of the Required Lenders.

(b) Notwithstanding the immediately preceding paragraph of
this Section 11.5, no provision of any Credit Document shall require the Agent
or the Co-Agent to expend or risk its own funds or otherwise incur any
financial liability in the performance of any of its duties hereunder or under
any Credit Document, or in the exercise of any of its rights or powers, if it
shall have reasonable grounds for believing that repayment of such funds or
adequate indemnity against such risk or liability is not reasonably assured to
it. The Agent and the Co-Agent may at any time request written instructions
from the Lenders with respect to the interpretation of any Credit Document or in respect of any action to be taken or not taken hereunder or thereunder.

11.6 RELIANCE. Each of the Agent and the Co-Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other documentary, teletransmission or telephone message believed by it to be genuine and correct and to have been signed, sent or made by the proper Person. In the absence of its gross negligence or willful misconduct, the Agent and the Co-Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Agent and conforming to the requirements of any Credit Document. The Agent or the Co-Agent may consult with counsel satisfactory to it (including counsel for the Borrower), independent public accountants and other experts selected by it and the advice of such counsel, accountants or experts shall be full and complete authorization and protection in respect of, and neither the Agent nor the Co-Agent shall be liable for any action taken or omitted or suffered by it in accordance with, such advice. Whenever in connection with the performance of its duties and responsibilities under the Credit Documents the Agent or the Co-Agent shall deem it necessary or desirable that a matter be proved or established in connection with the taking, suffering or omitting of any action hereunder or under any Credit Document by the Agent or the Co-Agent, such matter (unless other evidence in respect thereof is specifically prescribed herein or in the relevant Credit Document) may be deemed to be conclusively proved or established by a certificate of an officer of the appropriate party, and such certificate shall be full warranty to the Agent and the Co-Agent for any action taken, suffered or omitted in reliance thereon.

11.7 INDEMNIFICATION. To the extent the Agent or the Co-Agent is not reimbursed and indemnified by or on behalf of the Borrowers, the Lenders will reimburse and indemnify the Agent and the Co-Agent, in proportion to their respective initial Commitments, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including counsel fees and expenses) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent or the Co-Agent in performing its duties hereunder or under any other Credit Document or in any way relating to or arising out of this Agreement or any other Credit Document; PROVIDED that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, finally determined by a court of competent jurisdiction and not subject to any appeal resulting from the Agent's or the Co-Agent's, as the case may be, gross negligence or willful misconduct.

11.8 THE AGENT AND CO-AGENT IN THEIR INDIVIDUAL CAPACITIES. With respect to its obligations to make Loans under this Agreement, and with respect to the Loans made by it and the Note issued to it, each of the Agent and the Co-Agent shall have the same rights and powers as any other Lender or holder of a Note and may exercise the same as though it were not performing the duties specified herein; and the term "Lenders," "Required Lenders," "holders of Notes," or any similar terms shall, unless the context clearly otherwise indicates, include the Agent and the Co-Agent in their respective individual capacities. The Agent and the Co-Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust, financial advisory or other business with the Company, the Borrowers or any of their respective Subsidiaries or any Affiliate of the Company, the Borrowers or any
of their respective Subsidiaries as if it were not performing the duties specified herein, and may accept fees and other consideration from the Company, the Borrowers for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

11.9 HOLDERS. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Agent. Any request, authority or consent of any Person or entity who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee, assignee or endorsee, as the case may be, of such Note or of any Note(s) issued in exchange therefor.

11.10 SUCCESSOR AGENTS. (a) The Agent may resign from the performance of all its functions and duties hereunder and/or under the other Credit Documents at any time by giving five Business Days' prior written notice to the Borrowers, the Co-Agent and the Lenders or may be removed, with or without cause, by the Required Lenders and, so long as no Default or Event of Default has occurred and is continuing, the consent of the Compa-
successor Agent as provided above.

(e) Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal, as the case may be, hereunder as Agent, the provisions of this Section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

Section 12. MISCELLANEOUS.

12.1 PAYMENT OF EXPENSES, ETC. The Borrowers shall jointly and severally, without duplication of any amounts the Company has paid under the terms of the Company Credit Agreement or any other Credit Document: (i) (A) whether or not the transactions hereby contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Agent actually incurred in connection with the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of the Agent, the Co-Agent and the Lenders with respect thereto) of, and in connection with the preparation, execution and delivery of, the Credit Documents and the documents and instruments referred to therein (including, without limitation, the reasonable fees and disbursements of Skadden, Arps, Slate, Meagher & Flom) and (B) pay all reasonable out-of-pocket costs and expenses of the Agent and each Lender actually incurred in connection with the preservation of rights under, and enforcement of, and, after an Event of Default, any refinancing, renegotiation or restructuring of the Credit Documents and the documents and instruments referred to therein and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of counsel for the Agent and the Lenders); (ii) pay and hold each of the Lenders harmless from and against any and all present and future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder (without duplication of Section 4.4) or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any of the other Credit Documents and save each Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission by the Borrowers or any of their Subsidiaries to pay any such taxes, charges or levies; and (iii) indemnify the Agent, the Co-Agent and each Lender, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all costs, losses, liabilities, claims, damages or expenses actually incurred by any of them (whether or not any of them is designated a party thereto) arising out of or by reason of any investigation, litigation or other proceeding related to any actual or proposed use by any Borrower or any Subsidiary of such Borrower of the proceeds of any Loan or to any Credit Document or any Transaction or other transaction contemplated hereby or thereby, including, without limitation, the reasonable fees and disbursements of counsel actually incurred in connection with any such investigation, litigation or other proceeding. Notwithstanding anything in this Agreement to the contrary, the Borrowers shall not be responsible to the Agent, the Co-Agent, the Lenders or any officer, director, employee, representative or agent of the foregoing (an "Indemnified Party") for any losses, damages, liabilities or expenses which result from such Indemnified Party's gross negligence or willful misconduct. It is understood that the Borrowers shall not, in connection with any single action, suit, proceeding or claim or separate but substantially similar or related actions, suits, proceedings or claims, arising out of the same general allegations or circumstances, be
liable for the fees and expenses of more than one separate firm of attorneys at the same time for the Indemnified Parties (which firm shall be designated by the Agent) except that, if any Indemnified Party other than the Agent shall determine, in its sole discretion, that there may be a conflict in such firm representing the Agent and such Indemnified Party, then the Borrower shall be liable for the reasonable fees and expenses of an additional firm for such Indemnified Party whose interests may be in conflict. Each Borrower's obligations under this Section 12.1 shall survive any termination of this Agreement or any other Credit Document.

12.2 RIGHT OF SETOFF. In addition to and not in limitation of all rights of offset that any Lender or other holder of a Note may have under applicable law, each Lender or other holder of a Note shall, subject to Section 1.13, upon the occurrence of any Event of Default and whether or not such Lender or such holder has made any demand or any Borrower's obligations are matured, have the right to appropriate and apply to the payment of the Obligations, all deposits (general or special, time or demand, provisional or final) then or thereafter held by and other indebtedness or property then or thereafter owing by such Lender or other holder, whether or not related to this Agreement or any transaction hereunder.

12.3 NOTICES. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telex or telexcopier) and mailed, telexed, telexcopied or delivered, if to any party, at its address specified opposite its signature below or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall, when mailed, telexed, telexcopied, or sent by reputable overnight courier, be effective (i) when received or (ii) three Business Days after being deposited, postage prepaid, in the mails, the Business Day following delivery, freight prepaid, to an overnight courier or the same Business Day of transmission by telex or telexcopier, whichever of (i) or (ii) shall be earlier, except that notices and communications to the Agent shall not be effective until received by the Agent.

12.4 BENEFIT OF AGREEMENT; LIMITATION ON RIGHTS OF OTHERS. (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective permitted successors and assigns; PROVIDED that the Borrowers may not assign or transfer any of their respective interests or obligations hereunder without the prior written consent of the Lenders. Nothing in this Agreement (except for the proviso to the last sentence of Section 12.21), whether express or implied, shall be construed to give to any Person other than the Company, the Borrowers, the Lenders, the Agent, the Co-Agent, the Collateral Agent and their respective successors and permitted assigns any legal or equitable right, remedy or claim under or in respect of this Agreement or any commitments, covenants, conditions or other provisions contained herein, and the same shall be for the sole and exclusive benefit of the Company, the Borrowers, the Lenders, the Agent, the Co-Agent, the Collateral Agent and their respective successors and permitted assigns, as the case may be.

(b) Each Lender shall have the right at any time, upon the Agent's, each L/C Bank's and the Company's, on behalf of the Borrowers, consent (which consents shall not be unreasonably withheld), to assign all or any part of its Loans, Notes, Commitments or Subsidiary Letter of Credit Exposure to one or more Lenders or other commercial banks, insurance companies, savings and loan associations, savings banks or other financial institutions; PROVIDED that any assignment shall represent an aggregate principal amount of not less than
$1,000,000 of Commitments, Loans, Notes and Subsidiary Letter of Credit Exposure in the case of any such assignment to another Lender and not less than $5,000,000 in the case of any other such assignment; PROVIDED FURTHER, that if such assigning Lender has Loans and a Commitment outstanding in an amount less than that required for any such assignment, such assignment may be made in the entire amount of such Loans and Commitments; and; PROVIDED FURTHER, that the limitations on assignments and participations in this Section 12.4 and on participations in clause (c) below shall not, nor shall they be deemed to, apply to, limit or modify in any way, the obligations of each Lender to purchase assignments or participations, as the case may be, in each other's Loans, Notes, Subsidiary Letter of Credit Exposure and Commitments pursuant to Section 1.13 and 2.4. In the case of any assignment of all or part of the Loans, the Notes, Commitments or Subsidiary Letter of Credit Exposure authorized under this Section 12.4(b), the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as it would if it were a Lender with respect to such Loans, Notes, Commitments, or Subsidiary Letter of Credit Exposure, including, without limitation, (x) the right to vote as a Lender, and (y) the obligation to fund Loans directly to the Agent pursuant to Section 1 or issue Subsidiary Letters of Credit or purchase participations therein pursuant to Section 2 and, provided the assignee thereunder has assumed such assigning Lender's obligations hereunder and provided the Agent shall have received the processing fee from the assignor Lender referred to in Section 12.4(f) of the Company Credit Agreement, such assigning Lender shall be relieved of its obligations hereunder to the extent of such assignment and assumption.

(c) Notwithstanding Section 12.4(b), each Lender may grant participations in all or any part of its Loans, Notes, Commitment or Subsidiary Letter of Credit Exposure to one or more commercial banks, insurance companies, savings and loan associations, savings banks or other financial institutions, pension funds or mutual funds; PROVIDED that: (i) any such disposition shall not, without the consent of the Company on behalf of the Borrowers, require the Borrowers to file a registration statement with the SEC or under the blue sky law of any state; (ii) the holder of any such participation, other than an Affiliate of such Lender, shall be entitled to require such Lender to take or omit to take any action hereunder except action directly affecting the extension of the final maturity of the principal amount of, or any payment date for interest on, a Loan allocated to such participation or the reduction in the principal amount of, or the rate of interest payable on, the Loans or postponing any date fixed for any payment in respect of principal of a Loan (including, without limitation, any date on which mandatory prepayments under Section 4.2 are due), allocated to such participation or the reduction in the principal amount of, or the rate of interest payable on, such Loan or any fee payable hereunder, (iii) such Lender shall require the holder of any such participation to agree in writing to comply with the provisions of Section 12.17; (iv) the Borrowers shall not incur any additional costs or expenses solely as a result of such grant of a participation; and (v) the Lender selling such participation shall be able at any time such Lender is to be replaced pursuant to Section 1.15 to repurchase such participation. Each Borrower hereby acknowledges and agrees that any such disposition will give rise to a direct obligation of the Borrowers to the participant, and the participant shall be considered to be a "Lender" for purposes of Sections 1.10, 1.11, 1.12, 1.13, 7.1 and 12.2, and shall be entitled to the benefits thereto to the extent that such Lender selling such participation would be entitled to such benefits if the participation had not been entered into or sold.

(d) Notwithstanding the foregoing provisions of this Section 12.4, (i) each Lender may, at any time sell, assign, transfer or negotiate all or any part of its Loans, Commitment, Notes or Subsidiary Letter of Credit Exposure to any Affiliate of such Lender; PROVIDED that such Affiliate will not be treated as a "Lender" for purposes of Section 4.4 or 12.12 hereof (unless such assignment is made in accordance with Section 12.4(b)) but shall be treated as a "Lender" for purposes of Sections 1.10, 1.11, 1.12, 1.13, 7.1 and 12.2; PROVIDED FURTHER that the Borrowers shall not incur any additional expenses as a result of such sale, assignment, transfer or negotiation; and (ii) no Lender may assign or grant a
participation in its Loans, Subsidiary Letter of Credit Exposure or Commitment unless it is assigning or granting a participation, on a PRO RATA basis, in its Company Credit Extensions and such Lender's Revolving Loan Com-

mitment under and as defined in the Company Credit Agreement.

(e) For transfers effected by assignment of an interest in the Loans, Notes, Commitments and Subsidiary Letter of Credit Exposure, the transferor and the transferee shall deliver to the Borrowers and the Agent, a transfer supplement (a "Transfer Supplement") executed by an officer of each of the transferor and the transferee in the form of Exhibit G. Such Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such transferee as a Lender and the resulting adjustment of the Loans, the Notes, and the Commitments or Subsidiary Letter of Credit Exposure arising from the purchase by such transferee (and such amendment shall not require the consent of any Person). Promptly after the consummation of any transfer to a transferee pursuant hereto, the Lender, the Agent and the Borrowers shall make appropriate arrangements so that replacement Notes are issued to such Lender and new Notes are issued to such transferee, in each case in principal amounts reflecting such transfer.

(f) Notwithstanding any other provision set forth in this Agreement to the contrary, any Lender may at any time and from time to time pledge as collateral for advances, assign or endorse for discount, or otherwise transfer all or any portion of its rights under this Agreement and its Note to any Federal Reserve Bank pursuant to the Federal Reserve Act and related regulations of the Board of Governors of the Federal Reserve System (as such act or regulations are then or thereafter in effect or any successor act or regulations), as well as any applicable operating circular or other requirements of such Board of Governors or Federal Reserve Bank (as then or thereafter in effect). Any Federal Reserve Bank may at any time and from time to time subsequently transfer all or any portion of the rights acquired by such Lender pursuant to this subsection to any Person. No such pledge, assignment, endorsement or other transfer shall have the effect of releasing the Agent, any Lender or the Company from its respective obligations or conferring any obligations on the pledgee, assignee, endorsee or transferee, as the case may be, under this Agreement or the Note. The requirements of subsections (b), (c), (d) and (e) of this Section 12.4 shall be deemed inapplic-

cable to pledges, assignments, endorsements or other transfers permitted by this subsection.

(g) If, pursuant to this subsection, any interest in this Agreement or any Note is transferred to any assignee which is organized under the laws of any jurisdiction other than the United States or any state thereof, or the District of Columbia, the transferor Lender shall cause such assignee concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Agent and the Borrowers) that it is either (A) entitled to the benefits of an income tax treaty with the United States which provides for an exemption from United States withholding tax on interest and other payments which may be made by the Borrowers to such Lender pursuant to the terms of this Agreement or any other Credit Document; or (B) is engaged in trade or business within the United States, (ii) to furnish to the transferor Lender, the Agent and the Borrowers either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such assignee claims entitlement to complete exemption from U.S. federal withholding tax on all payments hereunder), and (iii) to agree (for the benefit of the transferor Lender, the Agent and the Borrowers) to provide to the transferor Lender, the Agent and the Borrowers a new Form 4224 or Form 1001 upon the obsolescence of any previously delivered form and comparable statements in accordance with
applicable U.S. laws and regulations and amendments duly executed and completed by such assignee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(h) Each Lender represents and warrants to the Borrowers and the Agent that it is either (A) a United States person (as defined in Section 7701(a)(30) of the Code); (B) entitled to the benefits of an income tax treaty with the United States which provides for an exemption from United States withholding tax on interest and other payments which may be made by the Borrowers to such Lender pursuant to the terms of this Agreement or any other Credit Document; or (C) engaged in trade or business within the United States. Each Lender that is organized under the laws of any jurisdiction other than the United States or any State thereof (including the District of Columbia) agrees to furnish to the Agent and the Borrowers, prior to the date of the first interest payment hereunder, two copies of either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Lender claims entitlement to complete exemption from U.S. federal withholding tax on all payments hereunder) and to provide to the Agent and the Borrowers a new Form 4224 or Form 1001 (or, if necessary, any successor forms) upon the obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such Lender, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemptions. Notwithstanding any other provisions of this Agreement, the representations, warranties and obligations of the Lenders set forth in Section 12.4(g) and this Section 12.4(h) shall survive the termination of the Lenders' Commitments, the borrowing of the Loans and the assignment, sale, repayment or other disposition of the Loans or any interest therein.

(i) Except pursuant to an assignment, but only to the extent set forth in such assignment, no Lender shall, as between the Borrowers and that Lender, be relieved of any of its obligations hereunder as a result of any sale, transfer or negotiation of, or granting of participations in, all or any part of the Commitment, Loans, Notes or Subsidiary Letter of Credit Exposure of that Lender or other obligations owed to such Lender.

12.5 NO WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of the Agent, the Co-Agent, the Collateral Agent or any Lender or any holder of a Note in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between any Borrower and the Agent, the Co-Agent, the Collateral Agent or any Lender or the holder of any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Agent, the Co-Agent, the Collateral Agent or any Lender or the holder of any Note would otherwise have. No notice to or demand on any Borrower in any case shall entitle any Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agent, the Co-Agent, the Collateral Agent, the Lenders or the holder of any Note to any other or further action in any circumstances without notice or demand.

12.6 PAYMENTS PRO RATA. (a) The Agent agrees that upon receipt of each payment from or on behalf of a Borrower in respect of any Obligations of such Borrower hereunder, it shall promptly thereafter (on the same day if such payment was received by the Agent prior to 11:00 A.M. (New
York, New York time) or on the next Business Day if received thereafter.

(b) Each of the Lenders agrees, for the benefit of all other Lenders, that if, at any time following the acceleration of any of the Obligations, it should receive any amount payable under any Credit Document (including without limitation any voluntary payment, by realization upon security, exercise of the right of setoff or banker’s lien, counterclaim or cross action, the enforcement of any right under the Credit Documents, including without limitation the Company Credit Agreement or otherwise) which is applicable to the payment of any of the Obligations, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of the Obligations then owed and due to such Lender bears to the total of the Obligations then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations of the Company and each Borrower, as the case may be, to such Lenders in such amount as shall result in a proportional participation by all of the Lenders in such amount; PROVIDED that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. Each of the Lenders hereby agrees that by accepting the benefits of Section 12.6(b) of the Company Credit Agreement it shall be bound by the terms of said Section.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 12.6(a) and (b) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders.

12.7 CALCULATIONS; COMPUTATIONS. (a) All financial statements to be furnished to the Lenders pursuant hereto shall be made and prepared in accordance with GAAP, except as otherwise provided herein or in the Company Credit Agreement. All accounting terms not specifically defined herein or in the Company Credit Agreement shall be construed in accordance with GAAP and all financial calculations to be made hereunder shall be made on the basis of and in accordance with GAAP, except as otherwise provided herein or in the Company Credit Agreement.

(b) All determinations of interest and other fees hereunder shall be made on the basis of the actual number of days elapsed (including the first day but excluding the last day) over a year of 360 days. Each such determination by the Agent of an interest rate or amount of other fees or amounts hereunder shall, except in the case of manifest error, be final, conclusive and binding for all purposes.

(c) The Agent shall maintain records of all Borrowings and all payments received by the Agent in respect of Obligations; PROVIDED that the Agent shall not be liable in any manner to any Lender, any Borrower or the Company for any error or omissions in respect of such records.

12.8 GOVERNING LAW; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES THEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT
TO THE CONFLICT OF LAW PRINCIPLES THEREOF).  ANY LEGAL ACTION OR PROCEEDING
WITH RESPECT TO THIS AGREEMENT, ANY OTHER CREDIT DOCUMENT OR ANY DOCUMENT
RELATED THERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF
THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY
EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH BORROWER HEREBY CONSENTS, FOR
ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE AFORESAID
COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE RIGHTS OF THE
AGENT, THE CO-AGENT AND THE LENDERS WITH RESPECT TO THIS AGREEMENT, ANY OTHER
CREDIT DOCUMENT OR ANY DOCUMENT RELATED THERETO.  EACH BORROWER HEREBY
IREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY, NEW
YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND AGENT OF SUCH BORROWER TO
RECEIVE, FOR AND ON BEHALF OF SUCH BORROWER, SERVICE OF PROCESS IN SUCH
JURISDICTIONS IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS
AGREEMENT, ANY OTHER CREDIT DOCUMENT, OR ANY DOCUMENT RELATED THERETO AND SUCH
SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COMPLETED
TEN DAYS AFTER DELIVERY THEREOF TO SAID AGENT.  IT IS UNDERSTOOD THAT A COPY
OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARDED BY MAIL TO
EACH BORROWER AT ITS ADDRESS SET FORTH OPPOSITE ITS SIGNATURE BELOW, BUT THE
FAILURE OF SUCH BORROWER TO RECEIVE SUCH COPY SHALL NOT, TO THE EXTENT
PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS.
EACH BORROWER HEREBY IREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE
LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING
OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY
NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH
RESPECTIVE JURISDICTIONS IN RESPECT OF THIS AGREEMENT, ANY OTHER CREDIT
DOCUMENT OR ANY DOCUMENT RELATED THERETO.  NOTHING HEREIN SHALL AFFECT THE
RIGHT OF THE AGENT, THE CO-AGENT, ANY LENDER OR ANY HOLDER OF A NOTE TO SERVE
PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS
OR OTHERWISE PROCEED AGAINST A BORROWER IN ANY OTHER JURISDICTION.

12.9 COUNTERPARTS. This Agreement may be executed in any
number of counterparts and by the different parties hereto on separate
counterparts, each of which when so executed and delivered shall be an
original, but all of which shall together constitute one and the same
instrument. A complete set of counterparts

shall be lodged with the Borrowers, the Co-Agent and the Agent.

12.10 EFFECTIVENESS; FUNDING OF MASTER TRANSFER SUPPLEMENT.
(a) This Agreement shall become effective on the later of (i) the date (the
"Execution Date") on which each Borrower, the Company, the Co-Agent, the Agent
and each Lender shall have signed a counterpart of the Master Transfer
Supplement and this Agreement, as applicable (whether the same or different
counterparts), and shall have delivered the same to the Agent or, in the case
of the Lenders, shall have given to the Agent telephonic (confirmed in
writing), written or telex notice (actually received) that the same has been
signed and mailed to it, and (ii) the date on which the conditions contained
in Sections 5 and 12.10(b) are met to the satisfaction of the Agent and the
Required Lenders. Unless the Agent has received actual notice from any Lender
that the conditions contained in Section 5 have not been met to its
satisfaction, then, upon the satisfaction of the condition described in clause
(i) of the immediately preceding sentence and upon the Agent's good faith
determination that the conditions described in clause (ii) of the immediately
preceding sentence have been met, then the Existing Subsidiary Credit
Agreement Restructuring and the amendment and restatement of the Existing
Subsidiary Credit Agreement set forth herein shall have been deemed to have
occurred, regardless of any subsequent determination that one or more of the
conditions thereto had not been met (although the occurrence of the Existing
Subsidiary Credit Agreement Restructuring and the amendment and restatement
of the Existing Subsidiary Credit Agreement set forth herein shall not release
any Borrower from any liability for failure to satisfy one or more of the
applicable conditions contained in Section 5). The Agent will give the
Company, the Co-Agent and each Lender prompt written notice of the occurrence
of the consummation of the Existing Subsidiary Credit Agreement Restructuring.
(b) On the date specified in the initial Notice of Borrowing for the initial borrowing of Loans, each Lender shall have delivered to the Agent for the account of the Existing Lenders that are party to the Master Transfer Supplement, as transferors, an amount equal to (i) in the case of each New Lender, the Existing Loans (under and as defined in each of the Company Credit Agreement and this Agreement), to be purchased by such New Lender on such date pursuant to the Master Transfer Supplement, and (ii) in the case of each Continuing Lender, the amount, if any, by which Existing Loans to be purchased by such Continuing Lender on such date pursuant to the Master Transfer Supplement exceed the amount of all of such Continuing Lender's Existing Loans outstanding on such date before giving effect to any of the Transactions. Notwithstanding anything to the contrary contained in this Section 12.10(b), in satisfying the foregoing condition, unless the Agent shall have been notified by any Lender prior to the occurrence of such date that such Lender does not intend to make available to the Agent such Lender's share of the purchase price for the Existing Loans (under and as defined in each of the Company Credit Agreement and this Agreement) required to be paid by such Lender on such date pursuant to the Master Transfer Supplement, then the Agent may, in reliance on such assumption, make available to the Existing Lenders the corresponding amounts in accordance with the provisions of the Master Transfer Supplement, and the making available by the Agent of such amounts shall satisfy the condition contained in this Section 12.10(b).

12.11 HEADINGS DESCRIPTIVE. The headings of the several sections and subsections of this Agreement and the Table of Contents are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

12.12 AMENDMENT OR WAIVER. (a) No amendment or waiver of any provision of this Agreement or the other Credit Documents, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED that no amendment, waiver or consent shall, unless in writing and signed by all the Non-Defaulting Lenders, do any of the following: (i) waive any of the conditions specified in Section 5.1, (ii) increase the Commitments of the Lenders or subject the Lenders to any additional monetary obligations (including, without limitation, extending the periods of the Commitments during which the Lenders are obligated to make Loans), (iii) reduce the principal of, or interest on, the Loans outstanding or any fees hereunder, (iv) postpone any date fixed for any payment in respect of principal of, or interest on, the Loans or any fees hereunder (including, without limitation, any date on which mandatory prepayments under Section 4.2 are due), (v) change the percentage of the Commitments or the aggregate unpaid principal amount of the Notes, or the number or identity of Lenders, which shall be required for the Lenders or any of them to take any action hereunder, (vi) amend or waive this Section 12.12 or any of Sections 1.10, 1.11, 1.12, 1.13, 4.4, 9.1 and 12.1 or the definitions of any terms used in such Sections, or (vii) release all or substantially all of the guarantors from their obligations under the Subsidiary Guaranty, release the Company from its obligations under the Company Guaranty or release all or substantially all of the Collateral under the Security Documents; PROVIDED FURTHER that, notwithstanding the foregoing, any Lender may agree to reduce or postpone the due date of any amounts (other than principal of, and interest on, Loans and fees) payable to it hereunder by the Borrowers; and, PROVIDED FURTHER, that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required hereinafore to take such action, affect the rights or duties of the Agent under this Agreement or
any Credit Document. For purposes hereof, the "Loans", shall include, without
duplication, the Subsidiary Letter of Credit Outstandings and the Company Credit
Extensions.

(b) Each Lender, the Agent and the Co-Agent hereby authorizes
the Collateral Agent to (i) release any Restricted Subsidiary from its
obligation under the Subsidiary Guaranty if all of the capital stock of such
Restricted Subsidiary that is owned by the Company or any of its other
Restricted Subsidiaries is disposed of by the Company and/or such Restricted
Subsidiary pursuant to any Asset Sale which is consented to by the Required
Lenders or is otherwise permitted hereby; PROVIDED that prior to or
simultaneously with such release such Restricted Subsidiary is released from
its guaranty, if any, of each and any Permitted Subordinated Indebtedness; and
(ii) release any Collateral under any Security Document to the extent such
Collateral (A) is disposed of by the Company or any of its Subsidiaries
pursuant to an Asset Sale consented to by the Required Lenders or otherwise
permitted by the Company Credit Agreement, (B) is owned by a guarantor that is
released from the Subsidiary

Guaranty pursuant to clause (i), or (C) is otherwise expressly required to be
released pursuant to any provision of the Credit Documents.

(c) The Lenders and the Borrowers agree that, from time to
time, the Company and the Borrowers may designate other Domestic Guarantors
which are Significant Subsidiaries to become Borrowers hereunder. Upon
execution of a Supplement and the satisfaction of the conditions in Section
5.3, such Domestic Guarantor shall become a "Borrower" hereunder. Each
Supplemental Borrower will execute and deliver to each Lender a Note in a
principal amount equal to the amount of such Lender's Commitment. Each
Supplement shall become effective upon the written acknowledgement of receipt
thereof by the Agent. Notwithstanding the provisions of Section 1.2, the
minimum amount of the initial Borrowing hereunder by each Domestic Guarantor
which becomes a Borrower hereunder after the date hereof shall be $1,000,000
and shall be made without regard to integral multiples.

12.13 SURVIVAL. All indemnities set forth herein including,
without limitation, in Sections 1.10, 1.11, 2.5, 4.4, 11.6 and 12.1 shall
survive the execution and delivery of this Agreement and the Notes and the
making and repayment of the Loans hereunder.

12.14 DOMICILE OF LOANS. Subject to the provisions of
Section 1.14 hereof, each Lender may make, transfer or carry its Loans at, to
or for the account of any branch office, subsidiary or affiliate of such
Lender.

12.15 INDEPENDENT NATURE OF LENDERS' RIGHTS. The amounts
payable at any time hereunder to each Lender shall be a separate and
independent debt, and each Lender shall be entitled to protect and enforce its
rights arising out of this Agreement, and it shall not be necessary for any
other Lender to be joined as an additional party in any proceeding for such
purpose.

12.16 INDEPENDENCE OF COVENANTS. All covenants hereunder
shall be given independent effect so that if a particular action or condition
is not permitted by any of such covenants, the fact that it would be permitted
by an exception to, or be otherwise within the limitations of, another
co

rence of a Default or Event of Default if such action is taken or condition
exists.
12.17 CONFIDENTIALITY. Subject to Section 12.4(c), the Lenders shall hold all non-public information, which has been identified as such by the Borrowers, obtained in connection with or pursuant to the negotiation, preparation or requirements of this Agreement or any of the Credit Documents in accordance with the customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event, subject to Section 12.4(c), may make any disclosure reasonably required by any bona fide transferee or participant in connection with the contemplated transfer of any Commitment, Note, Loan or rights and obligations in respect of any Subsidiary Letter of Credit or participation therein so long as any such contemplated assignee or participant has agreed in writing (with a copy to the Company on behalf of the Borrowers) to be bound by the provisions of this Section 12.17 or as required by any governmental agency or representative thereof or pursuant to legal process; PROVIDED that, unless specifically prohibited by applicable law or court order, each Lender shall notify the Borrowers, through the Company, of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) for disclosure of any such non-public information prior to disclosure of such information; and PROVIDED, FURTHER, that in no event shall any Lender be obligated or required to return any materials furnished by the Borrowers or any of their respective Subsidiaries.

12.18 PERFORMANCE OF OBLIGATIONS. Each Borrower agrees that the Agent, upon the direction of the Required Lenders may, but shall have no obligation to, make any payment or perform any act required of such Borrower under the Credit Documents or any of them, or take any other action which such party in its reasonable discretion deems necessary or desirable to protect or preserve the Collateral, including, without limitation, any action to (i) pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against any Collateral and (ii) effect any repairs or obtain any insurance called for by the terms of any of the Credit Documents and to pay all or any part of the premiums therefor and the costs thereof. Each Borrower hereby agrees on a joint and several basis to pay, on demand, to the Agent (i) any and all sums incurred by the Agent pursuant to this Section 12.18 and (ii) interest on all such sums (A) prior to the occurrence of an Event of Default, at the rate provided for in Section 1.8(a) for Loans that are Base Rate Loans and (B) upon the occurrence and during the continuance of an Event of Default, at the highest rate provided for in Section 1.8(d) hereof for such type of Loans, in each case, during the period beginning on the date on which each such sum is paid by the Agent and ending on the date on which the Agent actually receives payment therefor.

12.19 COLLATERAL. It is the intention and understanding of each of the parties hereto that the payment and performance in full of the Obligations shall be secured by the Collateral. Reference is hereby made to all of the Security Documents for a statement of the terms and provisions thereof and for a complete description of the Collateral.

12.20 WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE BORROWERS, THE AGENT, THE CO-AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR ANY MATTER ARISING HEREUNDER OR THEREUNDER.

12.21 CERTAIN PROVISIONS CONCERNING EXISTING SUBSIDIARY COMPANY CREDIT AGREEMENT RESTRUCTURING. (a) On and as of the occurrence of the Closing Date in accordance with Section 12.10 hereof, each New Lender shall become a "Lender" under, and for all purposes of, this Agreement and the other Credit Documents.

(b) The parties hereto acknowledge that no Existing Lender is obligated to enter into the Master Transfer Supplement, as a transferee, or to become a Continuing Lender. By their execution and delivery hereof, the Borrowers and the Required Lenders (under and as defined in the Existing
Subsidiary Credit Agreement after giving effect to the assignments contemplated by the Master Transfer Supplement) hereby consent to (i) the voluntary repayment by the Borrowers on the Closing Date of all outstanding Existing Loans of the Non-Continuing Lenders that do not become parties to the Master Transfer Supplement, as transferors, (ii) the voluntary termination by the Borrowers on the Closing Date of the Existing Commitments of each such Non-Continuing Lender, (iii) the amendment, restatement, consolidation and increase or decrease, as the case may be, of each Continuing Lender's Existing Commitments pursuant to Section 1.1(a) hereof, (iv) the amendment and restatement of the Existing Subsidiary Credit Agreement as set forth herein, in each case to be effective on, and contemporaneously with the occurrence of, the Closing Date, and (v) the termination of the Existing Intercreditor Agreement (other than the provisions thereof appointing BTO as Collateral Agent and the provisions thereof which expressly survive the termination of such agreement); in each case to be effective on, and contemporaneously with the occurrence of, the Closing Date.

(c) Notwithstanding anything to the contrary contained in the Existing Subsidiary Agreement or any Credit Document as in effect immediately prior to the Closing Date, each Borrower, the Agent, the Co-Agent, the Collateral Agent and each of the Lenders hereby agree that effective as of the Closing Date, (i) the Existing Intercreditor Agreement, other than the appointment therein of BTO as Collateral Agent and the provisions thereof that expressly survive the termination of such agreement, shall be terminated, and (ii) the Existing Commitment of each Non-Continuing Lender that does not become a party to the Master Transfer Supplement, as a transferee, shall be terminated, and such Non-Continuing Lender shall no longer constitute a "Lender" under this Agreement and the other Credit Documents; PROVIDED that all indemnities of the Credit Parties under the Existing Subsidiary Credit Agreement, the Original Subsidiary Credit Agreement and the other Credit Documents (as in effect immediately prior to the Closing Date) for the benefit of such Existing Lender shall survive in accordance with the terms thereof for the benefit of such Existing Lender.

12.22 ENTIRE AGREEMENT. This Agreement, and the Notes, Security Documents, and other instruments and documents executed and delivered in connection herewith and therewith, constitute the entire understanding between the parties hereto with respect to the transactions contemplated hereby, and, except to the extent specified to the contrary below, all prior agreements, understandings, representations and statements with respect to such transactions are, as of the Closing Date, merged with and into this Agreement and the other Credit Documents. Notwithstanding the foregoing, indemnification obligations of the Borrowers under Section 12.01 of the Existing Subsidiary Credit Agreement and the Original Subsidiary Credit Agreement shall survive the execution and effectiveness of this Agreement and, in the case of the Agent, the Collateral Agent and the Continuing Lenders, shall be deemed to be Obligations hereunder.

12.23 COMPANY ACTIONS. All actions which may be taken by the Borrowers may be taken by the Company on behalf of the Borrowers.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Second Amended and Restated
Subsidiary Credit Agreement as of the date first above written.

ADDRESS:

BORROWERS:

577 Mulberry Street  
Macon, Georgia 31298

Attn:  Charlotte A. Sanford  
Treasurer

By___________________________
Charlotte A. Sanford, in her  
capacity as Treasurer for the  
corporations listed on Annex I  
hereto

LENDER PARTIES:

AGENT:

280 Park Avenue  
New York, NY 10017
Attn:  Michael Shraga,  
Managing Director;

with copies to:

Bankers Trust Company  
130 Liberty Street  
30th Floor  
New York, New York  10006
Attn:  Mary Kay Coyle,  
Vice President

CO-AGENT:

First Union National Plaza  
301 S.College St.  
Charlotte, NC 28288

FIRST UNION NATIONAL BANK OF  
NORTH CAROLINA, Individually  
and as Co-Agent

By___________________________

LEAD MANAGERS:

1230 Peachtree Street  
Suite 3600  
Atlanta, GA 30309

BANK OF AMERICA NATIONAL  
TRUST AND SAVINGS ASSOCIATION

By___________________________

75 Wall Street  
New York, NY 10005-2889

DRESNDER BANK AG, New York  
Branch and Grand Caymen Branch

By___________________________

By___________________________

By___________________________

By___________________________
Annex I to
Second Amended and Restated
Subsidiary Credit Agreement

BORROWERS

I. LETTERS OF CREDIT

Charter Behavioral Health System of New Mexico, Inc. (formerly known as
Charter Hospital of Albuquerque, Inc.)

Charter Behavioral Health System of Charleston, Inc. (formerly known as
Charter Hospital of Charleston, Inc.)

Charter Behavioral Health System of Northwest Arkansas, Inc. (formerly known as
Charter Vista Hospital, Inc.)

Charter Behavioral Health System of Central Georgia, Inc. (formerly known as
Charter Lake Hospital, Inc.)

Charter Fairmont Behavioral Health System, Inc. (formerly known as Charter
Fairmount Institute, Inc.)

Charter Forest Behavioral Health System, Inc. (formerly known as Charter
Forest Hospital, Inc.)

Charter Hospital of St. Louis, Inc. (Greenville)

Charter Palms Behavioral Health System, Inc. (formerly known as Charter Palms
Hospital, Inc.)

Charter Plains Behavioral Health System, Inc. (formerly known as Charter
Plains Hospital, Inc.)

Charter Ridge Behavioral Health System, Inc. (formerly known as Charter Ridge
Hospital, Inc.)

Charter Rivers Behavioral Health System, Inc. (formerly known as Charter
Rivers Hospital, Inc.)

Charter Springs Behavioral Health System, Inc. (formerly known as Charter
Springs Hospital, Inc.)

CMSF, Inc. (Glade)

II. SUBSIDIARY LOANS
Charter Behavioral Health System of Northern California, Inc. (formerly known as Charter Hospital of Sacramento, Inc.)

Charter Behavioral Health System of Northwest Indiana, Inc. (formerly known as Charter Medical - Lake County, Inc.)

Charter Hospital of St. Louis, Inc. (Orlando South)

Charter San Diego Behavioral Health System, Inc. (formerly known as Charter Hospital of San Diego, Inc.)

Charter Lakeside Behavioral Health System, Inc. (formerly known as Charter Lakeside Hospital, Inc.)

Charter Mission Viejo Behavioral Health System, Inc. (formerly known as Charter Mission Viejo, Inc.)

Charter Indianapolis Behavioral Health System, Inc. (formerly known as Charter Medical - Marion County, Inc.)

Charter South Bend Behavioral Health System, Inc. (formerly known as Charter Medical - St. Joseph County, Inc.)

Charter Terre Haute Behavioral Health System, Inc. (formerly known as Charter Medical - Vigo County, Inc.)

Charter Woods Behavioral Health System, Inc. (formerly known as Charter Woods Hospital, Inc.)

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Annex II to
Second Amended and Restated
Subsidiary Credit Agreement
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SCHEDULE OF COMMITMENTS

<table>
<thead>
<tr>
<th>LENDER'S REVOLVING COMMITMENT</th>
<th>LOAN PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bankers Trust Company</td>
<td>$60,000,000</td>
</tr>
<tr>
<td>First Union National Bank</td>
<td>55,000,000</td>
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<td>of North Carolina</td>
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<tr>
<td>General Electric Capital Corporation</td>
<td>50,000,000</td>
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<tr>
<td>Bank of America National Trust and Savings Association</td>
<td>45,000,000</td>
</tr>
<tr>
<td>Dresdner Bank AG, New York Branch and Grand Cayman Branch</td>
<td>45,000,000</td>
</tr>
<tr>
<td>The Mitsubishi Bank, Limited</td>
<td>45,000,000</td>
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<tr>
<td>Total</td>
<td>$300,000,000</td>
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Annex III to
Second Amended and Restated
Subsidiary Credit Agreement

NEW LENDERS

First Union National Bank of North Carolina
SECOND AMENDED AND RESTATED COMPANY STOCK AND NOTES PLEDGE AGREEMENT

SECOND AMENDED AND RESTATED COMPANY STOCK AND NOTES PLEDGE AGREEMENT, dated as of May 2, 1994 (as the same may be amended, modified or supplemented from time to time, this "Agreement"), made by Charter Medical Corporation, a Delaware corporation (the "Company" or the "Pledgor"), to Bankers Trust Company, a New York banking corporation, in its capacity as collateral agent (the "Collateral Agent" or the "Pledgee", and as agent under the Credit Agreements, as hereinafter defined, the "Agent") for the financial institutions from time to time parties to the Credit Agreements (the "Lenders"), First Union National Bank of North Carolina, as co-agent (the "Co-Agent"), and the Agent.

W I T N E S S E T H:

WHEREAS, the parties hereto (or their predecessors) entered into the Company Stock and Notes Pledge dated as of September 1, 1988, as supplemented by Supplement No. 1 dated as of October 4, 1990, which was amended and restated by the Amended and Restated Company Stock and Notes Pledge dated as of July 21, 1992 (the "1992 Company Stock and Notes Pledge"), in favor of the Collateral Agent for the benefit of the Lenders, the Trustee and the Issuing Banks (as such terms are defined in the 1992 Company Stock and Notes Pledge), and now desire to amend and restate such pledge in its entirety; and

WHEREAS, the Company (as successor to WAF Acquisition Corporation, a Delaware corporation), certain of the Lenders, the Agent and Wells Fargo Bank, National Association and Bank of America National Trust and Savings Association, as co-agents (the "Original Co-Agents"), entered into that certain Credit Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Credit Agreement dated as of July 21, 1992 (the "1992 Credit Agreement"), which is being amended and restated by the Second Amended and Restated Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Company Credit Agreement"), pursuant to which certain of the Lenders made certain loans and commitments to the Company, the terms of which are being amended and restated pursuant to the Company Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Company Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Company; and

WHEREAS, the Subsidiary Borrowers, certain of the Lenders, the Agent and the Original Co-Agents entered into a Credit Agreement, dated as of September 1, 1988 which was amended and restated by the Amended and Restated Subsidiary Credit Agreement dated as of July 21, 1992 (the "1992 Subsidiary Credit Agreement"; and, together with the 1992 Company Credit Agreement, the "1992 Credit Agreements"), which is being amended and restated by the Second Amended and Restated Subsidiary Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Subsidiary Credit Agreement"; and, together with the Company Credit Agreement, each a "Credit Agreement" and collectively the "Credit Agreements"), pursuant to which certain of the Lenders made certain loans and commitments to, and participated in certain letters of credit for the benefit of, the Subsidiary Borrowers, the terms of which are being amended and restated pursuant to the Subsidiary Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Subsidiary Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Subsidiary Borrowers; and

WHEREAS, the Company has executed and delivered the Company Guaranty dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Company Guaranty"), pursuant to which the Company agreed to guarantee all of the obligations of each Subsidiary Borrower under the Subsidiary Credit Agreement and the other Credit
WHEREAS, the Lenders have agreed to amend and restate the 1992 Credit
Agreements upon terms and conditions acceptable to the Company and the
Subsidiary Borrowers; and

WHEREAS, it was a condition precedent to the incurrence of loans and
the participation in letters of credit under the 1992 Credit Agreements that the
Pledgor execute and deliver to

the Agent the 1992 Company Stock and Notes Pledge and it is a condition
precedent to the incurrence of loans and issuance of the letters of credit under
the Credit Agreements that the Pledgor execute and deliver to the Collateral
Agent this Agreement; and

WHEREAS, (a) the Senior Secured Notes (as defined in the 1992 Company
Stock and Notes Pledge) have been irrevocably paid in full; (b) each Issuing
Bank has agreed, among other things, that the Reimbursement Agreements (as
defined in the 1992 Company Stock and Notes Pledge) to which it is a party
(other than the Credit Documents to the extent the same could be considered
Reimbursement Agreements) shall no longer be entitled to the security interests
and other benefits of this Agreement; and (c) the Intercreditor Agreement (as
defined in the 1992 Company Stock and Notes Pledge) has been terminated, except
for the appointment by the Lenders of Bankers Trust Company as Collateral Agent,
which appointment has been ratified and confirmed in the Credit Agreements;

NOW, THEREFORE, in consideration of the benefits accruing to the
Pledgor, the receipt and sufficiency of which are hereby acknowledged, the
Pledgor hereby makes the following representations and warranties to the Pledgee
and hereby covenants and agrees with the Pledgee as follows:

1. DEFINITIONS. Except as otherwise defined herein, including in
the recital paragraphs, capitalized terms used herein and defined in the Company
Credit Agreement shall be used herein as so defined.

2. SECURITY FOR OBLIGATIONS ETC. This Agreement is for the benefit
of the Agent, the Co-Agent and the Lenders and their respective successors and
assigns (collectively, the "Secured Creditors") to secure, pursuant to Section 4
hereof, the payment in full when due, whether at stated maturity, by
acceleration or otherwise, of all obligations of the Company, each Subsidiary
Borrower and each other Subsidiary of the Company now or hereafter existing
under the Credit Agreements, the Company Guaranty or any other Credit Document,
whether for principal, premium, interest, fees, expenses or otherwise
(including, without limitation, the Obligations under the Credit Agreements of
the Pledgor and the Subsidiary Borrowers to reimburse drawings honored under
Letters of Credit and Subsidiary Letters of Credit), and all obligations now or
hereafter existing under this Agreement (all such obligations being the
"Obligations").

3. DEFINITION OF SECURITIES; REPRESENTATIONS AND WARRANTIES. As
used herein, the term "Securities" shall mean (i) (x) all of the issued and
outstanding shares of every class of capital stock from time to time legally and
beneficially owned by the Pledgor of each of the present and future Domestic
Subsidiaries of the Pledgor (other than future Domestic Subsidiaries that are
not or do not become Significant Subsidiaries), and (y) to the extent permitted
by applicable law, all of the issued and outstanding shares of every class of
capital stock from time to time owned by the Pledgor of the present and future
Foreign Subsidiaries of the Pledgor (other than future Foreign Subsidiaries that
are not or do not become Significant Subsidiaries), in each case, other than
shares released pursuant to Section 22 hereof (collectively, the "Pledged
Stock"; and the issuers of such Pledged Stock, collectively, the "Pledged
Companies"); PROVIDED that in no event shall Securities or Pledged Stock include
more than 65% of all of the outstanding shares of capital stock of any
Excludable Foreign Subsidiary; and (ii) all promissory notes (the "Pledged
Notes") at any time (a) issued to the Pledgor by any present and future
Subsidiary of the Pledgor (other than by any Excludable Foreign Subsidiary) or
(b) held by or issued to the Pledgor by any Person in connection with any Asset
Sale. The Pledgor represents and warrants that on the date hereof (a) the
Pledged Stock consists of the number and type of shares of the common stock of
the Pledged Companies as described in Annex A attached hereto and the Pledged
Notes consist of those described in Annex B attached hereto; (b) the Pledgor is
(i) the legal and sole beneficial owner of such Pledged Stock and (ii) the payee
with respect to the Pledged Notes; and (c) such Pledged Stock constitutes the
respective amount of the issued and outstanding capital stock of each Pledged
Company set forth opposite the name of such Pledged Company on Annex A attached
hereto.

4. PLEDGE OF SECURITIES, ASSIGNMENT
OF CERTAIN AGREEMENTS, ETC.

4.1 PLEDGE. To secure the Obligations, the Pledgor hereby pledges and
deposits with the Pledgee the Securities owned by the Pledgor on the date
hereof, and delivers to the Pledgee (i) the certificates representing such
Pledged Stock accompanied by stock powers duly executed in blank by the Pledgor
and (ii) the instruments evidencing the Pledged Notes accompanied by assignment
forms duly executed in blank by the Pledgor; and hereby assigns, transfers,
hypothecates and sets over to the Pledgee all of the Pledgor's right, title and
interest in, to and under any and all Securities now owned or hereafter acquired
by

the Pledgor, and all principal, interest, dividends, cash, certificates,
instruments and other property from time to time received, receivable or
otherwise distributed in respect of or in exchange for any and all of such
Securities and all proceeds of the foregoing, all to be held by the Pledgee,
upon the terms and conditions set forth in this Agreement; PROVIDED that the
Pledged Notes (a) issued to the Pledgor by any Subsidiary of the Pledgor that is
not a Significant Subsidiary or (b) held by or issued to the Pledgor by any
Person in connection with an Asset Sale which are in an aggregate original
principal amount, for any individual Asset Sale, of $500,000 or less, shall not
be required to be deposited with the Pledgee, unless, in either such case, an
Event of Default shall have occurred and be continuing and the Pledgor shall
have received from the Pledgee a written request or requests that the Pledgor
deliver such Pledged Notes to the Pledgee.

4.2 SUBSEQUENTLY ACQUIRED SECURITIES. If at any time or from time to
time after the date hereof, the Pledgor shall acquire any additional Securities
(by purchase, stock dividend or otherwise) or the Pledgor shall possess any
additional Securities by virtue of possessing capital stock of a Person which
becomes a Significant Subsidiary, the Pledgor will, forthwith (i) pledge and
deposit with the Pledgee such Securities, provided that in no event shall the
Pledgor be required to pledge more than 65% of all of the outstanding shares of
capital stock of any Excludable Foreign Subsidiary; and (ii) deliver to the
Pledgee the certificates or instruments therefor, accompanied by assignment
forms or stock powers duly executed in blank by the Pledgor to the extent that
the Pledgor would have been required pursuant to Section 5.1(c) of the Company
Credit Agreement and Section 4.1 of this Agreement to pledge such Securities if
they had been possessed as of the date hereof, and will promptly thereafter
deliver to the Pledgee a certificate (which shall be deemed to supplement Annex
A attached hereto) executed by an authorized officer of the Pledgor describing
such Securities and certifying that the same has been duly pledged with the
Pledgee hereunder; PROVIDED that the Pledged Notes (a) issued to the Pledgor by
any Subsidiary of the Pledgor that is not a Significant Subsidiary or (b) held
by or issued to the Pledgor by any Person in connection with an Asset Sale which
are in an aggregate original principal amount, for any individual Asset Sale, of
$500,000 or less shall not be required to be deposited with the Pledgee, unless,
in either such case, an Event of Default shall have occurred and be continuing
and the Pledgor shall have received from the Pledgee a written request or
requests that the Pledgor deliver such Pledged Notes to the Pledgee.
4.3 DEFINITIONS OF PLEDGED SECURITIES AND COLLATERAL. All Securities
at any time pledged or required to be pledged hereunder are hereinafter called
the "Pledged Securities," and the Pledged Securities, together with all other
securities and moneys received and at the time held by the Pledgee hereunder and
any Proceeds of any of the foregoing, are hereinafter called the "Collateral."

5. APPOINTMENT OF SUB-AGENTS; ENDORSEMENTS, ETC. The Pledgee shall
have the right to appoint one or more sub-agents for the purpose of retaining
physical possession of the Pledged Securities, which may be held (if applicable
and in the discretion of the Pledgee) in the name of the Pledgor, endorsed or
assigned in blank or in favor of the Pledgee or any nominee or nominees of the
Pledgee or a sub-agent appointed by the Pledgee. The Pledgee agrees to give the
Company prompt notice of any such appointment; PROVIDED that the failure of the
Pledgee to give such notice shall not affect the effectiveness of any such
appointment.

6. VOTING, ETC. Unless and until an Event of Default (such term to
mean an Event of Default under, and as defined in, either Credit Agreement)
shall have occurred and be continuing, the Pledgor shall be entitled to vote any
and all Pledged Stock and to give consents, waivers or ratifications in respect
thereof; PROVIDED that no vote shall be cast or any consent, waiver or
ratification given or any action taken which would violate or be inconsistent
with any of the terms of this Agreement or any instrument or agreement relating
to the Obligations, or which would have the effect of materially impairing the
position or interests of the Pledgee or any other Secured Creditor, except to
the extent not prohibited by the Company Credit Agreement, and the Pledgor shall
give the Pledgee at least five Business Days' written notice of the manner in
which it intends to exercise, or the reasons for refraining from exercising, any
such right if the exercise or non-exercise of such right potentially may violate
or be inconsistent with the aforementioned agreements or may materially impair
the position or interests of the Pledgee or any other Secured Creditor;
PROVIDED, FURTHER, nothing herein contained shall be deemed to limit or restrict
the Pledgor's right to take any such actions in connection with the issuance by
any Unrestricted Subsidiary of any equity interests or debt obligations. All
such rights of the Pledgor to vote and to give consents, waivers and
ratifications shall cease in case an Event of Default shall occur and be
continuing, and Section 8 hereof shall become applicable. The Pledgor will not,
at any time, amend, restate, supplement, waive or otherwise modify in any
respect adverse to

the interests of the Secured Creditors any provision of any Pledged Note, nor
take any action which would release or render unenforceable any of the
obligations of any Subsidiary of the Pledgor or any other Person under its
respective Pledged Note.

7. DIVIDENDS AND OTHER DISTRIBUTIONS. Unless an Event of Default
shall have occurred and be continuing, all principal, interest and cash
dividends payable in respect of the Pledged Securities shall be paid to the
Pledgor. The Pledgee shall be entitled to receive directly, and to retain as
part of the Collateral:

(a) all other or additional stock or securities and, after the
occurrence and during the continuance of an Event of Default, property
(including cash) paid or distributed by way of dividend in respect of the
Pledged Securities;

(b) all other or additional stock or other securities and, after
the occurrence and during the continuance of an Event of Default, property
(including cash) paid or distributed in respect of the Pledged Securities by way
of stock-split, spin-off, split-up, reclassification, combination of shares or
similar rearrangement; and

(c) all other or additional stock or other securities and, after
the occurrence and during the continuance of an Event of Default, property which
may be paid in respect of the Pledged Securities by reason of any consolidation,
merger, exchange of stock, conveyance of assets, liquidation or similar
corporate reorganization or other disposition of Collateral.

8. REMEDIES IN CASE OF EVENT OF DEFAULT. In case an Event of
Default shall have occurred and be continuing, the Pledgee shall be entitled to
exercise all of the rights, powers and remedies (whether vested in it by this Agreement, any other Credit Document or by law and including, without limitation, all rights and remedies of a secured party of a debtor in default under the Uniform Commercial Code (the "Code") in effect in any relevant jurisdiction at that time) for the protection and enforcement of its rights in respect of the Collateral, and to the extent permitted by applicable law the Pledgee shall be entitled, without limitation, to exercise the following rights, which the Pledgor hereby agrees to be commercially reasonable:

(a) to receive all amounts payable in respect of the Collateral otherwise payable under Section 7 to the Pledgor and to enforce the payment of the Pledged Notes and to exercise

all of the rights, powers, and remedies of the Pledgor thereunder;

(b) to transfer all or any part of the Collateral into the Pledgee's name or the name of its nominee or nominees;

(c) to vote all or any part of the Collateral (whether or not transferred into the name of the Pledgee) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof;

(d) at any time or from time to time to sell, assign and deliver, or grant options to purchase, all or any part of the Collateral in one or more parcels, or any interest therein, at any public or private sale at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise (all of which are hereby expressly and irrevocably waived by the Pledgor), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Pledgee in its absolute discretion may determine. The Pledgee agrees that to the extent that notice of sale shall be required by law, at least 10 days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and any such sale may, without further notice, be made at the time and place to which it was so adjourned. The Pledgor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Pledgee, on behalf of the Secured Creditors or any Secured Creditor, may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Pledgee nor any Secured Creditor shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto;

(e) to settle, adjust, compromise and arrange all accounts, controversies, questions, claims and demands whatsoever in relation to all or any part of the Collateral;

(f) in respect of the Collateral, to execute all such contracts, agreements, deeds, documents and instruments; to bring, defend and abandon all such actions, suits and proceedings, and to take all actions in relation to all or any part of the Collateral as the Pledgee in its absolute discretion may determine;

(g) to appoint managers, sub-agents, officers and servants for any of the purposes mentioned in the foregoing provisions of this Section 8 and to dismiss the same, all as the Pledgee in its absolute discretion may
determine; and

(h) generally, to take all such other action as the Pledgee in its absolute discretion may determine as incidental or conducive to any of the matters or powers mentioned in the foregoing provisions of this Section 8 and which the Pledgee may or can do lawfully and to use the name of the Pledgor for the purposes aforesaid and in any proceedings arising therefrom.

9. REMEDIES, ETC., CUMULATIVE. Each right, power and remedy of the Pledgee provided for in this Agreement or any other Credit Document or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Pledgee or any Secured Creditor of any one or more of the rights, powers or remedies provided for in this Agreement or any other Credit Document or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Pledgee or any Secured Creditor of all such other rights, powers or remedies, and no failure or delay on the part of the Pledgee or any Secured Creditor to exercise any such right, power or remedy shall operate as a waiver thereof.

10. APPLICATION OF PROCEEDS. All moneys collected by the Pledgee upon any sale or other disposition of the Collateral, together with all other moneys received by the Pledgee hereunder shall be applied as follows:

(a) first, to the payment of any and all expenses and fees (including reasonable attorney's fees) actually incurred by the Pledgee in obtaining, taking possession of, removing, storing and disposing of Collateral and any and all amounts incurred by the Pledgee in connection therewith or owing to the Pledgee hereunder;

(b) next, any surplus then remaining, to the payment of the other Obligations; and

(c) if the Total Revolving Loan Commitment is then terminated, all Loans (under and as defined in each Credit Agreement) have been paid in full, no Letters of Credit or Subsidiary Letters of Credit are outstanding and no other Obligation is outstanding, any surplus then remaining shall be paid to the Company, subject, however, to the rights of the holder of any then existing Lien of which the Collateral Agent has actual notice (without investigation); it being understood that the Company shall remain liable to the extent of any deficiency between the amount of the proceeds of the Collateral and the aggregate amount of the sums referred to in clauses (a) and (b) of this Section 10.

11. PURCHASERS OF COLLATERAL. Upon any sale of any of the Collateral hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process or otherwise), the receipt of the Pledgee or the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Pledgee or such officer or be answerable in any way for the misapplication or nonapplication thereof.

12. INDEMNITY. Without duplication of any amounts payable under Section 12.1 of each Credit Agreement or any other similar indemnity provision set forth in any other Credit Document, the Pledgor shall: (i) whether or not the transactions hereby contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Pledgee actually incurred in connection with the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of the Pledgee with respect thereto) of and in connection with the preparation, execution and delivery of this Agreement (including, without limitation, the reasonable fees and disbursements of Skadden, Arps, Slate, Meagher & Flom and of the Pledgee actually incurred in connection with the preservation of rights under, and enforcement of, and, after an Event of Default, any renegotiation or restructuring of this Agreement and any amendment, waiver or consent relating
the Pledgee); (ii) pay and hold the Pledgee harmless from and against any and all present and future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to this Agreement and save the Pledgee harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay any such taxes, charges or levies; and (iii) indemnify the Pledgee, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all costs, losses, liabilities, claims, damages or expenses actually incurred by any of them (whether or not any of them is designated a party thereto) arising out of or by reason of any investigation, litigation or other proceeding related to this Agreement or any transaction contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding. Notwithstanding anything in this Agreement to the contrary, the Pledgor shall not be responsible to the Pledgee or any officer, director, employee, representative or agent of the foregoing (an "Indemnified Party") for any losses, damages, liabilities or expenses which result from such Indemnified Party's gross negligence or willful misconduct. It is understood that the Pledgor shall not, in connection with any single action, suit, proceeding or claim or separate but substantially similar or related actions, suits, proceedings or claims, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at the same time for the Indemnified Parties (which firm shall be designated by the Pledgor) except that, if any Indemnified Party other than the Pledgee shall determine, in its sole discretion, that there may be a conflict in such firm representing the Pledgee and such Indemnified Party, then the Pledgor shall be liable for the reasonable fees and expenses of an additional firm for such Indemnified Party whose interests may be in conflict. The Pledgor's obligations under this Section 12 shall survive any termination of this Agreement.

13. FURTHER ASSURANCES. The Pledgor agrees that it will join with the Pledgee in executing and, at its own expense, file and refile under the Code such financing statements, continuation statements and other documents in such offices as the Pledgee may deem necessary or appropriate and wherever required or permitted by law in order to perfect and preserve the Pledgee's security interest in the Collateral and hereby authorizes the Pledgee to file financing statements and amendments thereto relative to all or any part of the Collateral without the signature of the Pledgor and to sign the same in the name of the Pledgor, in each case where permitted by law, and agrees to do such further acts and things and to promptly execute and deliver to the Pledgee such additional conveyances, assignments, agreements and instruments as the Pledgee may reasonably require or deem advisable to carry into effect the purposes of this Agreement or to further assure and confirm unto the Pledgee its rights, powers and remedies hereunder.

14. THE PLEDGEE AS AGENT. (a) The Pledgee will hold in accordance with this Agreement all items of the Collateral at any time received under this Agreement. It is expressly understood and agreed that the obligations of the Pledgee as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement.

(b) The Pledgee shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Pledgee accords its own property, it being understood that neither the Pledgee nor any Secured Creditor shall have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Pledgee or any Secured
Creditor has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Collateral.

15. TRANSFER BY THE PLEDGOR. The Pledgor will not sell or otherwise dispose of, grant any option with respect to, or mortgage, pledge or otherwise encumber any of the Collateral or any interest therein (except pursuant to Section 22 of this Agreement or as otherwise expressly permitted by the Credit Agreements).

16. REPRESENTATIONS AND WARRANTIES. The Pledgor hereby represents and warrants that (a) it is the legal and beneficial owner of, and has good and marketable title to, the Securities described in Section 3 hereof, subject to no pledge, lien, mortgage, hypothecation, security interest, charge, option or other encumbrance whatsoever, except the liens and security interests created by this Agreement or permitted by the Credit Documents; (b) it has full power, authority and legal right to pledge and assign all the Collateral pursuant to this Agreement; (c) except as set forth in Schedule 6.7 of the Company Credit Agreement, no consent of any other party (including, without limitation, any stockholder or creditor of the Pledgor or any of its Subsidiaries) and no order, consent, license, permit, approval, validation or authorization of, exemption by, notice to or registration, recording, filing or declaration with, any governmental or public body or authority is required to be obtained by the Pledgor in connection with the execution, delivery or performance of this Agreement or consummation of the transactions contemplated hereby, including, without limitation, the exercise by the Pledgee of the voting or other rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement (except as may be required (i) from stockholders of the Pledgor's Subsidiaries other than the Pledgor and (ii) in connection with the disposition of the Pledged Securities by laws affecting the offering and sale of securities generally); (d) all shares of Pledged Stock have been duly and validly issued, are fully paid and nonassessable and the Pledgor is a holder in due course of the Pledged Notes which it acquired for value, and in good faith and without notice of any claim or defense thereto on the part of any person; and (e) the pledge, assignment and delivery of the Securities, pursuant to this Agreement creates a valid and perfected security interest in the Securities and the proceeds thereof superior to and prior to the rights of all other Persons therein (as provided in the Uniform Commercial Code) (except as permitted by the Credit Agreements).

17. COVENANTS OF THE PLEDGOR. The Pledgor covenants and agrees that (a) the Pledgor will defend the Pledgee's right, title and security interest in and to the Collateral against the claims and demands of all persons whomsoever (except as against Persons holding liens, security interests, or other encumbrances permitted by the Credit Agreements having priority over the security interest granted hereunder pursuant to applicable law); (b) the Pledgor will have like title to and right to pledge any other property at any time hereafter constituting Collateral and will likewise defend the right thereto and security interest therein of the Pledgee and the Secured Creditors; and (c) the Pledgor will not, with respect to any Collateral, enter into any shareholder agreements, voting agreements, voting trusts, trust deeds, irrevocable proxies or any other similar agreements or instruments, except for any contained in the Transaction Documents.

18. PLEDGOR'S OBLIGATIONS ABSOLUTE, ETC. The obligations of the Pledgor under this Agreement shall be absolute and unconditional in accordance with its terms and shall remain in full force and effect without regard to, and shall not be re-
or modification of or addition, consent or supplement to or deletion from or any other action or inaction under or in respect of either Credit Agreement, any Note, any other Credit Document or any of the other documents, instruments or agreements relating to the Obligations or any other instrument or agreement referred to therein or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of either Credit Agreement, any other Credit Document or any other documents, instruments or agreement referred to therein or any assignment or transfer of any thereof; (c) any furnishing of any additional security to the Pledgor, the Secured Creditors or their assignees or any acceptance thereof or any release of any security by the Pledgee, the Secured Creditors or their assignees; (d) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Pledgor or any Subsidiary of the Pledgor, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not the Pledgor shall have notice or knowledge of any of the foregoing; (f) any exchange, release or nonperfection of any other collateral, or any release, or amendment or waiver of or consent to departure from any guaranty or security, for all or any of the Obligations; or (g) any other circumstance which might otherwise constitute a defense available to, or a discharge of the Pledgor.

19. REGISTRATION, ETC. (a) If an Event of Default shall have occurred and be continuing and the Pledgor shall have received from the Pledgee a written request or requests that the Pledgor cause any registration, qualification or compliance under any Federal or state securities law or laws to be effected with respect to all or any part of the Pledged Securities, the Pledgor as soon as practicable and at its own expense will use its best efforts to cause such registration to be effected (and be kept effective) and will use its best efforts to cause such qualification and compliance to be effected (and be kept effective) as may be so requested and as would permit or facilitate the sale and distribution of such Pledged Securities, including, without limitation, registration under the Securities Act of 1933 as then in effect (or any similar statute then in effect), appropriate qualifications under applicable blue sky or other state securities laws and appropriate compliance with any other government requirements, and reasonably do or cause to be done all such other reasonable acts and things as may be necessary to make such sale of the Pledged Securities valid and binding in compliance with applicable laws; PROVIDED, that the Pledgee shall furnish to the Pledgor such information regarding the Pledgee as the Pledgor may reasonably request in writing and at its own expense will use its best efforts to cause such registration to be effected (and be kept effective) and will use its best efforts to cause such qualification and compliance to be effected (and be kept effective) as may be so requested and as would permit or facilitate the sale and distribution of such Pledged Securities, including, without limitation, registration under the Securities Act of 1933 as then in effect (or any similar statute then in effect), appropriate

(b) If at any time when the Pledgee shall determine to exercise its right to sell all or any part of the Pledged Securities pursuant to Section 8, such Pledged Securities or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Securities Act of 1933, as then in effect, the Pledgee may, in its sole and absolute discretion, sell such Pledged Securities or part thereof by private sale in such manner and under such circumstances as the Pledgee may deem necessary or advisable in order that such sale may legally be effected without such registration. Without limiting the generality of the foregoing, in any such event the Pledgee, in its sole and absolute discretion (i) may proceed to make such private sale notwithstanding
that a registration statement for the purpose of registering such Pledged Securities or part thereof shall have been filed under such Securities Act, (ii) may approach and negotiate with a single possible purchaser to effect such sale, and (iii) may restrict such sale to a purchaser who will represent and agree that such purchaser is purchasing for its own account, for investment, and not with a view to the distribution or sale of such Pledged Securities or part thereof. In the event of any such sale, the Pledgee shall incur no responsibility or liability for selling all or any part of the Pledged Securities at a price which the Pledgee, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might be realized if the sale were deferred until after registration as aforesaid.

20. NOTICES, ETC. All notices and other communications hereunder shall be given to the Pledgor, the Pledgee and the Agent at the addresses and in the manner specified in the Company Credit Agreement.

21. POWER OF ATTORNEY. The Pledgor hereby absolutely and irrevocably constitutes and appoints the Pledgee as the Pledgor's true and lawful agent and attorney-in-fact, with full power of substitution, in the name of the Pledgor upon the occurrence and during the continuance of an Event of Default: (a) to execute and do all such assurances, acts and things which the Pledgor ought to do but has failed to do under the covenants and provisions contained in this Agreement; (b) to take any and all such action as the Pledgee or any of its sub-agents or attorneys may, in its or their sole and absolute discretion, reasonably determine as necessary or advisable for the purpose of maintaining, preserving or protecting the security constituted by this Agreement or any of the rights, remedies, powers or privileges of the Pledgee under this Agreement; and (c) generally, in the name of the Pledgor exercise all or any of the powers, authorities, and discretions conferred on or reserved to the Pledgee by or pursuant to this Agreement, and (without prejudice to the generality of any of the foregoing) to seal and deliver or otherwise perfect any deed, assurance, agreement, instrument or act as the Pledgee may deem proper in or for the purpose of exercising any of such powers, authorities or discretions. The Pledgor hereby ratifies and confirms, and hereby agrees to ratify and confirm, whatever lawful acts the Pledgee or any of the Pledgee's sub-agents or attorneys shall do or purport to do in the exercise of the power of attorney granted to the Pledgee pursuant to this Section 21, which power of attorney, being given for security, is irrevocable and coupled with an interest.

22. TERMINATION, RELEASE. (a) any time and from time to time, at the request and expense of the Pledgor, the Pledgee shall release to the Pledgor shares of Pledged Stock to enable the Pledgor to take actions permitted pursuant to the terms and conditions of the Company Credit Agreement, including, without limitation, to effect Asset Sales and sales of such shares of Pledged Stock so long as the Pledgor shall remain in compliance with Section 8.2 of the Company Credit Agreement.

(b) After full payment and performance of all of the Obligations (other than indemnities which by their terms survive the repayment of the Loans or the Subsidiary Loans) and irrevocable termination of the commitment of the Lenders under the Credit Agreements, this Agreement, so long as no Letter of Credit or Subsidiary Letter of Credit is outstanding, shall terminate, and the Pledgee, at the request and expense of the Pledgor, will execute and deliver to the Pledgor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to the Pledgor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Pledgee and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement, together with any moneys at the time held by the Pledgee hereunder.

23. MISCELLANEOUS. The Pledgor agrees with the Pledgee that each of
the obligations and liabilities of the Pledgor to the Pledgee under this Agreement may be enforced against the Pledgor without the necessity of joining any Subsidiary of the Pledgor or any other Person as a party. This Agreement shall create a continuing security interest in the Collateral and shall be binding upon the successors and assigns of the Pledgor and shall inure to the benefit of and be enforceable by the Pledgee, the Secured Creditors and their respective permitted successors and assigns. Without limiting the generality of the foregoing sentence, any Secured Creditor may assign or otherwise transfer any note held by it to any other Person or entity in accordance with the provisions of the Credit Agreements to the extent permitted by such agreement, and such other Person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Secured Creditor herein. This Agreement may be changed, waived, discharged or terminated only in accordance with the provisions of the Credit Agreements or as provided in Section 22. Unless otherwise defined herein or in the Company Credit Agreement, terms defined in Article 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined. The headings in this Agreement are for purposes of reference only and shall not limit or define the meaning hereof. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto.

24. COLLATERAL AGENT. The appointment of the Collateral Agent as Collateral Agent hereunder pursuant to the Intercreditor Agreement has been ratified and confirmed by the Lenders in the Credit Agreements, and the Collateral Agent shall be entitled to the benefits of the Credit Agreements. The Collateral Agent shall be obligated, and shall have the right hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of Collateral) solely in accordance with this Agreement and the Credit Agreements. The Collateral Agent may resign and a successor Collateral Agent may be appointed in the manner provided in the Credit Agreements. Upon the acceptance of any appointment as a Collateral Agent by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent under this Agreement, and the retiring Collateral Agent shall thereupon be discharged from its duties and obligations under this Agreement. After any retiring Collateral Agent's resignation the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Collateral Agent.

25. GOVERNING LAW; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF). ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE PLEDGOR HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE FORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE RIGHTS OF THE COLLATERAL AGENT, THE AGENT, THE TRUSTEE OR THE SECURED CREDITORS WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE PLEDGOR HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND AGENT OF THE PLEDGOR, TO RECEIVE, FOR AND ON BEHALF OF THE PLEDGOR, SERVICE OF PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO AND SUCH SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COMPLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID AGENT. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARDED BY MAIL TO THE PLEDGOR AT ITS ADDRESS SET FORTH IN THE COMPANY CREDIT
AGREEMENT, BUT THE FAILURE OF THE PLEDGOR TO RECEIVE SUCH COPY SHALL NOT, TO THE
EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH
PROCESS. THE PLEDGOR HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY
APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO
THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT
MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH
RESPECTIVE JURISDICTIONS IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED
THERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE PLEDGEE TO SERVE PROCESS
IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR
OTHERWISE PROCEED AGAINST THE PLEDGOR IN ANY OTHER JURISDICTION.

26. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE
LAW THE PLEDGOR HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY
ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS
AGREEMENT OR ANY MATTER ARISING IN CONNECTION HEREUNDER.

27. AMENDMENT AND RESTATEMENT. This Agreement constitutes an
amendment and restatement of the 1992 Company Stock and Notes Pledge amended
hereby (the "Original Instrument"), and such Original Instrument shall continue
in effect on and after the date hereof as so amended and restated. The parties
do not intend that this Agreement constitute a novation, termination, release or
satisfaction of the Original Instrument, or constitute payment or satisfaction
of any indebtedness or other obligation secured by the Original Instrument.

Charter Medical Corporation
Company Stock and Notes Pledge Agreement
May 2, 1994

IN WITNESS WHEREOF, the Pledgor and the Pledgee have caused this
Agreement to be executed by their duly elected officers duly authorized as of
the date first above written.

CHARTER MEDICAL CORPORATION, as Pledgor

By /s/ James R. Bedenbaugh
-----------------------------------------
Name: James R. Bedenbaugh
Title: Treasurer

BANKERS TRUST COMPANY, in its capacity
as Collateral Agent, as Pledgee

By /s/ Mary Kay Coyle
-----------------------------------------
Name: Mary Kay Coyle
Title: Vice President

ANNEX A
SECOND AMENDED AND RESTATATED COMPANY STOCK AND NOTES PLEDGE AGREEMENT

<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Certificate Name</th>
<th>Number of Corp.</th>
<th>Jurisdiction</th>
<th>Common Stock Issued</th>
<th>Common Stock Pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambulatory Resources</td>
<td>#2 - 500</td>
<td>1,000 shares</td>
<td>Georgia</td>
<td>550 shares</td>
<td>550 shares</td>
</tr>
<tr>
<td>Name of Corporation</td>
<td>Certificate #</td>
<td>Jurisdiction</td>
<td>Capital (All Common Stock)</td>
<td>Common Stock</td>
<td>Common Stock</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------</td>
<td>--------------</td>
<td>----------------------------</td>
<td>--------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Atlanta MOB, Inc.</td>
<td>#3 - 50</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Beltway Community Hospital, Inc.</td>
<td>#1</td>
<td>Texas</td>
<td>10,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>CCM, Inc.</td>
<td>#1 - 100 CMC</td>
<td>Nevada</td>
<td>1,000 shares</td>
<td>200 shares</td>
<td>200 shares</td>
</tr>
<tr>
<td>Charter Alvarado Behavioral Health System, Inc.</td>
<td>#01</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Appalachian Hall Behavioral Health System, Inc.</td>
<td>#1</td>
<td>North Carolina</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Arbor Indy Behavioral Health System, Inc.</td>
<td>#1</td>
<td>Indiana</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Augusta Behavioral Health System, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Bay Harbor Behavioral Health System, Inc.</td>
<td>#1</td>
<td>Florida</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Beacon Behavioral Health System, Inc.</td>
<td>#1</td>
<td>Indiana</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System at Fair Oakes, Inc.</td>
<td>#1</td>
<td>Maryland</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System at Hidden Brook, Inc.</td>
<td>#1</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System at Los Altos, Inc.</td>
<td>#1</td>
<td>Maryland</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System at Potomac Ridge, Inc.</td>
<td>#1</td>
<td>Maryland</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System at Warwick Manor, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System at Athens, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health Systems of Atlanta, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System at Midtown, Inc.</td>
<td>#1</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System at Austin, Inc.</td>
<td>#1</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Baywood, Inc.</td>
<td>#1</td>
<td>Florida</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Bradenton, Inc.</td>
<td>#1</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Canoga Park, Inc.</td>
<td>#01</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Central Georgia, Inc.</td>
<td>#2</td>
<td>South Carolina</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Charleston, Inc.</td>
<td>#1</td>
<td>Virginia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Charlotteville, Inc.</td>
<td>#1 - 100</td>
<td>Illinois</td>
<td>1,200 shares</td>
<td>1,100 shares</td>
<td>1,100 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Chicago, Inc.</td>
<td>#02 - 900</td>
<td>Illinois</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Chula Vista, Inc.</td>
<td>#1</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Columbia, Inc.</td>
<td>#02 - 100</td>
<td>Missouri</td>
<td>30,000 shares</td>
<td>600 shares</td>
<td>600 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Corpus Christi, Inc.</td>
<td>#03 - 500</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
</tbody>
</table>

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**ANNEX A**

SECOND AMENDED AND RESTATE COMPANY STOCK AND NOTES PLEDGE AGREEMENT
<table>
<thead>
<tr>
<th>Charter Behavioral Health System of Dallas, Inc.</th>
<th>Charter Garland Hospital, Inc.</th>
<th>#1</th>
<th>Texas</th>
<th>1,000 shares</th>
<th>1,000 shares</th>
<th>1,000 shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Behavioral Health System of Evanston, Inc.</td>
<td>Charter Medical of Ft. Worth, Inc.</td>
<td>#1</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Fort Worth, Inc.</td>
<td>Charter Hospital of Jackson, Inc.</td>
<td>#1</td>
<td>Mississippi</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Jackson, Inc.</td>
<td>Charter Medical of Jacksonville, Inc.</td>
<td>#1</td>
<td>Florida</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Jacksonville, Inc.</td>
<td>Charter Medical of Johnson County, Inc.</td>
<td>#1</td>
<td>Indiana</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Jefferson, Inc.</td>
<td>Charter Medical of Johnson County, Inc.</td>
<td>#1</td>
<td>Indiana</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Kansas City, Inc.</td>
<td>Charter Medical of Lafayette, Inc.</td>
<td>#3</td>
<td>Louisiana</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Mobile, Inc.</td>
<td>Charter Vista Hospital, Inc.</td>
<td>#1</td>
<td>Arkansas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Nashua, Inc.</td>
<td>Charter Medical of Nevada, Inc.</td>
<td>#1</td>
<td>Nevada</td>
<td>10,000 shares</td>
<td>100 shares</td>
<td>100 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of New Mexico, Inc.</td>
<td>Charter Medical of New Mexico, Inc.</td>
<td>#1</td>
<td>New Mexico</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Northwest Arkansas, Inc.</td>
<td>Charter Medical of Northwest Arkansas, Inc.</td>
<td>#1</td>
<td>Indiana</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Rockford, Inc.</td>
<td>Charter Medical of Northwest Indiana, Inc.</td>
<td>#24</td>
<td>Kentucky</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of San Jose, Inc.</td>
<td>Charter Hospital of Newport Beach, Inc.</td>
<td>#1</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Southern California, Inc.</td>
<td>Charter Medical of Southern California, Inc.</td>
<td>#1</td>
<td>California</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Tampa Bay, Inc.</td>
<td>Charter Hospital of Tampa, Inc.</td>
<td>#1</td>
<td>Florida</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Texarkana, Inc.</td>
<td>Charter Hospital of Texarkana, Inc.</td>
<td>#1</td>
<td>Arkansas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Toledo, Inc.</td>
<td>Charter Hospital of Toledo, Inc.</td>
<td>#1</td>
<td>Ohio</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Tucson, Inc.</td>
<td>Charter Medical of Tucson, Inc.</td>
<td>#1</td>
<td>Arizona</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Virginia Beach, Inc.</td>
<td>Medical Arts Convalescent Center, Inc.</td>
<td>#6</td>
<td>Georgia</td>
<td>5,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Name of Corporation</td>
<td>Certificate Name</td>
<td>Certificate Number</td>
<td>Jurisdiction of Incorpor.</td>
<td>Authorized Capital (All Common Stock) (1)</td>
<td>Common Stock Issued and Outstanding (in Shares)</td>
<td>Common Stock Pledged (in Shares)</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------</td>
<td>--------------------</td>
<td>---------------------------</td>
<td>------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Charter By-the-Sea Behavioral Health System, Inc.</td>
<td>Charter Medical St. Simons, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>100 shares</td>
<td>100 shares</td>
</tr>
<tr>
<td>Charter Canyon Behavioral Health System, Inc.</td>
<td>Charter Canyon Hospital, Inc.</td>
<td>#1</td>
<td>Utah</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Canyon Springs Behavioral Health System, Inc.</td>
<td>Charter Medical Corporation</td>
<td>#1</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Centennial Peaks Behavioral Health System, Inc.</td>
<td>Charter Hospital of Arapahoe County, Inc.</td>
<td>#1</td>
<td>Colorado</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Colonial Institute, Inc.</td>
<td>Charter Medical International, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Community Hospital, Inc.</td>
<td>Charter Medical B.E.D.S., Inc.</td>
<td>#1</td>
<td>Virginia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Community Hospital of Des Moines, Inc.</td>
<td>Charter Hospital of Arapahoe County, Inc.</td>
<td>#2</td>
<td>Iowa</td>
<td>10,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Contract Services, Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charter Cove Forge Behavioral Health System, Inc.</td>
<td>Charter Medical Corporation</td>
<td>#1</td>
<td>Pennsylvania</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Crescent Pines Behavioral Health System, Inc.</td>
<td>Charter Medical International, Inc.</td>
<td>#1</td>
<td>Maryland</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Fairbridge Behavioral Health System, Inc.</td>
<td>Charter Hospital of Philadelphia, Inc.</td>
<td>#1</td>
<td>Pennsylvania</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Fairmount Behavioral Health System, Inc.</td>
<td>Charter Medical Hospital of Philadelphia, Inc.</td>
<td>#1</td>
<td>S Carolina</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Fenwick Hall Behavioral Health System, Inc.</td>
<td>Charter Medical Hospital of Philadelphia, Inc.</td>
<td>#1</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Financial Offices, Inc.</td>
<td>Charter Imaging, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Forest Behavioral Health System, Inc.</td>
<td>Charter Forest Hospital, Inc.</td>
<td>#1</td>
<td>Louisiana</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Grapevine Behavioral Health System, Inc.</td>
<td>Charter Medical Hospital of Grapevine, Inc.</td>
<td>#1</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Greenbush Behavioral Health System, Inc.</td>
<td>Charter Medical Hospital of Grapevine, Inc.</td>
<td>#1</td>
<td>N Carolina</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Health Management of Texas, Inc.</td>
<td>Charter Medical Hospital of Texas, Inc.</td>
<td>#1</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Hospital of Columbus, Inc.</td>
<td>Charter Medical Hospital of Columbus, Inc.</td>
<td>#1</td>
<td>Ohio</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Hospital of Denver, Inc.</td>
<td>Charter Medical Hospital of Denver, Inc.</td>
<td>#1</td>
<td>Colorado</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Hospital of Ft. Collins, Inc.</td>
<td>Charter Medical of Larimer County, Inc.</td>
<td>#001</td>
<td>Colorado</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Hospital of Laredo, Inc.</td>
<td>Charter Medical Hospital of Laredo, Inc.</td>
<td>#1</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Hospital of Mobile, Inc.</td>
<td>Charter Medical Hospital - Alabama, Inc.</td>
<td>#1</td>
<td>Alabama</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Hospital of Northern New Jersey, Inc.</td>
<td>Charter Medical Hospital - Northern New Jersey, Inc.</td>
<td>#1</td>
<td>New Jersey</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Hospital of Santa Teresa, Inc.</td>
<td>Charter Medical Hospital - Santa Teresa, Inc.</td>
<td>#1</td>
<td>New Mexico</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Hospital of St. Louis, Inc.</td>
<td>Charter Medical Hospital of St. Louis, Inc.</td>
<td>#1</td>
<td>Missouri</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Hospital of Torrance, Inc.</td>
<td>Cal-Riviera, Inc.</td>
<td>#001</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Indianapolis Behavioral Health System, Inc.</td>
<td>Charter Medical Hospital of Indianapolis, Inc.</td>
<td>#1</td>
<td>Indiana</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Lafayette Behavioral Health System, Inc.</td>
<td>Charter Medical - Tippecanoe County Hospital, Inc.</td>
<td>#1</td>
<td>Indiana</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Lakehurst Behavioral Health System, Inc.</td>
<td>Charter Medical Hospital of Lakehurst, Inc.</td>
<td>#1</td>
<td>New Jersey</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Charter Lakeside Behavioral Health System, Inc.</td>
<td>Charter Lakeside Hospital, Inc.</td>
<td>#47</td>
<td>Tennessee</td>
<td>100,000 shares</td>
<td>833 shares</td>
<td>833 shares</td>
</tr>
<tr>
<td>Charter Laurel Heights Behavioral Health System, Inc.</td>
<td>Charter Medical Teaching Faculty, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Laurel Oaks Behavioral Health System, Inc.</td>
<td>Charter Medical Hospital of Laurel Oaks, Inc.</td>
<td>#1</td>
<td>Florida</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charter Linden Oaks Behavioral Health System, Inc.</td>
<td>Charter Medical Hospital of Linden Oaks, Inc.</td>
<td>#1</td>
<td>Illinois</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Name of Corporation</td>
<td>Certificate Name</td>
<td>Jurisdiction</td>
<td>Authorized Capital (All Common Stock)</td>
<td>Common Stock Issued and Outstanding</td>
<td>Common Stock Pledged</td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td>------------------</td>
<td>--------------</td>
<td>---------------------------------------</td>
<td>------------------------------------</td>
<td>----------------------</td>
<td></td>
</tr>
<tr>
<td>Charter Little Rock Behavioral Health System, Inc.</td>
<td>Charter Hospital of Little Rock, Inc.</td>
<td>Arkansas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Louisville Behavioral Health System, Inc.</td>
<td>Charter Falls Hospital, Inc.</td>
<td>Kentucky</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Meadows Behavioral Health System, Inc.</td>
<td>#1</td>
<td>Maryland</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical Behavior Health System, Inc.</td>
<td>Florida Residential Treatment Centers, Inc.</td>
<td>#1</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical Executive Corporation</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical Information Services, Inc.</td>
<td>#1</td>
<td>Nevada</td>
<td>1,000 shares</td>
<td>100 shares</td>
<td>100 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical International, S.A., Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>500 shares</td>
<td>500 shares</td>
<td>500 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical of East Valley, Inc.</td>
<td>#1</td>
<td>Arizona</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical of North Phoenix, Inc.</td>
<td>#1</td>
<td>Arizona</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical of Orange County, Inc.</td>
<td>#1</td>
<td>Florida</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical - California, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>100 shares</td>
<td>100 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical - Clayton County, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical - Cleveland, Inc.</td>
<td>#1</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical - Dallas, Inc.</td>
<td>#1</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical - Long Beach, Inc.</td>
<td>#1 - 500</td>
<td>California</td>
<td>1,000 shares</td>
<td>510 shares</td>
<td>510 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Medical - New York, Inc.</td>
<td>#2</td>
<td>New York</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Mental Health Options, Inc.</td>
<td>#3</td>
<td>Florida</td>
<td>25,000 shares</td>
<td>0 shares</td>
<td>0 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Mid-South Behavioral Health System, Inc.</td>
<td>Charter National Laboratory, Inc.</td>
<td>Tennessee</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Milwaukee Behavioral Health System, Inc.</td>
<td>Charter Hospital of Milwaukee, Inc.</td>
<td>Wisconsin</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Mission Viejo Behavioral Health System, Inc.</td>
<td>Charter Hospital of Orange County, Inc.</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter MBS of Charlotteville, Inc.</td>
<td>#1</td>
<td>Virginia</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter North Behavioral Health System, Inc.</td>
<td>Charter North Hospital, Inc.</td>
<td>Alaska</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Northbrook Behavioral Health System, Inc.</td>
<td>#1</td>
<td>Wisconsin</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Northridge Behavioral Health System, Inc.</td>
<td>Charter Medical Corporation of Raleigh, Inc.</td>
<td>#1</td>
<td>N Carolina</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Northside Hospital, Inc.</td>
<td>Charter Medical - Bibb County, Inc.</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Oak Behavioral Health System, Inc.</td>
<td>California - Charter Medical, Inc.</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter of Alabama, Inc.</td>
<td>Charter Retreat Hospital, Inc.</td>
<td>Alabama</td>
<td>150,000 shares</td>
<td>1,800 shares</td>
<td>1,800 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Oaks Behavioral Health System, Inc.</td>
<td>Charter Medical - Southwest, Inc.</td>
<td>Texas</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Peachford Behavioral Health System, Inc.</td>
<td>See Last Page</td>
<td>Georgia</td>
<td>1,000,000 shares</td>
<td>149,950 shares</td>
<td>149,950 shares</td>
<td></td>
</tr>
<tr>
<td>Charter Pines Behavioral Health System, Inc.</td>
<td>#1</td>
<td>N Carolina</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
<td></td>
</tr>
</tbody>
</table>

ANNEX A
SECOND AMENDED AND RESTATE COMPANY STOCK AND NOTES PLEDGE AGREEMENT
<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Certificate Name</th>
<th>Jurisdiction of Incorp.</th>
<th>Issued and Outstanding Shares</th>
<th>Pledged Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Investors, Inc.</td>
<td>#2</td>
<td>Georgia</td>
<td>200,000 shares</td>
<td>2,000 shares</td>
</tr>
<tr>
<td>Mandarin Meadows, Inc.</td>
<td>#1</td>
<td>Florida</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Metropolitan Hospital, Inc.</td>
<td>#2</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>100 shares</td>
</tr>
<tr>
<td>Middle Georgia</td>
<td>#2</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>100 shares</td>
</tr>
<tr>
<td>Hospital, Inc. Pacific - Charter Medical, Inc.</td>
<td>#1</td>
<td>California</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Peachford Professional Network, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Rivoli, Inc.</td>
<td>#1</td>
<td>Georgia</td>
<td>1,000 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td>Charlotte Professional Hospital, Inc.</td>
<td>#2 - 500</td>
<td>Georgia</td>
<td>5,000 shares</td>
<td>1,000 shares</td>
</tr>
<tr>
<td>Sistemas De Terapia Respiratoria S.A., Inc.</td>
<td>#7</td>
<td>Georgia</td>
<td>500,000 shares</td>
<td>12,000 shares</td>
</tr>
</tbody>
</table>

**ANNEX A**

SECOND AMENDED AND RESTATED COMPANY STOCK AND NOTES PLEDGE AGREEMENT
<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Certificate Name</th>
<th>Jurisdiction</th>
<th>Capital Stock (All Common Stock)</th>
<th>Common Stock Issued and Outstanding (in Shares)</th>
<th>Common Stock Pledged (in Shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garden Isle Assurance Company Ltd.</td>
<td>Issued to Directors &amp; CMC</td>
<td>Bermuda</td>
<td>3,500 shares(4)</td>
<td>3,500 shares</td>
<td>2,275 shares</td>
</tr>
<tr>
<td>Plymouth Insurance Company Ltd.</td>
<td>Issued to Directors</td>
<td>Bermuda</td>
<td>1,200 shares(4)</td>
<td>1,200 shares</td>
<td>780 shares</td>
</tr>
<tr>
<td>Charter Medical of Puerto Rico, Inc.</td>
<td>#2 - 325 sh.</td>
<td>Cmnwth of Puerto Rico</td>
<td>1,000 shares</td>
<td>500 shares</td>
<td>500 shares</td>
</tr>
<tr>
<td></td>
<td>#3 - 175 sh.</td>
<td>Puerto Rico</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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(1) Par Value $1.00 per share unless otherwise noted.
(2) $10 par value. Peachford Certificates: AU3 300
(3) $5 par value. AU60 58,782
(4) $100 par value. AU61 37,881
(5) $10 par value. AU62 7,900
(6) No par value. AU108 1,127
(7) $0.1 par value. AU109 12,200
(8) SF 1,000 par value. AU10 1,600
(9) $0.25 par value. AU111 600
(10) 1 ROUND STERLING par value AU112 600
(11) AU119 10,000

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ANNEX B
SECOND AMENDED AND RESTATED SUBSIDIARY STOCK
--------------------------------------------
AND NOTES PLEDGE AGREEMENT
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DOMESTIC SUBSIDIARIES:
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1. Ambulatory Resources, Inc.
2. Atlanta MOB, Inc.
3. Beltway Community Hospital, Inc.
4. CCM, Inc.
12. Charter Behavioral Health System at Hidden Brook, Inc.
13. Charter Behavioral Health System at Los Altos, Inc.
15. Charter Behavioral Health System at Warwick Manor, Inc.
17. Charter Behavioral Health System of Austin, Inc.
27. Charter Behavioral Health System of Corpus Christi, Inc.
28. Charter Behavioral Health System of Dallas, Inc.
29. Charter Behavioral Health System of Evansville, Inc.
30. Charter Behavioral Health System of Fort Worth, Inc.
32. Charter Behavioral Health System of Jacksonville, Inc.
34. Charter Behavioral Health System of Kansas City, Inc.
35. Charter Behavioral Health System of Lafayette, Inc.
37. Charter Behavioral Health System of Lakewood, Inc.
38. Charter Behavioral Health System of Michigan City, Inc.
40. Charter Behavioral Health System of Nashua, Inc.

Page 1

ANNEX B
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SECOND AMENDED AND RESTATED SUBSIDIARY STOCK
--------------------------------------------
AND NOTES PLEDGE AGREEMENT
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41. Charter Behavioral Health System of Nevada, Inc.
42. Charter Behavioral Health System of New Mexico, Inc.
43. Charter Behavioral Health System of Northern California, Inc.
44. Charter Behavioral Health System of Northwest Arkansas, Inc.
45. Charter Behavioral Health System of Northwest Indiana, Inc.
46. Charter Behavioral Health System of Paducah, Inc.
47. Charter Behavioral Health System of Rockford, Inc.
48. Charter Behavioral Health System of San Jose, Inc.
49. Charter Behavioral Health System of Savannah, Inc.
50. Charter Behavioral Health System of Southern California, Inc.
51. Charter Behavioral Health System of Tampa Bay, Inc.
52. Charter Behavioral Health System of Texarkana, Inc.
ANNEX B
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SECOND AMENDED AND RESTATE SUBSIDIARY STOCK

AND NOTES PLEDGE AGREEMENT

84. Charter Hospital of Laredo, Inc.
85. Charter Hospital of Miami, Inc.
86. Charter Hospital of Mobile, Inc.
87. Charter Hospital of Northern New Jersey, Inc.
88. Charter Hospital of Santa Teresa, Inc.
89. Charter Hospital of St. Louis, Inc.
90. Charter Hospital of Torrance, Inc.
91. Charter Indianapolis Behavioral Health System, Inc.
92. Charter Lafayette Behavioral Health System, Inc.
94. Charter Lakeside Behavioral Health System, Inc.
95. Charter Laurel Heights Behavioral Health System, Inc.
98. Charter Little Rock Behavioral Health System, Inc.
100. Charter Meadows Behavioral Health System, Inc.
102. Charter Medical Executive Corporation
103. Charter Medical Information Services, Inc.
105. Charter Medical Management Company
106. Charter Medical of East Valley, Inc.
107. Charter Medical of North Phoenix, Inc.
108. Charter Medical of Orange County, Inc.
109. Charter Medical - California, Inc.
110. Charter Medical - Clayton County, Inc.
111. Charter Medical - Cleveland, Inc.
112. Charter Medical - Dallas, Inc.
113. Charter Medical - Long Beach, Inc.
114. Charter Medical - New York, Inc.
115. Charter Mental Health Options, Inc.
117. Charter Milwaukee Behavioral Health System, Inc.
119. Charter MOB of Charlottesville, Inc.
120. Charter North Behavioral Health System, Inc.
121. Charter North Counseling Center, Inc.
122. Charter Northbrooke Behavioral Health System, Inc.
123. Charter Northridge Behavioral Health System, Inc.
124. Charter Northside Hospital, Inc.
125. Charter Oak Behavioral Health System, Inc.
126. Charter of Alabama, Inc.

Page 3

ANNEX B
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SECOND AMENDED AND RESTATE SUBSIDIARY STOCK
-----------------------------
AND NOTES PLEDGE AGREEMENT
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127. Charter Palms Behavioral Health System, Inc.
129. Charter Pines Behavioral Health System, Inc.
130. Charter Plains Behavioral Health System, Inc.
131. Charter Psychiatric Hospitals, Inc.
132. Charter Real Behavioral Health System, Inc.
133. Charter Regional Medical Center, Inc.
134. Charter Richmond Behavioral Health System, Inc.
137. Charter San Diego Behavioral Health System, Inc.
139. Charter Sioux Falls Behavioral Health System, Inc.
140. Charter South Bend Behavioral Health System, Inc.
143. Charter Surburban Hospital of Mesquite, Inc.
144. Charter Terre Haute Behavioral Health System, Inc.
146. Charter Tidewater Behavioral Health System, Inc.
147. Charter Treatment Center of Michigan, Inc.
149. Charter White Oak Behavioral Health System, Inc.
150. Charter Wichita Behavioral Health System, Inc.
152. Charter Woods Hospital, Inc.
153. Charter - Provo School, Inc.
154. Charterton/LaGrange, Inc.
156. CMCI, Inc.
157. CMFC, Inc.
158. CMSF, Inc.
159. CPS Associates, Inc.
160. C.A.C.O. Services, Inc.
161. Desert Springs Hospital, Inc.
162. Employee Assistance Services, Inc.
163. Florida Health Facilities, Inc.
164. Group Practice Affiliates, Inc.
165. Gulf Coast EAP Services, Inc.
166. Gwinnett Immediate Care Center, Inc.
167. HCS, Inc.
168. Holcomb Bridge Immediate Care Center, Inc.
169. Hospital Investors, Inc.

Page 4

ANNEX B
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170. Mandarin Meadows, Inc.
171. Metropolitan Hospital, Inc.
172. Middle Georgia Hospital, Inc.
173. Pacific - Charter Medical, Inc.
174. Peachford Professional Network, Inc.
175. Rivoli, Inc.
176. Shallowford Community Hospital, Inc.
177. Sistemas De Terapia Respiratorias S.A., Inc.
178. Strategic Advantage, Inc.
179. Stuart Circle Hospital Corporation
180. Tampa Bay Behavioral Health Alliance, Inc.
181. Western Behavioral Systems, Inc.

Foreign Subsidiaries:
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1. Charter Medical (Cayman Islands) Ltd.
3. Charter Medical of England Limited
SECOND AMENDED AND RESTATED SUBSIDIARY STOCK AND NOTES PLEDGE AGREEMENT

SECOND AMENDED AND RESTATED SUBSIDIARY STOCK AND NOTES PLEDGE AGREEMENT, dated as of May 2, 1994 (as the same may be amended, modified or supplemented from time to time, this "Agreement"), made by each of the corporations listed on Annex A hereto (individually, a "Pledgor" and collectively, the "Pledgors"), to Bankers Trust Company, a New York banking corporation, in its capacity as collateral agent (the "Collateral Agent" or the "Pledgee" and as agent under the Credit Agreements, as hereinafter defined, the "Agent") for the financial institutions from time to time parties to the Credit Agreements (the "Lenders"), First Union National Bank of North Carolina, as co-agent (the "Co-Agent") and the Agent.

W I T N E S S E T H:

WHEREAS, certain of the parties hereto (or their predecessors) entered into the Subsidiary Stock and Notes Pledge dated as of September 1, 1988, as supplemented by Supplement No. 1 dated as of October 4, 1990, which was amended and restated by the Amended and Restated Subsidiary Stock and Notes Pledge dated as of July 21, 1992 (the "1992 Subsidiary Stock and Notes Pledge"), in favor of the Collateral Agent for the benefit of the Lenders, the Trustee and the Issuing Banks (as such terms are defined in the 1992 Subsidiary Stock and Notes Pledge) and now desire to amend and restate such pledge in its entirety; and

WHEREAS, Charter Medical Corporation, a Delaware corporation (as successor to WAF Acquisition Corporation, a Delaware corporation, the "Company"), certain of the Lenders, the Agent and Wells Fargo Bank, National Association and Bank of America National Trust and Savings Association, as co-agents (the "Original Co-Agents"), entered into that certain Credit Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Credit Agreement dated as of July 21, 1992 (the "1992 Company Credit Agreement"), pursuant to which certain of the Lenders made certain loans and commitments to the Company, the terms of which are being amended and restated pursuant to the Company Credit Agreement; and

WHEREAS, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Company; and

WHEREAS, certain Borrowers, certain of the Lenders, the Agent and the Original Co-Agents entered into a Credit Agreement, dated as of September 1, 1988 which was amended and restated by the Amended and Restated Subsidiary Credit Agreement dated as of July 21, 1992 (the "1992 Subsidiary Credit Agreement"; and, together with the 1992 Credit Agreement, the "1992 Credit Agreements"), which is being amended and restated by the Second Amended and Restated Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Company Credit Agreement"), pursuant to which certain of the Lenders made certain loans and commitments to the Company, the terms of which are being amended and restated pursuant to the Company Credit Agreement; and

WHEREAS, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the benefit of, the Borrowers, the terms of which are being amended and restated pursuant to the Subsidiary Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Subsidiary Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Borrowers; and

WHEREAS, the Pledgors have executed and delivered the Subsidiary Guaranty dated as of the date hereof (as the same may be amended, restated,
and severally to guarantee all of the obligations of the Company under the Company Credit Agreement and the other Credit Documents, and the Borrowers under the Subsidiary Credit Agreement and the other Credit Documents; and

WHEREAS, the Lenders have agreed to amend and restate the 1992 Credit Agreements upon terms and conditions acceptable to the Company and the Borrowers; and

WHEREAS, it was a condition to the incurrence of loans and the participation in letters of credit under the 1992 Credit Agreements that each Pledgor execute and deliver to the Agent the 1992 Subsidiary Stock and Notes Pledge and it is a condition precedent to the incurrence of loans and the issuance of the letters of credit under the Credit Agreements that each Pledgor execute and deliver to the Collateral Agent this Agreement; and

WHEREAS, (a) the Senior Secured Notes (as defined in the 1992 Subsidiary Stock and Notes Pledge) have been irrevocably paid in full; (b) each Issuing Bank has agreed, among other things, that the Reimbursement Agreements (as defined in the 1992 Subsidiary Stock and Notes Pledge) to which it is a party (other than the Credit Documents to the extent the same could be considered Reimbursement Agreements) shall no longer be entitled to the security interests and other benefits of this Agreement; and (c) the Intercreditor Agreement (as defined in the 1992 Subsidiary Stock and Notes Pledge) has been terminated, except for the appointment by the Lenders of Bankers Trust Company as Collateral Agent, which appointment has been ratified and confirmed in the Credit Agreements;

NOW, THEREFORE, in consideration of the benefits accruing to the Pledgors, the receipt and sufficiency of which are hereby acknowledged, each Pledgor hereby makes the following representations and warranties to the Pledgee and hereby covenants and agrees with the Pledgee as follows:

1. DEFINITIONS. Except as otherwise defined herein, capitalized terms used herein, including in the recital paragraphs, and defined in the Subsidiary Credit Agreement (by reference to the Company Credit Agreement or otherwise) shall be used herein as so defined.

2. SECURITY FOR OBLIGATIONS ETC. This Agreement is for the benefit of the Agent, the Co-Agent and the Lenders and their respective successors and assigns (collectively, the "Secured Creditors") to secure, pursuant to Section 4 hereof, the prompt payment in full when due, whether at stated maturity, by acceleration or otherwise, of all obligations of the Company, any Borrower or any other Subsidiary of the Company now or hereafter existing under the Credit Agreements, the Notes, the Subsidiary Guaranty or any other Credit Document, whether for principal, premium, interest, fees, expenses or otherwise (including, without limitation, the Obligations under the Credit Agreements of the Company and the Subsidiary Borrowers to reimburse drawings honored under Letters of Credit and Subsidiary Letters of Credit), and all obligations of each Pledgor now or hereafter existing under this Agreement (all of the foregoing being herein collectively called the "Obligations").

3. DEFINITION OF SECURITIES; REPRESENTATIONS AND WARRANTIES. As used herein, the term "Securities" shall mean (i) (x) all of the issued and outstanding shares of every class of the capital stock from, time to time legally and beneficially owned by such Pledgor of each of the present and future Domestic Subsidiaries of the Company (other than future Domestic Subsidiaries that are not or do not become Significant Subsidiaries), and (y) to the extent permitted by applicable law, all of the issued and outstanding shares of every class of capital stock from time to time owned by such Pledgor of the present and future Foreign Subsidiaries of the Company (other than future Foreign Subsidiaries that are not or do not become Significant Subsidiaries), in each case, other than shares released pursuant to Section 22 hereof (collectively, the "Pledged Stock"; and the issuers of such Pledged Stock, collectively, the "Pledged Companies"); PROVIDED that in no event shall Securities or Pledged
Stock include more than 65% of all of the outstanding shares of capital stock of any Excludable Foreign Subsidiary; and (ii) all promissory notes (the "Pledged Notes") at any time (a) issued to any Pledgor by any present and future Subsidiary of the Company (other than by any Excludable Foreign Subsidiary) (collectively, the "Charter Subsidiaries") or (b) held by or issued to the Pledgor by any Person in connection with any Asset Sale (as defined in the Company Credit Agreement). Each Pledgor represents and warrants that on the date hereof

(a) the Pledged Stock consists of the number and type of shares of the common stock of the Pledged Companies as described in Annex B attached hereto and the Pledged Notes as described in Annex C attached hereto; (b) each Pledgor is (i) the legal and sole beneficial owner of such Pledged Stock and (ii) the payee with respect to the Pledged Notes; and (c) such Pledged Stock constitutes the respective amount of the issued and outstanding capital stock of each Pledged Company set forth opposite the name of such Pledged Company on Annex B attached hereto.

4. PLEDGE OF SECURITIES, ETC.

4.1 Pledge. To secure the Obligations, each Pledgor hereby pledges and deposits with the Pledgee the Securities owned by each Pledgor on the date hereof, and delivers to the Pledgee (i) the certificates representing the Pledged Stock accompanied by stock powers duly executed in blank by each Pledgor and (ii) the instruments evidencing the Pledged Notes accompanied by assignment forms duly executed in blank by each Pledgor or duly endorsed in blank or in favor of the Pledgee by each Pledgor; and hereby assigns, transfers, hypothecates and sets over to the Pledgee all of each Pledgor's right, title and interest in, to and under any and all Securities now owned or hereafter acquired by any Pledgor, and all principal, interest, dividends, cash, certificates, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any and all of such securities, and all proceeds of the foregoing, all to be held by the Pledgee, upon the terms and conditions set forth in this Agreement; PROVIDED that the Pledged Notes (a) issued to any Pledgor by any Subsidiary of the Company that is not a Significant Subsidiary or (b) held by or issued to a Pledgor by any person in connection with an Asset Sale which are in an aggregate original principal amount, for any individual Asset Sale, of $500,000 or less, shall not be required to be deposited with the Pledgee, unless, in either such case, an Event of Default shall have occurred and be continuing and any Pledgor shall have received from the Pledgee a written request or requests that such Pledgor deliver such Pledged Notes to the Pledgee.

4.2 SUBSEQUENTLY ACQUIRED SECURITIES. If at any time or from time to time after the date hereof, any Pledgor shall acquire any additional Securities (by pur-

chase, stock dividend or otherwise) or any Pledgor shall possess any additional Securities by virtue of possessing capital stock of a Person which becomes a Significant Subsidiary, such Pledgor will, forthwith (i) pledge and deposit with the Pledgee such Securities, provided that in no event shall the Pledgor be required to pledge any promissory note issued to it by, or more than 65% of all of the outstanding shares of capital stock of, any Excludable Foreign Subsidiary; and (ii) deliver to the Pledgee the certificates or instruments therefor, accompanied by stock powers or assignment forms duly executed in blank by such Pledgor to the extent such Pledgor would have been required pursuant to Section 5.1(c) of the Company Credit Agreement and Section 4.1 of this Agreement to pledge such securities if they had been possessed as of the date hereof, and will promptly thereafter deliver to the Pledgee a certificate executed by an authorized officer of such Pledgor describing such Securities and certifying that the same has been duly pledged with the Pledgee hereunder; PROVIDED that the Pledged Notes (a) issued to any Pledgor by any Subsidiary of the Company that is not a Significant Subsidiary or (b) held by or issued to a Pledgor by any person in connection with an Asset Sale which are in an aggregate original principal amount, for any individual Asset Sale, of $500,000 or less, shall not be required to be deposited with the Pledgee, unless, in either such case, an Event of Default shall have occurred and be continuing and any Pledgor shall
have received from the Pledgee a written request or requests that such Pledgor deliver such Pledged Notes to the Pledgee.

4.3 DEFINITIONS OF PLEDGED SECURITIES AND COLLATERAL. All Securities at any time pledged or required to be pledged hereunder are hereinafter called the "Pledged Securities," and the Pledged Securities, together with all other securities and moneys received and at the time held by the Pledgee hereunder and any proceeds of any of the foregoing, are hereinafter called the "Collateral."

5. APPOINTMENT OF SUB-AGENTS; ENDORSEMENTS, ETC. The Pledgee shall have the right to appoint one or more subagents for the purpose of retaining physical possession of the Collateral, which may be held (if applicable and in the discretion of the Pledgee) in the name of each Pledgor, endorsed or assigned in blank or in favor of the Pledgee or any nominee or nominees of the Pledgee or a sub-agent appointed by the Pledgee. The Pledgee agrees to give the Company prompt notice of any such appointment; PROVIDED that the failure of the Pledgee to give such notice shall not affect the effectiveness of any such appointment.

6. VOTING, ETC. Unless and until an Event of Default (such term to mean an Event of Default under, and as defined in, either Credit Agreement) shall have occurred and be continuing, each Pledgor shall be entitled to vote any and all of its Pledged Stock and to give consents, waivers or ratifications in respect thereof; PROVIDED that no vote shall be cast or any consent, waiver or ratification given or any action taken which would violate or be inconsistent with any of the terms of this Agreement or any instrument or agreement relating to the Obligations, or which would have the effect of materially impairing the position or interests of the Pledgee or any other Secured Creditor, except to the extent not prohibited by the Company Credit Agreement, and each Pledgor shall give the Pledgee at least five Business Days' written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right if the exercise or non-exercise of such right potentially may violate or be inconsistent with the aforementioned agreements or may materially impair the position or interests of the Pledgee or any other Secured Creditor; PROVIDED, further, nothing herein contained shall be deemed to limit or restrict each Pledgor's right to take any such actions in connection with the issuance by any Unrestricted Subsidiary of any equity interests or debt obligations. All such rights of the Pledgors to vote and to give consents, waivers and ratifications shall cease in case an Event of Default shall occur and be continuing, and Section 8 hereof shall become applicable. No Pledgor will, at any time, amend, restate, supplement, waive or otherwise modify in any respect adverse to the interests of the Secured Creditors any provision of any Pledged Note, nor take any action which would release or render unenforceable any of the obligations of any of the Subsidiaries or any other Person under its respective Pledged Note.

7. DIVIDENDS AND OTHER DISTRIBUTIONS. Unless an Event of Default shall have occurred and be continuing, all principal, interest and cash dividends payable in respect of the Pledged Securities shall be paid to each respective Pledgor. The Pledgee shall be entitled to receive directly, and to retain as part of the Collateral:

(a) all other or additional stock or securities and, after the occurrence and during the continuance of an Event of Default, property (including cash) paid or distributed by way of dividend in respect of the Pledged Securities;

(b) all other or additional stock or other securities and, after the occurrence and during the continuance of an Event of Default, property (including cash) paid or distributed in respect of the Pledged Securities by way of stock-split, spin-off, split-up, reclassification, combination of shares or similar rearrangement; and

(c) all other or additional stock or other securities and, after
the occurrence and during the continuance of an Event of Default, property (including cash) which may be paid in respect of the Pledged Securities by reason of any consolidation, merger, exchange of stock, conveyance of assets, liquidation or similar corporate reorganization or other disposition of Collateral.

8. REMEDIES IN CASE OF EVENT OF DEFAULT. In case an Event of Default shall have occurred and be continuing, the Pledgee shall be entitled to exercise all of the rights, powers and remedies (whether vested in it by this Agreement, any other Credit Document or by law and including, without limitation, all rights and remedies of a secured party of a debtor in default under the Uniform Commercial Code (the "Code") in effect in any relevant jurisdiction at that time) for the protection and enforcement of its rights in respect of the Collateral, and to the extent permitted by applicable law the Pledgee shall be entitled, without limitation, to exercise the following rights, which each Pledgor hereby agrees to be commercially reasonable:

(a) to receive all amounts payable in respect of the Collateral otherwise payable under Section 7 to the Pledgors and to enforce the payment of the Pledged Notes and to exercise all of the rights, powers, and remedies of each Pledgor thereunder;

(b) to transfer all or any part of the Collateral into the Pledgee's name or the name of its nominee or nominees;

(c) to vote all or any part of the Collateral (whether or not transferred into the name of the Pledgee) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof;

(d) at any time or from time to time to sell, assign and deliver, or grant options to purchase, all or any part of the Collateral in one or more parcels, or any interest therein, at any public or private sale at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise (all of which are hereby expressly and irrevocably waived by each Pledgor), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Pledgee in its absolute discretion may determine. The Pledgee agrees that to the extent that notice of sale shall be required by law that at least 10 days' notice to each Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and any such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshaling the Collateral and any other security for the obligations or otherwise. At any such sale, unless prohibited by applicable law, the Pledgee, on behalf of the Secured Creditors or any Secured Creditor, may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Pledgee nor any Secured Creditor shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto;

(e) to settle, adjust, compromise and arrange all accounts, controversies, questions, claims and demands whatsoever in relation to all or any part of the Collateral;
in respect of the Pledged Securities, to execute all such contracts, agreements, deeds, documents and instruments; to bring, defend and abandon all such actions, suits and proceedings, and to take all actions in relation to all or any part of the Collateral as the Pledgee in its absolute discretion may determine;

(g) to appoint managers, sub-agents, officers and servants for any of the purposes mentioned in the foregoing provisions of this Section 8 and to dismiss the same, all as the Pledgee in its absolute discretion may determine; and

(h) generally, to take all such other action as the Pledgee in its absolute discretion may determine as incidental or conducive to any of the matters or powers mentioned in the foregoing provisions of this Section 8 and which the Pledgee may or can do lawfully and to use the name of any Pledgor for the purposes aforesaid and in any proceedings arising therefrom.

9. REMEDIES, ETC., CUMULATIVE. Each right, power and remedy of the Pledgee provided for in this Agreement or any other Credit Document or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Pledgee or any Secured Creditor of any one or more of the rights, powers or remedies provided for in this Agreement or any other Credit Document or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Pledgee or any Secured Creditor of all such other rights, powers or remedies, and no failure or delay on the part of the Pledgee or any Secured Creditor to exercise any such right, power or remedy shall operate as a waiver thereof.

10. APPLICATION OF PROCEEDS. All moneys collected by the Pledgee upon any sale or other disposition of the Collateral, together with all other moneys received by the Pledgee hereunder shall be applied as follows:

(a) first, to the payment of any and all expenses and fees (including reasonable attorneys' fees) actually incurred by the Pledgee in obtaining, taking possession of, removing, storing and disposing of Collateral and any and all amounts incurred by the Pledgee in connection therewith or owing to the Pledgee hereunder;

(b) next, any surplus then remaining, to the payment of the other Obligations; and

(c) if the Total Commitment is then terminated, all Loans (under and as defined in each Credit Agreement) have been paid in full, no Letters of Credit or Subsidiary Letters of Credit are outstanding and no other Obligation is outstanding, any surplus then remaining shall be paid to the Company, subject, however, to the rights of the holder of any then existing Lien of which the Agent has actual notice (without investigation);

it being understood that the Pledgor shall remain liable to the extent of any deficiency between the amount of the proceeds of the Collateral and the aggregate amount of the sums referred to in clauses (a) and (b) of this Section 10.

Notwithstanding the foregoing, in no event shall moneys attributable to a given Pledgor (when aggregated with all other amounts contemporaneously received from such Pledgor under any other Security Document in respect of the Obligations) be applied pursuant to the foregoing clause in excess of its Maximum Guaranty Liability (as defined in the Subsidiary Guaranty), with any excess to be paid to such Pledgor or to whomever may be lawfully entitled to receive the same.

11. PURCHASERS OF COLLATERAL. Upon any sale of any of the Collateral hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process or otherwise), the receipt of the Pledgee or the officer making
the sale shall be a sufficient discharge to the purchaser or purchasers of the
Collateral so sold, and such purchaser or purchasers shall not be obligated to
see to the application of any part of the purchase money paid over to the
Pledgee or such officer or be answerable in any way for the misapplication or
nonapplication thereof.

12. INDEMNITY. Without duplication of any amounts payable under
Section 12.1 of each Credit Agreement, each Pledgor shall jointly and severally,
subject, with respect to each Pledgor, to the last paragraph of Paragraph 10:
(i) whether or not the transactions hereby contemplated are consummated, pay all
reasonable out-of-pocket costs and expenses of the Pledgee actually incurred in
connection with the administration (both before and after the execution hereof
and including advice of counsel as to the rights and duties of the Pledgee with
respect thereto) of and in connection with the preparation, execution and
delivery of this Agreement (including, without limitation, the reasonable fees
and disbursements of Skadden, Arps, Slate, Meagher & Flom and of the Pledgee
actually incurred in connection with the preservation of rights under, and
enforcement of, and, after an Event of Default, the renegotiation or
restructuring of this Agreement and any amendment, waiver or consent relating
thereto (including, without limitation, the reasonable fees and disbursements of
counsel for the Pledgee); (ii) pay and hold the Pledgee harmless from and
against any and all present and future stamp or documentary taxes or any other
excise or property taxes, charges or similar levies which arise from any payment
made hereunder or from the execution, delivery or registration of, or otherwise
with respect to this Agreement and save the Pledgee harmless from and against
any and all liabilities with respect to or resulting from any delay or omission
to pay any such taxes, charges or levies; and (iii) indemnify the Pledgee, its
officers, directors, employees, representatives and agents from and hold each of
them harmless against any and all costs, losses, liabilities, claims, damages or
expenses actually incurred by any of them (whether or not any of them is
designated a party thereto) arising out of or by reason

of any investigation, litigation or other proceeding related to this Agreement
or any transaction contemplated hereby, including, without limitation, the
reasonable fees and disbursements of counsel incurred in connection with any
such investigation, litigation or other proceeding. Notwithstanding anything in
this Agreement to the contrary, no Pledgor shall be responsible to the Pledgee,
or any officer, director, employee, representative or agent of the foregoing (an
"Indemnified Party") for any losses, damages, liabilities or expenses which
result from such Indemnified Party's gross negligence or willful misconduct. It
is understood that no Pledgor shall, in connection with any single action, suit,
proceeding or claim or separate but substantially similar or related actions,
suits, proceedings or claims, arising out of the same general allegations or
circumstances, be liable for the fees and expenses of more than one separate
firm of attorneys at the same time for the Indemnified Parties (which firm shall
be designated by the Pledgee) except that, if any Indemnified Party other than
the Pledgee shall determine, in its sole discretion, that there may be a
conflict in such firm representing the Pledgee and such Indemnified Party, then
the Pledgors shall be liable for the reasonable fees and expenses of an
additional firm for such Indemnified Party whose interests may be in conflict.
The Pledgors' obligations under this Section 12 shall survive any termination of
this Agreement.

13. FURTHER ASSURANCES. Each Pledgor agrees that it will join
with the Pledgee in executing and, at its own expense, file and refile under the
Uniform Commercial Code such financing statements, continuation statements and
other documents in such offices as the Pledgee may deem necessary or appropriate
and wherever required or permitted by law in order to perfect and preserve the
Pledgee's security interest in the Collateral and hereby authorizes the Pledgee
to file financing statements and amendments thereto relative to all or any part of
the Collateral without the signature of such Pledgor and to sign the same in
the name of such Pledgor, in each case where permitted by law, and agrees to do
such further acts and things and to promptly execute and deliver to the Pledgee
such additional conveyances, assignments, agreements and instruments as the
Pledgee may reasonably require or deem advisable to carry into effect the
purposes of this Agreement or to further
assure and confirm unto the Pledgee its rights, powers and remedies hereunder.

14. THE PLEDGEE AS AGENT. (a) The Pledgee will hold in accordance with this Agreement all items of the Collateral at any time received under this Agreement. It is expressly understood and agreed that the obligations of the Pledgee as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement.

(b) The Pledgee shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Pledgee accords its own property, it being understood that neither the Pledgee nor any Secured Creditor shall have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Pledgee or any Secured Creditor has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Collateral.

15. TRANSFER BY THE PLEDGORS. No Pledgor will sell or otherwise dispose of, grant any option with respect to, or mortgage, pledge or otherwise encumber any of the Collateral or any interest therein (except pursuant to Section 21 of this Agreement or as otherwise expressly permitted by the Credit Agreements).

16. REPRESENTATIONS AND WARRANTIES. Each Pledgor hereby represents and warrants that (a) it is the legal and beneficial owner of, and has good and marketable title to, the Securities described in Section 3 hereof, subject to no pledge, lien, mortgage, hypothecation, security interest, charge, option or other encumbrance whatsoever, except the liens and security interests created by this Agreement and as permitted by the Credit Agreements; (b) it has full power, authority and legal right to pledge all the Securities pursuant to this Agreement; (c) except as set forth in Schedule 6.7 of the Company Credit Agreement, no consent of any other party (including, without limitation, any stockholder or creditor of such Pledgor, any Pledged Company or any Charter Subsidiary) and no order, consent, license, permit, approval, validation or authorization of, exemption by, notice to, or registration, recording, filing or declaration with, any governmental or public body or authority is required to be obtained by such Pledgor in connection with the execution, delivery or performance of this Agreement or consummation of the transactions contemplated hereby, including, without limitation, the exercise by the Pledgee of the voting or other rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement (except as may be required (i) from stockholders of the Pledgor's Subsidiaries other than the Pledgor and (ii) in connection with the disposition of the Pledged Securities by laws affecting the offering and sale of securities generally); (d) all shares of Pledged Stock have been duly and validly issued, are fully paid and nonassessable and such Pledgor is a holder in due course of the Pledged Notes which it acquired for value, and in good faith and without notice of any claim or defense thereto on the part of any person; and (e) the pledge, assignment and delivery of the Securities pursuant to this Agreement creates a valid and perfected security interest in the Securities and the proceeds thereof superior to and prior to the rights of all other Persons therein (as provided in the Uniform Commercial Code) (except as permitted by the Credit Agreements).

17. COVENANTS OF THE PLEDGORS. Each Pledgor covenants and agrees that (a) such Pledgor will defend the Pledgee's right, title and security interest in and to the Collateral against the claims and demands of all persons whomsoever (except as against Persons holding liens, security interests, or other encumbrances permitted by the Credit Agreements having priority over the security interest granted hereunder pursuant to applicable law); (b) such Pledgor will have like title to and right to pledge any other property at any time hereafter constituting Collateral and will likewise defend the right thereto and security interest therein of the Pledgee and the Secured Creditors; and (c) such Pledgor will not, with respect to any Collateral, enter into any shareholder agreements, voting agreements, voting trusts, trust deeds, irrevocable proxies or any other similar agreements or instruments, except for any contained in the Transaction Documents.
18. PLEDGORS' OBLIGATIONS ABSOLUTE, ETC. The obligations of each Pledgor under this Agreement shall be joint, several, absolute and unconditional in accordance with its terms and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in the time, place or manner of payment of, or in any other term of, all or any of the Obligations, any waiver, indulgence, renewal, extension, amendment or modification of or addition, consent or supplement to or deletion from or any other action or inaction under or in respect of either Credit Agreement, any Note, any other Credit Document or any other documents, instruments or agreements relating to the Obligations or any other instrument or agreement referred to therein or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of either Credit Agreement, any Note, any other Credit Document, or any other documents, instruments or agreements referred to therein or any assignment or transfer of any thereof; (c) any furnishing of any additional security to the Pledgee, the Secured Creditors or their assignees or any acceptance thereof or any release of any security by the Pledgee, the Secured Creditors or their assignees; (d) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; (e) any bankruptcy, insolvency, reorganization, composition, dissolution, liquidation or other like proceeding relating to such Pledgor or any subsidiary or stockholder of such Pledgor, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not such Pledgor shall have notice or knowledge of any of the foregoing; (f) any exchange, release or nonperfection of any other collateral, or any release, or amendment or waiver of or consent to departure from any guaranty or security, for all or any of the Obligations; or (g) any other circumstance which might otherwise constitute a defense available to, or a discharge of, such Pledgor.

19. REGISTRATION, ETC. (a) If an Event of Default shall have occurred and be continuing and any Pledgor shall have received from the Pledgee a written request or requests that such Pledgor cause any registration, qualification or compliance under any Federal or state securities law or laws to be effected with respect to all or any part of the Pledged Securities, such Pledgor as soon as practicable and at its own expense will use its best efforts to cause such registration to be effected (and be kept effective) and will use its best efforts to cause such qualification and compliance to be effected (and be kept effective) as may be so requested and as would permit or facilitate the sale and distribution of such Pledged Securities, including, without limitation, registration under the Securities Act of 1933 as then in effect (or any similar statute then in effect), appropriate qualifications under applicable blue sky or other state securities laws and appropriate compliance with any other government requirements, and reasonably do or cause to be done all such other reasonable acts and things as may be necessary to make such sale of the Pledged Securities valid and binding in compliance with applicable laws; PROVIDED, that the Pledgee shall furnish to such Pledgor such information regarding the Pledgee as such Pledgor may reasonably request in writing and as shall be required in connection with any such registration, qualification or compliance. Each Pledgor will cause the Pledgee to be kept reasonably advised in writing as to the progress of each such registration, qualification or compliance and as to the completion thereof, will furnish to the Pledgee such number of prospectuses, offering circulars or other documents incident thereto as the Pledgee from time to time may reasonably request, and will indemnify the Pledgee and all others participating in the distribution of such Pledged Securities against all claims, losses, damages and liabilities caused by any untrue statement (or alleged untrue statement) of a material fact contained therein (or in any related registration statement, notification or the like) or by any omission (or alleged omission) to state therein (or in any related transaction statement, notification or the like) a material fact required to be stated therein or necessary to make the statements not misleading, except insofar as the same may have been caused by an untrue statement or omission based upon information furnished in writing to such Pledgor by the Pledgee expressly for use therein.
Pledged Securities or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Securities Act of 1933, as then in effect, the Pledgee may, in its sole and absolute discretion, sell such Pledged Securities or part thereof by private sale in such manner and under such circumstances as the Pledgee may deem necessary or advisable in order that such sale may legally be effected without such registration. Without limiting the generality of the foregoing, in any such event the Pledgee, in its sole and absolute discretion (i) may proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Pledged Securities or part thereof shall have been filed under such Securities Act, (ii) may approach and negotiate with a single possible purchaser to effect such sale, and (iii) may restrict such sale to a purchaser who will represent and agree that such purchaser is purchasing for its own account, for investment, and not with a view to the distribution or sale of such Pledged Securities or part thereof. In the event of any such sale, the Pledgee shall incur no responsibility or liability for selling all or any part of the Pledged Securities at a price which the Pledgee, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price may be realized if the sale were deferred until after registration as aforesaid.

20. NOTICES, ETC. All notices and other communications hereunder shall be given to the Company (on behalf of each Pledgor), the Pledgee and the Agent at the addresses and in the manner specified in the Credit Agreements.

21. POWER OF ATTORNEY. Each Pledgor hereby absolutely and irrevocably constitutes and appoints the Pledgee such Pledgor's true and lawful agent and attorney-in-fact, with full power of substitution, in the name of such Pledgor upon the occurrence and during the continuance of an Event of Default: (a) to execute and do all such assurances, acts and things which such Pledgor ought to do (but has failed to do) under the covenants and provisions contained in this Agreement; (b) to take any and all such action as the Agent or any of its sub-agents or attorneys may, in its or their sole and absolute discretion, reasonably determine as necessary or advisable for the purpose of maintaining, preserving or protecting the security constituted by this Agreement or any of the rights, remedies, powers or privileges of the Pledgee under this Agreement; and (c) generally, in the name of such Pledgor exercise all or any of the powers, authorities, and discretions conferred on or reserved to the Pledgee by or pursuant to this Agreement, and (without prejudice to the generality of any of the foregoing) to seal and deliver or otherwise perfect any deed, assurance, agreement, instrument or act as the Pledgee may deem proper in or for the purpose of exercising any of such powers, authorities or discretions. Each Pledgor hereby ratifies and confirms, and hereby agrees to ratify and confirm, whatever lawful acts the Pledgee or any of the Pledgee's sub-agents or attorneys shall do or purport to do in the exercise of the power of attorney granted to the Pledgee pursuant to this Section 21, which power of attorney, being given for security, is irrevocable and coupled with an interest.

22. TERMINATION, RELEASE. (a) At any time and from time to time, at the request and expense of any Pledgor, the Pledgee shall release to such Pledgor shares of Pledged Stock to enable such Pledgor to take actions permitted pursuant to the terms and conditions of the Company Credit Agreement, including, without limitation, to effect Asset Sales and sales of such shares of Pledged Stock so long as the Company and the Pledgors shall remain in compliance with Section 8.2 of the Company Credit Agreement.

(b) After full payment and performance of all of the Obligations (other than indemnities which by their terms survive the repayment of the Loans and the Revolving Loans) and the irrevocable termination of the commitments of the Lenders under the Credit Agreements, this Agreement, so long as no Letter of Credit or Subsidiary Letter of Credit is outstanding, shall terminate, and the
Pledgee, at the request and expense of each Pledgor, will execute and deliver to the Pledgor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to each respective Pledgor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Pledgee and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement, together

with any moneys at the time held by the Pledgee hereunder.

23. MISCELLANEOUS. Each Pledgor agrees with the Pledgee that each of the obligations and liabilities of each Pledgor to the Pledgee under this Agreement may be enforced against each Pledgor without the necessity of joining any Pledged Company, any other Subsidiary of the Company or any other Person as a party. This Agreement shall create a continuing security interest in the Collateral and shall be binding upon the successors and assigns of each Pledgor and shall inure to the benefit of and be enforceable by the Pledgee, the Secured Creditors and their respective permitted successors and assigns. Without limiting the generality of the foregoing sentence, any Secured Creditor may assign or otherwise transfer any note held by it to any other person or entity in accordance with the provisions of either of the Credit Agreements, to the extent permitted by such agreement, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Secured Creditor herein. This Agreement may be changed, waived, discharged or terminated only in accordance with the provisions of the Credit Agreements or as provided in Section 22. Unless otherwise defined herein or in the Company Credit Agreement, terms defined in Article 9 of the Uniform Commercial Code in the State of New York are used herein as defined. The headings in this Agreement are for purposes of reference only and shall not limit or define the meaning thereof. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto.

24. COLLATERAL AGENT. The appointment of the Collateral Agent as Collateral Agent hereunder pursuant to the Intercreditor Agreement has been ratified and confirmed by the Lenders in the Credit Agreements, and the Collateral Agent shall be entitled to the benefits of the Credit Agreements. The Collateral Agent shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of Collateral) solely in accordance with this Agreement and the Credit Agreements. The Collateral Agent may resign and a successor Collateral Agent may be appointed in the manner provided in the Credit Agreements. Upon the acceptance of any appointment as a Collateral Agent by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent under this Agreement, and the retiring Collateral Agent shall thereupon be discharged from its duties and obligations under this Agreement. After any retiring Collateral Agent's resignation, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Collateral Agent.

25. GOVERNING LAW; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF) AND ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PLEDGOR HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE AFORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE
RIGHTS OF THE COLLATERAL AGENT OR THE AGENT WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. EACH PLEDGOR HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND AGENT OF SUCH PLEDGOR, TO RECEIVE, FOR AND ON BEHALF OF SUCH PLEDGOR, SERVICE OF PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO AND SUCH SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COMPLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID AGENT. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARD BY MAIL TO THE COMPANY (ON BEHALF OF THE RESPECTIVE PLEDGOR) AT ITS ADDRESS SET FORTH IN THE COMPANY CREDIT AGREEMENT, BUT THE FAILURE OF THE COMPANY (ON BEHALF OF SUCH PLEDGOR) TO RECEIVE SUCH COPY SHALL NOT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS. EACH PLEDGOR HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED THERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE PLEDGEE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY PLEDGOR IN ANY OTHER JURISDICTION.

26. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PLEDGOR HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, OR ANY MATTER ARISING IN CONNECTION HERUNDER.

27. AMENDMENT AND RESTATEMENT. This Agreement constitutes an amendment and restatement of the 1992 Subsidiary Stock and Notes Pledge amended hereby (the "Original Instrument"), and such Original Instrument shall continue in effect on and after the date hereof as so amended and restated. The parties do not intend that this Agreement constitute a novation, termination, release or satisfaction of the Original Instrument, or constitute payment or satisfaction of any indebtedness or other obligation secured by the Original Instrument.

IN WITNESS WHEREOF, each Pledgor and the Pledgee have caused this Agreement to be executed by their duly elected officers duly authorized as of the date first above written.

BANKERS TRUST COMPANY,
in its capacity as
Collateral Agent, as Pledgee

By /s/ Mary Kay Coyle

Name: Mary Kay Coyle
Title: Vice President

PLEDGORS:

By /s/ Charlotte A. Sanford

Charlotte A. Sanford, in her capacity as Treasurer for each of the Corporations list-
IN WITNESS WHEREOF, Charter Medical of England Limited has caused this instrument to be duly executed as a Deed and delivered by two of its Directors thereunto duly authorized as of the date first above written.

/s/ Charlotte A. Sanford
Charlotte A. Sanford
Director

/s/ James M. Filush
James M. Filush
Director

[COMMON SEAL]
The Common Seal of
Charter Medical (Cayman Islands) Ltd.
was hereunto affixed in the presence of:

/s/ John C. McCauley
John C. McCauley
Director

/s/ Glenn A. McRae
Glenn A. McRae
Director

[COMMON SEAL]
The Common Seal of
Charter Medical International, Inc.
was hereunto affixed in the presence of:

/s/ John C. McCauley
John C. McCauley
Director

/s/ Glenn A. McRae
Glenn A. McRae
Director

ANNEX A

SECOND AMENDED AND RESTATED SUBSIDIARY STOCK
AND NOTES PLEDGE AGREEMENT
DOMESTIC SUBSIDIARIES:
- ----------------------
    1. Ambulatory Resources, Inc.
       Subsidiary:
    2. Gwinnett Immediate Care Center, Inc.
    3. Holcomb Bridge Immediate Care Center, Inc.
    4. Atlanta MOB, Inc.
    5. Beltway Community Hospital, Inc.
    6. CCM, Inc. (50%-Charter Medical Corporation and 50%-CMCI, Inc.)
   14. Charter Behavioral Health System at Hidden Brook, Inc.
   15. Charter Behavioral Health System at Los Altos, Inc.
   17. Charter Behavioral Health System at Warwick Manor, Inc.
   19. Charter Behavioral Health System of Austin, Inc.
   23. Charter Behavioral Health System of Central Georgia, Inc.
   27. Charter Behavioral Health System of Chula Vista, Inc.
   29. Charter Behavioral Health System of Corpus Christi, Inc.
   30. Charter Behavioral Health System of Dallas, Inc.
   32. Charter Behavioral Health System of Fort Worth, Inc.
   33. Charter Behavioral Health System of Jackson, Inc.
   34. Charter Behavioral Health System of Jacksonville, Inc.
   36. Charter Behavioral Health System of Kansas City, Inc.
   37. Charter Behavioral Health System of Lafayette, Inc.
   38. Charter Behavioral Health System of Lake Charles, Inc.
   40. Charter Behavioral Health System of Michigan City, Inc.
   41. Charter Behavioral Health System of Mobile, Inc.
   42. Charter Behavioral Health System of Nashua, Inc.
   43. Charter Behavioral Health System of Nevada, Inc.
   44. Charter Behavioral Health System of New Mexico, Inc.
   45. Charter Behavioral Health System of Northwest Arkansas, Inc.
   46. Charter Behavioral Health System of Northwest Indiana, Inc.
   47. Charter Behavioral Health System of Paducah, Inc.
   48. Charter Behavioral Health System of Rockford, Inc.
   49. Charter Behavioral Health System of San Jose, Inc.
   50. Charter Behavioral Health System of Southern California, Inc.
   51. Charter Behavioral Health System of Tampa Bay, Inc.
   52. Charter Behavioral Health System of Texarkana, Inc.
   53. Charter Behavioral Health System of Toledo, Inc.
   54. Charter Behavioral Health System of Tucson, Inc.
   55. Charter Behavioral Health System of Virginia Beach, Inc.
   56. Charter Behavioral Health System of Visalia, Inc.
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<tr>
<th>Number</th>
<th>Subsidiary Name</th>
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<tr>
<td>58.</td>
<td>Charter Behavioral Health System of Waverly, Inc.</td>
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<td>60.</td>
<td>Charter Behavioral Health System of Yorba Linda, Inc.</td>
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<td>61.</td>
<td>Charter Behavioral Health Systems of Atlanta, Inc.</td>
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<td>63.</td>
<td>Charter Behavioral Health System of Savannah, Inc.</td>
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<td>64.</td>
<td>Charter-By-The-Sea Behavioral Health System, Inc.</td>
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<td>65.</td>
<td>Charter Canyon Behavioral Health System, Inc.</td>
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<td>68.</td>
<td>Charter Colonial Institute, Inc.</td>
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<td>69.</td>
<td>Charter Community Hospital, Inc.</td>
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<td>70.</td>
<td>Charter Community Hospital of Des Moines, Inc.</td>
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<td>71.</td>
<td>Charter Contract Services, Inc.</td>
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<td>72.</td>
<td>Charter Cove Forge Behavioral Health System, Inc.</td>
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<td>73.</td>
<td>Charter Crescent Pines Behavioral Health System, Inc.</td>
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<td>Charter Fairbridge Behavioral Health System, Inc.</td>
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<td>Charter Fairmount Behavioral Health System, Inc.</td>
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<td>76.</td>
<td>Charter Fenwick Hall Behavioral Health System, Inc.</td>
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<td>77.</td>
<td>Charter Financial Offices, Inc.</td>
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<td>78.</td>
<td>Charter Forest Behavioral Health System, Inc.</td>
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<td>Charter Greensboro Behavioral Health System, Inc.</td>
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<td>81.</td>
<td>Charter Health Management of Texas, Inc.</td>
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<td>82.</td>
<td>Charter Hospital of Columbus, Inc.</td>
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<td>83.</td>
<td>Charter Hospital of Denver, Inc.</td>
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<td>84.</td>
<td>Charter Hospital of Ft. Collins, Inc.</td>
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<td>85.</td>
<td>Charter Hospital of Laredo, Inc.</td>
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<td>86.</td>
<td>Charter Hospital of Mobile, Inc.</td>
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<td>87.</td>
<td>Charter Hospital of Northern New Jersey, Inc.</td>
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<td>Charter Hospital of Santa Teresa, Inc.</td>
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<td>89.</td>
<td>Charter Hospital of St. Louis, Inc.</td>
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<td>Charter Hospital of Miami, Inc.</td>
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<td>91.</td>
<td>Charter Hospital of Torrance, Inc.</td>
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<td>92.</td>
<td>Charter Indianapolis Behavioral Health System, Inc.</td>
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<td>93.</td>
<td>Charter Lafayette Behavioral Health System, Inc.</td>
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<td>94.</td>
<td>Charter Lakehurst Behavioral Health System, Inc.</td>
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<td>95.</td>
<td>Charter Lakeside Behavioral Health System, Inc.</td>
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<td>96.</td>
<td>Charter Laurel Heights Behavioral Health System, Inc.</td>
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<td>98.</td>
<td>Charter Linden Oaks Behavioral Health System, Inc.</td>
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<td>100.</td>
<td>Charter Louisville Behavioral Health System, Inc.</td>
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<td>102.</td>
<td>Charter Medfield Behavioral Health System, Inc.</td>
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<td>103.</td>
<td>Charter Medical Executive Corporation</td>
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<td>104.</td>
<td>Charter Medical Information Services, Inc.</td>
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<td>106.</td>
<td>Charter Medical Management Company</td>
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<td>107.</td>
<td>Charter Medical of East Valley, Inc.</td>
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<td>108.</td>
<td>Charter Medical of North Phoenix, Inc.</td>
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<td>109.</td>
<td>Charter Medical of Orange County, Inc.</td>
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<td>110.</td>
<td>Charter Medical - California, Inc.</td>
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<td>111.</td>
<td>Charter Behavioral Health System of Northern California, Inc.</td>
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<td>112.</td>
<td>Charter Medical - Clayton County, Inc.</td>
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<td>113.</td>
<td>Charter Medical - Cleveland, Inc.</td>
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<tr>
<td>114.</td>
<td>Charter Regional Medical Center, Inc.</td>
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ANNEX A
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SECOND AMENDED AND RESTATED SUBSIDIARY STOCK
--------------------------------------------------
AND NOTES PLEDGE AGREEMENT
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122. Charter MOB of Charlottesville, Inc.
123. Charter North Behavioral Health System, Inc.
   Subsidiary:
124. Charter North Counseling Center, Inc.
125. Charter Northbrooke Behavioral Health System, Inc.
126. Charter Northridge Behavioral Health System, Inc.
127. Charter Northside Hospital, Inc.
129. Charter of Alabama, Inc.
130. Charter Palms Behavioral Health System, Inc.
131. Charter Peachford Behavioral Health System, Inc.
133. Charter Plains Behavioral Health System, Inc.
134. Charter Psychiatric Hospitals, Inc.
135. Charter Real Behavioral Health System, Inc.
137. Charter Ridge Behavioral Health System, Inc.
139. Charter San Diego Behavioral Health System, Inc.
140. Charter Serenity Lodge Behavioral Health System, Inc.
141. Charter Sioux Falls Behavioral Health System, Inc.
142. Charter South Bend Behavioral Health System, Inc.
143. Charter Springs Behavioral Health System, Inc.
144. Charter Springwood Behavioral Health System, Inc.
145. Charter Suburban Hospital of Mesquite, Inc.
146. Charter Terre Haute Behavioral Health System, Inc.
149. Charter Treatment Center of Michigan, Inc.
150. Charter Westbrook Behavioral Health System, Inc.
   Subsidiary:
151. CPS Associates, Inc.
152. Charter White Oak Behavioral Health System, Inc.
   Subsidiary:
155. Charter Woods Hospital, Inc.
156. Charter - Provo School, Inc.
157. Charterton/LaGrange, Inc.
158. CMSF, Inc.
159. C.A.C.O. Services, Inc.
160. Desert Springs Hospital, Inc.
161. CMCI, Inc.
162. CMFC, Inc.
163. Employee Assistance Services, Inc.
164. Florida Health Facilities, Inc.
165. Gulf Coast EAP Services, Inc.
166. HCS, Inc.
167. Hospital Investors, Inc.
168. Mandarin Meadows, Inc.
169. Metropolitan Hospital, Inc.
170. Middle Georgia Hospital, Inc.
171. Pacific - Charter Medical, Inc.
   Subsidiary:
172. Charter Behavioral Health System of the Inland Empire, Inc.
173. Peachford Professional Network, Inc.
174. Rivoli, Inc.
175. Shallowford Community Hospital, Inc.
176. Sistemas De Terapia Respiratoria S.A., Inc.
177. Stuart Circle Hospital Corporation
178. Tampa Bay Behavioral Health Alliance, Inc.
179. Western Behavioral Systems, Inc.

Page 5
SECOND AMENDED AND RESTATED SUBSIDIARY PLEDGE AND SECURITY AGREEMENT

dated as of May 2, 1994 (as the same may be amended, restated, supplemented or otherwise modified from time to time, this "Agreement"), made by each of the corporations listed on Schedule 1 hereto (individually, an "Assignor" and collectively, the "Assignors") to Bankers Trust Company, a New York banking corporation, in its capacity as Collateral Agent (as hereinafter defined) for the Secured Creditors (as hereinafter defined). Certain capitalized terms are defined in Article VII hereof.

WITNESSETH:

WHEREAS, certain of the parties hereto (or their predecessors) (other than certain Assignors which executed mortgages in favor of the Agent) entered into the Subsidiary Pledge and Security Agreement dated as of September 1, 1988, as supplemented by Supplement No. 1 dated as of October 4, 1990, and the Subsidiary Security Agreement (Mortgaged Property) dated as of September 1, 1988, as supplemented by Supplement No. 1 dated as of October 4, 1990, each of which was amended and restated by the Amended and Restated Subsidiary Pledge and Security Agreement dated as of July 21, 1992 (the "1992 Subsidiary Pledge and Security Agreement"), in favor of the Collateral Agent for the benefit of the Lenders, the Trustee and the Issuing Banks (as such terms are defined in the 1992 Subsidiary Pledge and Security Agreement) and now desire to amend and restate such agreement in its entirety; and

WHEREAS, Charter Medical Corporation, a Delaware corporation (as successor to WAF Acquisition Corporation, a Delaware corporation, the "Company"), certain of the Lenders (as hereinafter defined), Bankers Trust Company, as Agent, and Wells Fargo Bank, National Association and Bank of America National Trust and Savings Association, as co-agents (the "Original Co-Agents"),

entered into that certain Credit Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Credit Agreement dated as of July 21, 1992 (the "1992 Company Credit Agreement"), which is being amended and restated by the Second Amended and Restated Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Company Credit Agreement"), pursuant to which certain of the Lenders made certain loans and commitments to the Company, the terms of which are being amended and restated pursuant to the Company Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Company Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Company; and

WHEREAS, certain Subsidiary Borrowers, certain of the Lenders, the Agent and the Original Co-Agents entered into a Credit Agreement, dated as of September 1, 1988, which was amended and restated by the Amended and Restated Subsidiary Credit Agreement dated as of July 21, 1992 (the "1992 Subsidiary Credit Agreement"; and, together with the 1992 Company Credit Agreement, the "1992 Credit Agreements"), which is being amended and restated by the Second Amended and Restated Subsidiary Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Subsidiary Credit Agreement"; and, together with the Company Credit Agreement, each a "Credit Agreement" and collectively the "Credit Agreements"), pursuant to which certain of the Lenders made certain loans and commitments to, and participated in certain letters of credit for the benefit of, the Subsidiary Borrowers, the terms of which are being amended and restated pursuant to the Subsidiary Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Subsidiary Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Subsidiary Borrowers; and
WHEREAS, the Assignors have executed and delivered a Second Amended and Restated Subsidiary Guaranty dated as of the date hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Subsidiary Guaranty") pursuant to which such Assignors have agreed jointly and severally to guarantee all of (i) the Obligations (as defined in the Company Credit Agreement) of the Company and (ii) the Obligations of the Subsidiary Borrowers; and

WHEREAS, the Company has guaranteed the Obligations of each Subsidiary Borrower; and

WHEREAS, the Lenders have agreed to amend and restate the 1992 Credit Agreements upon terms and conditions acceptable to the Company and the Subsidiary Borrowers; and

WHEREAS, it was a condition precedent to the incurrence of loans and the participation in letters of credit under the 1992 Credit Agreements that each Assignor execute and deliver to the Agent the 1992 Subsidiary Pledge and Security Agreement and it is a condition precedent to the incurrence of loans and the issuance of letters of credit under the Credit Agreements that each Assignor execute and deliver to the Collateral Agent this Agreement; and

WHEREAS, (a) the Senior Secured Notes (as defined in the 1992 Subsidiary Pledge and Security Agreement) have been irrevocably paid in full; (b) each Issuing Bank has agreed, among other things, that the Reimbursement Agreements (as defined in the 1992 Subsidiary Pledge and Security Agreement) to which it is a party (other than the Credit Documents to the extent the same could be considered Reimbursement Agreements) shall no longer be entitled to the security interests and other benefits of this Agreement; and (c) the Intercreditor Agreement (as defined in the 1992 Subsidiary Pledge and Security Agreement) has been terminated, except for the appointment by the Lenders of Bankers Trust Company as Collateral Agent, which appointment has been ratified and confirmed in the Credit Agreements;

NOW, THEREFORE, in consideration of the benefits accruing to the Assignors, the receipt and sufficiency of which are hereby acknowledged, the Assignors

hereby make the following representations and warranties and covenant and agree as follows:

ARTICLE I

SECURITY INTERESTS

1.1. GRANT OF SECURITY INTERESTS. (a) As collateral security for the prompt and complete payment and performance when due of all of the Obligations, each Assignor does hereby sell, assign and transfer as collateral security unto, and does hereby grant to, the Collateral Agent for the benefit of the Secured Creditors, a continuing security interest in all of such Assignor's right, title and interest in, to and under all of the following, now existing or hereafter from time to time arising or acquired, (i) each and every Receivable, except (x) to the extent prohibited by the Medicare and Medicaid programs pursuant to 42 U.S.C. sections 1395 and 1396(a) (and any successor to such Sections) and (y) Receivables from the United States Government to the extent such Receivables are prohibited by law to be subject to a security interest or Lien, (ii) all Inventory, Equipment, other Goods, Chattel Paper, Documents, Fixtures and Instruments; (iii) to the extent not prohibited by applicable law, all Contracts, Contract Rights arising under such Contracts and all other General Intangibles; (iv) to the extent permitted under such agreements, any and all interest rate or currency exchange agreements, including without limitation, cap, collar, floor, forward or similar agreements or other rate protection arrangements and all other hedging arrangements; (v) any and all books and records relating to any of the property described in the foregoing clauses (i) through (iv) except to the extent such books and records are acquired under a license from a third party which prohibits the granting of a security interest therein; and (vi) in each instance, together with all accessions, attachments
and additions thereto, substitutions therefor and replacements, Proceeds and products of any and all of the foregoing items described in clauses (i) through (v) (all of the above collectively, the "Collateral"); PROVIDED, HOWEVER, that, with the exception of the Collateral described in clause (i) and any Collateral constituting intercompany notes, the foregoing grant of a security interest shall not include a security interest in, and

the Collateral shall not include, any property of an Assignor to the extent (but only to the extent) that the granting of a security interest in such property is prohibited or otherwise restricted by the terms of the agreements listed on the attached Schedule 1.1 (the "Excluded Property"); PROVIDED, FURTHER, that upon the termination or expiration of such prohibition or restriction, the Excluded Property shall become subject to the security interest hereunder and shall be deemed to be Collateral.

(b) The pledges, liens and security interests of the Collateral Agent under this Agreement extend to all Collateral now existing or hereafter acquired, of the kind which is the subject of this Agreement which any Assignor may acquire at any time during the continuation of this Agreement. Except as otherwise set forth in the Credit Agreements (including, without limitation, Section 8.8 of the Company Credit Agreement), upon the sale or disposition by any Assignor of all of its right, title and interest in and to any Collateral pursuant to Sections 8.2, 8.6 or 8.8 of the Company Credit Agreement, to a Person other than another Assignor, the security interest with respect to such Collateral shall be released; PROVIDED that, at such time, no Default or Event of Default shall have occurred and be continuing.

(c) In the event that the grant of a security interest hereunder in any Collateral (other than any Collateral described in Section 1.1(a)(i) and any intercompany notes) is prohibited by any agreement to which an Assignor is a party, the Collateral Agent, promptly after a written request therefor from such Assignor or the Company, shall release the security interest granted hereunder in such Collateral if (i) no Default or Event of Default has occurred and is then continuing, (ii) the replacement cost of such Collateral is less than $500,000, (iii) such Assignor and the Company have used all reasonable efforts (other than the payment of any significant sum of money) to obtain a consent from the other parties to such agreement to the Collateral Agent's security interest in such Collateral, and (iv) after giving effect to such release, Collateral and Company Collateral having an aggregate replacement cost in excess of $3,000,000 shall not have been released pursuant to this Section 1.1(c) and/or Section 1.1(c) of the Company Pledge and Security Agreement. For purposes of the foregoing clauses (ii) and (iv), the replacement cost of any Collateral or Company Collateral requested from time to time to be released pursuant to this Section 1.1(c) or Section 1.1(c) of the Company Pledge and Security Agreement shall be the replacement cost of such Collateral or Company Collateral, as the case may be, at the time of the request for such release as determined by the Company at such time in good faith and in a reasonable manner.

1.2. POWER OF ATTORNEY. Each Assignor hereby constitutes and appoints the Collateral Agent its true and lawful attorney, with full power (in the name of Assignor or otherwise), upon the occurrence and during the continuance of an Event of Default to act, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to such Assignor under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings, consistent with the Collateral Agent’s rights under this Agreement, which the Collateral Agent may deem to be necessary or advisable in the premises, which appointment as attorney is coupled with an interest and is irrevocable.
Each Assignor represents, warrants and covenants, which representation, warranties and covenants shall survive execution and delivery of this Agreement, as follows:

2.1. NECESSARY FILINGS. All filings, registrations and recordings necessary or appropriate to create, preserve, protect and perfect the security interest granted by each Assignor to the Collateral Agent hereby in respect of the Collateral have been accomplished and the security interest granted to the Collateral Agent pursuant to this Agreement in and to the Collateral constitutes a perfected security interest therein (as provided in the Uniform Commercial Code), which is superior and prior to the rights of all other Persons therein (subject, however, to Permitted Encumbrances that are prior to the security interests granted hereunder pursuant to applicable law), and is entitled to all the rights, priorities and benefits afforded by the Uniform Commercial Code as enacted in any relevant jurisdiction to perfected security interests.

2.2. NO LIENS. Each Assignor is, and as to Collateral acquired by it from time to time after the date hereof, such Assignor will be, the owner of all Collateral free from any Lien, security interest, encumbrance, assignment or other right, title or interest of any Person other than as created under the Security Documents, except as otherwise permitted pursuant to the terms and provisions of the Company Credit Agreement ("Permitted Encumbrances") and, except as to Permitted Encumbrances, such Assignor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Collateral Agent.

2.3. OTHER FINANCING STATEMENTS. Except for Permitted Encumbrances, there is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering any interest of any kind in the Collateral and so long as any of the Obligations remain unpaid, no Assignor will execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except financing statements filed or to be filed in respect of and covering the security interests granted hereby by the Assignors and Permitted Encumbrances.

2.4. CHIEF EXECUTIVE OFFICE; CORPORATE NAME; RECORDS. The chief executive office of each Assignor is located at the addresses specified for such Assignor on Annex A attached hereto. No Assignor will move its chief executive office except to such new location such Assignor may establish in accordance with the last sentence of this Section 2.4. No Assignor will change its corporate name nor carry on business under any name other than its corporate name or the name specified for such Assignor on Annex A attached hereto except after having complied with the requirements of the last sentence of this Section 2.4. The originals of all documents evidencing all Receivables of each Assignor and the only original books of account and records of such Assignor relating thereto are, and will continue to be, kept at such chief executive office, or at such new location for such chief executive office as such Assignor may establish in accordance with the last sentence of this Section 2.4 or such other location as listed on Annex A thereto, PROVIDED that all actions necessary to perfect or continue to perfect the security interests granted hereunder in such documents, books of account and records have been taken. All Receivables of each Assignor are, and will continue to be controlled and directed (including, without limitation, for general accounting purposes) from, such chief executive office location as set forth on Annex A attached hereto, or such new location as such Assignor may establish in accordance with the last sentence of this Section 2.4 or such other location as listed on Annex A attached hereto. No Assignor shall establish a new location for its chief executive office or change its corporate name or the names under which it presently conducts its business unless (i) it shall give to the Collateral Agent written notice clearly describing such new location or specifying such new corporate name, as the case may be, and providing such other information in connection therewith as the Collateral Agent may reasonably request, and (ii) with respect to such new location or such new corporate name,
as the case may be, it shall have taken all action, satisfactory to the Collateral Agent, to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

2.5. LOCATION OF EQUIPMENT. (a) All Significant Equipment held on the date hereof by each Assignor is located at the address shown for such Assignor on Annex A attached hereto. Except as otherwise permitted pursuant to the Mortgages, each Assignor agrees that all Significant Equipment owned or leased by it from time to time shall be kept at (or shall be in transport to) the location shown on Annex A attached hereto for such Assignor, or such new location as each Assignor may establish in accordance with the last sentence of this Section 2.5; PROVIDED that any Significant Equipment of such Assignor may at any time be in transport to, or located on a temporary basis at, any other location set forth on Annex A attached hereto. No Assignor may otherwise establish a new location for any Significant Equipment unless (i) it shall have given to the Collateral Agent written notice clearly describing such new location and providing such other information in connection therewith as the Collateral Agent may reasonably request, and (ii) with respect to such new location, it shall have taken all action satisfactory to the Collateral Agent to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

ARTICLE III

SPECIAL PROVISIONS CONCERNING RECEIVABLES

3.1. ADDITIONAL REPRESENTATIONS AND WARRANTIES. As of the time when each of its Receivables arises, each Assignor shall be deemed to have represented and warranted that such Receivable and all records, papers and documents relating thereto (if any) are genuine and in all respects are what they purport to be, and that all papers and documents (if any) relating thereto (i) will be the only original writings evidencing and embodying such obligation of the account debtor named therein (other than copies created for purposes other than general accounting purposes), (ii) will evidence true and valid obligations, enforceable in accordance with their respective terms (except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws and by principles of equity) arising out of the performance of labor or services or the sale or lease and delivery of the merchandise listed therein, or both, not subject to the fulfillment of any contract or condition whatsoever or to any defenses, set-offs or counterclaims (except (a) with respect to refunds, returns, adjustments and allowances in the ordinary course of business with respect to damaged merchandise and similar practices arising in the ordinary course of business relating to payments under Medicare and other health insurance programs and (b) accounts that have not yet been earned by performance), or stamp or other taxes, and (iii) will be in compliance in all material respects and will conform with all applicable and material federal, state and local laws.

3.2. MAINTENANCE OF RECORDS. Each Assignor will keep and maintain at its own cost and expense satisfactory and complete records of its Receivables, includ-
representatives (copies of which evidence and books and records may be retained by such Assignor) at any time upon its demand; PROVIDED, THAT, nothing set forth herein shall require the delivery of confidential patient information to the extent the release of such information (if any) is prohibited by law until all such consents or approvals for such release shall have been obtained (which consents and approvals each Assignor agrees to promptly take reasonable action to obtain in any such event). If the Collateral Agent so directs, each Assignor shall legend, in form and manner reasonably satisfactory to the Collateral Agent, the Receivables and other books, records and documents of such Assignor evidencing or pertaining to the Receivables with an appropriate reference to the fact that the Receivables have been assigned to the Collateral Agent and that the Collateral Agent has a security interest therein.

3.3. MODIFICATION OF TERMS; ETC. No Assignor shall rescind or cancel any indebtedness evidenced by any Receivable or modify any term thereof or make any adjustment with respect thereto, or extend or renew the same, or compromise or settle any dispute, claim, suit or legal proceeding relating thereto, or sell any Receivable or interest therein, without the prior written consent of the Collateral Agent, except as permitted by Section 3.4 hereof. Each Assignor will duly fulfill all obligations on its part to be fulfilled under or in connection with the Receivables and will do nothing to impair the rights of the Collateral Agent in the Receivables.

3.4. COLLECTION. Each Assignor shall endeavor to cause to be collected from the account debtor named in each of its Receivables, as and when due (including, without limitation, Receivables which are delinquent, such Receivables to be collected in accordance with past business practices and generally accepted collection procedures in accordance with all applicable laws), any and all amounts owing under or on account of such Receivable subject to adjustments made in the ordinary course of business and in sound business judgment relating to payments under Medicare and other health insurance programs or made in respect of charitable programs for indigent care in accordance with such Assignor's past practices, and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Receivable, except that, prior to the occurrence and continuance of an Event of Default, such Assignor may (i) convey, sell, lease or otherwise dispose of accounts receivable which have been outstanding more than 120 days in the ordinary course of business in accordance with such Assignor's past collection practices of accounts receivable and (ii) allow in the ordinary course of business as adjustments to amounts owing under its Receivables (A) an extension or renewal of the time or times of payment, or settlement for less than the total unpaid balance, which such Assignor finds appropriate in accordance with sound business judgment and (B) a refund or credit due as a result of returned or damaged merchandise. The costs and expenses (including, without limitation, attorneys' fees) of collection, whether incurred by any Assignor or the Collateral Agent, shall be borne by the Assignors.

3.5. INSTRUMENTS. Upon the occurrence and during the continuance of an Event of Default and upon the written request of the Collateral Agent, if any of the Receivables of any Assignor becomes evidenced by an Instrument, such Assignor will within 10 days notify the Collateral Agent thereof, and upon written request by the Collateral Agent promptly deliver such Instrument to the Collateral Agent appropriately endorsed to the order of the Collateral Agent as further security hereunder.

3.6. FURTHER ACTIONS. Each Assignor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports, notices and other assurances or instruments and take such further steps relating to its Receivables and other property or rights covered by the security interest hereby granted, as the Collateral Agent may reasonably require in order to create, preserve, perfect or validate (under the Assignment of Claims Act of 1940, as amended, or similar state laws, in each case for Receivables under a contract with a book value greater than $50,000) any security interest granted pursuant to this Agreement or to enable the Collateral Agent to exercise and enforce its rights under this Agreement with
respect to such security interest; PROVIDED, HOWEVER, the Collateral Agent agrees that notwithstanding anything to the contrary set forth in this Section 3.6, unless an Event of Default shall have occurred and be continuing, each Assignor may retain in its possession all Collateral which would otherwise require possession by the Collateral Agent for perfection of the security interest therein granted by such Assignor under this Agreement.

ARTICLE IIIA

SPECIAL PROVISIONS CONCERNING CHATTEL PAPER AND INSURANCE PROCEEDS

Section 3A.1. CHATTEL PAPER. Upon the occurrence and during the continuance of an Event of Default, each Assignor will, upon request by the Collateral Agent, (i) legend all Chattel Paper with an appropriate reference to the fact that such Chattel Paper has been assigned to the Collateral Agent and that the Collateral Agent has a security interest therein and (ii) promptly deliver all Chattel Paper to the Collateral Agent.

Section 3A.2. INSURANCE PROCEEDS. The Collateral Agent may apply any proceeds of insurance received by it with respect to any Equipment in accordance with the terms and provisions set forth in the Mortgages, regardless of whether such Equipment is subject thereto. Each Assignor assumes all liability and responsibility in connection with the Collateral acquired by it and the liability of any Assignor to pay the Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, destroyed, stolen, damaged or for any reason whatsoever unavailable to any Assignor.

ARTICLE IV

FURTHER ASSURANCES

Except as permitted hereby, no Assignor will do anything to materially impair the rights of the Collateral Agent in the Collateral. Each Assignor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such lists, descriptions and designations of its Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the Collateral Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral; PROVIDED, HOWEVER, the Collateral Agent agrees that notwithstanding anything to the contrary set forth in this Agreement, unless an Event of Default shall have occurred and be continuing, each Assignor may retain in its possession all Collateral which would otherwise require possession by the Collateral Agent for perfection of the security interest therein granted by such Assignor under this Agreement. Each Assignor agrees to sign and deliver to the Collateral Agent such financing statements, in form acceptable to the Collateral Agent, as the Collateral Agent may from time to time reasonably request or as are necessary or desirable in the reasonable opinion of the Collateral Agent to establish and maintain a valid and enforceable security interest in the Collateral as provided herein and having the priority as contemplated hereunder and the other rights and security contemplated hereby all in accordance with the Uniform Commercial Code as enacted in any and all relevant jurisdictions or any other relevant law. Each Assignor will pay any applicable filing fees and related expenses. To the extent permitted by applicable law, each Assignor authorizes the Collateral Agent to file any such financing statements without the signature of such Assignor and to sign such financing statement on behalf of, and in the name of, the Assignor.
ARTICLE V

REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

5.1. REMEDIES; OBTAINING THE COLLATERAL UPON DEFAULT. Each Assignor agrees that, if any Event of Default shall have occurred and be continuing, then and in every such case, the Collateral Agent shall be entitled to exercise all rights and remedies of a secured party under the Uniform Commercial Code as in effect in any relevant jurisdiction to enforce the assignments and security interests contained herein, and, in addition, to the extent permitted by applicable law, the Collateral Agent may:

(a) personally, or by agents or attorney, immediately take possession of the Collateral or any part thereof, from any Assignor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon any Assignor's or such other Person's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of such Assignor; and

(b) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Receivables) constituting the Collateral to make any payment required by the terms of such instrument or agreement directly to the Collateral Agent;

it being understood that each Assignor's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Collateral Agent shall be entitled to apply for a decree requiring, specific performance by any Assignor of said obligation.

5.2. REMEDIES; DISPOSITION OF THE COLLATERAL. In connection with the exercise by the Collateral Agent of any of its rights or remedies at any time an Event of Default has occurred and is continuing, any Collateral may be sold, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Collateral Agent may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than 10 days' written notice to the respective Assignor specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for 10 days after the giving of such notice, to the right of such Assignor or any nominee of such Assignor to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than 10 days' written notice to the respective Assignor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the Collateral Agent's option, be subject to reserve), after publication of notice of such auction not less than 10 days prior thereto in two newspapers in general circulation in the applicable city listed on Annex A. To the extent permitted by any such requirement of law, the Collateral Agent (or any Secured Party) may itself bid for and become the purchaser of the Collateral or any item thereof offered for sale in accordance with this Section without accountability to any Assignor (except to the extent of surplus money received as provided in Section 5.4). In the payment of the purchase price of the Collateral, the purchaser shall be entitled to have credit on account of the purchase price thereof of amounts owing to such purchaser on account of any of the Obligations which would be payable to it in accordance with the terms and provisions of the Credit Agreements, and any such purchaser may deliver notes, claims for interest, or claims for other payment with respect to such obligations in lieu of cash up to the amount which would, upon distribution of the net proceeds of such sale, be payable thereon. Such notes, if the amount payable hereunder shall be less than the amount due thereon, shall be returned to the holder thereof after being appropriately stamped to
show partial payment. If, under mandatory requirements of applicable law, the
Collateral Agent shall be required to make disposition of the Collateral within
a period of time which does not permit the giving of notice to the respective
Assignor as herein above specified, the Collateral Agent need give such Assignor
only such notice of disposition as shall be reasonably practicable in view of
such mandatory requirements of applicable law.

5.3. WAIVER OF CLAIMS. TO THE EXTENT PERMITTED BY APPLICABLE LAW,
EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, EACH ASSIGNOR HEREBY WAIVES
NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT'S TAKING
POSSESSION OR THE COLLATERAL AGENT'S DISPOSITION OF ANY OF THE COLLATERAL,
INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY
PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH ASSIGNOR WOULD OTHERWISE
HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE,
and each Assignor hereby further waives to the extent permitted by applicable
law:

(a) all damages occasioned by such taking of possession except any
damages which are the direct result of the Collateral Agent's gross negligence
or willful misconduct;

(b) all other requirements as to the time, place and terms of sale or
other requirements with respect to the enforcement of the Collateral Agent's
rights hereunder; and

(c) all rights of redemption, appraisal, valuation, stay, extension
or moratorium now or hereafter in force under any applicable law in order to
prevent or delay the enforcement of this Agreement or the absolute sale of the
Collateral or any portion thereof, and each Assignor, for itself and all who may
claim under it, insofar as it or they may now or hereafter lawfully do so,
hereby waives the benefit of such laws.

Any sale of, or the grant of options to purchase, or any other realization upon,
any Collateral shall operate to divest all right, title, interest, claim and
demand, either at law or in equity, of each Assignor therein and thereto, and
shall be a perpetual bar both at law and in equity against each Assignor and
against any and all

Persons claiming or attempting to claim the Collateral so sold, optioned or
realized upon, or any part thereof, from, through and under such Assignor.

5.4. APPLICATION OF PROCEEDS; ASSIGNOR LIABLE FOR DEFICIENCY. The
proceeds of any Collateral obtained pursuant to Section 5.1 or disposed of
pursuant to Section 5.2 shall be applied as follows:

(a) first, to the payment of any and all expenses and fees (including
reasonable attorney's fees) actually incurred by the Collateral Agent in
obtaining, taking possession of, removing, storing and disposing of Collateral
and any and all amounts incurred by the Collateral Agent in connection therewith
or owing to the Collateral Agent hereunder;

(b) next, any surplus then remaining, to the payment of the other
Obligations; and

(c) if the Total Commitment is then terminated, all Loans (under and
as defined in each of the Credit Agreements) have been paid in full, no Letters
of Credit or Subsidiary Letters of Credit are outstanding and no Obligation is
outstanding, any surplus then remaining shall be paid to the Assignors, subject,
however, to the rights of the holder of any then existing Lien of which the
Collateral Agent has actual notice (without investigation);

it being understood that Assignor shall remain liable to the extent of any
deficiency between the amount of the proceeds of the Collateral and the
aggregate amount of the sums referred to in clauses (a) and (b) of this Section
5.4.

5.5. REMEDIES CUMULATIVE. Each and every right, power and remedy
hereby specifically given to the Collateral Agent shall be in addition to every other right, power and remedy specifically given under this Agreement or under any other Credit Document or now or hereafter existing at law or in equity, or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Collateral Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise of any other or others. No delay or omission of the Collateral Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default (as defined in either of the Credit Agreements) or Event of Default or an acquiescence therein.

5.6. DISCONTINUANCE OF PROCEEDINGS. In case the Collateral Agent shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case each Assignor and the Collateral Agent shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Agreement, and all rights, remedies and powers of the Collateral Agent shall continue as if no such proceeding had been instituted.

ARTICLE VI

INDEMNITY

6.1. Without duplication of any amounts payable under Section 12.1 of each Credit Agreement and any similar indemnity provision under any other Credit Document, each Assignor shall: (i) whether or not the transactions hereby contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Collateral Agent actually incurred in connection with the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of the Collateral Agent with respect thereto) of and in connection with the preparation, execution and delivery of this Agreement (including, without limitation, the reasonable fees and disbursements of Skadden, Arps, Slate, Meagher & Flom) and of the Collateral Agent actually incurred in connection with the preservation of rights under, and enforcement of, and, after an Event of Default, any renegotiation or restructuring of this Agreement and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of counsel for the Collateral Agent); (ii) pay and hold the Collateral Agent harmless from and against any and all present and future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to this Agreement and save the Collateral Agent harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay any such taxes, charges or levies; and (iii) indemnify the Collateral Agent, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all costs, losses, liabilities, claims, damages or expenses actually incurred by any of them (whether or not any of them is designated a party, thereto) arising out of or by reason of any investigation, litigation or other proceeding related to this Agreement or any transaction contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding. Notwithstanding anything in this Agreement to the contrary, no Assignor shall be responsible to the Collateral Agent or any officer, director, employee, representative or agent of the foregoing (an "Indemnified Party") for any losses, damages, liabilities or expenses which result from such Indemnified Party's gross negligence or willful misconduct. It is understood that no Assignor shall, in connection with any single action, suit, proceeding or claim
or separate but substantially similar or related actions, suits, proceedings or claims, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at the same time for the Indemnified Parties (which firm shall be designated by the Collateral Agent) except that, if any Indemnified Party other than the Collateral Agent shall determine, in its sole discretion, that there may be a conflict in such firm representing the Collateral Agent and such Indemnified Party, then the Assignors shall be liable for the reasonable fees and expenses of an additional firm for such Indemnified Party whose interests may be in conflict. The Assignors' obligations under this Article VI shall survive any termination of this Agreement.

19

ARTICLE VII
DEFINITIONS

7.1. DEFINITIONS. The following terms shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined. Except as otherwise defined herein, including in the recital paragraphs, capitalized terms used herein and defined in the Company Credit Agreement shall be used herein as so defined.

"Agreement" shall have the meaning specified in the first paragraph hereof.

"Assignor" shall have the meaning specified in the first paragraph hereof.

"Chattel Paper" shall have the meaning assigned that term under the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Collateral" shall have the meaning specified in Section 1.1(a).

"Collateral Agent" shall mean Bankers Trust Company, a New York banking corporation, in its capacity as collateral agent for the Secured Creditors or any of its successors in such capacity.

"Company" shall have the meaning specified in the second "Whereas" clause of this Agreement.

"Company Collateral" shall have the meaning provided for the term "Collateral" in the Company Pledge and Security Agreement.

"Company Credit Agreement" shall have the meaning specified in the second "Whereas" clause of this Agreement.

"Contract Rights" shall mean all rights of any Assignor (including, without limitation, all rights to payment) under each Contract.

"Contracts" shall mean all contracts between any Assignor and one or more additional parties as any such Contract may be amended, modified or supplemented from time to time.

"Credit Agreements" shall have the meaning specified in the fourth "Whereas" clause of this Agreement.

"Default" shall mean and include any "Default" under either Credit Agreement.

"Documents" shall have the meaning assigned that term under the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Equipment" shall mean all machinery, all manufacturing, distribution, selling, data processing and office equipment, all computers, all furniture,
furnishings, appliances, trade fixtures, CAT scanners, X-ray machines, vehicles
(other than vehicles the title to which is required to be registered pursuant to
state motor vehicle registration statutes); all other equipment, including, in
any event, and without limitation, all "equipment" as defined in the Uniform
Commercial Code as in effect on the date hereof in the State of New York and any
attachments, components, parts, equipment and accessories installed thereon or
affixed thereto.

"Event of Default" shall mean and include any "Event of Default" under
either Credit Agreement.

"Excluded Property" shall have the meaning specified in Section 1.1(a)
of this Agreement.

"Fixtures" shall have the meaning assigned to that term under the
Uniform Commercial Code as in effect on the date hereof in the State of New
York.

"General Intangibles" shall have the meaning assigned that term under
the Uniform Commercial Code as in effect on the date hereof in the State of New
York including, in any event, but not limited to, all rights, interests, choses
in action, causes of actions, claims and all other intangible property of every
kind and nature (other than Receivables and Instruments), including, without
limitation, all loans, royalties and other

obligations receivable; all inventions, designs, trade secrets, know-how,
computer programs, printouts and other computer materials, goodwill,
registrations, licenses (other than licenses with respect to which any Assignor
is a licensee and which by their terms or by law are not assignable),
franchises, patient lists, credit files, correspondence and advertising
materials; all customer, insurance and supplier contracts, rights under license
and franchise agreements and other contracts and contract rights; all interests
in partnerships and joint ventures; all tax refunds and tax refund claims; all
payments due or made to any Assignor in connection with any requisition,
confiscation, condemnation, seizure or forfeiture of any property by any person
or governmental authority; all credits with and other claims against carriers
and shippers; all rights to indemnification; other proprietary rights of every
kind and description; all rights under or in connection with any pledge
agreement or security agreement securing any obligation owed to any Assignor;
and all other intangible property.

"Goods" shall have the meaning assigned that term under the Uniform
Commercial Code as in effect on the date hereof in the State of New
York.

"Indemnified Party" shall have the meaning specified in Article VI of
this Agreement.

"Instruments" shall mean all notes, drafts, stocks, bonds and debt and
equity securities, whether or not certificated, and warrants, options, puts and
calls and other rights to acquire or otherwise relating to the same and all
other writings which evidence a right to payment for money, including, in any
event, and without limitation, all "instruments," "certificated securities" or
"uncertificated securities" each as defined in the Uniform Commercial Code as in
effect on the date hereof in the State of New York, and all payments thereunder
and instruments and other property from time to time delivered in respect
thereof or in exchange therefor, together with all security pledged, assigned,
hypothecated, granted or held to secure the foregoing.

"Inventory" shall mean all goods (whether in the possession of any
Assignor or of a bailee or other person for sale, storage, transit, processing,
use or otherwise and whether consisting of whole goods, spare

parts, components, supplies, materials or consigned, returned or repossessed
goods), including, without limitation, all such goods which are held for sale or
lease or are to be furnished (or which have been furnished) or consumed in such
Assignor's business and including all other inventory, including, in any event
and without limitation, all "inventory" as such term is defined in the Uniform
Commercial Code as in effect on the date hereof in the State of New York, now or hereafter owned by any Assignor.

"Lenders" shall mean the financial institutions from time to time signatories to either or both of the Credit Agreements.

"1992 Company Credit Agreement" shall have the meaning specified in the second "Whereas" clause of this Agreement.

"1992 Credit Agreements" shall have the meaning specified in the fourth "Whereas" clause of this Agreement.

"1992 Subsidiary Credit Agreement" shall have the meaning specified in the fourth "Whereas" clause of this Agreement.

"Obligations" shall mean (a) all indebtedness, obligations, and liabilities (including, without limitation, guarantees, reimbursement obligations in respect of Subsidiary Letters of Credit, and other contingent liabilities) of each Assignor to the Collateral Agent, the Agent and any Lender, arising under or in connection with (i) in the case of any Assignor which is a Subsidiary Borrower, direct obligations of such Assignor under the Subsidiary Credit Agreement, (ii) the Subsidiary Guaranty, and/or (iii) this Agreement; (b) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral; and (c) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of Assignor referred to in clause (a), after an Event of Default shall have occurred and be continuing, the reasonable expenses of the Collateral Agent and the other Secured Creditors of retaking, holding, preparing for sale or lease, selling or otherwise disposing or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights hereunder, together with reasonable attorneys' fees of the Collateral Agent and the other Secured Creditors actually incurred and court costs.

"Original Co-Agents" shall have the meaning specified in the second "Whereas" clause of this Agreement.

"Permitted Encumbrances" shall have the meaning specified in Section 2.2.

"Premises" shall mean, with respect to any Assignor, the premises located at the addresses specified for such Assignor on Annex A attached hereto.

"Proceeds" shall mean "proceeds" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Receivables" shall mean all of each Assignor's "accounts" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Secured Creditors" shall mean, collectively, the Lenders, the Agent, the Co-Agent, the Collateral Agent, and their respective successors and assigns.

"Significant Equipment" shall mean Equipment with an aggregate fair market value of $200,000 or greater.

"Subsidiary Credit Agreement" shall have the meaning specified in the second "Whereas" clause of this Agreement.

"Subsidiary Guaranty" shall have the meaning specified in the third "Whereas" clause of this Agreement.

"Total Commitment" shall mean the Total Revolving Loan Commitment.
8.1. NOTICES. All notices and other communications hereunder shall be given to the Company (on behalf of any Assignor) and the Collateral Agent at the addresses and in the manner specified in the Company Credit Agreement.

8.2. WAIVER; AMENDMENT. No delay on the part of the Collateral Agent in exercising any of its rights, remedies, powers and privileges hereunder or partial or single exercise thereof, shall constitute a waiver thereof. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless executed and delivered in accordance with the terms of the Credit Agreements. No notice to or demand on any Assignor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Collateral Agent to any other or further action in any circumstances without notice or demand.

8.3. OBLIGATIONS ABSOLUTE. The obligations of each Assignor under this Agreement shall be joint, several, absolute and unconditional in accordance with its terms and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in the time, place or manner of payment of, or in any other term of, all or any of the Obligations, any waiver, indulgence, renewal, extension, amendment or modification of or addition, consent or supplement to or deletion from or any other action or inaction under or in respect of the Subsidiary Guaranty, either Credit Agreement, any Note, any other Credit Document or any other documents, instruments or agreements relating to the Obligations or any other instrument or agreement referred to therein or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of the Subsidiary Guaranty, either Credit Agreement, any Note, any other Credit Document or any other documents, instruments or agreement referred to therein or any assignment or transfer of any thereof; (c) any furnishing of any additional security to the Collateral Agent, the other Secured Creditors or their assignees or any acceptance thereof or any release of any security by the Collateral Agent, the other Secured Creditors or their assignees; (d) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to such Assignor or any Subsidiary of such Assignor, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not such Assignor shall have notice or knowledge of any of the foregoing; (f) any exchange, release or nonperfection of any other collateral, or any release, or amendment or waiver of or consent to departure from any guaranty or security, for all or any of the Obligations; or (g) any other circumstance which might otherwise constitute a defense available to, or a discharge of such Assignor. The rights and remedies of the Collateral Agent herein provided are cumulative and not exclusive of any rights or remedies which the Collateral Agent would otherwise have.

8.4. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon each Assignor and its successors and assigns and shall inure to the benefit of each Secured Creditor and its permitted successors and assigns, provided that each Assignor may not transfer or assign any or all of its rights or obligations hereunder without the written consent of the Collateral Agent.

8.5. HEADINGS DESCRIPTIVE. The headings of the several sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

8.6. SEVERABILITY. To the extent permitted by applicable law, any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not inva-
date or render unenforceable such provision in any other jurisdiction.

8.7. GOVERNING LAW; APPOINTMENT OF AN AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF). ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH ASSIGNOR HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE AFORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE RIGHTS OF THE AGENT WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. EACH ASSIGNOR HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND PROCESS AGENT OF SUCH ASSIGNOR, TO RECEIVE, FOR AND ON BEHALF OF SUCH ASSIGNOR, SERVICE OF PROCESS IN SUCH JURISDICTIONS IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO AND SUCH SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COMPLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID COLLATERAL AGENT. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH PROCESS AGENT WILL BE PROMPTLY FORWARD TO THE COMPANY (ON BEHALF OF THE RESPECTIVE ASSIGNOR) AT ITS ADDRESS SET FORTH IN THE COMPANY CREDIT AGREEMENT, BUT THE FAILURE OF THE COMPANY (ON BEHALF OF SUCH ASSIGNOR) TO RECEIVE SUCH COPY SHALL NOT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS. EACH ASSIGNOR HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED THERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE COLLATERAL AGENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY ASSIGNOR IN ANY OTHER JURISDICTION.

8.8. ASSIGNORS' DUTIES. It is expressly agreed, anything herein contained to the contrary notwithstanding, that each Assignor shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the Collateral Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement (except for actions arising from the Collateral Agent's gross negligence or willful misconduct or for acts which are not commercially reasonable), nor shall the Collateral Agent be required or obligated in any manner to perform or fulfill any of the obligations of Assignor under or with respect to any Collateral.

8.9. TERMINATION; RELEASE. When the Total Commitment is terminated, all Loans (under and as defined in each of the Credit Agreements) are indefeasibly paid in full, no Letter of Credit or Subsidiary Letter of Credit is outstanding and all other Obligations (other than indemnities which by their terms survive the repayment of the Loans) are irrevocably paid in full, this Agreement shall terminate. Any Assignor which is released from the Subsidiary Guaranty shall automatically be released from its obligations under this Agreement. Upon the termination of this Agreement or the release of any Assignor pursuant to the preceding sentence, the Collateral Agent, at the request and expense of each Assignor in the case of a termination, or the Assignor being released in the case of a release of an Assignor from the Subsidiary Guaranty, will promptly execute and deliver to such Assignor the proper instruments (including Uniform Commercial Code termination statements on form UCC-3) acknowledging the termination of this Agreement or the release of such Assignor, as the case may be, and will duly assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Collateral Agent and has not theretofore been sold or otherwise applied or released pursuant to this Agreement.

8.10. COLLATERAL AGENT. The appointment of the Collateral Agent as Collateral Agent hereunder pursuant to the Intercreditor Agreement has been
ratified and confirmed by the Lenders in the Credit Agreements, and the
Collateral Agent shall be entitled to the benefits of the Credit Agreements. The
Collateral Agent shall be

obligated, and shall have the right hereunder to make demands, to give notices,
to exercise or refrain from exercising any rights, and to take or refrain from
taking action (including, without limitation, the release or substitution of
Collateral) solely in accordance with this Agreement and the Credit Agreements.
The Collateral Agent may resign and a successor Collateral Agent may be
appointed in the manner provided in the Credit Agreements. Upon the acceptance
of any appointment as a Collateral Agent by a successor Collateral Agent, that
successor Collateral Agent shall thereupon succeed to and become vested with all
the rights, powers, privileges and duties of the retiring Collateral Agent under
this Agreement, and the retiring Collateral Agent shall thereupon be discharged
from its duties and obligations under this Agreement. After any retiring
Collateral Agent's resignation, the provisions of this Agreement shall inure to
its benefit as to any actions taken or omitted to be taken by it under this
Agreement while it was Collateral Agent and the retiring Collateral Agent shall
take all steps necessary to transfer to the new Collateral Agent the rights and
interest granted under this Agreement.

8.11. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE
LAW, EACH ASSIGNOR HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY
ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS
AGREEMENT, OR ANY MATTER ARISING IN CONNECTION HEREUNDER.

8.12. AMENDMENT AND RESTATEMENT. This Agreement constitutes an
amendment and restatement of the 1992 Subsidiary Pledge and Security Agreement
amended hereby (the "Original Instrument"), and such Original Instrument shall
continue in effect on and after the date hereof as so amended and restated. The
parties do not intend that this Agreement constitute a novation, termination,
release or satisfaction of the Original Instrument, or constitute payment or
satisfaction of any indebtedness or other obligation secured by the Original
Instrument.

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

BANKERS TRUST COMPANY, in its
capacity as Collateral Agent

By: /s/ Mary Kay Coyle

Name: Mary Kay Coyle
Title: Vice President

ASSIGNORS:

By: /s/ Charlotte A. Sanford

Charlotte A. Sanford, in her
capacity as Treasurer for
each of the corporations,
each as an Assignor, listed
on Schedule 1 hereto
SCHEDULE 1.1
SECOND AMENDED AND RESTATED SUBSIDIARY
PLEDGE AND SECURITY AGREEMENT

EXCLUDED COLLATERAL

1. Lease Agreement, dated November 1, 1983, between Charter Southland Hospital and The Medical Clinic Board of the City of Mobile, Alabama - Psychiatric. (Charter Hospital of Mobile, Inc.)

2. Loan Agreement, dated May 15, 1983, by and between Excepticon Midwest, Inc. and The Industrial Development Authority of Boone County, Missouri. (Charter Hospital of Columbia, Inc.)

3. Amended Hospital Lease, dated January 14, 1980, between Paramount Medical Development Company and Charter Medical - Long Beach, Inc. (Charter Medical - Long Beach, Inc.)

4. Amended and Restated Hospital Lease, dated August 1, 1986, between Riviera Medical Development Company and Charter Pacific Hospital, Inc. (Charter Hospital of Torrance, Inc.)


6. Sublease of improvements and sub-sublease of ground lease to be executed at closing of sale from National Medical Enterprises to Charter Medical Corporation of all right, title and interest of NME Hospitals, Inc. in the improvements, lease and ground sublease from GECC with respect to medical office buildings at Los Altos Hospital and Medical Center.


11. Lease agreement dated December 5, 1972 between Leesburg Institute, Inc. and Docsley Associates Limited Partnership which has a maturity date of December 4, 2071.

ANNEX A
SECOND AMENDED AND RESTATED
SUBSIDIARY PLEDGE AND SECURITY AGREEMENT

<table>
<thead>
<tr>
<th>NAME</th>
<th>ADDRESS</th>
<th>OTHER NAMES</th>
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<tr>
<td>1. Ambulatory Resources, Inc.</td>
<td>577 Mulberry Street</td>
<td>Macon, GA 31208</td>
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<td>2. Atlanta MOB, Inc.</td>
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3. Beltway Community Hospital, Inc.  577 Mulberry Street  Macon, GA 31298  
4. C.A.C.O. Services, Inc.  577 Mulberry Street  Macon, GA 31298  
5. CCM, Inc.  577 Mulberry Street  Macon, GA 31298  
6. Charter of Alabama, Inc.  2205 Beltline Rd., SW  Decatur, Alabama 35601  
7. Charter Alvarado Behavioral Health System, Inc.  577 Mulberry Street  Macon, GA 31298  
8. Charter Appalachian Hall Behavioral Health System, Inc.  577 Mulberry Street  Macon, GA 31298  
9. Charter Arbor Indy Behavioral Health System, Inc.  577 Mulberry Street  Macon, GA 31298  
10. Charter Augusta Behavioral Health System, Inc.  3100 Perimeter Parkway  Augusta, GA 30909  
11. Charter Bay Harbor Behavioral Health System, Inc.  577 Mulberry Street  Macon, GA 31298  
12. Charter Beacon Behavioral Health System, Inc.  1700 Beacon Street  Fort Wayne, IN 46805  
14. Charter Behavioral Health System of Atlanta, Inc.  577 Mulberry Street  Macon, GA 31298  
15. Charter Behavioral Health System of Austin, Inc.  8402 Cross Park Drive  Austin, TX 78754  
16. Charter Behavioral Health System of Baywood, Inc.  577 Mulberry Street  Macon, GA 31298  

Page 1

6. Charter of Alabama, Inc.  2205 Beltline Rd., SW  Decatur, Alabama 35601  
7. Charter Alvarado Behavioral Health System, Inc.  577 Mulberry Street  Macon, GA 31298  
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Page 2

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16. Charter Behavioral Health System of Baywood, Inc.  577 Mulberry Street  Macon, GA 31298  

Page 3
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    577 Mulberry Street
    Macon, GA 31298

51. Charter Behavioral Health System
    of San Jose, Inc.
    577 Mulberry Street
    Macon, GA 31298
    f/k/a Charter Hospital of Fountain Valley, Inc.
    455 Silicon Valley Blvd. (1)
    San Jose, CA 95118

52. Charter Behavioral Health System
    Savannah, Inc.
    1150 Cornell Avenue
    Savannah, GA 31406
    f/k/a NBCH, Inc.
    f/k/a Charter Hospital of Savannah, Inc.
    d/b/a Charter Hospital of Savannah

53. Charter Behavioral Health System
    of Southern California, Inc.
    577 Mulberry Street
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    f/k/a Charter Medical of Sacramento, Inc.
    f/k/a Charter Medical - Ventura, Inc.

54. Charter Behavioral Health System
    of Tampa Bay, Inc.
    4004 North Riverside Drive
    Tampa, FL 33603
    d/b/a Charter Hospital of Tampa Bay
    d/b/a Charter Hospital of Tampa, Inc.
    f/k/a Charter Hospital of Tampa, Inc.

55. Charter Behavioral Health System
    of Texarkana, Inc.
    577 Mulberry Street
    Macon, GA 31298
    801 Arkansas Blvd. (1)
    Texarkana, AR 75502

56. Charter Behavioral Health System
    of Toledo, Inc.
    1725 Timberline Road
    Maumee, OH 43537
    f/k/a Charter Hospital of Toledo, Inc.
    d/b/a Charter Hospital of Toledo

57. Charter Behavioral Health System
    of Tucson, Inc.
    577 Mulberry Street
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    355 North Wilmot Rd. (1)
    Tucson, AZ 85711

58. Charter Behavioral Health System
    of Virginia Beach, Inc.
    577 Mulberry Street
    Macon, GA 31298
    1701 Will-O-Wisp Drive (1)
    Virginia Beach, VA 23454

59. Charter Behavioral Health System
    of Visalia, Inc.
    577 Mulberry Street
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    1100 South Akers (1)
    Visalia, CA 93277

60. Charter Behavioral Health System
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    577 Mulberry Street
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    East New Market, MD 21631

61. Charter Behavioral Health System
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    577 Mulberry Street
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62. Charter Behavioral Health System
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    577 Mulberry Street
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63. Charter Behavioral Health System of Winston-Salem, Inc.  
   f/k/a Charter Mandala Center, Inc.
   3637 Old Vineyard Road  
   Winston-Salem, NC 27104
   f/k/a Charter Hospital of Winston-Salem, Inc.
   d/b/a Charter Hospital of Winston-Salem

64. Charter Behavioral Health System of Yorba Linda, Inc.  
   f/k/a Mandala Center, Inc.
   577 Mulberry Street  
   Macon, GA 31298
   16850 Bastanchury Avenue (I)
   Yorba Linda, CA 92886

65. Charter Brewer Behavioral Health System, Inc.  
   f/k/a Broad Oaks Hospital, Inc.
   3180 Atlanta St., SE
   Smyrna, GA 30080
   f/k/a Medical Arts Convalescent Center, Inc.
   f/d/b/a Charter Hospital of Redlands
   f/d/b/a Charter Counseling Center of Victorville

66. Charter By-The-Sea Behavioral Health System, Inc.  
   f/k/a Charter By-The-Sea, Inc.
   2929 Demere Rd.
   St. Simons Island, GA 31522
   f/k/a Charter Medical St. Simons, Inc.
   Trade Name: Charter Health Center

   d/b/a Charter Canyon Hospital
   175 West 7200 South
   Midvale, UT 84047
   Trade Name: Charter Counseling Center of Northeastern Nevada
   1350 East 750 North
   Orem, UT 84057
   f/d/b/a Charter Counseling Center of Western Colorado Inc.

68. Charter Canyon Springs Behavioral Health System, Inc.  
   577 Mulberry Street  
   Macon, GA 31298
   69696 Ramon Road (I)
   Cathedral City, CA 92234

69. Charter Centennial Peaks Behavioral Health System, Inc.  
   f/k/a Charter Hospital of Aurora, Inc.
   577 Mulberry Street  
   Macon, GA 31298
   f/k/a Charter Hospital of Arapahoe County, Inc.
   2255 South 88th St. (I)
   Louisville, CO 80027

70. Charter Colonial Institute, Inc.  
   f/k/a Charter Colonial, Inc.
   577 Mulberry Street  
   Macon, GA 31298

71. Charter Community Hospital, Inc.  
   f/k/a California B.E.D.S., Inc.
   21530 S. Pioneer Blvd.
   Hawaiian Gardens, CA 90716

72. Charter Community Hospital of Des Moines, Inc.  
   Assumed Name: Charter Community Hospital
   577 Mulberry Street  
   Macon, GA 31298
   f/k/a Health Care Holding Corporation

73. Charter Contract Services, Inc.  
   577 Mulberry Street  
   Macon, GA 31298

74. Charter Cove Forge Behavioral Health System, Inc.  
   577 Mulberry Street  
   Macon, GA 31298
   Route 1 Box 79 (I)
   Williamsburg, VA 23185

75. Charter Crescent Pines Behavioral Health System, Inc.  
   f/k/a Charter Medical International, Inc.
   577 Mulberry Street  
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   2000 Eagles Landing Parkway (I)
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<td>100</td>
<td>Charter Linden Oaks Behavioral Health System, Inc.</td>
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<td>101</td>
<td>Charter Little Rock Behavioral Health System, Inc.</td>
<td>1601 Murphy Drive</td>
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<td>New Orleans, LA 70118</td>
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<td>102</td>
<td>Charter Louisville Behavioral Health System, Inc.</td>
<td>1405 Brown Lane</td>
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<td>Louisville, KY 40207</td>
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<td>103</td>
<td>Charter Meadows Behavioral Health System, Inc.</td>
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104. Charter Medfield Behavioral Health System, Inc.  
577 Mulberry Street, Macon, GA 31298  
1950 Benoit Farm Rd., West Palm Beach, FL 33411  
12991 Seminole Blvd. (1)  
Largo, FL 34648  

105. Charter Medical - California, Inc.  
577 Mulberry Street, Macon, GA 31298  

106. Charter Medical - Clayton County, Inc.  
577 Mulberry Street, Macon, GA 31298  

107. Charter Medical - Cleveland, Inc.  
577 Mulberry Street, Macon, GA 31298  

108. Charter Medical - Dallas, Inc.  
577 Mulberry Street, Macon, GA 31298  

109. Charter Medical of East Valley, Inc.  
2190 N. Grace Blvd., Chandler, AZ 85224  

110. Charter Medical Executive Corporation  
577 Mulberry Street, Macon, GA 31298  

111. Charter Medical Information Services, Inc.  
577 Mulberry Street, Macon, GA 31298  

577 Mulberry Street, Macon, GA 31298  

113. Charter Medical - Long Beach, Inc.  
6060 Paramount Blvd., Long Beach, CA 90805  

114. Charter Medical Management Company  
577 Mulberry Street, Macon, GA 31298  

115. Charter Medical - New York, Inc.  
577 Mulberry Street, Macon, GA 31298  

116. Charter Medical of North Phoenix, Inc.  
6015 W. Peoria Avenue, Glendale, AZ 85311  

117. Charter Medical of Orange County, Inc.  
577 Mulberry Street, Macon, GA 31298  

118. Charter Mental Health Options, Inc.  
577 Mulberry Street, Macon, GA 31298  

119. Charter Mid-South Behavioral Health System, Inc.  
577 Mulberry Street, Macon, GA 31298  
135 North Pauline Memphis, TN 38105  

120. Charter Milwaukee Behavioral Health System, Inc.  
11101 West Lincoln Avenue, West Allis, WI 53227  

23228 Madero Mission Viejo, CA 92691  

122. Charter MOB of Charlottesville, Inc.  
1023 Millmont Avenue, Charlottesville, VA 22901
123. Charter North Counseling Center, Inc.  2530 DeBarr Road
                                             Anchorage, Alaska  99508-2996
124. Charter North Behavioral Health System, Inc.  2530 DeBarr Road
                                             Anchorage, Alaska  99508-2996
                                             d/b/a Charter North Hospital
                                             f/k/a Charter North Hospital, Inc.
125. Charter Northbrooke Behavioral Health System, Inc.  577 Mulberry Street
                                             Macon, GA  31298
                                             4600 W. Schroeder Drive
                                             Brown Deer, WI  53223
126. Charter Northbridge Behavioral Health System, Inc.  400 Newton Road
                                             Raleigh, NC  27615
                                             d/b/a Charter Northbridge Hospital
                                             f/k/a Charter Medical Corp. of Raleigh, Inc.
127. Charter Northside Hospital, Inc.  577 Mulberry Street
                                             Macon, GA 31298
                                             d/b/a Charter North Hospital
                                             f/k/a Charter Medical - Bibb County, Inc.
128. Charter Oak Behavioral Health System, Inc.  1161 East Covina Blvd.
                                             Covina, CA  91724
                                             d/b/a Charter Oak Hospital
                                             f/k/a Charter Behavioral Health System of
                                             Southern California
                                             f/k/a Charter Oak Hospital, Inc.
                                             f/k/a California-Charter Medical, Inc.
129. Charter Palms Behavioral Health System, Inc.  1421 E. Jackson Avenue
                                             McAllen, TX  78502
                                             d/b/a Charter Palms Hospital
                                             f/k/a Charter Medical - Southwest, Inc.
                                             Atlanta, GA  30338
                                             d/b/a Peachford Hospital, Inc.
                                             f/k/a Charter Peachford Hospital, Inc.
                                             d/b/a Charter Peachford Hospital
                                             3913 North Peachtree Road
                                             Atlanta, GA  30341
131. Charter Pines Behavioral Health System, Inc.  3621 Randolph Road
                                             Charlotte, NC  28211
                                             d/b/a Charter Pines Hospital
                                             f/k/a Charter Medical of Charlotte, Inc.
132. Charter Plains Behavioral Health System, Inc.  801 N. Quaker Avenue
                                             Lubbock, TX  79408
                                             d/b/a Charter Plains Hospital
                                             d/b/a Employee Assistance Services (EAS)
                                             d/b/a Behavioral Healthcare Systems
                                             f/k/a Charter Plains Hospital, Inc.
                                             f/k/a Charter Medical - Lubbock, Inc.
133. Charter - Provo School, Inc.  4501 N. University Ave.
                                             Provo, UT  84603
                                             d/b/a Provo Canyon School
134. Charter Psychiatric Hospitals, Inc.  577 Mulberry Street
                                             Macon, GA  31298
135. Charter Real Behavioral Health System, Inc.  8550 Humber Road
                                             San Antonio, TX  78240
                                             d/b/a Charter Real Hospital
                                             f/k/a Charter Real, Inc.
                                             7418 John Smith Dr., Suite D
                                             San Antonio, TX  78229
                                             6800 Park Ten Blvd., Suite 275-W
                                             San Antonio, TX  78213
136. Charter Regional Medical Center, Inc.  577 Mulberry Street
                                             Macon, GA  31298
                                             f/k/a Charter Community Hospital of Cleveland, Inc.
                                             Assumed name: Charter Community Hospital Inc.
                                             f/k/a Leggett Memorial Hospital, Inc.
137. Charter Richmond Behavioral Health System, Inc.  577 Mulberry Street
                                             Macon, GA  31298
                                             f/k/a Richmond MOB, Inc.
                                             12800 West Creek Parkway (1)
                                             Richmond, VA  23228
138. Charter Ridge Behavioral Health System, Inc.  3550 Rio Dosa Drive
                                             Lexington, KY  40509
                                             d/b/a Charter Ridge Hospital
                                             f/k/a Charter Ridge Hospital, Inc.
                                             f/k/a Charter Medical - Lexington, Inc.
                                             West Columbia, SC  29171
                                             d/b/a Charter Rivers Hospital
                                             f/k/a Charter Rivers Hospital, Inc.
                                             f/k/a Charter Medical - Columbia, Inc.
140. Charter San Diego Behavioral Health System, Inc.  11878 Avenue of Industry
                                             San Diego, CA  92128
                                             d/b/a Charter Hospital of San Diego
                                             f/k/a Charter Hospital of San Diego, Inc.
141. Charter Serenity Lodge Behavioral Health System, Inc.  577 Mulberry Street
                                             Macon, GA  31298
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<td>142.</td>
<td>Charter Sioux Falls Behavioral Health System, Inc.</td>
<td>2812 South Louise Avenue</td>
<td>Sioux Falls, SD 57106</td>
<td>d/b/a Charter Hospital of Sioux Falls</td>
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<td>143.</td>
<td>Charter South Bend Behavioral Health System, Inc.</td>
<td>6704 N. Gumwood Drive</td>
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<td>Charter Springs Behavioral Health System, Inc.</td>
<td>3130 S.W. 27th Avenue</td>
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<td>Charter Springwood Behavioral Health System, Inc.</td>
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<td>Macon, GA 31298</td>
<td>f/k/a Charter Springs Hospital</td>
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<td>146.</td>
<td>Charter Suburban Hospital of Mesquite, Inc.</td>
<td>577 Mulberry Street</td>
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<td>f/k/a Mesquite Memorial Hospital, Inc.</td>
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<td>147.</td>
<td>Charter Terre Haute Behavioral Health System, Inc.</td>
<td>1400 Crossing Boulevard</td>
<td>Terre Haute, IN 47802</td>
<td>d/b/a Charter Hospital of Terre Haute</td>
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<td>Charter Tidewater Behavioral Health System, Inc.</td>
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<td>150.</td>
<td>Charterton/LaGrange, Inc.</td>
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<td>f/k/a Shalomwald, Inc.</td>
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<td>151.</td>
<td>Charter Treatment Center of Michigan, Inc.</td>
<td>577 Mulberry Street</td>
<td>Macon, GA 31298</td>
<td>f/k/a Shalomwald, Inc.</td>
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<td>152.</td>
<td>Charter Westbrook Behavioral Health System, Inc.</td>
<td>1500 Westbrook Avenue</td>
<td>Richmond, VA 23227</td>
<td>d/b/a Charter Westbrook Hospital</td>
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<td>153.</td>
<td>Charter White Oak Behavioral Health System, Inc.</td>
<td>577 Mulberry Street</td>
<td>Macon, GA 31298</td>
<td>f/k/a W.P.N. Corporation</td>
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<td>154.</td>
<td>Charter Wichita Behavioral Health System, Inc.</td>
<td>8901 East One</td>
<td>Wichita, KS 67207</td>
<td>d/b/a Charter Hospital of Wichita</td>
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<td>Charter Woods Behavioral Health System, Inc.</td>
<td>700 Cottonwood Road</td>
<td>Dothan, AL 36302</td>
<td>f/k/a Charter Woods Hospital, Inc.</td>
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<td>156.</td>
<td>Charter Woods Hospital, Inc.</td>
<td>577 Mulberry Street</td>
<td>Macon, GA 31298</td>
<td>f/k/a Charlie Medical - Dothan, Inc.</td>
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<td>157.</td>
<td>CNCI, Inc.</td>
<td>1061 E. Flamingo Rd. Suite One</td>
<td>Las Vegas, NV 89119</td>
<td>f/k/a Charter Glade Hospital</td>
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<td>158.</td>
<td>CNPC, Inc.</td>
<td>1061 E. Flamingo Rd. Suite One</td>
<td>Las Vegas, NV 89119</td>
<td>f/k/a Charter Glade Hospital</td>
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<td>159.</td>
<td>CNSF, Inc.</td>
<td>3550 Colonial Blvd.</td>
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<td>d/b/a Charter Glade Hospital</td>
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<td>CPS Associates, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
<td>d/b/a Peninsula Professional Services, d/b/a Jefferson Professional Services</td>
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<td>161</td>
<td>Desert Springs Hospital, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
<td>d/b/a Charter Family Practice Center</td>
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<td>162</td>
<td>Employee Assistance Services, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
<td>t/d/b/a EAS, Inc., t/d/b/a &quot;EAS Employee Assistance Services, Inc.&quot;</td>
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<td>163</td>
<td>Florida Health Facilities, Inc.</td>
<td>21808 State Road 54, Lutz, FL 33549</td>
<td>d/b/a Charter Hospital of Pasco</td>
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<td>164</td>
<td>Gulf Coast EAP Services, Inc.</td>
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<td>165</td>
<td>Gwinnett Immediate Care Center, Inc.</td>
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<td>166</td>
<td>HCS, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
<td>t/d/b/a CHCS, Inc., t/d/b/a CHCS, Inc.</td>
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<td>167</td>
<td>Holcomb Bridge Immediate Care Center, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
<td>f/k/a Charter Medical Management International, Inc., f/k/a Peachford Medical Building, Inc.</td>
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<td>168</td>
<td>Hospital Investors, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
<td>f/k/a Metropolitan Eye &amp; Ear Hospital, Inc., f/k/a Metropolitan Eye Hospital, Inc., f/k/a MHE, Inc., Trade Name: Charter Metropolitan Health Center, Trade Name: Metropoli</td>
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<td>169</td>
<td>Mandarin Meadows, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
<td>f/k/a MHE, Inc., Trade Name: Mandarin Meadows, Trade Name: Priority Plus</td>
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<td>170</td>
<td>Metropolitan Hospital, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
<td>f/k/a Stuart Circle Hospital Corporation, f/k/a S.C.H. of Richmond Corp.</td>
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<td>171</td>
<td>Middle Georgia Hospital, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
<td>f/k/a S.C.H. of Richmond Corp., Trade Name: Middle Georgia Family Health Center, Trade Name: Priority Plus</td>
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<td>172</td>
<td>Pacifiic - Charter Medical, Inc.</td>
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<td>173</td>
<td>Peachford Professional Network, Inc.</td>
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<td>174</td>
<td>Rivoli, Inc.</td>
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<td>175</td>
<td>Shallowford Community Hospital, Inc.</td>
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<td>176</td>
<td>Sistemas De Terapia Respiratoria S.A., Inc.</td>
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<td>Stuart Circle Hospital Corporation</td>
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<td>178</td>
<td>Tampa Bay Behavioral Health Alliance, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
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<td>179</td>
<td>Western Behavioral Systems, Inc.</td>
<td>577 Mulberry Street, Macon, GA 31298</td>
<td>f/k/a Charter Hospital of Bakersfield, Inc.</td>
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(FN) Refers to address of NME Hospital if such hospital is purchased by a subsidiary of Charter Medical Corporation.
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<td>CHAPTER BEHAVIORAL HEALTH SYSTEM OF MILWAUKEE, INC.</td>
<td>CHAPTER BEHAVIORAL HEALTH SYSTEM OF MILWAUKEE/MILWAUKEE</td>
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<td>WI</td>
<td>CHAPTER BEHAVIORAL HEALTH SYSTEM OF WEST ALLIS, INC.</td>
<td>CHAPTER BEHAVIORAL HEALTH SYSTEM OF MILWAUKEE/WEST ALLIS</td>
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Note: List represents D/B/A filings which will be filed after the closing date.

Annex A
Second Amended and Restated Subsidiary Pledge and Security Agreement
ANNEX A
SECOND AMENDED AND RESTATED SUBSIDIARY PLEDGE AND SECURITY AGREEMENT

Page 1
ANNEX A
SECOND AMENDED AND RESTATED SUBSIDIARY PLEDGE AND SECURITY AGREEMENT
ANNEX A
SECOND AMENDED AND RESTATED SUBSIDIARY PLEDGE AND SECURITY AGREEMENT

BUSINESS/ACCOUNTING OFFICE                         SUBSIDIARY
-------------------------------------------------------------------------------------------------------
Charter Lakeside Behavioral Health System, Inc. (Sugarland)  Charter Lakeside Behavioral Health System, Inc. (Sugarland)
Charter Behavioral Health System of New Mexico, Inc.         Charter Behavioral Health System of New Mexico, Inc.
Charter Hospital of Mobile, Inc. (Charter of Academy)      Charter Hospital of Mobile, Inc. (Charter of Academy)
Charter Hospital of Mobile, Inc.                             Charter Hospital of Mobile, Inc.

NME
Charter Behavioral Health System at Hidden Brook, Inc.     Charter Behavioral Health System at Hidden Brook, Inc.
Charter Mid-South Behavioral Health System, Inc.           Charter Mid-South Behavioral Health System, Inc.

Page 5

SCHEDULE I
SECOND AMENDED AND RESTATED SUBSIDIARY PLEDGE
AND SECURITY AGREEMENT

DOMESTIC SUBSIDIARIES:

1. Ambulatory Resources, Inc.
2. Atlanta MOB, Inc.
3. Beltway Community Hospital, Inc.
4. CCM, Inc.
12. Charter Behavioral Health System at Hidden Brook, Inc.
13. Charter Behavioral Health System at Los Altos, Inc.
15. Charter Behavioral Health System at Warwick Manor, Inc.
17. Charter Behavioral Health System of Austin, Inc.
27. Charter Behavioral Health System of Corpus Christi, Inc.
28. Charter Behavioral Health System of Dallas, Inc.
29. Charter Behavioral Health System of Evansville, Inc.
30. Charter Behavioral Health System of Fort Worth, Inc.
32. Charter Behavioral Health System of Jacksonville, Inc.
34. Charter Behavioral Health System of Kansas City, Inc.
35. Charter Behavioral Health System of Lafayette, Inc.
37. Charter Behavioral Health System of Lakewood, Inc.
38. Charter Behavioral Health System of Michigan City, Inc.
40. Charter Behavioral Health System of Nashua, Inc.

Page 1

SCHEDULE I
SECOND AMENDED AND RESTATED SUBSIDIARY PLEDGE
AND SECURITY AGREEMENT

41. Charter Behavioral Health System of Nevada, Inc.
42. Charter Behavioral Health System of New Mexico, Inc.
43. Charter Behavioral Health System of Northern California, Inc.
44. Charter Behavioral Health System of Northwest Arkansas, Inc.
45. Charter Behavioral Health System of Northwest Indiana, Inc.
46. Charter Behavioral Health System of Paducah, Inc.
47. Charter Behavioral Health System of Rockford, Inc.
48. Charter Behavioral Health System of Savannah, Inc.
49. Charter Behavioral Health System of Southern California, Inc.
50. Charter Behavioral Health System of Tampa Bay, Inc.
51. Charter Behavioral Health System of Texarkana, Inc.
52. Charter Behavioral Health System of the Inland Empire, Inc.
53. Charter Behavioral Health System of Toledo, Inc.
54. Charter Behavioral Health System of Tuscaloosa, Inc.
55. Charter Behavioral Health System of Virginia Beach, Inc.
56. Charter Behavioral Health System of Visalia, Inc.
58. Charter Behavioral Health System of Waverly, Inc.
60. Charter Behavioral Health System of Yorba Linda, Inc.
61. Charter Behavioral Health Systems of Atlanta, Inc.
63. Charter Brawner Behavioral Health System, Inc.
64. Charter Canyon Behavioral Health System, Inc.
67. Charter Colonial Institute, Inc.
68. Charter Community Hospital, Inc.
69. Charter Community Hospital of Des Moines, Inc.
70. Charter Contract Services, Inc.
71. Charter Cove Forge Behavioral Health System, Inc.
73. Charter Fairbridge Behavioral Health System, Inc.
74. Charter Fairmount Behavioral Health System, Inc.
75. Charter Fenwick Hall Behavioral Health System, Inc.
76. Charter Financial Offices, Inc.
77. Charter Forest Behavioral Health System, Inc.
78. Charter Grapevine Behavioral Health System, Inc.
80. Charter Health Management of Texas, Inc.
81. Charter Hospital of Columbus, Inc.
82. Charter Hospital of Denver, Inc.
83. Charter Hospital of Ft. Collins, Inc.
SCHEDULE I
SECOND AMENDED AND RESTATED SUBSIDIARY PLEDGE
AND SECURITY AGREEMENT

84. Charter Hospital of Laredo, Inc.
85. Charter Hospital of Miami, Inc.
86. Charter Hospital of Mobile, Inc.
87. Charter Hospital of Northern New Jersey, Inc.
88. Charter Hospital of Santa Teresa, Inc.
89. Charter Hospital of St. Louis, Inc.
90. Charter Hospital of Torrance, Inc.
91. Charter Indianapolis Behavioral Health System, Inc.
92. Charter Lafayette Behavioral Health System, Inc.
94. Charter Lakeside Behavioral Health System, Inc.
95. Charter Laurel Heights Behavioral Health System, Inc.
98. Charter Little Rock Behavioral Health System, Inc.
100. Charter Meadows Behavioral Health System, Inc.
102. Charter Medical Executive Corporation
103. Charter Medical Information Services, Inc.
105. Charter Medical Management Company
106. Charter Medical of East Valley, Inc.
107. Charter Medical of North Phoenix, Inc.
108. Charter Medical of Orange County, Inc.
109. Charter Medical - California, Inc.
110. Charter Medical - Clayton County, Inc.
111. Charter Medical - Cleveland, Inc.
112. Charter Medical - Dallas, Inc.
113. Charter Medical - Long Beach, Inc.
114. Charter Medical - New York, Inc.
115. Charter Mental Health Options, Inc.
117. Charter Milwaukee Behavioral Health System, Inc.
119. Charter MOB of Charlottesville, Inc.
120. Charter North Behavioral Health System, Inc.
121. Charter North Counseling Center, Inc.
122. Charter Northbrooke Behavioral Health System, Inc.
123. Charter Northridge Behavioral Health System, Inc.
124. Charter Northside Hospital, Inc.
125. Charter Oak Behavioral Health System, Inc.
126. Charter of Alabama, Inc.

Page 3

SCHEDULE I
SECOND AMENDED AND RESTATED SUBSIDIARY PLEDGE
AND SECURITY AGREEMENT

127. Charter Palms Behavioral Health System, Inc.
129. Charter Pines Behavioral Health System, Inc.
130. Charter Plains Behavioral Health System, Inc.
131. Charter Psychiatric Hospitals, Inc.
132. Charter Real Behavioral Health System, Inc.
133. Charter Regional Medical Center, Inc.
134. Charter Richmond Behavioral Health System, Inc.
137. Charter San Diego Behavioral Health System, Inc.
139. Charter Sioux Falls Behavioral Health System, Inc.
140. Charter South Bend Behavioral Health System, Inc.
SCHEDULE I

SECOND AMENDED AND RESTATED SUBSIDIARY PLEDGE
AND SECURITY AGREEMENT

170. Metropolitan Hospital, Inc.
171. Middle Georgia Hospital, Inc.
172. Pacific - Charter Medical, Inc.
173. Peachford Professional Network, Inc.
174. Rivoli, Inc.
175. Shallowford Community Hospital, Inc.
176. Sistemas De Terapia Respiratoria S.A., Inc.
177. Stuart Circle Hospital Corporation
178. Tampa Bay Behavioral Health Alliance, Inc.
179. Western Behavioral Systems, Inc.
SECOND AMENDED AND RESTATED COMPANY PLEDGE
AND SECURITY AGREEMENT (ESOP COLLATERAL)

SECOND AMENDED AND RESTATED COMPANY PLEDGE AND SECURITY AGREEMENT
(ESOP COLLATERAL), dated as of May 2, 1994 (as the same may be amended,
restated, supplemented or otherwise modified from time to time in accordance
with its terms, this "Agreement") made by CHARTER MEDICAL CORPORATION, a
Delaware corporation (the "Company"), to Bankers Trust Company, a New York
banking corporation, in its capacity as Collateral Agent (as hereinafter
defined) for the Secured Parties (as hereinafter defined). Certain capitalized
terms are defined in Article VIII hereof.

WHEREAS, the parties hereto (or their predecessors) entered into the Pledge
and Security Agreement (ESOP Collateral) dated as of September 1, 1988, as
amended, which was amended and restated by the Amended and Restated Company
Pledge and Security Agreement (ESOP Collateral) dated as of July 21, 1992 (the
"1992 Pledge and Security Agreement (ESOP Collateral)") in favor of the
Collateral Agent, the Lenders and the Issuing Banks (as defined in the 1992
Pledge and Security Agreement (ESOP Collateral)), and now desire to amend and
restate such agreement in its entirety; and

WHEREAS, the Company (as successor to WAF Acquisition Corporation, a
Delaware corporation), certain of the Lenders, Bankers Trust Company, as Agent,
Wells Fargo Bank, National Association and Bank of America National Trust and
Savings Association, as co-agents (the "Original Co-Agents") entered into that
certain Credit Agreement dated as of September 1, 1988 which was amended and
restated by the Amended and Restated Credit Agreement dated as of July 21, 1992
(the "1992 Company Credit Agreement"), which is being amended and restated by
the Second Amended and Restated Credit Agreement dated as of the date hereof (as
the same may be further amended, restated, supplemented or otherwise modified
from time to time, the "Company Credit Agreement"), pursuant to which certain of
the Lenders made certain loans and commitments to the Company, the terms of
which are being amended and restated pursuant to the Company Credit Agreement;
and

WHEREAS, pursuant to the terms and conditions of the Company Credit
Agreement, the Lenders have made certain commitments to make additional loans
to, and participate in and/or issue letters of credit for the account of, the
Company; and

WHEREAS, certain Subsidiary Borrowers, certain of the Lenders, the
Agent and the Original Co-Agents entered into a Credit Agreement, dated as of
September 1, 1988 which was amended and restated by the Amended and Restated
Subsidiary Credit Agreement dated as of July 21, 1992 (the "1992 Subsidiary
Credit Agreement"; and, together with the 1992 Company Credit Agreement, the
"1992 Credit Agreements") party thereto which is being amended and restated by
the Second Amended and Restated Subsidiary Credit Agreement dated as of the date
hereof (as the same may be further amended, restated, supplemented or otherwise
modified from time to

WHEREAS, pursuant to the terms and conditions of the Subsidiary Credit
Agreement, the Lenders have made certain commitments to make additional loans
to, and participate in and/or issue letters of credit for the account of, the
Subsidiary Borrowers; and

WHEREAS, the Company has executed and delivered a Guaranty dated as of
September 1, 1988 which was amended and restated by the Amended and Restated
Guaranty dated as of July 21, 1992 which is being amended and restated by the Second Amended and Restated Guaranty dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Company Guaranty"), pursuant to which the Company has agreed to guarantee all of the

Obligations (as defined in the Subsidiary Credit Agreement) of each Subsidiary Borrower under the Subsidiary Credit Agreement; and

WHEREAS, the Company and South Carolina National Bank, on behalf of the Charter Medical Corporation Employee Stock Ownership Plan (the "ESOP") and the related trust (the "Trust"), entered into the Company/ESOP Mirror Credit Agreement dated as of September 1, 1988, as amended and restated on July 21, 1992 and as amended on the date hereof (as the same may be further amended, supplemented or modified from time to time, the "Company/ESOP Mirror Credit Agreement") pursuant to which the Company made a loan in the aggregate principal amount of $275,000,000 (the "ESOP Mirror Loan") to the ESOP, which loan is evidenced by the Company/ESOP Mirror Note; and

WHEREAS, the Company and South Carolina National Bank, on behalf of the ESOP and the Trust, entered into the Company/ESOP Non-Mirror Tranche B Credit Agreement dated as of September 1, 1988, as amended and restated on July 21, 1992 and as amended on the date hereof (as the same may be further amended, supplemented or modified from time to time, the "Company/ESOP Non-Mirror Credit Agreement"; and together with the Company/ESOP Mirror Credit Agreement, the "Company/ESOP Credit Agreements") pursuant to which the Company made a loan in the aggregate principal amount of $80,000,000 (the "ESOP Non-Mirror Loan; and together with the ESOP Mirror Loan, the "Company/ESOP Loans") to the ESOP, which loan is evidenced by the Company/ESOP Non-Mirror Note; and

WHEREAS, the Trust used the proceeds of the Company/ESOP Loans to finance the purchase of common stock of the Company (collectively, the "Pledged Shares"); and

WHEREAS, pursuant to pledge agreements, each dated as of September 1, 1988 (and all amendments and restatements thereof) between the Trust and the Company (the "Company/ESOP Pledge Agreements"), the Trust pledged to the Company the Pledged Shares as collateral for its obligations in respect of the Company/ESOP Loans, the Company/ESOP Credit Agreements and the Company/ESOP Notes; and

WHEREAS, it was a condition precedent to the incurrence of loans and the participation in letters of credit under the 1992 Credit Agreements that the Company execute and deliver to the Collateral Agent the 1992 Pledge and Security Agreement (ESOP Collateral) and it is a condition precedent to the incurrence of loans and the issuance of letters of credit under the Credit Agreements that the Company execute and deliver to the Collateral Agent this Agreement; and

WHEREAS, (a) the Senior Secured Notes (as defined in the 1992 Company Pledge and Security Agreement (ESOP Collateral)) have been irrevocably paid in full; (b) each Issuing Bank has agreed, among other things, that the Reimbursement Agreements (as defined in the 1992 Pledge and Security Agreement (ESOP Collateral)) to which it is a party (other than the Credit Documents to the extent the same could be considered Reimbursement Agreements) shall no longer be entitled to the security interests and other benefits of this Agreement; and (c) the Intercreditor Agreement (as defined in the 1992 Pledge and Security Agreement (ESOP Collateral)) has been terminated, except for the appointment by the Lenders of Bankers Trust Company as Collateral Agent, which appointment has been ratified and confirmed in the Credit Agreements;

NOW, THEREFORE, in consideration of the benefits accruing to the Company the receipt and sufficiency of which are hereby acknowledged, the Company hereby makes the following representations and warranties to the Collateral Agent and hereby covenants and agrees with the Collateral Agent as
ARTICLE I
SECURITY INTERESTS

1.1 SECURITY FOR OBLIGATIONS ETC. This Agreement is for the benefit of the Secured Parties to secure the payment in full when due, whether at stated maturity, by acceleration or otherwise, of all Obligations.

1.2 ASSIGNMENT AND PLEDGE.

(a) ASSIGNMENT. The Company hereby assigns to the Collateral Agent for the benefit of the Secured Parties, and hereby grants to the Collateral Agent for the benefit of the Secured Parties a security interest in, all of the Company's right, title and interest in, to and under the following (the "Assigned Collateral"): (i) the Company/ESOP Credit Agreements, the Company/ESOP Pledge Agreements, any other security agreement and other contracts securing the Company/ESOP Notes or Company/ESOP Loans or entered into in connection there with and all rights now or hereafter existing in, to and under all such Company/ESOP Credit Agreements, Company/ESOP Pledge Agreements, other security agreements and other such contracts as the same may be amended, restated, supplemented or otherwise modified from time to time (as so amended, restated, supplemented or modified, the "Assigned Agreements") and (ii) all Proceeds of any and all of the foregoing.

(b) PLEDGE. The Company hereby pledges and deposits with the Collateral Agent the Company/ESOP Notes and delivers to the Collateral Agent the Company/ESOP Notes accompanied by assignment forms duly executed in blank by the Company, and hereby assigns, transfers, hypothecates and sets over to the Collateral Agent, and grants to the Collateral Agent a security interest in, all of the Company's right, title and interest in, to and under the following, whether now owned or hereafter acquired by the Company, all for its benefit and the benefit of the Secured Parties (the "Pledged Collateral") (the Assigned Collateral and the Pledged Collateral being referred to collectively herein as the "Collateral"):

(i) the Company/ESOP Notes and, subject to the provisions of Section 3.2, all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Company/ESOP Notes; and

(i) all Proceeds of the foregoing items described in clause (i).

(C) COLLATERAL. The security interest of the Collateral Agent under this Agreement extends to all Collateral now existing or hereafter acquired, of the kind which is the subject of this Agreement which the Company may acquire at any time during the continuation of this Agreement.

1.3 POWER OF ATTORNEY. The Company hereby constitutes and appoints the Collateral Agent its true and lawful attorney, irrevocably, with full power (in the name of the Company or otherwise), upon the occurrence and during the continuance of an Event of Default, to act, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to the Company under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings, consistent with the Collateral Agent's rights under this Agreement, which the Collateral Agent may deem to be necessary or advisable in the premises, which appointment as attorney
is coupled with an interest and is irrevocable.

**ARTICLE II**

**GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS**

The Company represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Agreement, as follows:

2.1 **NECESSARY FILINGS.** All filings, registrations and recordings necessary or appropriate to create, preserve, protect and perfect the security interest granted by the Company to the Collateral Agent hereby in respect of the Collateral have been accomplished and, except as otherwise provided under ERISA, the security interest granted to the Collateral Agent pursuant to this Agreement in and to the Collateral constitutes a perfected security interest therein superior and prior to the rights of all other Persons (except for Liens permitted under the Company Credit Agreement that are prior to the security interests granted hereunder pursuant to applicable law) therein (as provided in the Uniform Commercial Code) and is entitled to all the rights, priorities and benefits afforded by the Uniform Commercial Code as enacted in any relevant jurisdiction to perfected security interests.

2.2 **NO LIENS.** The Company is, and as to Collateral acquired by it from time to time after the date hereof, the Company will be, the owner of all Collateral as to which the Company has and will maintain a first priority security interest granted by the ESOP as the owner of the Pledged Collateral (except for Liens permitted under the Company Credit Agreement that are prior to the security interests granted hereunder pursuant to applicable law). The Collateral is, and as to Collateral acquired by it from time to time after the date hereof will be, except as provided in the Credit Agreements, free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than as created under the Security Documents) and the Company shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Collateral Agent or any other Secured Party (except for Liens permitted under the Company Credit Agreement that are prior to the security interests granted hereunder pursuant to applicable law).

2.3 **OTHER FINANCING STATEMENTS.** Except as permitted by the Company Credit Agreement, there is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering any interest of any kind in the Collateral and so long as any of the Obligations remain unpaid, the Company will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except financing statements filed or to be filed in respect of and covering the security interests granted to the Company and pledged hereunder or granted to the Collateral Agent by the Company hereunder.

2.4 **CHIEF EXECUTIVE OFFICE; CORPORATE NAME; RECORDS.** The chief executive office of the Company is located at 570 Mulberry Street, Macon, Georgia 31298. The Company will not move its chief executive office except to such new location the Company may establish in accordance with the last sentence of this Section 2.4. The Company will not change its corporate name nor carry on business under any name other than its corporate name except after having complied with the requirements of the last sentence of this Section 2.4. The Company shall not establish a new location for its chief executive office or change its corporate name or the name under which it presently conducts its business until (i) it shall promptly give to the Collateral Agent written notice clearly describing such new location or specifying such new corporate name, as the case may be, and providing such other
information in connection therewith as the Collateral Agent may reasonably request, and (ii) with respect to such new location or such new corporate name, as the case may be, it shall have taken all action, satisfactory to the Collateral Agent, to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

2.5 COLLATERAL. (a) The Company/ESOP Notes are described on Schedule I attached hereto and have been duly authorized, authenticated or issued and delivered, and are the legal, valid and binding obligations of the Trust and are not in default.

(b) Each of the Assigned Agreements has been duly authorized, executed and delivered by each Credit Party party thereto, has not been amended, restated, supplemented or otherwise modified and is in full force and effect and is binding upon and enforceable against each Credit Party thereto in accordance with its terms. There exists no default under any of the Assigned Agreements by any of the parties thereto. The Company has delivered original copies of the Assigned Agreements to the Collateral Agent pursuant hereto.

ARTICLE III
SPECIAL PROVISIONS
CONCERNING PLEDGED COLLATERAL

3.1 MODIFICATIONS, ETC. Except as permitted by the Company Credit Agreement, the Company will not, at any time, amend, restate, supplement or otherwise modify any provision of the Company/ESOP Notes or Company/ESOP Credit Agreements. The Company will not take any action which would release or render unenforceable any of the obligations under the Company/ESOP Notes or Company/ESOP Credit Agreements other than for payment thereof.

3.2 DISTRIBUTIONS. So long as no Event of Default shall have occurred and be continuing, all principal and interest payable in respect of the Pledged Collateral shall be paid to the Company. The Collateral Agent shall also be entitled to receive directly, and to retain as part of the Collateral:

(a) all other or additional debt instruments and, after the occurrence and during the continuance of an Event of Default, property (including cash) paid or distributed in respect of the Pledged Collateral; and

(b) all other or additional debt instruments and, after the occurrence and during the continuance of an Event of Default, property (including cash) which may be paid in respect of the Pledged Collateral by reason of any disposition of Collateral.

ARTICLE IV
SPECIAL PROVISIONS
CONCERNING ASSIGNED AGREEMENTS

4.1 ASSIGNMENT OF RIGHTS. The Company hereby assigns, transfers, delivers, pledges and sets over to the Collateral Agent, and grants to the Collateral Agent a security interest in, all of its right, title and interest in and to each and all of the Assigned Agreements, including but not limited to:

(a) all payments due and to become due under any Assigned Agreement, whether as contractual obligations, damages or otherwise;

(b) all of its claims, rights, powers, or privileges and remedies under any Assigned Agreement; and

(c) all of its rights under any Assigned Agreement to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent,
waiver or approval together with full power and authority with respect to any Assigned Agreement to demand, receive, enforce, collect or receipt for any of the foregoing rights or any property the subject of any of the Assigned Agreements, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action which (in the opinion of the Collateral Agent) may be necessary or advisable in connection with any of the foregoing (the Assigned Agreements, together with all of the foregoing in this Section 4.1, the "Assigned Agreement Rights"); PROVIDED, HOWEVER, that so long as no Event of Default has occurred and is continuing, the Company may exclusively exercise all of the Company's rights, powers, privileges and remedies under the Assigned Agreements, provided that without the prior written consent of the Collateral Agent, the Company will not enter into any amendment, modification, waiver or termination of any provision of the Assigned Agreements other than those which do not have a material adverse effect on the value of such Assigned Agreement; PROVIDED, HOWEVER, that the Company will give the Collateral Agent written notice of any such amendment, modification, waiver or termination not requiring the prior written consent of the Collateral Agent hereunder.

The Company hereby grants the Collateral Agent full power and authority to take all actions as the Collateral Agent deems necessary or advisable to forever defend the title to the Assigned Agreement Rights against the claims and demands of any Person in the event the Company fails to do so. Furthermore, the Company hereby covenants and agrees to execute and deliver to the Collateral Agent such other and further instruments of transfer, assignment and conveyance, and all such other documents and instruments as may be reasonably requested by the Collateral Agent more fully to transfer, assign and convey the Assigned Agreement Rights hereby transferred, assigned and conveyed or intended to be so.

4.2 PERFORMANCE OF ASSIGNED AGREEMENTS. The Company will at its expense (i) perform and observe all the terms and provisions of the Assigned Agreements to be performed or observed by it, maintain the Assigned Agreements in full force and effect, enforce each of the Assigned Agreements in accordance with its terms, and take all such reasonable action to such end as may be from time to time requested by the Collateral Agent; and

(ii) furnish to the Collateral Agent promptly upon receipt thereof copies of all material notices, requests and other documents received by the Company under or pursuant to the Assigned Agreements, and from time to time (A) furnish to the Collateral Agent such information and reports regarding the Assigned Collateral as the Collateral Agent may reasonably request and (B) upon request of the Collateral Agent make to any party thereto such demands and requests for information and reports or for action as the Company is entitled to make under the Assigned Agreements.

ARTICLE V

FURTHER ASSURANCES

The Company will not do anything to materially impair the rights of the Collateral Agent in the Collateral. The Company will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such lists, descriptions and designations of its Collateral, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the Collateral Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral. The Company agrees to sign and deliver to the Collateral Agent such financing statements, in form acceptable to the Collateral Agent, as the Collateral Agent may from time to time reasonably request or as are necessary or
desirable in the opinion of the Collateral Agent to establish and maintain a valid and enforceable security interest in the Collateral superior to and prior to the rights of all other Persons therein (as provided in the Uniform Commercial Code) and the other rights and security contemplated hereby in accordance with the Uniform Commercial Code as enacted in any and all relevant jurisdictions. The Company will pay any applicable filing fees and related expenses. To the extent permitted by applicable law, the Company authorizes the Collateral Agent to file any such financing statements without the signature of the Company and to sign such financing statement on behalf of, and in the name of, the Company.

ARTICLE VI

REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

6.1 REMEDIES; OBTAINING THE COLLATERAL UPON DEFAULT. The Company agrees that, if any Event of Default shall have occurred and be continuing, then and in every such case, the Collateral Agent shall be entitled to exercise all rights and remedies of a secured party under the Uniform Commercial Code as in effect in any relevant jurisdiction to enforce the assignments and security interests contained herein, and, to the extent permitted by law, the Collateral Agent may:

(a) exercise any and all rights, powers and remedies of the Company under or in connection with the Pledged Collateral or the Assigned Agreements or otherwise in respect of the Assigned Collateral, including, without limitation, any and all rights of the Company to demand, otherwise require or receive payment of any amount under, or performance of any provision of, the Assigned Agreements;

(b) receive all payments under, in connection with or otherwise in respect of the Collateral which are otherwise payable to the Company; all payments received by the Company under or in connection with or otherwise in respect of the Collateral shall be received in trust for the benefit of the Collateral Agent, shall be segregated from other funds of the Company and shall be forthwith paid over to the Collateral Agent in the same form as so received (with any necessary endorsement);

(c) exercise, with respect to the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in any relevant jurisdiction at that time, and the Collateral Agent may also in its sole discretion, without notice except as specified below at any time or from time to time, sell, assign and deliver, or grant options to purchase, all or any part of the Collateral in one or more parcels, or any interest therein, at any public or private sale at any exchange, broker's board or at any of the Collateral Agent's offices or elsewhere, without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise (all of which are hereby expressly and irrevocably waived by the Company), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Collateral Agent in its absolute discretion may determine. The Collateral Agent agrees that to the extent that notice of sale shall be required by law that at least 10 days' notice to the Company of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and any such sale may, without further notice, be made at the time and place to which it was so adjourned. The Company hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale
hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Collateral Agent or any Secured Party, may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Collateral Agent nor any Secured Party shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto;

(d) transfer all or any part of the Collateral into the Collateral Agent's name or the name of its nominee or nominees;

(e) settle, adjust, compromise and arrange all accounts, controversies, questions, claims and demands whatsoever in relation to all or any part of the Collateral;

(f) in respect of the Collateral, execute all such contracts, agreements, deeds, documents and instruments; to bring, defend and abandon all such actions, suits and proceedings; and to take all actions in relation to all or any part of the Collateral as the Collateral Agent in its absolute discretion may determine;

(g) appoint managers, sub-agents, officers and servants for any of the purposes mentioned in the foregoing provisions of this Section 6.1 and to dismiss the same, all as the Collateral Agent in its absolute discretion may determine; and

(h) generally take all such other action as the Collateral Agent in its absolute discretion may determine as incidental or conducive to any of the matters or powers mentioned in the foregoing provisions of this Section 6.1 and which the Collateral Agent may or can do lawfully and to use the name of the Company for the purposes aforesaid and in any proceedings arising therefrom.

6.2 DISPOSITION OF THE COLLATERAL. The Company recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the “Securities Act”), and applicable state securities laws, the Collateral Agent may be compelled, with respect to any sale of all or any part of the Collateral pursuant to Section 6.1(c), to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Company acknowledges that any such private sales may be at prices and on terms less favorable to the Collateral Agent than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act), and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Collateral Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if the Company would agree to do so.

6.3 WAIVER OF CLAIMS. EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, THE COMPANY HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT’S TAKING POSSESSION OR THE COLLATERAL AGENT’S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH THE COMPANY WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and the Company hereby further waives to the extent permitted by applicable law:

(a) all damages occasioned by such taking of possession except any damages which are the direct result of the Collateral Agent's gross
negligence or willful misconduct;

(b) all other requirements as to the time, place and terms of
sale or other requirements with respect to the enforcement of the Collateral
Agent's rights hereunder; and

(c) all rights of redemption, appraisal, valuation, stay,
extension or moratorium now or hereafter in force under any applicable law in
order to prevent or delay the enforcement of this Agreement or the absolute sale
of the Collateral or any portion thereof, and the Company, for itself and all
who may claim under it, insofar as it or they may now or hereafter lawfully do
so, hereby waives the benefit of such laws.

Any sale of, or the grant of options to purchase, or any other realization upon,
any Collateral shall operate to divest all right, title, interest, claim and
demand, either at law or in equity, of the Company therein and thereto, and
shall be a perpetual bar both at law and in equity against the Company and
against any and all Persons claiming or attempting to claim the Collateral so
sold, optioned or realized upon, or any part thereof, from, through and under
the Company.

6.4 APPLICATION OF PROCEEDS; COMPANY LIABLE FOR DEFICIENCY. All
moneys collected by the Collateral Agent upon any sale or other disposition of
the Collateral, together with all other moneys received by the Collateral Agent
hereunder shall be applied as follows:

(a) first, to the payment of any and all expenses and fees
(including reasonable attorney's fees) incurred by the Collateral Agent in
obtaining, taking possession of, removing, storing and disposing of Collateral
and any and all amounts incurred by the Collateral Agent in connection therewith
or owing to the Collateral Agent hereunder.

(b) next, any surplus then remaining, to the payment of the
other Obligations; and

(c) if the Total Commitment is then terminated, all Loans (under
and as defined in each Credit Agreement) have been paid in full, no Letters of
Credit or Subsidiary Letters of Credit are outstanding and no other Obligation
is outstanding, any surplus then remaining shall be paid to the Company,
subject, however, to the rights of the holder of any then existing Lien of which
the Collateral Agent has actual notice (without investigation);

it being understood that the Company shall remain liable to the extent of any
deficiency between the amount of the proceeds of the Collateral and the
aggregate amount of the sums referred to in clause (a) and (b) of this Section
6.4.

6.5 REMEDIES CUMULATIVE. Each and every right, power and remedy
hereby specifically given to the Collateral Agent shall be in addition to every
other right, power and remedy specifically given under this Agreement or under
any other Credit Document or now or hereafter existing at law or in equity, or
by statute and each and every right, power and remedy whether specifically
herein given or otherwise existing may be exercised from time to time or
simultaneously and as often and in such order as may be deemed expedient by the
Collateral Agent. All such rights, powers and remedies shall be cumulative and
the exercise or the beginning of exercise of one shall not be deemed a waiver of
the right to exercise of any other or others. No delay or omission of the
Collateral Agent in the exercise of any such right, power or remedy and no
renewal or extension of any of the Obligations shall impair any such right,
power or remedy or shall be construed to be a waiver of any Default or Event of
Default or an acquiescence therein.

6.6 DISCONTINUANCE OF PROCEEDINGS. In case the Collateral Agent
shall have instituted any proceeding to enforce any right, power or remedy under
this Agreement by foreclosure, sale, entry or otherwise, and such proceeding
shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case the Company and the Collateral Agent shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Agreement, and all rights, remedies and powers of the Collateral Agent shall continue as if no such proceeding had been instituted.

ARTICLE VII

INDEMNITY

Without duplication of any amounts payable under Section 12.1 of each Credit Agreement, and any similar indemnity provision contained in any other Credit Document, the Company shall: (i) whether or not the transactions hereby contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Collateral Agent actually incurred in connection with the administration (including advice of counsel as to the rights and duties of the Collateral Agent with respect thereto) of and in connection with the preparation, execution and delivery of this Agreement (including, without limitation, the reasonable fees and disbursements of Skadden, Arps, Slate, Meagher & Flom) and of the Collateral Agent actually incurred in connection with the preservation of rights under, and enforcement of, and, after an Event of Default, the renegotiation or restructuring of this Agreement and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of counsel for the Collateral Agent); (ii) pay and hold the Collateral Agent harmless from and against any and all present and future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to this Agreement and save the Collateral Agent harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay any such taxes, charges or levies; and (iii) indemnify the Collateral Agent, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all costs, losses, liabilities, claims, damages or expenses actually incurred by any of them (whether or not any of them is designated a party thereto) arising out of or by reason of any investigation, litigation or other proceeding related to this Agreement or any transaction contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding. Notwithstanding anything in this Agreement to the contrary, the Company shall not be responsible to the Collateral Agent or any officer, director, employee, representative or agent of the foregoing (an "Indemnified Party") for any losses, damages, liabilities or expenses which result from such Indemnified Party's gross negligence or willful misconduct. It is understood that the Company shall not, in connection with any single action, suit, proceeding or claim or separate but substantially similar or related actions, suits, proceedings or claims, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at the same time for the Indemnified Parties (which firm shall be designated by the Collateral Agent) except that, if any Indemnified Party other than the Collateral Agent shall determine, in its sole discretion, that there may be a conflict in such firm representing the Collateral Agent and such Indemnified Party, then the Company shall be liable for the reasonable fees and expenses (actually incurred) of an additional firm for such Indemnified Party whose interests may be in conflict. The Company's obligations under this Article VII shall survive any termination of this Agreement.

ARTICLE VIII

DEFINITIONS

8.1 DEFINITIONS. The following terms shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined. Except as otherwise defined herein, including
in the recital paragraphs, capitalized terms used herein and defined in the Company Credit Agreement shall be used herein as so defined.

"Agreement" shall have the meaning specified in the first paragraph hereof.

"Assigned Agreements" shall have the meaning specified in Section 1.2(a).

"Assigned Collateral" shall have the meaning specified in Section 1.2(a).

"Collateral" shall have the meaning specified in Section 1.2(b).

"Collateral Agent" shall mean Bankers Trust Company, a New York banking corporation, in its capacity as collateral agent for the Secured Parties or any of its successors in such capacity.

"Company Credit Agreement" shall have the meaning specified in the second "Whereas" clause of this Agreement.

"Company/ESOP Credit Agreements" shall have the meaning specified in the eighth "Whereas" clause of this Agreement.

"Company/ESOP Loans" shall have the meaning specified in the eighth "Whereas" clause of this Agreement.

"Company/ESOP Mirror Credit Agreement" shall have the meaning specified in the seventh "Whereas" clause of this Agreement.

"Company/ESOP Mirror Note" shall mean a promissory note by the ESOP, originally dated September 1, 1988, as amended by a First Amendment thereto, dated July 21, 1992, and as amended on the date hereof, evidencing the ESOP Mirror Loan as it may be amended from time to time to conform to the requirements of changes in ERISA, the Code or the rules and regulations promulgated under either thereof, or as amended in accordance with the Company/ESOP Mirror Credit Agreement.

"Company/ESOP Non-Mirror Credit Agreement" shall have the meaning specified in the eighth "Whereas" clause of this Agreement.

"Company/ESOP Non-Mirror Note" shall mean a promissory note by the ESOP, originally dated February 15, 1990, as amended by a First Amendment thereto, dated July 21, 1992, as restated by a Second Amended and Restated Non-Recourse Company/ESOP Non-Mirror Tranche B Note dated as of September 22, 1992, and as amended on the date hereof, evidencing the ESOP Non-Mirror Loan as it may be amended from time to time to conform to the requirements of changes in ERISA, the Code or the rules and regulations promulgated under either thereof, or as amended in accordance with the Company/ESOP Non-Mirror Credit Agreement.

"Company/ESOP Notes" shall mean the Company/ESOP Mirror Note and the Company/ESOP Non-Mirror Note.

"Company/ESOP Pledge Agreements" shall have the meaning specified in the tenth "Whereas" clause of this Agreement.

"Company Guaranty" shall have the meaning specified in the sixth "Whereas" clause of this Agreement.

"Credit Agreements" shall have the meaning specified in the fourth "Whereas" clause of this Agreement.

"ESOP" shall have the meaning specified in the fifth "Whereas" clause of this Agreement.
"Event of Default" shall mean and include any "Event of Default" under either Credit Agreement.

"Indemnified Party" shall have the meaning specified in Article VII.

"Lenders" shall mean, collectively, the financial institutions from time to time parties to either or both of the Credit Agreements.

"1992 Company Credit Agreement" shall have the meaning specified in the second "Whereas" clause of this Agreement.

"1992 Credit Agreements" shall have the meaning specified in the fourth "Whereas" clause of this Agreement.

"1992 Pledge and Security Agreement (ESOP Collateral)" shall have the meaning specified in the first "Whereas" clause of this Agreement.

"1992 Subsidiary Credit Agreement" shall have the meaning specified in the fourth "Whereas" clause of this Agreement.

"Obligations" shall mean (a) all indebtedness, obligations, and liabilities (including without limitation, guarantees, reimbursement obligations in respect of Letters of Credit and other contingent liabilities) of the Company to any Secured Party arising under or in connection with the Credit Agreements, the Company Guaranty, this Agreement, or any other Credit Document, as the same may be amended, restated, supplemented or otherwise modified from time to time; (b) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral; and (c) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of the Company referred to in clause (a), after an Event of Default shall have occurred and be continuing, the reasonable expenses of the Collateral Agent and the other Secured Creditors retaking, holding, preparing for sale, selling or otherwise disposing or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights hereunder, together with reasonable attorneys' fees of the Collateral Agent and the other Secured Creditors actually incurred and court costs.

"Original Co-Agents" shall have the meaning specified in the second "Whereas" clause of this Agreement.

"Pledged Collateral" shall have the meaning specified in Section 1.2(b) of this Agreement.

"Proceeds" shall mean "Proceeds" as such term is defined in the Uniform Commercial Code as in effect in the State of New York.

"Secured Parties" shall mean the Lenders, the Agent, the Co-Agent, and the Collateral Agent and their respective successors and assigns.

"Subsidiary Credit Agreement" shall have the meaning specified in the fourth "Whereas" clause of this Agreement.

"Total Commitment" shall mean the Total Revolving Loan Commitment.

"Trust" shall have the meaning specified in the seventh "Whereas" clause of this Agreement.

ARTICLE IX

MISCELLANEOUS

9.1 NOTICES. All notices and other communications hereunder shall be given to the Company, the Collateral Agent and the Trustee at the addresses and
9.2 WAIVER; AMENDMENT. No delay on the part of the Collateral Agent in exercising any of its rights, remedies, powers and privileges hereunder or partial or single exercise thereof, shall constitute a waiver thereof. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless executed in accordance with the provisions of the Credit Agreements. No notice to or demand on the Company in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Collateral Agent to any other or further action in any circumstances without notice or demand.

9.3 OBLIGATIONS ABSOLUTE. The obligations of the Company under this Agreement shall be absolute and unconditional in accordance with its terms and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in the time, place or manner of payment of, or in any other term of, all or any of the Obligations, any waiver, indulgence, renewal, extension, amendment or modification of or addition, consent or supplement to or deletion from or any other action or inaction under or in respect of either Credit Agreement, any Note, any other Credit Document or any of the other documents, instruments or agreements relating to the Obligations or any other instrument or agreement referred to therein or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of either Credit Agreement, any other Credit Document or any other documents, instruments or agreements referred to therein or any assignment or transfer of any thereof; (c) any furnishing of any additional security to the Collateral Agent, the Secured Parties or their assignees or any acceptance thereof or any release of any security by the Collateral Agent, the Secured Parties or their assignees; (d) any limitation on any party's liability or obligations under any such instrument or agreement or any term thereof; (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Company or any Subsidiary of the Company, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not the Company shall have notice or knowledge of any of the foregoing; (f) any exchange, release or nonperfection of any other collateral, or any release, or amendment or waiver of or consent to departure from any guaranty or security, for all or any of the Obligations; or (g) any other circumstance which might otherwise constitute a defense available to, or a discharge of the Company.

9.4 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of each Secured Party and its permitted successors and assigns, provided that the Company may not transfer or assign any or all of its rights or obligations hereunder without the written consent of the Collateral Agent.

9.5 HEADINGS DESCRIPTIVE. The headings of the several sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

9.6 SEVERABILITY. To the extent permitted by applicable law, any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.7 GOVERNING LAW; APPOINTMENT OF AN AGENT FOR SERVICE OF PROCESS;
SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF). ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE COMPANY HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE FOREGOING COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE RIGHTS OF THE SECURED PARTIES WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE COMPANY HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND PROCESS AGENT OF THE COMPANY, TO RECEIVE, FOR AND ON BEHALF OF THE COMPANY, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO AND SUCH SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COMPLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID PROCESS AGENT. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH PROCESS AGENT WILL BE PROMPTLY FORWARDED BY MAIL TO THE COMPANY AT ITS ADDRESS SET FORTH IN THE COMPANY CREDIT AGREEMENT, BUT THE FAILURE OF THE COMPANY TO RECEIVE SUCH COPY SHALL NOT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS. THE COMPANY HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED THERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE COLLATERAL AGENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY OTHER JURISDICTION.

9.8 THE COMPANY'S DUTIES. It is expressly agreed, anything herein contained to the contrary notwithstanding, that the Company shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the Collateral Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement, nor shall the Collateral Agent be required or obligated in any manner to perform or fulfill any of the obligations of the Company under or with respect to any Collateral.

9.9 COLLATERAL AGENT. The appointment of the Collateral Agent as Collateral Agent hereunder pursuant to the Intercreditor Agreement has been ratified and confirmed by the Lenders in the Credit Agreements, and the Collateral Agent shall be entitled to the benefits of the Credit Agreements. The Collateral Agent shall be obligated, and shall have the right, hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of Collateral) solely in accordance with this Agreement and the Credit Agreements. The Collateral Agent may resign and a successor Collateral Agent may be appointed in the manner provided in the Credit Agreements. Upon the acceptance of any appointment as a Collateral Agent by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent under this Agreement, and the retiring Collateral Agent shall thereupon be discharged from its duties and obligations under this Agreement. After any retiring Collateral Agent's resignation, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Collateral Agent.

9.10 TERMINATION; RELEASE. Upon the earlier of (i) full payment and performance of all of the Obligations (other than indemnities which by their terms survive the repayment of the Loans and the Subsidiary Loans) and irrevocable termination of the commitments of the Lenders under the Credit Agreements, and (ii) the indefeasible payment in full of the Company/ESOP Notes,
this Agreement shall terminate. Upon the termination of this Agreement, the Collateral Agent, at the request and expense of the Company, will promptly execute and deliver to the Company the proper instruments (including Uniform Commercial Code termination statements on form UCC-3) acknowledging the termination of this Agreement and will duly assign, transfer and deliver to the Company (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Collateral Agent and has not theretofore been sold or otherwise applied or released pursuant to this Agreement; PROVIDED, HOWEVER, that the Collateral Agent may release Collateral from the lien and security interest of this Agreement in accordance with the provisions of the Credit Agreements.

9.11 WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE COMPANY HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY MATTER ARISING IN CONNECTION HEREUNDER.

9.12 AMENDMENT AND RESTATEMENT. This Agreement constitutes an amendment and restatement of the 1992 Pledge and Security Agreement (ESOP Collateral) amended hereby (the "Original Instrument"), and such Original Instrument shall continue in effect on and after the date hereof as so amended and restated. The parties do not intend that this Agreement constitute a novation, termination, release or satisfaction of the Original Instrument, or constitute payment or satisfaction of any indebtedness or other obligation secured by the Original Instrument.

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

CHARTER MEDICAL CORPORATION

By: __________________________
Name: James R. Bedenbaugh
Title: Treasurer

BANKERS TRUST COMPANY,
as Collateral Agent

By: ___________________________
Name: Mary Kay Oyle
Title: Vice President

SCHEDULE I
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AMENDED AND RESTATED
COMPANY PLEDGE AND SECURITY AGREEMENT

Description of ESOP Notes

COMPANY/ESOP NOTES shall mean, collectively, the Company/ESOP Mirror Note and the Company/ESOP Non-Mirror Note.

COMPANY/ESOP MIRROR NOTE shall mean the promissory note, dated September 1, 1988, as amended by a First Amendment thereto, dated July 21, 1992, and a second Amendment dated the date hereof evidencing the Company/ESOP Mirror Loan, as it may be amended from time to time to conform to the requirements of changes in ERISA, the Code or the rules and regulations promulgated under either thereof, or as amended in accordance with the Credit Agreement.
COMPANY/ESOP NON-MIRROR NOTE shall mean the promissory note, originally dated February 15, 1990, as amended by a First Amendment dated July 21, 1992, as restated by the Second Amended and Restated Non-Recourse Company/ESOP Non-Mirror Tranche B Note dated September 22, 1992, and a Second Amendment dated the date hereof evidencing the Company/ESOP Non-Mirror Loan, as it may be amended from time to time to conform to the requirements of changes in ERISA, the Code or the rules and regulations promulgated under either thereof, or as amended in accordance with the Credit Agreement.
SECOND AMENDED AND RESTATED
FINCO PLEDGE AND SECURITY AGREEMENT I

SECOND AMENDED AND RESTATED FINCO PLEDGE AND SECURITY AGREEMENT I,
dated as of May 2, 1994 (as the same may be amended, supplemented or modified
from time to time, this "Agreement") made by CMFC, Inc., a Nevada corporation
(the "Company"), to Bankers Trust Company, a New York banking corporation, in
its capacity as collateral agent (the "Collateral Agent", and as agent under the
Credit Agreements, as hereinafter defined, the "Agent") for the financial
institutions from time to time parties to the Credit Agreements (the "Lenders"),
First Union National Bank of North Carolina, as co-agent (the "Co-Agent"), and
the Agent. Capitalized terms, unless otherwise defined in the recitals hereto,
shall have the meanings assigned thereto in Article VIII hereof.

W I T N E S S E T H:
- - - - - - - - - - - -
WHEREAS, the parties hereto (or their predecessors) entered into the
FINCO Pledge and Security Agreement dated as of September 1, 1988 which was
amended and restated by the Amended and Restated FINCO Pledge and Security
Agreement dated as of July 21, 1992 (the "1992 FINCO Pledge and Security
Agreement") in favor of the Collateral Agent, the Lenders and the Issuing Banks
(as defined in the 1992 FINCO Pledge and Security Agreement), and now desire to
amend and restate such agreement in its entirety; and

WHEREAS, Charter Medical Corporation, a Delaware corporation (as
successor to WAF Acquisition Corporation, a Delaware corporation, "Charter"),
certain of the Lenders, the Agent, Wells Fargo Bank, National Association and
Bank of America National Trust and Savings Association, as co-agents (the
"Original Co-Agents") are parties to that certain Credit Agreement dated as of
September 1, 1988 which was amended and restated by the
Amended and Restated Credit Agreement dated as of July 21, 1992 (the "1992
Company Credit Agreement"), which is being amended and restated by the Second
Amended and Restated Credit Agreement dated as of the date hereof (as the same
may be further amended, restated, supplemented or otherwise modified from time
to time, the "Company Credit Agreement"), pursuant to which certain of the
Lenders made certain loans and commitments to Charter, the terms of which are
being amended and restated pursuant to the Company Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Company Credit
Agreement, the Lenders have made certain commitments to make additional loans
to, and participate in and/or issue letters of credit for the account of,
Charter; and

WHEREAS, certain Subsidiary Borrowers, certain of the Lenders, the
Agent and the Original Co-Agent entered into a Credit Agreement, dated as of
September 1, 1988 which was amended and restated by the Amended and Restated
Subsidiary Credit Agreement dated as of July 21, 1992 (the "1992 Subsidiary
Credit Agreement"; and, together with the 1992 Company Credit Agreement, the
"1992 Credit Agreements"), which is being amended and restated by the Second
Amended and Restated Subsidiary Credit Agreement dated as of the date hereof (as
the same may be further amended, restated, supplemented or otherwise modified
from time to time, the "Subsidiary Credit Agreement"; and, together with the
Company Credit Agreement, each a "Credit Agreement" and collectively the "Credit
Agreements"), pursuant to which certain of the Lenders made certain loans and
commitments to, and participated in letters of credit for the benefit of,
certain Subsidiary Borrowers, the terms of which are being amended and restated
pursuant to the Subsidiary Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Subsidiary Credit
Agreement, the Lenders have made certain commitments to make additional loans
to, and issue letters of credit for the account of, the Subsidiary Borrowers; and

WHEREAS, the Company has executed and delivered a Subsidiary Guaranty
dated as of the date hereof (as the same may be amended, supplemented or otherwise modified from time to time, the "Subsidiary Guaranty") pursuant to

which the Company has agreed jointly and severally to guarantee all of the obligations of Charter and each Subsidiary Borrower under the Credit Agreements and the other Credit Documents; and

WHEREAS, the Lenders have agreed to amend and restate the 1992 Credit Agreements upon terms and conditions acceptable to Charter and the Subsidiary Borrowers; and

WHEREAS, it was a condition precedent to the incurrence of loans and the participation in letters of credit under the 1992 Credit Agreements that the Company execute and deliver to the Collateral Agent the 1992 FINCO Pledge and Security Agreement and it is a condition precedent to the incurrence of loans and the issuance of letters of credit under the Credit Agreements that the Company execute and deliver to the Collateral Agent this Agreement; and

WHEREAS, (a) the Senior Secured Notes (as defined in the 1992 FINCO Pledge and Security Agreement) have been irrevocably paid in full; (b) each Issuing Bank has agreed, among other things, that the Reimbursement Agreements (as defined in the 1992 FINCO Pledge and Security Agreement) to which it is a party (other than the Credit Documents to the extent the same could be considered Reimbursement Agreements) shall no longer be entitled to the security interests and other benefits of this Agreement; and (c) the Intercreditor Agreement (as defined in the 1992 FINCO Pledge and Security Agreement) has been terminated, except for the appointment by the Lenders of Bankers Trust Company as Collateral Agent, which appointment has been ratified and confirmed in the Credit Agreements;

NOW, THEREFORE, in consideration of the benefits accruing to the Company, the receipt and sufficiency of which are hereby acknowledged, the Company hereby makes the following representations and warranties to the Collateral Agent and hereby covenants and agrees with the Collateral Agent as follows:

3

ARTICLE I

SECURITY INTERESTS

1.1 SECURITY FOR OBLIGATIONS, ETC. This Agreement is for the benefit of the Secured Parties to secure the payment in full when due, whether at stated maturity, by acceleration or otherwise, of all Obligations.

1.2 ASSIGNMENT AND PLEDGE.

(a) ASSIGNMENT. The Company hereby assigns to the Collateral Agent for the benefit of the Secured Parties, and hereby grants to the Collateral Agent for the benefit of the Secured Parties a security interest in, all of the Company's right, title and interest in and to the following (together with the Assigned Agreement Rights (as hereinafter defined), the "Assigned Collateral"): (i) the mortgage notes in the aggregate amount listed on Schedule I attached hereto and all other mortgage notes payable to the Company and held by the Company from time to time (collectively, the "Mortgage Notes"), any other mortgage, security agreement or other instrument, contract or document securing, evidencing or otherwise relating to all or any of the Mortgage Notes whether now existing or hereafter entered into and all rights now or hereafter existing in, to and under each such document, other security agreements and other such contracts as the same may be amended, restated, supplemented or otherwise modified from time to time (as so amended, restated, supplemented or modified, the "Assigned Agreements") and (ii) all Proceeds of any and all of the foregoing.

(b) PLEDGE. The Company hereby pledges, deposits with, and delivers to, the Collateral Agent for the benefit of the Secured Parties the Mortgage
Notes accompanied by assignment forms duly executed in blank by the Company and hereby assigns, transfers, hypothecates and sets over to the Collateral Agent for the benefit of the Secured Parties, and grants to the Collateral Agent for the benefit of the Secured Parties a security interest in, all of the Company's right, title and interest in, to and under the following, whether now owned or hereafter acquired by the Company, all for its benefit and the benefit of the Secured Parties (the "Pledged Collateral") (the Assigned Collateral and the Pledged Collateral being referred to collectively herein as the "Collateral"):

(i)  the Mortgage Notes and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Mortgage Notes; and

(ii) all Proceeds of the foregoing items described in clause (i).

(c) COLLATERAL. The security interest of the Collateral Agent under this Agreement extends to all Collateral, now existing or hereafter acquired, of the kind which is the subject of this Agreement, which the Company may acquire at any time during the continuation of this Agreement.

1.3. POWER OF ATTORNEY. The Company hereby constitutes and appoints the Collateral Agent its true and lawful attorney, irrevocably, with full power (in the name of the Company or otherwise), upon the occurrence and during the continuance of an Event of Default, to act, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to the Company under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings, consistent with the Collateral Agent's rights under this Agreement, which the Collateral Agent may deem to be necessary or advisable in the premises, which appointment as attorney is coupled with an interest and is irrevocable.

ARTICLE II
GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

The Company represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Agreement, as follows:

2.1. NO LIENS. The Company is, and as to Collateral acquired by it from time to time after the date hereof, the Company will be, the owner of all Collateral free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than as created under the Security Documents and other than in favor of the Company and except for Liens permitted by the Company Credit Agreement ("Permitted Liens")), and, except as to Permitted Liens, the Company shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Collateral Agent or any other Secured Party.

2.2. OTHER FINANCING STATEMENTS. Except for Permitted Liens, there is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering any interest of any kind in the Collateral and so long as any of the Obligations remain unpaid, the Company will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except financing statements filed or to be filed (i) in respect of and covering the security interests granted hereby by the Company, (ii) by the Company in respect of its interest in the Collateral and (iii) in respect of Permitted Liens.
2.3 CHIEF EXECUTIVE OFFICE; CORPORATE NAME; RECORDS. The chief executive office of the Company is located at 1061 East Flamingo Road, Suite One, Las Vegas, Nevada 89119. The Company will not move its chief executive office except to such new location the Company may establish in accordance with the last sentence of this Section 2.3. The Company will not change its corporate name nor carry on business under any name other than its corporate name except after having complied with the requirements of the last sentence of this Section 2.3. The Company shall not establish a new location for its chief executive office or change its corporate name or the name under which it presently conducts its business until (i) it shall give to the Collateral Agent written notice clearly describing such new location or specifying such new corporate name, as the case may be, and providing such other information in connection therewith as the Collateral Agent may reasonably request, and (ii) with respect to such new location or such new corporate name, as the case may be, it shall have taken all action, satisfactory to the Collateral Agent, to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

2.4. COLLATERAL. (a) As of the date hereof, all of the Mortgage Notes are described on Schedule II attached hereto and are not in default. Such Mortgage Notes had the respective aggregate balances of at least the amounts listed on Schedule I attached hereto on March 31, 1994.

(b) Each of the existing Assigned Agreements has been duly authorized, executed and delivered by each Credit Party thereto, and is in full force and effect and is binding upon and enforceable against each Credit Party thereto in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law). As of the date hereof, there exists no default under any of the Assigned Agreements by any of the parties thereto. The Company has delivered original copies of the Assigned Agreements (including all modifications thereof and amendments and supplements thereto) to the Collateral Agent pursuant hereto.

ARTICLE III
SPECIAL PROVISIONS
CONCERNING PLEDGED COLLATERAL

3.1. SUBSEQUENTLY ACQUIRED MORTGAGE NOTES. If the Company shall acquire any additional Mortgage Notes at any time or from time to time after the date hereof, the Company will forthwith pledge and deposit such Mortgage Notes with the Collateral Agent and deliver to the Collateral Agent instruments of transfer therefor, endorsed in blank by the Company, and will promptly thereafter deliver to the Collateral Agent a certificate executed by an authorized officer of the Company describing such Mortgage Notes and certifying that the same has been duly pledged with the Collateral Agent hereunder.

3.2 COMPANY ACTIONS. The Company will not, at any time, amend, restate, supplement or otherwise modify any material provision of any Mortgage Note or Assigned Agreement in any manner that is adverse to the interests of the Lenders, nor take any action which would release or render unenforceable any of the obligations of any Mortgage Note or Assigned Agreement.

3.3 DIVIDENDS AND OTHER DISTRIBUTIONS. Unless an Event of Default shall have occurred and be continuing, all principal, interest and cash dividends payable in respect of the Pledged Collateral shall be paid to the Company. The Collateral Agent shall be entitled to receive directly, and to retain as part of the Collateral:
ARTICLE IV
SPECIAL PROVISIONS CONCERNING ASSIGNED AGREEMENTS

4.1. ASSIGNMENT OF RIGHTS. The Company hereby assigns, transfers, delivers, pledges and sets over to the Collateral Agent, and grants to the Collateral Agent a security interest in, all of its right, title and interest in and to each and all of the Assigned Agreements, including but not limited to:

(a) all payments due and to become due under any Assigned Agreement, whether as contractual obligations, damages or otherwise;

(b) all of its claims, rights, powers, or privileges and remedies under any Assigned Agreement; and

(c) all of its rights under any Assigned Agreement to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, waiver or approval together with full power and authority with respect to any Assigned Agreement to demand, receive, enforce, collect or receipt for any of the foregoing rights or any property the subject of any of the Assigned Agreements, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action which (in the opinion of the Collateral Agent) may be necessary or advisable in connection with any of the foregoing (the Assigned Agreements, together with all of the foregoing in this Section 4.1, the "Assigned Agreement Rights"); PROVIDED, HOWEVER, that until the occurrence and continuance of an Event of Default, the Company may exclusively exercise all of the Company's rights, powers, privileges and remedies under the Assigned Agreements, subject to Section 3.2 herein.

The Company hereby grants the Collateral Agent full power and authority to take all actions as the Collateral Agent deems necessary or advisable to defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Collateral Agent or any other Secured Party in the event the Company fails to do so. Furthermore, the Company hereby covenants and agrees to execute and deliver to the Collateral Agent such other and further instruments of transfer, assignment and conveyance, and all such other documents and instruments as may be reasonably requested by the Collateral Agent more fully to transfer, assign and convey to and vest in the Collateral Agent the Assigned Agreement Rights hereby transferred, assigned and conveyed or intended to be so.

4.2. PERFORMANCE OF ASSIGNED AGREEMENTS. The Company will at its expense (i) perform and observe all the terms and provisions of the Assigned
Agreements to be performed or observed by it, maintain the Assigned Agreements in full force and effect, enforce each of the Assigned Agreements in accordance with its terms, and take all such action to such end as may, after the occurrence and during the continuance of an Event of Default, be from time to time requested in writing by the Collateral Agent; and (ii) furnish to the Collateral Agent promptly upon receipt thereof copies of all notices, requests and other documents (if any) received by the Company under or pursuant to the Assigned Agreements, and from time to time (A) furnish to the Collateral Agent such information and reports regarding the Assigned Collateral as the Collateral Agent may reasonably request in writing and (B) upon the written request of the Collateral Agent make to any party thereto such demands and requests for information and reports or for action as the Company is entitled to make under the Assigned Agreements.

ARTICLE V

FURTHER ASSURANCES

The Company will, subject to the provisions of the last sentence of this Article V, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such lists, descriptions and designations of its Collateral, financing statements, collateral assignments, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the Collateral Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral. The Company agrees to sign and deliver to the Collateral Agent such financing statements and collateral assignments, in form acceptable to the Collateral Agent, as the Collateral Agent may from time to time reasonably request or as are necessary or desirable in the opinion of the Collateral Agent to establish and maintain a valid and enforceable perfected security interest in the Collateral as provided herein and the other rights and security contemplated hereby all in accordance with the Uniform Commercial Code as enacted in any and all relevant jurisdictions or any other relevant law. To the extent permitted by applicable law, the Company will pay any applicable filing fees and related expenses. The Company authorizes the Collateral Agent, to the extent permitted by applicable law, to file any such financing statements without the signature of the Company and to sign such financing statement on behalf of, and in the name of, the Company. Notwithstanding anything to the contrary set forth herein, the Collateral Agent will not take any actions requiring any filing or recording to perfect the security interest in the Assigned Collateral hereunder except during the occurrence and continuance of an Event of Default. Upon the recording of any collateral assignment in accordance with the provisions hereof, the Company agrees to take all actions requested by the Collateral Agent to record and perfect the security interest granted pursuant to any such collateral assignment and the Company also agrees to pay any mortgage recording tax or other fees or tax in connection with the recording of such collateral assignment or any underlying mortgage deed of trust or similar instrument.

ARTICLE VI

REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

6.1. REMEDIES; OBTAINING THE COLLATERAL UPON DEFAULT. The Company agrees that, if any Event of Default shall have occurred and be continuing, then and in every such case, the Collateral Agent shall be entitled to exercise all rights and remedies of a secured party under the Uniform Commercial Code as in effect in any relevant jurisdiction to enforce the assignments and security interests contained herein, and, to the extent permitted by applicable law, the Collateral Agent may:
(a) exercise any and all rights, powers and remedies of the Company under or in connection with the Pledged Collateral or the Assigned Collateral, including, without limitation, any and all rights of the Company to demand, otherwise require or receive payment of any amount under, or performance of any provision of, the Assigned Agreements;

(b) receive all payments under, in connection with or otherwise in respect of the Collateral which are otherwise payable to the Company, all payments received by the Company under or in connection with or otherwise in respect of the Collateral shall be received in trust for the benefit of the Collateral Agent, shall be segregated from other funds of the Company and shall be forthwith paid over to the Collateral Agent in the same form as so received (with any necessary endorsement);

(c) in its sole discretion, without notice except as specified below at any time or from time to time, sell, assign and deliver, or grant options to purchase, all or any part of the Collateral in one or more parcels, or any interest therein, at any public or private sale at any exchange, broker's board or at any of the Collateral Agent's offices or elsewhere, without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise (all of which are hereby expressly and irrevocably waived by the Company), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Collateral Agent in its absolute discretion may determine. The Collateral Agent agrees that to the extent that notice of sale shall be required by law that at least 10 days' notice to the Company of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and any such sale may, without further notice, be made at the time and place to which it was so adjourned. The Company hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Collateral Agent or any Secured Party, may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Collateral Agent nor any Secured Party shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto;

(d) transfer all or any part of the Collateral into the Collateral Agent's name or the name of its nominee or nominees and to notify the obligor of any Assigned Agreement Right or Mortgage Note (the Company hereby agreeing to deliver any such notice at the request of the Collateral Agent) that all payments and performance under the relevant Assigned Agreement or Mortgage Note shall be made or rendered to the Collateral Agent or its nominee or nominees;

(e) vote all or any part of the Pledged Collateral (whether or not transferred into the name of the Collateral Agent) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were a party thereto or outright owner thereof;

(f) settle, adjust, compromise and arrange all accounts, controversies, questions, claims and demands whatsoever in relation to all or any part of the Collateral;

(g) in respect of the Collateral, execute all such contracts, agreements, deeds, documents and instruments; to bring, defend and abandon all such actions, suits and proceedings, and to take all actions in relation to all or any part of the Collateral as the Collateral Agent in its absolute discretion may determine;

(h) appoint managers, sub-agents, officers and servants for any of
the purposes mentioned in the foregoing provisions of this Section 6.1 and to dismiss the same, all as the Collateral Agent in its absolute discretion may determine; and

(i) generally take all such other action as the Collateral Agent in its reasonable discretion may determine as incidental or conducive to any of the matters or powers mentioned in the foregoing provisions of this Section 6.1 and which the Collateral Agent may or can do lawfully and to use the name of the Company for the purposes aforesaid and in any proceedings arising therefrom.

The Company hereby expressly agrees that no Secured Party other than the Collateral Agent shall have any obligations or liabilities in connection with this Agreement.

6.2. DISPOSITION OF THE COLLATERAL. The Company recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities laws, the Collateral Agent may be compelled, with respect to any sale of all or any part of the Collateral pursuant to Section 6.1(c), to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Company acknowledges that any such private sales may be at prices and on terms less favorable to the Collateral Agent than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act), and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Collateral Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if the Company would agree to do so.

6.3. WAIVER OF CLAIMS. EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, THE COMPANY HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT'S TAKING POSSESSION OR THE COLLATERAL AGENT'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH THE COMPANY WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and the Company hereby further waives to the extent permitted by applicable law:

(a) all damages occasioned by such taking of possession except any damages which are the direct result of the Collateral Agent's gross negligence or willful misconduct;

(b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder; and

(c) all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and the Company, for itself and all who may claim under it, insofar as it or they may now or hereafter lawfully do so, hereby waives the benefit of such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Company therein and thereto, and shall be a perpetual bar both at law and in equity against the Company and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under
6.4. APPLICATION OF PROCEEDS; COMPANY LIABLE FOR DEFICIENCY. All moneys collected by the Collateral Agent upon any sale or other disposition of the Collateral, together with all other moneys received by the Collateral Agent hereunder shall be applied as follows:

(a) first, to the payment of any and all expenses and fees (including reasonable attorneys’ fees) actually incurred by the Collateral Agent in obtaining, taking possession of, removing, storing and disposing of Collateral and any and all amounts incurred by the Collateral Agent in connection therewith or owing to the Collateral Agent hereunder;

(b) next, any surplus then remaining, to the payment of the other Obligations; and

(c) if the Total Commitment is then terminated, all Loans (under and as defined in each Credit Agreement) have been indefeasibly paid in full, no Letters of Credit or Subsidiary Letters of Credit or other Obligations are outstanding, any surplus then remaining shall be paid to the Company, subject, however, to the rights of the holder of any then existing Lien of which the Collateral Agent has actual notice (without investigation);

it being understood that the Company shall remain liable to the extent of any deficiency between the amount of the proceeds of the Collateral and the aggregate amount of the sums referred to in clauses (a) and (b) of this Section 6.4.

Notwithstanding the foregoing, in no event shall moneys be applied pursuant to the foregoing clause (b) (when aggregated with all other amounts contemporaneously received from the Company under any other Security Document in respect of the Obligations) in excess of the Company's Maximum Guaranty Liability (as defined in the Subsidiary Guaranty) with any excess to be paid to the Company or to whomever may be lawfully entitled to receive the same.

6.5. REMEDIES CUMULATIVE. Each and every right, power and remedy hereby specifically given to the Collateral Agent shall be in addition to every other right, power and remedy specifically given under this Agreement or under any other Credit Document or now or hereafter existing at law or in equity, or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Collateral Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise of any other or others. No delay or omission of the Collateral Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Event of Default or an acquiescence therein.

6.6. DISCONTINUANCE OF PROCEEDINGS. In case the Collateral Agent shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case the Company and the Collateral Agent shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Agreement, and all rights, remedies and powers of the Collateral Agent shall continue as if no such proceeding had been instituted.
Without duplication of any amounts payable under Section 12.1 of the Company Credit Agreement and any similar indemnity provision under any other Credit Document, the Company shall: (i) whether or not the transactions hereby contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Collateral Agent actually incurred in connection with the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of the Collateral Agent with respect thereto) of and in connection with the preparation, execution and delivery of this Agreement (including, without limitation, the reasonable fees and disbursements of Skadden, Arps, Slate, Meagher & Flom) and of the Collateral Agent actually incurred in connection with the preservation of rights under, and enforcement of, and, after an Event of Default, the renegotiation or restructuring of this Agreement and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of counsel for the Collateral Agent); (ii) pay and hold the Collateral Agent harmless from and against any and all present and future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to this Agreement and save the Collateral Agent harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay any such taxes, charges or levies; and (iii) indemnify the Collateral Agent, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all costs, losses, liabilities, claims, damages or expenses actually incurred by any of them (whether or not any of them is designated a party thereto) arising out of or by reason of any investigation, litigation or other proceeding related to this Agreement or any transaction contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding. Notwithstanding anything in this Agreement to the contrary, the Company shall not be responsible to the Collateral Agent or any officer, director, employee, representative or agent of the foregoing (an "Indemnified Party") for any losses, damages, liabilities or expenses which result from such Indemnified Party's gross negligence or willful misconduct. It is understood that the Company shall not, in connection with any single action, suit, proceeding or claim or separate but substantially similar or related actions, suits, proceedings or claims, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at the same time for the Indemnified Parties (which firm shall be designated by the Collateral Agent) except that, if any Indemnified Party other than the Collateral Agent shall determine, in its sole discretion, that there may be a conflict in such firm representing the Collateral Agent and such Indemnified Party, then the Company shall be liable for the reasonable fees and expenses of an additional firm for such Indemnified Party whose interests may be in conflict. The Company's obligations under this Article VII shall survive any termination of this Agreement.

ARTICLE VIII

DEFINITIONS

8.1. DEFINITIONS. The following terms shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined. Except as otherwise defined herein, including in the recital paragraphs, capitalized terms used herein and defined in the Company Credit Agreement shall be used herein as so defined.

"Agreement" shall mean this Second Amended and Restated FINCO Pledge and Security Agreement as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Assigned Agreement Rights" shall have the meaning specified in
"Assigned Agreements" shall have the meaning specified in Section 1.2(a).

"Assigned Collateral" shall have the meaning specified in Section 1.2(a).

"Collateral" shall have the meaning specified in Section 1.2(b).

"Event of Default" shall mean and include any "Event of Default" under either Credit Agreement.

"Indemnified Party" shall have the meaning specified in Article VII.

"Mortgage Notes" shall mean, collectively, all promissory notes from time to time made to the Company by Charter or a Subsidiary of Charter.

"Obligations" shall mean (a) all indebtedness, obligations, and liabilities (including without limitation, guarantees, reimbursement obligations in respect of Letters of Credit and Subsidiary Letters of Credit and other contingent liabilities) of the Company, Charter, any Subsidiary Borrower and any other Subsidiary of Charter to any Secured Party arising under or in connection with the Credit Agreements, the Subsidiary Guaranty, this Agreement, or any other Credit Document, as the same may be amended, restated, supplemented or otherwise modified from time to time; (b) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral; and (c) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of the Company referred to in clause (a), after an Event of Default shall have occurred and be continuing, the reasonable expenses of retaking, holding, preparing for sale, selling or otherwise disposing or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights hereunder, together with reasonable attorneys' fees and court costs.

"Permitted Liens" shall have the meaning specified in Section 2.1 hereof.

"Pledged Collateral" shall have the meaning specified in Section 1.2(b).

"Proceeds" shall mean "Proceeds" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Secured Parties" shall mean the Lenders, the Agent, the Co-Agent, and the Collateral Agent and their respective successors and assigns.

"Securities Act" shall have the meaning specified in Section 6.2.

"Total Commitment" shall mean the Total Revolving Loan Commitment.

ARTICLE IX
MISCELLANEOUS

9.1. NOTICES. All notices and other communications hereunder shall be given to the Company (at the address for Charter), the Collateral Agent and the Agent at the addresses and in the manner specified in the Company Credit Agreement.

9.2. WAIVER; AMENDMENT. No delay on the part of the Collateral Agent in exercising any of its rights, remedies, powers and privileges hereunder or
partial or single exercise thereof, shall constitute a waiver thereof. None of
the terms and conditions of this Agreement may be changed, waived, modified or
varied in any manner whatsoever unless executed in accordance with the
provisions of the Credit Agreements. No notice to or demand on the Company in
any case shall entitle it to any other or further notice or demand in similar or
other circumstances or constitute a waiver of any of the rights of the
Collateral Agent to any other or further action in any circumstances without
notice or demand.

9.3. OBLIGATIONS ABSOLUTE. The obligations of the Company under this
Agreement shall be absolute and unconditional in accordance with its terms and
shall remain in full force and effect without regard to, and shall not be
released, suspended, discharged, terminated or otherwise affected by, any
circumstance or occurrence whatsoever, including, without limitation: (a) any
change in the time, place or manner of payment of, or in any other term of, all
or any of the Obligations, any waiver, indulgence, renewal, extension, amendment
or modification of or addition, consent or supplement to or deletion from or any
other action or inaction under or in respect of either Credit Agreement, any
Note, any other Credit Document or any of the other documents, instruments or
agreements relating to the Obligations or any other instrument or agreement
referred to therein or any assignment or transfer of any thereof; (b) any lack
of validity or enforceability of either Credit Agreement, any other Credit
Document or any other documents, instruments or agreements referred to therein
or any assignment or transfer of any thereof; (c) any furnishing of any
additional security to the Collateral Agent, the other Secured Parties or their
assignees or any acceptance thereof or any release of any security by the
Collateral Agent, the other Secured Parties or their assignees; (d) any
limitation on any party's liability or obligations under any such instrument or
agreement or any term thereof; (e) any bankruptcy, insolvency, reorganization,
composition, adjustment, dissolution, liquidation or other like proceeding
relating to the Company or any Subsidiary of the Company, or any action taken
with respect to this Agreement by any trustee or receiver, or by any court, in
any such proceeding, whether or not the

Company shall have notice or knowledge of any of the foregoing; (f) any
exchange, release or nonperfection of any other collateral, or any release, or
amendment or waiver of or consent to departure from any guaranty or security,
for all or any of the Obligations; or (g) any other circumstance which might
otherwise constitute a defense available to, or a discharge of the Company.

9.4. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the
Company and its successors and assigns and shall inure to the benefit of each
Secured Party and its permitted successors and assigns, provided that the
Company may not transfer or assign any or all of its rights or obligations
hereunder without the written consent of the Collateral Agent.

9.5. HEADINGS DESCRIPTIVE. The headings of the several sections of
this Agreement are inserted for convenience only and shall not in any way affect
the meaning or construction of any provision of this Agreement.

9.6. SEVERABILITY. To the extent permitted by applicable law, any
provision of this Agreement which is prohibited or unenforceable in any
jurisdiction shall, as to such jurisdiction, be ineffective to the extent of
such prohibition or unenforceability without invalidating the remaining
provisions hereof, and any such prohibition or unenforceability in any
jurisdiction shall not invalidate or render unenforceable such provision in any
other jurisdiction.

9.7. GOVERNING LAW; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS;
SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF
THE PARTIES HEREBY SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY
THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW
PRINCIPLES THEREOF). ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS
AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE
STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT
OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE COMPANY
HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION
OF THE AFORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE
RIGHTS OF THE SECURED PARTIES WITH RESPECT TO THIS AGREEM-
MENT OR ANY DOCUMENT RELATED HERETO THE COMPANY HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND AGENT OF THE COMPANY, TO RECEIVE, FOR AND ON BEHALF OF THE COMPANY, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO AND SUCH SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COMPLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID AGENT. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARDER BY MAIL TO THE COMPANY AT THE ADDRESS FOR CHARTER SET FORTH IN THE COMPANY CREDIT AGREEMENT, BUT THE FAILURE OF THE COMPANY TO RECEIVE SUCH COPY SHALL NOT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS. THE COMPANY HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED THERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE COMPANY TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY OTHER JURISDICTION.

9.8. THE COMPANY'S DUTIES. It is expressly agreed, anything herein contained to the contrary notwithstanding, that the Company shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the Collateral Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement, nor shall the Company be required or obligated in any manner to perform or fulfill any of the obligations of Collateral Agent under or with respect to any Collateral.

9.9. COLLATERAL AGENT. The appointment of the Collateral Agent as Collateral Agent hereunder pursuant to the Intercreditor Agreement has been ratified and confirmed by the Lenders in the Credit Agreements and the Collateral Agent shall be entitled to the benefits of the Credit Agreements. The Collateral Agent shall be obligated, and shall have the right hereunder to make de-

mands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of Collateral) solely in accordance with this Agreement and the Credit Agreements. The Collateral Agent may resign and a successor Collateral Agent may be appointed in the manner provided in the Credit Agreements. Upon the acceptance of any appointment as a Collateral Agent by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent under this Agreement, and the retiring Collateral Agent shall thereupon be discharged from its duties and obligations under this Agreement. After any retiring Collateral Agent's resignation, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Collateral Agent.

9.10. TERMINATION; RELEASE. When the Total Commitment is terminated, no Letters of Credit or Subsidiary Letters of Credit are outstanding and all Loans (under and as defined in each Credit Agreement) and other Obligations are irrevocably paid in full, this Agreement shall terminate. Upon the termination of this Agreement, the Collateral Agent, at the request and expense of the Company will promptly execute and deliver to the Company the proper instruments (including Uniform Commercial Code termination statements on form UCC-3, if necessary) acknowledging the termination of this Agreement and will duly assign, transfer and deliver to the Company (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Collateral Agent and has not theretofore been sold or otherwise applied or released pursuant to this Agreement. Notwithstanding anything therein to the contrary, the Collateral Agent shall release the Collateral to the extent that the Company shall be required to release the same in accordance with the terms of the Mortgage Notes or Assigned Agreements;
Provided, however, that the Collateral Agent may release Collateral from the lien and security interest of this Agreement in accordance with the provisions of the Credit Agreements.

9.11. Waiver of Trial by Jury. To the extent permitted by applicable law, the Company hereby irrevocably waives all right of trial by jury in any action, proceeding or counterclaim arising out of or in connection with this Agreement or any matter arising in connection hereunder.

9.12. Amendment and Restatement. This Agreement constitutes an amendment and restatement of the 1992 FINCO Pledge and Security Agreement amended hereby (the "Original Instrument"), and such Original Instrument shall continue in effect on and after the date hereof as so amended and restated. The parties do not intend that this Agreement constitute a novation, termination, release or satisfaction of the Original Instrument, or constitute payment or satisfaction of any indebtedness or other obligation secured by the Original Instrument.

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

CMFC, INC.

By: -----------------------------
Name:
Title:

BANKERS TRUST COMPANY,
as Collateral Agent

By: /s/ Mary Kay Coyle
Name: Mary Kay Coyle
Title: Vice President

SCHEDULE I

SECOND AMENDED AND RESTATED FINCO PLEDGE AND SECURITY
The notes payable balances due to CMFC, Inc. at March 31, 1994 are as follows:

Charter Medical Corporation - $124,066,000.00

SCHEDULE II

SECOND AMENDED AND RESTATED FINCO PLEDGE AND SECURITY

A. The Charter Medical Corporation and CMCI, Inc. notes each have Credit agreement and Borrowing Resolutions.
SECOND AMENDED AND RESTATED SUBSIDIARY GUARANTY

SECOND AMENDED AND RESTATED SUBSIDIARY GUARANTY, dated as of May 2, 1994 (as the same may be amended, modified or supplemented from time to time, the "Subsidiary Guaranty"), made by each of the corporations listed on Annex A attached hereto (individually, a "Guarantor" and collectively, the "Guarantors"), in favor of the financial institutions from time to time signatories to the Credit Agreements (as hereinafter defined) (the "Lenders"), Bankers Trust Company, as agent (the "Agent") for the Lenders, and First Union National Bank of North Carolina, as co-agent (the "Co-Agent") for the Lenders (the Lenders, the Agent and the Co-Agent, together with their permitted successors and assigns, individually, a "Guaranteed Party" and collectively, the "Guaranteed Parties").

W I T N E S S E T H:

WHEREAS, certain of the parties hereto (or their predecessors) entered into the Subsidiary Guaranty dated as of September 1, 1988 which was amended and restated by the Amended and Restated Subsidiary Guaranty dated as of July 21, 1992 (the "1992 Subsidiary Guaranty") in favor of the Agent, the Lenders and the Issuing Banks (as defined in the 1992 Company Guaranty), and now desire to amend and restate the 1992 Subsidiary Guaranty in its entirety; and

WHEREAS, Charter Medical Corporation, a Delaware corporation (as successor to WAF Acquisition Corporation, a Delaware corporation, the "Company"), certain of the Lenders, the Agent, Wells Fargo Bank, National Association and Bank of America National Trust and Savings Association, as co-agents (the "Original Co-Agents"), entered into that certain Credit Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Credit Agreement dated as of July 21, 1992 (the "1992 Company Credit Agreement"), which is being amended and restated by the Second Amended and Restated Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Company Credit Agreement"), pursuant to which certain of the Lenders made certain loans and commitments to the Company, the terms of which are being amended and restated pursuant to the Company Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Company Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Company; and

WHEREAS, certain Subsidiary Borrowers, certain of the Lenders, the Agent and the Original Co-Agents entered into a Credit Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Subsidiary Credit Agreement dated as of July 21, 1992 (the "1992 Subsidiary Credit Agreement"; and, together with the 1992 Company Credit Agreement, the "1992 Credit Agreements"), which is being amended and restated by the Second Amended and Restated Subsidiary Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Subsidiary Credit Agreement"; and, together with the Company Credit Agreement, each a "Credit Agreement" and collectively, the "Credit Agreements"), pursuant to which certain of the Lenders made certain loans and commitments to, and participated in certain letters of credit for the benefit of, the Subsidiary Borrowers, the terms of which are being amended and restated pursuant to the Subsidiary Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Subsidiary Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Subsidiary Borrowers; and

WHEREAS, the Company and the Guarantors share an identity of interests
as members of a consolidated group of companies engaged in substantially similar businesses, the Company provides centralized financial, accounting and management services to each of the Guarantors and arranges the necessary licensing and accreditation of the hospitals operated by the Guarantors, and the making of the loans and the issuance of the letters of credit under the Credit Agreements will facilitate expansion of, and enhance the overall financial strength and stability of the Company's corporate group; and

WHEREAS, the Lenders have agreed to amend and restate the 1992 Credit Agreements upon terms and conditions acceptable to the Company and the Guarantors; and

WHEREAS, it was a condition precedent to the incurrence of loans and the participation in letters of credit under the 1992 Credit Agreements that the Guarantors execute and deliver to the Guaranteed Parties the 1992 Subsidiary Guaranty and it is a condition precedent to the incurrence of loans and issuance of letters of credit under the Credit Agreements, that the Guarantors execute and deliver to the Guaranteed Parties this Subsidiary Guaranty; and

WHEREAS, each Issuing Bank has agreed, among other things, that the Reimbursement Agreements (as defined in the 1992 Credit Agreements) to which it is a party (other than the Credit Documents to the extent the same could be considered Reimbursement Agreements) shall no longer be entitled to the benefits of this Subsidiary Guaranty;

NOW, THEREFORE, in consideration of the premises contained herein and in order to induce the Lenders to make loans and issue letters of credit under the Credit Agreements, the Guarantors hereby jointly and severally agree as follows:

SECTION 1. DEFINITIONS. Except as otherwise defined herein, including in the recital paragraphs, capitalized terms used herein and defined in the Company Credit Agreement shall be used herein as so defined.

SECTION 2. GUARANTY. (a) The Guarantors hereby jointly and severally unconditionally guarantee the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all (i) Obligations (other than Obligations arising under this Subsidiary Guaranty, and, in the case of a Guarantor which is a Subsidiary Borrower, the direct Obligations of such Guarantor under and as defined in the Subsidiary Credit Agreement) of the Company and its Subsidiaries now or hereafter existing, whether for principal, interest (including any interest accruing during a Proceeding (as hereinafter defined) whether or not the claim for such interest is allowable or discharged in such Proceeding), fees, expenses or otherwise (including, without limitation, the Obligations under the Credit Agreements of the Company and the Subsidiary Borrowers (other than in the case of a Guarantor that is a Subsidiary Borrower, the direct Obligations of such Guarantor under the Subsidiary Credit Agreement) to reimburse drawings honored under a Letter of Credit or a Subsidiary Letter of Credit), and (ii) any and all reasonable expenses (including counsel fees and expenses) incurred by any Guaranteed Party in enforcing any rights under this Subsidiary Guaranty (all of the foregoing, collectively, the "Guaranteed Obligations"); PROVIDED, HOWEVER, that the maximum liability of each Guarantor herein as of any date shall in no event exceed the Maximum Guaranty Liability (as hereinafter defined) of such Guarantor as of such date. It is the intention of the parties hereto that in no event shall any Guarantor's obligations under this Subsidiary Guaranty constitute or result in a violation of any applicable fraudulent conveyance or similar law of any relevant jurisdiction. Therefore, in the event that this Subsidiary Guaranty would, but for the preceding sentence, constitute or result in such violation, then the liability of a Guarantor under this Subsidiary Guaranty shall be reduced to the maximum amount permissible under the applicable fraudulent conveyance or similar laws. Any and all payments by the Guarantors hereunder shall be made free and clear of and without deduction for any set-off
or counterclaim.

(b) "Maximum Guaranty Liability" of a Guarantor as of any date shall mean the greater of the following amounts as of such date: (i) the sum of the following amounts as of such date: (A) the outstanding amount of all loans, advances, capital contributions or other investments made by the Company or a Subsidiary Borrower to or in such Guarantor with the proceeds of loans made to the Company or a Subsidiary Borrower under the Credit Agreements (such proceeds being referred to herein as "Senior Financing Proceeds"), PLUS (without duplication) (B) the fair market value of all property acquired with Senior Financing Proceeds transferred to such Guarantor, PLUS (C) with respect to each transfer of Senior Financing Proceeds referred to in the foregoing clauses (A) and (B), an amount equal to the amount of interest under either Credit Agreement allocable to such Senior Financing Proceeds until the same is repaid to the Company or the pertinent Subsidiary Borrower; and (ii) the greatest of the Fair Value Net Worth (as hereinafter defined) of such Guarantor as of the Closing Date, each fiscal quarter-end of such person thereafter occurring on or prior to the date of determination of Maximum Guaranty Liability, the date on which enforcement of this Subsidiary Guaranty is sought, and the date on which a case under the Bankruptcy Code is commenced with respect to the Company or such Guarantor or Subsidiary Borrower. "Fair Value Net Worth" of a Guarantor as of any date shall mean (i) the fair value or fair saleable value (as the case may be, determined in accordance with applicable federal and state laws affecting creditors' rights and governing determinations of insolvency of debtors (collectively, "Insolvency Laws") of such Guarantor's assets as of such date, MINUS (ii) the amount of all liabilities of such Guarantor (determined in accordance with Insolvency Laws) as of such date, excluding (x) this Subsidiary Guaranty and (y) liabilities under a Credit Agreement effectively assumed by such Guarantor by hypothecation of such Guarantor's assets, MINUS (iii) $1.00.

(c) Each Guarantor agrees that the Guaranteed Obligations may at any time and from time to time exceed the Maximum Guaranty Liability of such Guarantor, and may exceed the aggregate Maximum Guaranty Liability of all Guarantors, without impairing this Subsidiary Guaranty or affecting the rights and remedies of any Guaranteed Party hereunder.

SECTION 3. GUARANTY ABSOLUTE. The Guarantors guarantee that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Credit Agreements, the Notes and the other Credit Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Guaranteed Party with respect thereto. This is a guaranty of payment and not of collection, and the liability of the Guarantors under this Subsidiary Guaranty shall be joint, several, absolute and unconditional, in accordance with its terms and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in the time, place or manner of payment of, or in any other term of, all or any of the Guaranteed Obligations, any waiver, indulgence, renewal, extension, amendment or modification of, or addition, consent or supplement to, or deletion from, or any other action or inaction under, or in respect of either Credit Agreement, any Note, any other Credit Document or any documents, instruments or agreements relating to the Guaranteed Obligations or any other instrument or agreement referred to therein or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of either Credit Agreement, any Note, any other Credit Document or any other documents, instruments or agreements referred to therein or any assignment or transfer of any thereof; (c) any furnishing of any additional security to the Guaranteed Parties or their assignees or any acceptance thereof or any release of any security by the Guaranteed Parties, or their assignees; (d) any limitation on any party's liability or obligations under any such instrument or agreement (other than as set forth in Section 2 hereof) or any invalidity or unenforceability, in whole or in part, of any such
instrument or agreement, or any term thereof; (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Company or any Subsidiary Borrower, or any action taken with respect to this Subsidiary Guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not any Guarantor shall have notice or knowledge of any of the foregoing; (f) any exchange, release or nonperfection of any other collateral, or any release, or amendment or waiver of, or consent to, departure from any guaranty or security, for all or any of the Guaranteed Obligations; or (g) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any Guarantor. This Subsidiary Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Guaranteed Party upon the insolvency, bankruptcy or reorganization of the Company, any Subsidiary Borrower or any Guarantor or otherwise, all as though such payment had not been made.

SECTION 4. WAIVER. To the extent permitted by applicable law, the Guarantors hereby waive promptness,

diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Subsidiary Guaranty and any requirement that any Guaranteed Party protect, secure, perfect or insure any security interest orlien or any property subject thereto or exhaust any right or take any action against the Company, any Subsidiary Borrower or any other Person or any collateral.

SECTION 5. WAIVER OF SUBROGATION. Each Guarantor hereby irrevocably waives any right of subrogation, reimbursement, exoneration, contribution or indemnification, any right to participate in any claim or remedy of the Guaranteed Parties or any collateral which the Agent, any other Guaranteed Party or the Collateral Agent now has or hereafter acquires in connection with the payment, performance or enforcement of such Guarantor's obligations under this Subsidiary Guaranty or any Credit Document, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including the right to take or receive, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and the Guaranteed Obligations shall not have been paid in full or any commitment of any Guaranteed Party under either Credit Agreement shall not have been irrevocably terminated, such amount shall be deemed to have been paid to such Guarantor for the benefit of, and held in trust for, the Agent for the benefit of the Guaranteed Parties, and shall forthwith be paid to the Agent to be credited and applied to the Obligations, whether matured or unmatured. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Credit Agreements and that the waiver set forth in this Section is knowingly made in contemplation of such benefits.

SECTION 6. REPRESENTATIONS AND WARRANTIES. Each Guarantor hereby represents and warrants as follows:

(a) Each representation, warranty and agreement made by the Company in Section 6 of the Company Credit Agreement concerning such Guarantor is confirmed to be true and correct as to such Guarantor, except where the failure thereof to be so true and correct would not impair the legality, validity, binding effect or enforceability hereof or have a Material Adverse Effect.

(b) On the Closing Date, after giving effect to all the transactions contemplated by the Credit Agreements, including, without limitation, the execution and delivery of the Credit Agreements, and the incurrence by such Guarantor of liabilities under this Subsidiary Guaranty, (i) the assets of such Guarantor, at a fair valuation, will exceed its liabilities, including contingent liabilities (but excluding any intercompany liabilities,
including contingent intercompany liabilities), (ii) the remaining capital of such Guarantor will not be unreasonably small to conduct its business and (iii) such Guarantor has not incurred debts, and does not intend to incur debts, beyond its ability to pay such debts as they mature. For purposes of this Section 6(b), "debt" means any liability on a claim, and "claim" means (x) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

SECTION 7. ADDITIONAL GUARANTORS. In accordance with the provisions of Section 7.11 of the Company Credit Agreement, any Wholly-Owned Restricted Subsidiary (other than Excludable Foreign Subsidiaries) of the Company which becomes a Significant Subsidiary after the Closing Date (an "Additional Guarantor") shall execute and deliver to the Agent a counterpart (substantially in the form of Annex B hereto) of this Subsidiary Guaranty. Upon such execution, such Additional Guarantor shall be liable to the Guaranteed Parties and the Guarantors pursuant to Section 2 hereof and Annex A hereto shall be deemed to be amended to include such Additional Guarantor.

SECTION 8. NOTICES. All notices and other communications provided for hereunder shall be given to the Company (on behalf of any relevant Guarantor) and the Agent at the addresses and in the manner specified in the Company Credit Agreement.

SECTION 9. NO WAIVER; REMEDIES. No failure on the part of any Guaranteed Party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10. RIGHT OF SET-OFF. In addition to, and not in limitation of, all rights of offset that any Lender or other holder of a Note may have under applicable law, each Lender or other holder of a Note shall, upon the occurrence of any Event of Default and whether or not such Lender or such holder has made any demand or any Guarantor's obligations hereunder have matured, have the right to appropriate and apply to the payment of the Guaranteed Obligations, all deposits (general or special, time or demand, provisional or final) then or thereafter held by, and other indebtedness or property then or thereafter owing by, such Lender or other holder, whether or not related to this Subsidiary Guaranty or any transaction hereunder.

SECTION 11. CONTINUING GUARANTY; TRANSFER OF OBLIGATIONS. This Subsidiary Guaranty is a continuing guaranty and shall (i) remain in full force and effect until payment in full of the Guaranteed Obligations and all other amounts payable under this Subsidiary Guaranty, (ii) be binding upon each Guarantor, its successors and assigns, and (iii) inure to the benefit of and be enforceable by each Guaranteed Party and its permitted successors, transferees and assigns; PROVIDED that the Company may not assign or transfer any of its interests or obligations hereunder without the prior written consent of the Lenders. Without limiting the generality of the foregoing clause (iii), any Lender may, in accordance with the terms and provisions of the applicable Credit Agreement, assign to one or more banks or other entities all or any part of, or may grant participations to one or more banks or other entities in or to all or any part of, any of the Guaranteed Obligations, whereupon each such bank or entity shall become vested with all the rights in respect thereof granted to such Lender herein or otherwise in respect hereof; PROVIDED, HOWEVER, that except as otherwise permitted by the terms and provisions of each of the Credit Agreements, no participant in the Guaranteed Obligations shall be permitted to exercise any right under Section 10 hereof.
SECTION 12. GOVERNING LAW; APPOINTMENT OF AGENT FOR SERVICE OF
PROCESS; SUBMISSION TO JURISDICTION. THIS SUBSIDIARY GUARANTY AND THE RIGHTS
AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH
AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO
THE CONFLICT OF LAW PRINCIPLES THEREOF). ANY LEGAL ACTION OR PROCEEDING WITH
RESPECT TO THIS SUBSIDIARY GUARANTY OR ANY DOCUMENT RELATED HERETO MAY BE
BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF
AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF
THIS SUBSIDIARY GUARANTY, EACH GUARANTOR HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE AFORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE RIGHTS OF THE GUARANTEED PARTIES WITH RESPECT TO THIS SUBSIDIARY GUARANTY OR ANY DOCUMENT RELATED HERETO. EACH GUARANTOR HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND AGENT OF SUCH GUARANTOR TO RECEIVE, FOR AND ON BEHALF OF SUCH GUARANTOR, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS SUBSIDIARY GUARANTY OR ANY DOCUMENT RELATED HERETO AND SUCH SERVICE SHALL BE DEEMED, TO THE EXTENT PERMITTED BY APPLICABLE LAW, COMPLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID AGENT. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARD BY MAIL TO THE COMPANY (ON BEHALF OF THE RESPECTIVE GUARANTOR) AT ITS ADDRESS SET FORTH IN THE COMPANY CREDIT AGREEMENT, BUT THE FAILURE OF THE COMPANY (ON BEHALF OF SUCH GUARANTOR) TO RECEIVE SUCH COPY SHALL NOT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS. EACH GUARANTOR HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS IN RESPECT OF THIS SUBSIDIARY GUARANTY OR ANY DOCUMENT RELATED THERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE COLLATERAL AGENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY GUARANTOR IN ANY OTHER JURISDICTION.

SECTION 13. SUBORDINATION OF COMPANY'S AND SUBSIDIARY BORROWERS'
OBLIGATIONS TO GUARANTORS. As an independent covenant, each Guarantor hereby expressly covenants and agrees for the benefit of each Guaranteed Party that all obligations and liabilities of the Company and each Subsidiary Borrower to such Guarantor of whatsoever description including, without limitation, all intercompany receivables of such Guarantor from the Company or a Subsidiary Borrower ("Junior Claims") shall be subordinate and junior in right of payment to all Obligations of the Company and each Subsidiary Borrower to the Guaranteed Parties, including, without limitation, interest accrued during any Proceeding (as hereinafter defined) on the Obligations whether or not the claim for such interest is allowable or discharged in such Proceeding ("Senior Claims").

If an Event of Default shall occur and the Senior Claims shall have been declared due and payable, then no direct or indirect payment (in cash, property, securities by setoff or otherwise) shall be made by the Company or any Subsidiary Borrower to any Guarantor on account of, or in any manner in respect of, any Junior Claim except such payments and distributions the proceeds of which shall be applied to the Senior Claims.

Notwithstanding anything to the contrary set forth in the immediately preceding paragraph of this Section 13, in the event of a Proceeding, all Senior Claims shall first be paid in full before any direct or indirect payment or distribution (in cash, property, or securities, by setoff or otherwise) shall be made to any Guarantor on account of or in any manner in respect of any Junior Claim except such payments and distributions the proceeds of which shall be applied to the Senior Claims. "Proceeding" means the occurrence of any of the following: the Company or any Subsidiary Borrower shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or any involuntary case is commenced against the Company or any Subsidiary Borrower; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or any substantial part of the property of the Company or any Subsidiary Borrower, or the Company or any Subsidiary Borrower commences any other proceedings under any reorganization arrange-
ment, adjustment of debt, relief of debtor, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company or any Subsidiary Borrower, or the Company or any Subsidiary Borrower is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company or any Subsidiary Borrower suffers any appointment of any custodian or the like for it or any substantial part of its property; or the Company or any Subsidiary Borrower makes a general assignment for the benefit of creditors; or the Company or any Subsidiary Borrower shall fail to pay, or shall state that it is unable to pay, its debts generally as they become due; or the Company or any Subsidiary Borrower shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts; or the Company or any Subsidiary Borrower shall by any act or failure to act indicate its consent to, approval of, or acquiescence in, any of the foregoing; or any corporate action shall be taken by the Company or any Subsidiary Borrower for the purpose of effecting any of the foregoing.

In the event any direct or indirect payment or distribution is made to a Guarantor in contravention of this Section 13, such payment or distribution shall be deemed received in trust for the benefit of the Guaranteed Parties and shall be immediately paid over to the Agent for application in accordance with the terms of the Credit Agreements.

Each Guarantor agrees to execute such additional documents as the Agent may request to evidence the subordination provided for in this Section 13.

By its execution and delivery of this Subsidiary Guaranty, the Company and each of the Subsidiary Borrowers hereby acknowledge and agree to the subordination provided for in this Section 13.

SECTION 14. SEVERABILITY. To the extent permitted by applicable law, any provision of this Subsidiary Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 15. AMENDMENTS. ETC. No amendment or waiver of any provision of this Subsidiary Guaranty nor consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be executed in accordance with the terms of the Credit Agreements.

SECTION 16. AMENDMENT AND RESTATEMENT. This Subsidiary Guaranty constitutes an amendment and restatement of the 1992 Subsidiary Guaranty amended hereby (the "Original Instrument"), and such Original Instrument shall continue in effect on and after the date hereof as so amended and restated. The parties do not intend that this instrument constitute a novation, termination, release or satisfaction of the Original Instrument, or constitute payment or satisfaction of any indebtedness or other obligation secured by the Original Instrument.

SECTION 17. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE COMPANY AND EACH GUARANTOR HEREBY IRREVOCABLY WAIVE ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF, OR IN CONNECTION WITH, THIS SUBSIDIARY GUARANTY OR ANY OTHER CREDIT DOCUMENT OR ANY MATTER ARISING IN CONNECTION HEREUNDER OR THEREUNDER.

IN WITNESS WHEREOF, each of the Guarantors, the Company and the Subsidiary Borrowers has caused this Subsidiary Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above
GUARANTORS:

By

Charlotte A. Sanford, in her capacity as Treasurer for corporations listed on Annex A (except Charter Medical of England Limited and Charter Medical (Cayman Islands) Ltd.)

By

Charlotte A. Sanford, in her capacity as Director of Charter Medical of England Limited

ACKNOWLEDGED AND AGREED TO AS APPLICABLE TO THE COMPANY:

CHARTER MEDICAL CORPORATION

By

Name: James R. Bedenbaugh
Title: Treasurer

ANNEX B

ADDITIONAL GUARANTOR

The undersigned hereby acknowledges that it has read this Subsidiary Guaranty and agrees to be liable to the Guaranteed Parties pursuant to Section 2 of this Subsidiary Guaranty and to be bound by the terms and provisions thereof.

IN WITNESS WHEREOF, the undersigned has caused this Subsidiary Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the ___ day of ____, 19__.

Notice Address: [Name of Guarantor], a [State of Incorporation] Corporation

By

Title:

ANNEX A

SECOND AMENDED AND RESTATED SUBSIDIARY GUARANTY
DOMESTIC SUBSIDIARIES:

1. Ambulatory Resources, Inc.
2. Atlanta MOB, Inc.
3. Beltway Community Hospital, Inc.
4. CCM, Inc.
12. Charter Behavioral Health System at Hidden Brook, Inc.
13. Charter Behavioral Health System at Los Altos, Inc.
15. Charter Behavioral Health System at Warwick Manor, Inc.
17. Charter Behavioral Health System of Austin, Inc.
27. Charter Behavioral Health System of Corpus Christi, Inc.
28. Charter Behavioral Health System of Dallas, Inc.
29. Charter Behavioral Health System of Evansville, Inc.
30. Charter Behavioral Health System of Fort Worth, Inc.
32. Charter Behavioral Health System of Jacksonville, Inc.
34. Charter Behavioral Health System of Kansas City, Inc.
35. Charter Behavioral Health System of Lafayette, Inc.
37. Charter Behavioral Health System of Lakewood, Inc.
38. Charter Behavioral Health System of Michigan City, Inc.
40. Charter Behavioral Health System of Nashua, Inc.

ANNEX A
SECOND AMENDED AND RESTATED SUBSIDIARY GUARANTY

41. Charter Behavioral Health System of Nevada, Inc.
42. Charter Behavioral Health System of New Mexico, Inc.
43. Charter Behavioral Health System of Northern California, Inc.
44. Charter Behavioral Health System of Northwest Arkansas, Inc.
45. Charter Behavioral Health System of Northwest Indiana, Inc.
46. Charter Behavioral Health System of Paducah, Inc.
47. Charter Behavioral Health System of Rockford, Inc.
48. Charter Behavioral Health System of San Jose, Inc.
49. Charter Behavioral Health System of Savannah, Inc.
50. Charter Behavioral Health System of Southern California, Inc.
51. Charter Behavioral Health System of Tampa Bay, Inc.
52. Charter Behavioral Health System of Texarkana, Inc.
53. Charter Behavioral Health System of the Inland Empire, Inc.
54. Charter Behavioral Health System of Toledo, Inc.
55. Charter Behavioral Health System of Tucson, Inc.
56. Charter Behavioral Health System of Virginia Beach, Inc.
57. Charter Behavioral Health System of Visalia, Inc.
60. Charter Behavioral Health System of Winston-Salem, Inc.
62. Charter Behavioral Health Systems of Atlanta, Inc.
63. Charter Brawner Behavioral Health System, Inc.
64. Charter Canyon Behavioral Health System, Inc.
67. Charter Colonial Institute, Inc.
68. Charter Community Hospital, Inc.
69. Charter Community Hospital of Des Moines, Inc.
70. Charter Contract Services, Inc.
71. Charter Cove Forge Behavioral Health System, Inc.
73. Charter Fairbridge Behavioral Health System, Inc.
74. Charter Fairmount Behavioral Health System, Inc.
75. Charter Fenwick Hall Behavioral Health System, Inc.
76. Charter Financial Offices, Inc.
77. Charter Forest Behavioral Health System, Inc.
78. Charter Grapevine Behavioral Health System, Inc.
80. Charter Health Management of Texas, Inc.
81. Charter Hospital of Columbus, Inc.
82. Charter Hospital of Denver, Inc.
83. Charter Hospital of Ft. Collins, Inc.

ANNEX A

SECOND AMENDED AND RESTATED SUBSIDIARY GUARANTY

84. Charter Hospital of Laredo, Inc.
85. Charter Hospital of Miami, Inc.
86. Charter Hospital of Mobile, Inc.
87. Charter Hospital of Northern New Jersey, Inc.
88. Charter Hospital of Santa Teresa, Inc.
89. Charter Hospital of St. Louis, Inc.
90. Charter Hospital of Torrance, Inc.
91. Charter Indianapolis Behavioral Health System, Inc.
92. Charter Lafayette Behavioral Health System, Inc.
94. Charter Lakeside Behavioral Health System, Inc.
95. Charter Laurel Heights Behavioral Health System, Inc.
98. Charter Little Rock Behavioral Health System, Inc.
100. Charter Meadows Behavioral Health System, Inc.
102. Charter Medical Executive Corporation
103. Charter Medical Information Services, Inc.
105. Charter Medical Management Company
106. Charter Medical of East Valley, Inc.
107. Charter Medical of North Phoenix, Inc.
108. Charter Medical of Orange County, Inc.
109. Charter Medical -- California, Inc.
110. Charter Medical -- Clayton County, Inc.
111. Charter Medical -- Cleveland, Inc.
112. Charter Medical -- Dallas, Inc.
113. Charter Medical -- Long Beach, Inc.
114. Charter Medical -- New York, Inc.
115. Charter Mental Health Options, Inc.
117. Charter Milwaukee Behavioral Health System, Inc.
119. Charter MOB of Charlottesville, Inc.
120. Charter North Behavioral Health System, Inc.
121. Charter North Counseling Center, Inc.
122. Charter Northbrooke Behavioral Health System, Inc.
123. Charter Northridge Behavioral Health System, Inc.
124. Charter Northside Hospital, Inc.
125. Charter Oak Behavioral Health System, Inc.
126. Charter of Alabama, Inc.

ANNEX A

SECOND AMENDED AND RESTATE SUBSIDIARY GUARANTY

127. Charter Palms Behavioral Health System, Inc.
129. Charter Pines Behavioral Health System, Inc.
130. Charter Plains Behavioral Health System, Inc.
131. Charter Psychiatric Hospitals, Inc.
132. Charter Real Behavioral Health System, Inc.
133. Charter Regional Medical Center, Inc.
134. Charter Richmond Behavioral Health System, Inc.
137. Charter San Diego Behavioral Health System, Inc.
139. Charter Sioux Falls Behavioral Health System, Inc.
140. Charter South Bend Behavioral Health System, Inc.
143. Charter Suburban Hospital of Mesquite, Inc.
144. Charter Terre Haute Behavioral Health System, Inc.
146. Charter Tidewater Behavioral Health System, Inc.
147. Charter Treatment Center of Michigan, Inc.
149. Charter White Oak Behavioral Health System, Inc.
150. Charter Wichita Behavioral Health System, Inc.
152. Charter Woods Hospital, Inc.
154. Charterton/LaGrange, Inc.
156. CMCI, Inc.
157. CMFC, Inc.
158. CMSF, Inc.
159. CPS Associates, Inc.
160. C.A.C.O. Services, Inc.
161. Desert Springs Hospital, Inc.
162. Employee Assistance Services, Inc.
163. Florida Health Facilities, Inc.
164. Gulf Coast EAP Services, Inc.
165. Gwinnett Immediate Care Center, Inc.
166. HCS, Inc.
167. Holcomb Bridge Immediate Care Center, Inc.
168. Hospital Investors, Inc.
169. Mandarin Meadows, Inc.

Page 3

ANNEX A

SECOND AMENDED AND RESTATE SUBSIDIARY GUARANTY

170. Metropolitan Hospital, Inc.
171. Middle Georgia Hospital, Inc.
172. Pacific -- Charter Medical, Inc.
173. Peachford Professional Network, Inc.
174. Rivoli, Inc.
175. Shallowford Community Hospital, Inc.
176. Sistemas De Terapia Respiratoria S.A., Inc.
177.  Stuart Circle Hospital Corporation
178.  Tampa Bay Behavioral Health Alliance, Inc.
179.  Western Behavioral Systems, Inc.

FOREIGN SUBSIDIARIES:

1.  Charter Medical (Cayman Islands) Ltd.
3.  Charter Medical of England Limited
SECOND AMENDED AND RESTATED
COMPANY COLLATERAL ACCOUNTS ASSIGNMENT AGREEMENT

This SECOND AMENDED AND RESTATED COMPANY COLLATERAL ACCOUNTS ASSIGNMENT AGREEMENT is dated as of May 2, 1994 (as the same may be amended, supplemented or modified from time to time, this "Agreement"), and made between CHARTER MEDICAL CORPORATION, a Delaware corporation (the "Company" or the "Pledgor") and BANKERS TRUST COMPANY, as Agent (the "Agent") for the financial institutions from time to time parties to the Company Credit Agreement (as hereinafter defined)(the "Lenders").

WHEREAS, the parties hereto are parties to the Collateral Accounts Assignment Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Collateral Accounts Assignment Agreement dated as of July 21, 1992 (the "1992 Collateral Accounts Assignment Agreement"), and now desire to amend and restate such agreement in its entirety; and

WHEREAS, the Company (as successor to WAF Acquisition Corporation), the Agent, certain of the Lenders, and Wells Fargo Bank, National Association and Bank of America National Trust and Savings Association, as co-agents (the "Co-Agents"), are parties to a Credit Agreement, dated as of September 1, 1988 which was amended and restated by the Amended and Restated Credit Agreement dated as of July 21, 1992 (the "1992 Company Credit Agreement"), which is being amended and restated by the Second Amended and Restated Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Company Credit Agreement"), pursuant to which certain of the Lenders made certain loans and commitments to the Company, the terms of which are being amended and restated pursuant to the Company Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Company Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Company; and

WHEREAS, the Lenders have agreed to amend and restate the 1992 Company Credit Agreement upon terms and conditions acceptable to the Company; and

WHEREAS, it was a condition precedent to the incurrence of loans and the participation in letters of credit under the 1992 Company Credit Agreement that the Pledgor execute and deliver to the Agent the 1992 Collateral Accounts Assignment Agreement and it is a condition precedent to the incurrence of loans and the issuance of letters of credit under the Company Credit Agreement that the Pledgor execute and deliver to the Agent this Agreement;

NOW, THEREFORE, in consideration of the foregoing and the agreements, provisions and covenants contained herein, the Pledgor and the Agent hereby agree as follows:

SECTION 1. DEFINITIONS. (a) The terms defined in the Company Credit Agreement and not otherwise defined herein, including in the recital paragraphs, are used herein as defined therein.

(b) The following terms used in this Agreement shall have the following meanings:

"COLLATERAL" means (a) all funds from time to time on deposit in the L/C Cash Collateral Account, (b) all Investments in the L/C Cash Collateral Account and all certificates and instruments from time to time representing or evidencing such Investments, (c) all notes, certificates of deposit, checks and other instruments from time to time hereafter delivered to or otherwise possessed by the Agent for or on behalf of the Pledgor in substitution for or in addition to any or all of the Collateral, (d) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange
for any or all of the Collateral, and

(e) to the extent not covered by clauses (a) through (d) above, all proceeds of any or all of the foregoing Collateral.

"INVESTMENTS" means those investments, if any, made by the Agent pursuant to Section 5 hereof.

"L/C CASH COLLATERAL ACCOUNT" means the cash collateral account established and maintained pursuant to Section 2(a) hereof.

"OBLIGATIONS" means all obligations of the Pledgor under the Company Credit Agreement and the other Credit Documents.

SECTION 2. ESTABLISHMENT OF L/C CASH COLLATERAL ACCOUNT.

(a) If, at any time, the Pledgor is required to deposit any amounts into the L/C Cash Collateral Account pursuant to Section 4.2(e) of the Company Credit Agreement, the Agent and the Pledgor shall, and at all other times the Agent may, and upon the request of the Agent the Pledgor shall, establish and maintain at the Payment Office, in the name of the Pledgor but under the sole dominion and control of the Agent, a cash collateral account bearing interest only as a result of investments permitted by Section 5. The Pledgor hereby agrees to deposit in the L/C Cash Collateral Account each amount, if any, required to be so deposited in respect of Letters of Credit pursuant to Section 4.2(e) of the Company Credit Agreement.

(b) Any amounts deposited in the L/C Cash Collateral Account shall be (A) applied to the reimbursement of payments made by the L/C Banks and the other Lenders in respect of drawings under Letters of Credit in accordance with and subject to Sections 2.3 and 2.4 of the Company Credit Agreement or Section 9 of the Company Credit Agreement, (B) applied in accordance with Section 12 hereof or (C) released to the Pledgor pursuant to Section 4.2(e) of the Company Credit Agreement.

SECTION 3. CONDITIONAL ASSIGNMENT OF COLLATERAL. The Company hereby assigns to the Agent for its benefit and the benefit of the Lenders, and grants to the Agent for its benefit and the benefit of such Lenders a lien and security interest in, the Collateral. In accordance with Section 12 hereof, upon the failure of the Company to pay the Obligations in accordance with the provisions of the Company Credit Agreement and the other Credit Documents, the Agent may apply any and all amounts constituting and in respect of Collateral in satisfaction of the payment in full of the Obligations. Upon payment in full of all Obligations, the Agent agrees to re-assign to the Pledgor the remaining Collateral.

SECTION 4. DELIVERY OF COLLATERAL. All certificates or instruments, if any, representing or evidencing the Collateral shall be delivered to and held by the Agent pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Agent. In the event any Collateral is not evidenced by a certificate, a notation, reflecting title in the name of the Agent or the security interest of the Agent shall be made in the records of the issuer of such Collateral or in such other appropriate records as the Agent may require, all in form and substance reasonably satisfactory to the Agent. The Agent shall have the right, upon the occurrence and during the continuance of an Event of Default to transfer to or to register in the name of the Agent or any of its nominees any or all of the Collateral. In addition, the Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Collateral for certificates or instruments of smaller or larger denominations.

SECTION 5. INVESTING OF AMOUNTS IN THE COLLATERAL ACCOUNTS. Cash
held by the Agent in the L/C Cash Collateral Account shall not be invested or
reinvested except as provided in this Section 5.

(a) Except as otherwise provided in Section 12 hereof, the
Company (i) may direct the Agent to (A) invest cash (including the proceeds of
sales of Cash Equivalents) in the L/C Cash Collateral Account from time to time
in Cash Equivalents and (B) deliver to the Company any interest accrued on the
amounts deposited in the L/C Cash Collateral Account; PROVIDED, that the Agent
shall not be obligated to deliver any such interest (x)

more often than once every calendar month, (y) to the extent that either before
or after such delivery of interest, the Company would be required to deposit any
amount in the L/C Cash Collateral Account pursuant to Section 4.2(e) of the
Company Credit Agreement, or (z) upon the occurrence and during the continuance
of an Event of Default; and (ii) shall direct the Agent to sell any such Cash
Equivalents from time to time to the extent necessary such that the amount of
cash held in the L/C Cash Collateral Account is sufficient to permit any
application thereof to the payment of the Obligations as provided in the Company
Credit Agreement.

(b) The Agent is hereby authorized to sell or set-off, and shall
sell, all or any designated part of the Collateral (i) so long as no Event of
Default shall have occurred and be continuing, upon the receipt of appropriate
written or tested telex instructions from the Company, or (ii) in any event (but
only with prior written notice to the Company) if such sale is necessary to
permit the Agent to perform its duties hereunder or under the Company Credit
Agreement, PROVIDED, HOWEVER that the Agent shall have no responsibility for any
loss in the value of the Collateral resulting from a fluctuation in interest
rates or otherwise as a result of any such sale or any sale pursuant to Section
12. Except as provided in paragraph (a) above, any interest on securities
constituting part of the Collateral and the net proceeds of the sale or payment
of any such securities shall be held in the L/C Cash Collateral Account by the
Agent.

SECTION 6. REPRESENTATIONS AND WARRANTIES. In addition to its
representations and warranties made pursuant to Section 6 of the Company Credit
Agreement, the Pledgor represents and warrants to the Agent for the benefit of
the Lenders that the following statements are true, correct and complete:

(a) On and after the Closing Date, the Company will be the legal
and beneficial owner of the Collateral free and clear of any Lien except for the
lien and security interest created by this Agreement; and

(b) The pledge, assignment and possession of the Collateral
pursuant to this Agreement creates a valid assignment of, and a valid and
perfected first

priority security interest in the Collateral, securing the payment of the
Obligations.

SECTION 7. FURTHER ASSURANCES. The Pledgor agrees that at any time
and from time to time, at its expense, it will promptly execute and deliver to
the Agent any further instruments and documents, and take any further actions,
that may be necessary or that the Agent may reasonably request, in order to
protect the assignment given hereby or to perfect and protect any security
interest granted hereby or to enable the Agent to exercise and enforce its
rights and remedies hereunder with respect to any Collateral.

SECTION 8. TRANSFERS AND OTHER LIENS. Except as permitted hereunder,
the Pledgor agrees that it will not (a) sell or otherwise dispose of any
Collateral or any interest in the Collateral, or (b) create or permit to exist
any Lien upon or with respect to any of the Collateral, except for the lien and
security interest created by this Agreement and for Permitted Liens.

SECTION 9. THE AGENT APPOINTED ATTORNEY-IN-FACT. The Pledgor hereby
irrevocably appoints the Agent as its attorney-in-fact, coupled with an interest and with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in Agent's reasonable discretion after the occurrence and during the continuance of an Event of Default to take any action and to execute any instrument which the Agent may reasonably deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to the Pledgor representing any payment, dividend, or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same. In performing its functions and duties under this Agreement, the Agent shall act solely as the agent of the Lenders and the Agent has not assumed and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for the Pledgor.

SECTION 10. THE AGENT MAY PERFORM. If the Pledgor fails to perform any agreement contained herein, after notice to the Pledgor, the Agent may itself perform, or cause performance of, such agreement, and the expenses of the Agent, as the case may be, incurred in connection therewith shall be payable by the Pledgor under Section 13 hereof.

SECTION 11. STANDARD OF CARE; NO RESPONSIBILITY FOR CERTAIN MATTERS. In dealing with the Collateral in its possession, the Agent shall exercise the same care which it would exercise in dealing with its own property of a similar nature, but it shall not be responsible for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral whether or not the Agent has or is deemed to have knowledge of such matters, (b) taking any steps to preserve rights against any parties with respect to any Collateral (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Collateral), (c) the collection of any proceeds, (d) any loss resulting from Investments made pursuant to Section 5 hereof, except for a loss resulting from the Agent's gross negligence or willful misconduct in complying with said Section 5, or (e) determining (i) the correctness of any statement or calculation made by the Pledgor in any written or telex (tested or otherwise) instructions, or (ii) whether any deposit in the L/C Cash Collateral Account is proper.

SECTION 12. REMEDIES UPON DEFAULT. If any Default or Event of Default shall have occurred and be continuing:

(a) the Agent may sell all or any portion of the Collateral and apply the cash proceeds thereof and any other cash in the L/C Cash Collateral Account to the payment of any of the Obligations, whether or not due, in such order as the Required Lenders may determine in their sole discretion; any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus; and

(b) anything contained herein to the contrary notwithstanding, any of the Collateral consisting of investments in call deposits of the Lenders shall be subject to the Lenders' rights of set-off under Section 12.2 of the Company Credit Agreement.

SECTION 13. INDEMNITY. Without duplication of any amounts payable under Section 12.1 of each of the Company Credit Agreement and the Subsidiary Credit Agreement and any other similar indemnity provision contained in any other Credit Document, the Pledgor shall (i) whether or not the transactions hereby contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Agent actually incurred in connection with the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of the Agent with respect thereto) of and in connection with the preparation, execution and delivery of this Agreement (including, without limitation, the reasonable fees and disbursements of Skadden, Arps,
Slate, Meagher & Flom) and of the Agent and each Lender actually incurred in connection with the preservation of rights under, and enforcement of, and, after an Event of Default, renegotiation or restructuring of this Agreement and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of counsel for the Agent and each Lender); (ii) pay and hold the Agent and each of the Lenders harmless from and against any and all present and future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to this Agreement and save the Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay any such taxes, charges or levies; and (iii) indemnify the Agent and each Lender, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all costs, losses, liabilities, claims, damages or expenses actually incurred by any of them (whether or not any of them is designated a party thereto) arising out of or by reason of any investigation, litigation or other proceeding related to this Agreement or any transaction contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding. Notwithstanding anything in this Agreement to the contrary, the Pledgor shall not be responsible to the Agent, or any officer, director, employee, representative or agent of the foregoing (an "Indemnified Party") for any losses, damages, liabilities or expenses which result from such Indemnified Party's gross negligence or willful misconduct. It is understood that the Pledgor shall not, in connection with any single action, suit, proceeding or claim or separate but substantially similar or related actions, suits, proceedings or claims, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at the same time for the Indemnified Parties (which firm shall be designated by the Agent) except that, if any Indemnified Party other than the Agent shall determine, in its sole discretion, that there may be a conflict in such firm representing the Agent and such Indemnified Party, then the Pledgor shall be liable for the reasonable fees and expenses of an additional firm for such Indemnified Party whose interests may be in conflict. The Pledgor's obligations under this Section 13 shall survive any termination of this Agreement.

SECTION 14. NO WAIVER. No failure on the part of the Agent to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the Agent of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein provided are to the fullest extent permitted by law cumulative and are not exclusive of any remedies provided by law, in equity or under any other Credit Document.

SECTION 15. AMENDMENTS, ETC. No amendment, modification, termination or waiver of any provision of this Agreement, or consent to any departure by the Pledgor therefrom, shall in any event be effective unless the same shall be executed in accordance with the terms of the Company Credit Agreement.

SECTION 16. NOTICES. Except as otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be given to the parties hereto at the addresses and in the manner specified in the Company Credit Agreement.

SECTION 17. CONTINUING SECURITY INTEREST; TERMINATION. Except as provided hereunder and under the Company Credit Agreement, neither the Pledgor nor any Person claiming on behalf of or through the Pledgor shall have any right to withdraw any of the funds held in the L/C Cash Collateral Account until the termination of the Total Revolving Loan Commitment,
indefeasible payment has been made in full of all of the Obligations and no Letters of Credit or Subsidiary Letters of Credit are outstanding. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the termination of the Total Revolving Loan Commitment, indefeasible payment in full of all Obligations and no Letters of Credit or Subsidiary Letters of Credit are outstanding, (b) be binding upon the Pledgor, its successors and assigns, and (c) inure to the benefit of the Agent, the Lenders and their respective successors, transferees and assigns; PROVIDED that the Pledgor may not assign or transfer any of its interests or obligations hereunder without the written consent of the Required Lenders. Without limiting the generality of the foregoing clause (c) and subject to the provisions of Section 12.4 of the Company Credit Agreement, any Lender may assign or otherwise transfer any Note held by it to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise. Upon the termination of the Total Revolving Loan Commitment, indefeasible payment in full of the Obligations and the cancellation or expiration of all outstanding Letters of Credit and Subsidiary Letters of Credit, the Pledgor shall be entitled to the return, upon its request and at its expense, of such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

SECTION 18. GOVERNING LAW; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF). ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE PLEDGOR HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE AFORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE RIGHTS OF THE AGENT WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE PLEDGOR HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND AGENT OF THE PLEDGOR, TO RECEIVE, FOR AND ON BEHALF OF THE PLEDGOR, SERVICE OF PROCESS IN SUCH JURISDICTIONS IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE PLEDGOR HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE AFORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE RIGHTS OF THE AGENT WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE PLEDGOR HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND AGENT OF THE PLEDGOR, TO RECEIVE, FOR AND ON BEHALF OF THE PLEDGOR, SERVICE OF PROCESS IN SUCH JURISDICTIONS IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO AND SUCH SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COMPLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID AGENT. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARDED BY MAIL TO THE PLEDGOR AT ITS ADDRESS SET FORTH IN THE COMPANY CREDIT AGREEMENT, BUT THE FAILURE OF THE PLEDGOR TO RECEIVE SUCH COPY SHALL NOT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS. THE PLEDGOR HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE AGENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE PLEDGOR IN ANY OTHER JURISDICTION.

SECTION 19. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PLEDGOR HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY MATTER ARISING IN CONNECTION HEREUNDER.

SECTION 20. AMENDMENT AND RESTATEMENT. This Agreement constitutes an amendment and restatement of the 1992 Collateral Accounts Assignment Agreement amended hereby (the "Original Instrument"), and such Original Instrument shall continue in effect on and after the date hereof as so amended and restated. The parties do not intend that this Agreement constitute a novation, termination, release or satisfaction of the Original Instrument, or constitute payment or satisfaction of any indebtedness or other obligation secured by the Original Instrument.
IN WITNESS WHEREOF, the Pledgor and the Agent have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

BANKERS TRUST COMPANY, as Agent

By /s/ Mary Kay Coyle
-----------------------------------------
Name: Mary Kay Coyle
Title: Vice President

CHARTER MEDICAL CORPORATION

By /s/ James R. Bedenbaugh
-----------------------------------------
Name: James R. Bedenbaugh
Title: Treasurer

SCHEDULE I
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SECOND AMENDED AND RESTATED SUBSIDIARY COLLATERAL ACCOUNTS
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ASSIGNMENT AGREEMENT
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I. LETTERS OF CREDIT

Charter Behavioral Health System of New Mexico, Inc.
Charter Behavioral Health System of Charleston, Inc.
Charter Behavioral Health System of Northwest Arkansas, Inc.
Charter Behavioral Health System of Central Georgia, Inc.
Charter Fairmount Behavioral Health System, Inc.
Charter Forest Behavioral Health System, Inc.
Charter Hospital of St. Louis, Inc. (Greenville)
Charter Palms Behavioral Health System, Inc.
Charter Plains Behavioral Health System, Inc.
Charter Ridge Behavioral Health System, Inc.
Charter Rivers Behavioral Health System, Inc.
Charter Springs Behavioral Health System, Inc.
CMSF, Inc. (Glade)

II. SUBSIDIARY LOANS

Charter Behavioral Health System of Northern California, Inc.
Charter Behavioral Health System of Northwest Indiana, Inc.
Charter Hospital of St. Louis, Inc. (Orlando South)
Charter Indianapolis Behavioral Health System, Inc.
Charter Lakeside Behavioral Health System, Inc.
Charter Mission Viejo Behavioral Health System, Inc.
Charter San Diego Behavioral Health System, Inc.
Charter South Bend Behavioral Health System, Inc.
COMPANY PLEDGE AND SECURITY AGREEMENT

COMPANY PLEDGE AND SECURITY AGREEMENT, dated as of May 2, 1994 (as the same may be amended, restated, supplemented or otherwise modified from time to time, this "Agreement"), made by Charter Medical Corporation, a Delaware corporation (the "Company" or the "Assignor"), to Bankers Trust Company, a New York banking corporation, in its capacity as Collateral Agent (as hereinafter defined) for the Secured Creditors (as hereinafter defined). Certain capitalized terms are defined in Article VII hereof.

W I T N E S S E T H:

WHEREAS, the Company (as successor to WAF Acquisition Corporation, a Delaware corporation), certain of the Lenders (as hereinafter defined), Bankers Trust Company, as Agent, and Wells Fargo Bank, National Association and Bank of America National Trust and Savings Association, as co-agents (the "Original Co-Agents"), entered into that certain Credit Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Credit Agreement dated as of July 21, 1992 (the "1992 Company Credit Agreement"), which is being amended and restated by the Second Amended and Restated Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Company Credit Agreement"), pursuant to which certain of the Lenders made certain loans and commitments to the Company, the terms of which are being amended and restated pursuant to the Company Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Company Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Company; and

WHEREAS, certain Subsidiary Borrowers, certain of the Lenders, the Agent and the Original Co-Agents entered into a Credit Agreement, dated as of September 1, 1988, which was amended and restated by the Amended and Restated Subsidiary Credit Agreement dated as of July 21, 1992 (the "1992 Subsidiary Credit Agreement"; and, together with the 1992 Company Credit Agreement, the "1992 Credit Agreements"), which is being amended and restated by the Second Amended and Restated Subsidiary Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Subsidiary Credit Agreement"; and, together with the Company Credit Agreement, each a "Credit Agreement" and collectively the "Credit Agreements"), pursuant to which certain of the Lenders made certain loans and commitments to, and participated in certain letters of credit for the benefit of, the Subsidiary Borrowers, the terms of which are being amended and restated pursuant to the Subsidiary Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Subsidiary Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of the Subsidiary Borrowers; and

WHEREAS, the Company has executed and delivered a Second Amended and Restated Company Guaranty dated as of the date hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Company Guaranty") pursuant to which the Company has agreed to guarantee all of the Obligations (as defined in the Subsidiary Credit Agreement) of each Subsidiary Borrower under the Subsidiary Credit Agreement; and

WHEREAS, the Lenders have agreed to amend and restate the 1992 Credit Agreements upon terms and conditions acceptable to the Company and the Subsidiary Borrowers; and
WHEREAS, it is a condition precedent to the incurrence of loans and the issuance of letters of credit under the Credit Agreements that the Company execute and deliver to the Collateral Agent this Agreement;

NOW, THEREFORE, in consideration of the benefits accruing to the Assignor, the receipt and sufficiency of which are hereby acknowledged, the Assignor hereby makes the following representations and warranties and covenants and agrees as follows:

ARTICLE I
SECURITY INTERESTS

1.1. GRANT OF SECURITY INTERESTS. (a) As collateral security for the prompt and complete payment and performance when due of all of the Obligations, the Assignor does hereby sell, assign and transfer as collateral security unto, and does hereby grant to, the Collateral Agent for the benefit of the Secured Creditors, a continuing security interest in all of the Assignor's right, title and interest in, to and under all of the following, now existing or hereafter from time to time arising or acquired, (i) each and every Receivable, except (x) to the extent prohibited by the Medicare and Medicaid programs pursuant to 42 U.S.C. Sections 1395 and 1396(a) (and any successor to such Sections) and (y) Receivables from the United States Government to the extent such Receivables are prohibited by law to be subject to a security interest or Lien, (ii) all Inventory, Equipment, other Goods, Chattel Paper, Documents, Fixtures and Instruments; (iii) to the extent not prohibited by applicable law, all Contracts, Contract Rights arising under such Contracts and all other General Intangibles; (iv) to the extent permitted under such agreements, any and all interest rate or currency exchange agreements, including without limitation, cap, collar, floor, forward or similar agreements or other rate protection arrangements and all other hedging arrangements (the "Assigned Agreements"); (v) any and all books and records relating to any of the property described in the foregoing clauses (i) through (iv) except to the extent such books and records are acquired under a license from a third party which prohibits the granting of a security interest therein; and (vi) in each instance, together with all acces- sions, attachments and additions thereto, substitutions therefor and replace- ments, Proceeds and products of any and all of the foregoing items described in clauses (i) through (v) (all of the above collectively, the "Collateral"); PRO- VIED, HOWEVER, that, with the exception of the Collateral described in clause (i) and any Collateral constituting intercompany notes, the foregoing grant of a security interest shall not include

a security interest in, and the Collateral shall not include, any property of the Assignor to the extent (but only to the extent) that the granting of a security interest in such property is prohibited or otherwise restricted by the terms of the agreements listed on the attached Schedule 1 (the "Excluded Property"); PROVIDED, FURTHER, that upon the termination or expiration of such prohibition or restriction, the Excluded Property shall become subject to the security interest hereunder and shall be deemed to be Collateral.

(b) The pledges, liens and security interests of the Collateral Agent under this Agreement extend to all Collateral now existing or hereafter ac- quired, of the kind which is the subject of this Agreement which the Assignor may acquire at any time during the continuation of this Agreement. Except as otherwise set forth in the Credit Agreements (including, without limitation, Section 8.8 of the Company Credit Agreement), upon the sale or disposition by the Assignor of all of its right, title and interest in and to any Collateral pursuant to Sections 8.2, 8.6 or 8.8 of the Company Credit Agreement, the security interest with respect to such Collateral shall be released; PROVIDED that, at such time, no Default or Event of Default shall have occurred and be continu- ing.

(c) In the event that the grant of a security interest hereunder in any Collateral (other than any Collateral described in Section 1.1(a)(i) and any
intercompany notes) is prohibited by any agreement to which the Company is a party, the Collateral Agent, promptly after a written request therefor from the Assignor, shall release the security interest granted hereunder in such Collateral if (i) no Default or Event of Default has occurred and is then continuing, (ii) the replacement cost of such Collateral is less than $500,000, (iii) the Company has used all reasonable efforts (other than the payment of any significant sum of money) to obtain a consent from the other parties to such agreement to the Collateral Agent's security interest in such Collateral, and (iv) after giving effect to such release, Collateral and Subsidiary Collateral having an aggregate replacement cost in excess of $3,000,000 shall not have been released pursuant to this Section 1.1(c) and/or Section 1.1(c) of the Subsidiary Pledge and Security Agreement. For purposes of the foregoing clauses (ii) and (iv), the replacement cost of any Collateral or Subsidiary Collateral requested from time to time to be released pursuant to this Section 1.1(c) or Section 1.1(c) of the Subsidiary Pledge and Security Agreement shall be the replacement cost of such Collateral or Subsidiary Collateral, as the case may be, at the time of the request for such release as determined by the Company at such time in good faith and in a reasonable manner.

1.2. POWER OF ATTORNEY. The Assignor hereby constitutes and appoints the Collateral Agent its true and lawful attorney, with full power (in the name of the Assignor or otherwise), upon the occurrence and during the continuance of an Event of Default to act, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to the Assignor under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings, consistent with the Collateral Agent's rights under this Agreement, which the Collateral Agent may deem to be necessary or advisable in the premises, which appointment as attorney is coupled with an interest and is irrevocable.

ARTICLE II

GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

The Assignor represents, warrants and covenants, which representation, warranties and covenants shall survive execution and delivery of this Agreement, as follows:

2.1. NECESSARY FILINGS. All filings, registrations and recordings necessary or appropriate to create, preserve, protect and perfect the security interest granted by the Assignor to the Collateral Agent hereby in respect of the Collateral have been accomplished and the security interest granted to the Collateral Agent pursuant to this Agreement in and to the Collateral constitutes a perfected security interest therein (as provided in the Uniform Commercial Code), which is superior and prior to the rights of all other Persons therein (subject, however, to Permitted Encumbrances that are prior to the security interest granted hereunder pursuant to applicable law), and is entitled to all the rights, priorities and benefits afforded by the Uniform Commercial Code as enacted in any relevant jurisdiction to perfected security interests.

2.2. NO LIENS. The Assignor is, and as to Collateral acquired by it from time to time after the date hereof, the Assignor will be, the owner of all Collateral free from any Lien, security interest, encumbrance, assignment or other right, title or interest of any Person other than as created under the Security Documents, except as otherwise permitted pursuant to the terms and provisions of the Company Credit Agreement ("Permitted Encumbrances") and, except as to Permitted Encumbrances, the Assignor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Collateral Agent.

2.3. OTHER FINANCING STATEMENTS. Except for Permitted Encumbrances,
there is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering any interest of any kind in the Collateral and so long as any of the Obligations remain unpaid, the Assignor will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except financing statements filed or to be filed in respect of and covering the security interests granted hereby by the Assignor.

2.4. CHIEF EXECUTIVE OFFICE; CORPORATE NAME; RECORDS. The chief executive office of the Assignor is located at 557 Mulberry Street, Macon, Georgia 31298. The Assignor will not move its chief executive office except to such new location the Assignor may establish in accordance with the last sentence of this Section 2.4. The Assignor will not change its corporate name nor carry on business under any name other than its corporate name except after having complied with the requirements of the last sentence of this Section 2.4. The originals of all documents evidencing all Receivables of the Assignor and the only original books of account and records of the Assignor relating thereto are, and will continue to be, kept at such chief executive office, or at such new location for such chief executive office as the Assignor may establish in accordance with the last sentence of this Section 2.4. All Receivables of the Assignor are, and will continue to be, controlled and directed (including, without limitation, for general accounting purposes) from, such chief executive office location as set forth in the first sentence of this Section 2.4, or such new location as the Assignor may establish in accordance with the last sentence of this Section 2.4. The Assignor shall not establish a new location for its chief executive office or change its corporate name or the names under which it presently conducts its business unless (i) it shall give to the Collateral Agent written notice clearly describing such new location or specifying such new corporate name, as the case may be, and providing such other information in connection therewith as the Collateral Agent may reasonably request, and (ii) with respect to such new location or such new corporate name, as the case may be, it shall have taken all action, satisfactory to the Collateral Agent, to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

2.5. LOCATION OF EQUIPMENT. (a) All Significant Equipment held on the date hereof by the Assignor is located at the address set forth in the first sentence of Section 2.4 hereof. The Assignor agrees that all Significant Equipment now held or subsequently acquired by it shall be kept at (or shall be in transport to) the chief executive office of the Assignor, or such new location as the Assignor may establish in accordance with the last sentence of this Section 2.4 or, so long as all actions necessary to perfect or continue to perfect the security interests have been taken granted hereunder in such Significant Equipment, such other locations as are listed on Annex A to the Subsidiary Pledge and Security Agreement. The Assignor may not otherwise establish a new location for any Significant Equipment unless (i) it shall have given to the Collateral Agent written notice clearly describing such new location and providing such other information in connection therewith as the Collateral Agent may reasonably request, and (ii) with respect to such new location, it shall have taken all action satisfactory to the Collateral Agent to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

ARTICLE III
SPECIAL PROVISIONS CONCERNING RECEIVABLES

3.1. ADDITIONAL REPRESENTATIONS AND WARRANTIES. As of the time when each of its Receivables arises, the Assignor shall be deemed to have represented and warranted that such Receivable and all records, papers and documents relating thereto (if any) are genuine and in all respects are what they purport to be, and that all papers and documents (if any) relating thereto (i) will be
the only original writings evidencing and embodying such obligation of the account debtor named therein (other than copies created for purposes other than general accounting purposes), (ii) will evidence true and valid obligations, enforceable in accordance with their respective terms (except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws and by principles of equity) arising out of the performance of labor or services or the sale or lease and delivery of the merchandise listed therein, or both, not subject to the fulfillment of any contract or condition whatsoever or to any defenses, set-offs or counterclaims (except (a) with respect to refunds, returns, adjustments and allowances in the ordinary course of business with respect to damaged merchandise and similar practices arising in the ordinary course of business relating to payments under Medicare and other health insurance programs and (b) accounts that have not yet been earned by performance), or stamp or other taxes, and (iii) will be in compliance in all material respects and will conform with all applicable and material federal, state and local laws.

3.2. MAINTENANCE OF RECORDS. The Assignor will keep and maintain at its own cost and expense satisfactory and complete records of its Receivables, including, but not limited to, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith, and the Assignor will make the same available to the Collateral Agent, for inspection at the Assignor's place of business, in accordance with the terms set forth for the inspection of such types of records in the Company Credit Agreement (except such records constituting confidential patient information, the release of which information is prohibited by law). After the occurrence and continuance of an Event of Default, the Assignor shall, at its own cost and expense, deliver all tangible evidence that the Collateral Agent may reasonably request of its Receivables (including, without limitation, all documents evidencing the Receivables) and such books and records to the Collateral Agent or to its representatives (copies of which evidence and books and records may be retained by the Assignor) at any time upon its demand; PROVIDED, THAT, nothing set forth herein shall require the delivery of confidential patient information to the extent the release of such information (if any) is prohibited by law until all such consents or approvals for such release shall have been obtained (which consents and approvals the Assignor agrees to promptly take reasonable action to obtain in any such event). If the Collateral Agent so directs, the Assignor shall legend, in form and manner reasonably satisfactory to the Collateral Agent, the Receivables and other books, records and documents of the Assignor evidencing or pertaining to the Receivables with an appropriate reference to the fact that the Receivables have been assigned to the Collateral Agent and that the Collateral Agent has a security interest therein.

3.3. MODIFICATION OF TERMS; ETC. The Assignor shall not rescind or cancel any indebtedness evidenced by any Receivable or modify any term thereof or make any adjustment with respect thereto, or extend or renew the same, or compromise or settle any dispute, claim, suit or legal proceeding relating thereto, or sell any Receivable or interest therein, without the prior written consent of the Collateral Agent, except as permitted by Section 3.4 hereof. The Assignor will duly fulfill all obligations on its part to be fulfilled under or in connection with the Receivables and will do nothing to impair the rights of the Collateral Agent in the Receivables.

3.4. COLLECTION. The Assignor shall endeavor to cause to be collected from the account debtor named in each of its Receivables, as and when due (including, without limitation, Receivables which are delinquent, such Receivables to be collected in accordance with generally accepted collection procedures in accordance with past business practices and all applicable laws), any and all amounts owing under or on account of such Receivable subject to adjustments made in the ordinary course of business and in sound business judgment relat-
Assignor's past practices, and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Receivable, except that, prior to the occurrence and continuance of an Event of Default, the Assignor may (i) convey, sell, lease or otherwise dispose of accounts receivable which have been outstanding more than 120 days in the ordinary course of business in accordance with the Assignor's past collection practices of accounts receivable and (ii) allow in the ordinary course of business as adjustments to amounts owing under its Receivables (A) an extension or renewal of the time or times of payment, or settlement for less than the total unpaid balance, which the Assignor finds appropriate in accordance with sound business judgment and (B) a refund or credit due as a result of returned or damaged merchandise. The costs and expenses (including, without limitation, attorneys' fees) of collection, whether incurred by the Assignor or the Collateral Agent, shall be borne by the Assignor.

3.5. INSTRUMENTS. Upon the occurrence and during the continuance of an Event of Default and upon the written request of the Collateral Agent, if any of the Receivables of the Assignor becomes evidenced by an Instrument, the Assignor will within 10 days notify the Collateral Agent thereof, and upon written request by the Collateral Agent promptly deliver such Instrument to the Collateral Agent appropriately endorsed to the order of the Collateral Agent as further security hereunder.

3.6. FURTHER ACTIONS. The Assignor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports, notices and other assurances or instruments and take such further steps relating to its Receivables and other property or rights covered by the security interest hereby granted, as the Collateral Agent may reasonably require in order to create, preserve, perfect or validate (under the Assignment of Claims Act of 1940, as amended, or similar state laws, in each case for Receivables under a contract with a book value greater than $50,000) any security interest granted pursuant to this Agreement or to enable the Collateral Agent to exercise and enforce its rights under this Agreement with respect to such security interest; PROVIDED, HOWEVER, the Collateral Agent agrees that notwithstanding anything to the contrary set forth in this Section 3.6, unless an Event of Default shall have occurred and be continuing, the Assignor may retain in its possession all Collateral which would otherwise require possession by the Collateral Agent for perfection of the security interest therein granted by the Assignor under this Agreement.

ARTICLE IIIA
SPECIAL PROVISIONS CONCERNING CHATTEL PAPER AND EQUIPMENT

Section 3A.1. CHATTEL PAPER. Upon the occurrence and during the continuance of an Event of Default, the Assignor will, upon request by the Collateral Agent, (i) legend all Chattel Paper with an appropriate reference to the fact that such Chattel Paper has been assigned to the Collateral Agent and that the Collateral Agent has a security interest therein and (ii) promptly deliver all Chattel Paper to the Collateral Agent.

Section 3A.2. INSURANCE PROCEEDS. The Collateral Agent may apply any proceeds of insurance with respect to Equipment received by it in accordance with the terms and provisions set forth in the Mortgages, regardless of whether such Equipment is subject thereto. The Assignor assumes all liability and responsibility in connection with the Collateral acquired by it and the liability of the Assignor to pay the Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, destroyed, stolen, damaged or for any reason whatsoever unavailable to the Assignor.

ARTICLE IIIIB
SPECIAL PROVISIONS CONCERNING ASSIGNED AGREEMENTS
Section 3B.1. EXERCISE OF RIGHTS. So long as no Event of Default has occurred and is continuing, the Assignor may exclusively exercise all of the Assignor's rights, powers, privileges and remedies under the Assigned Agreements, PROVIDED that without the prior written consent of the Collateral Agent, the Assignor will not enter into any amendment, modification, waiver or termination of any provision of the Assigned Agreements other than those which do not have a material adverse effect on the value of such Assigned Agreement; PROVIDED, further however, that the Assignor will give the Collateral Agent written notice of any such amendment, modification, waiver or termination not requiring the prior written consent of the Collateral Agent hereunder.

Section 3B.2. FURTHER ACTIONS. The Assignor will at its expense (i) perform and observe all the terms and provisions of the Assigned Agreements to be performed or observed by it, maintain the Assigned Agreements in full force and effect, enforce each of the Assigned Agreements in accordance with its terms, and take all such reasonable action to such end as may be from time to time requested by the Collateral Agent; except where the failure to take any of the foregoing actions would not have a material adverse effect on the value of the Assigned Agreements; and (ii) furnish to the Collateral Agent promptly upon receipt thereof copies of all notices, requests and other documents received by the Assignor under or pursuant to the Assigned Agreements, and from time to time (A) furnish to the Collateral Agent such information and reports regarding theAssigned Agreements as the Collateral Agent may reasonably request in writing and (B) upon written request of the Collateral Agent, make to any party thereto such demands and requests for information and reports or for action as the Assignor is entitled to make under the Assigned Agreements.

ARTICLE IV
FURTHER ASSURANCES

Except as permitted hereby, the Assignor will not do anything to materially impair the rights of the Collateral Agent in the Collateral. The Assignor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such lists, descriptions and designations of its Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the Collateral Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral; PROVIDED, HOWEVER, the Collateral Agent agrees that notwithstanding anything to the contrary set forth in this Agreement, unless an Event of Default shall have occurred and be continuing, the Assignor may retain in its possession all Collateral which would otherwise require possession by the Collateral Agent for perfection of the security interest therein granted by the Assignor under this Agreement. The Assignor agrees to sign and deliver to the Collateral Agent such financing statements, in form acceptable to the Collateral Agent, as the Collateral Agent may from time to time reasonably request or as are necessary or desirable in the reasonable opinion of the Collateral Agent to establish and maintain a valid and enforceable security interest in the Collateral as provided herein and having the priority as contemplated hereunder and the other rights and security contemplated hereby all in accordance with the Uniform Commercial Code as enacted in any and all relevant jurisdictions or any other relevant law. The Assignor will pay any applicable filing fees and related expenses. To the extent permitted by applicable law, the Assignor authorizes the Collateral Agent to file any such financing statements without the signature of the Assignor and to sign such financing statement on behalf of, and in the name of, the Assignor.
ARTICLE V
REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

5.1. REMEDIES; OBTAINING THE COLLATERAL UPON DEFAULT. The Assignor agrees that, if any Event of Default shall have occurred and be continuing, then and in every such case, the Collateral Agent shall be entitled to exercise all rights and remedies of a secured party under the Uniform Commercial Code as in effect in any relevant jurisdiction to enforce the assignments and security interests contained herein, and, in addition, to the extent permitted by applicable law, the Collateral Agent may:

(a) personally, or by agents or attorney, immediately take possession of the Collateral or any part thereof, from the Assignor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon the Assignor's or such other Person's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of the Assignor; and

(b) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Receivables) constituting the Collateral to make any payment required by the terms of such instrument or agreement directly to the Collateral Agent;

it being understood that the Assignor's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Collateral Agent shall be entitled to apply for a decree requiring, specific performance by the Assignor of said obligation.

5.2. REMEDIES; DISPOSITION OF THE COLLATERAL. In connection with the exercise by the Collateral Agent of any of its rights or remedies at any time an Event of Default has occurred and is continuing, any Collateral may be sold, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Collateral Agent may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than 10 days' written notice to the Assignor specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for 10 days after the giving of such notice, to the right of the Assignor or any nominee of the Assignor to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than 10 days' written notice to the Assignor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the Collateral Agent's option, be subject to reserve), after publication of notice of such auction not less than 10 days prior thereto in one newspaper in general circulation in Macon, Georgia and one newspaper in general circulation in Atlanta, Georgia. To the extent permitted by any such requirement of law, the Collateral Agent (or any Secured Party) may itself bid for and become the purchaser of the Collateral or any item thereof offered for sale in accordance with this Section without accountability to the Assignor (except to the extent of surplus money received as provided in Section 5.4). In the payment of the purchase price of the Collateral, the purchaser shall be entitled to have credit on account of the
purchase price thereof of amounts owing to such purchaser on account of any of the Obligations which would be payable to it in accordance with the terms and provisions of the Credit Agreements, and any such purchaser may deliver notes, claims for interest, or claims for other payment with respect to such obligations in lieu of cash up to the amount which would, upon distribution of the net proceeds of such sale, be payable thereon. Such notes, if the amount payable hereunder shall be less than the amount due thereon, shall be returned to the holder thereof after being appropriately stamped to show partial payment. If, under mandatory requirements of applicable law, the Collateral Agent shall be required to make disposition of the Collateral within a period of time which does not permit the giving of notice to the Assignor as herein above specified, the Collateral Agent need give the Assignor only such notice of disposition as shall be reasonably practicable in view of such mandatory requirements of applicable law.

5.3. WAIVER OF CLAIMS. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, THE Assignor HEREBY WAIVES NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT'S TAKING POSSESSION OR THE COLLATERAL AGENT'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH THE Assignor WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and the Assignor hereby further waives to the extent permitted by applicable law:

(a) all damages occasioned by such taking of possession except any damages which are the direct result of the Collateral Agent's gross negligence or willful misconduct;

(b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder; and

(c) all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and the Assignor, for itself and all who may claim under it, insofar as it or they may now or hereafter lawfully do so, hereby waives the benefit of such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Assignor therein and thereto, and shall be a perpetual bar both at law and in equity against the Assignor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under the Assignor.

5.4. APPLICATION OF PROCEEDS; ASSIGNOR LIABLE FOR DEFICIENCY. The proceeds of any Collateral obtained pursuant to Section 5.1 or disposed of pursuant to Section 5.2 shall be applied as follows:

(a) first, to the payment of any and all expenses and fees (including reasonable attorney's fees) actually incurred by the Collateral Agent in obtaining, taking possession of, removing, storing and disposing of Collateral and any and all amounts incurred by the Collateral Agent in connection therewith or owing to the Collateral Agent hereunder;

(b) next, any surplus then remaining, to the payment of the other Obligations; and

(c) if the Total Commitment is then terminated, all Loans (under and as defined in each of the Credit Agreements) have been paid in full,
no Letters of Credit or Subsidiary Letters of Credit are outstanding and no
Obligation is outstanding, any surplus then remaining shall be paid to the
Assignor, subject, however, to the rights of the holder of any then existing
Lien of which the Collateral Agent has actual notice (without investigation);
it being understood that the Assignor shall remain liable to the extent of any
deficiency between the amount of the proceeds of the Collateral and the aggre-
gate amount of the sums referred to in clauses (a) and (b) of this Section 5.4.

5.5. REMEDIES CUMULATIVE. Each and every right, power and
remedy hereby specifically given to the Collateral Agent shall be in addition to
every other right, power and remedy specifically given under this Agreement or
under any other Credit Document or now or hereafter existing at law or in
equity, or by statute and each and every right, power and remedy whether
specifically herein given or otherwise existing may be exercised from time to
time or simultaneously and as often and in such order as may be deemed expedient
by the Collateral Agent. All such rights, powers and remedies shall be cumula-
tive and the exercise or the beginning of exercise of one shall not be deemed a
waiver of the right to exercise of any other or others. No delay or omission of
the Collateral Agent in the exercise of any such right, power or remedy and no
renewal or extension of any of the Obligations shall impair any such right,
power or remedy or shall be construed to be a waiver of any Default (as defined
in either of the Credit Agreements) or Event of Default or an acquiescence
therein.

5.6. DISCONTINUANCE OF PROCEEDINGS. In case the Collateral
Agent shall have instituted any proceeding to enforce any right, power or remedy
under this Agreement by foreclosure, sale, entry or otherwise, and such
proceeding shall have been discontinued or abandoned for any reason or shall
have been determined adversely to the Collateral Agent, then and in every such
case the Assignor and the Collateral Agent shall be restored to their former
positions and rights hereunder with respect to the Collateral subject to the
security interest created under this Agreement, and all rights, remedies and
powers of the Collateral Agent shall continue as if no such proceeding had been
instituted.

ARTICLE VI

INDEMNITY

6.1. Without duplication of any amounts payable under Sec-
tion 12.1 of each Credit Agreement and any similar indemnity provision under any
other Credit Document, the Assignor shall: (i) whether or not the transactions
hereby contemplated are consummated, pay all reasonable out-of-pocket costs and
expenses of the Collateral Agent actually incurred in connection with the admin-
istration (both before and after the execution hereof and including advice of
counsel as to the rights and duties of the Collateral Agent with respect
thereto) of and in connection with the preparation, execution and delivery of
this Agreement (including, without limitation, the reasonable fees and disburse-
ments of Skadden, Arps, Slate, Meagher & Flom) and of the Collateral Agent actu-
ally incurred in connection with the preservation of rights under, and enforce-
ment of, and, after an Event of Default, any renegotiation or restructuring of
this Agreement and any amendment, waiver or consent relating thereto (including,
without limitation, the reasonable fees and disbursements of counsel for the
Collateral Agent); (ii) pay and hold the Collateral Agent harmless from and
against any and all present and future stamp or documentary taxes or any other
curse or property taxes, charges or similar levies which arise from any payment
made hereunder or from the execution, delivery or registration of, or otherwise
with respect to this Agreement and save the Collateral Agent harmless from and
against any and all liabilities with respect to or resulting from any delay or
omission to pay any such taxes, charges or levies; and (iii) indemnify the
Collateral Agent, its officers, directors, employees, representatives and agents
from and hold each of them harmless against any

and all costs, losses, liabilities, claims, damages or expenses actually in-
curred by any of them (whether or not any of them is designated a party, thereto) arising out of or by reason of any investigation, litigation or other proceeding related to this Agreement or any transaction contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding. Notwithstanding anything in this Agreement to the contrary, the Assignor shall not be responsible to the Collateral Agent or any officer, director, employee, representative or agent of the foregoing (an "Indemnified Party") for any losses, damages, liabilities or expenses which result from such Indemnified Party's gross negligence or willful misconduct. It is understood that the Assignor shall not, in connection with any single action, suit, proceeding or claim or separate but substantially similar or related actions, suits, proceedings or claims, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at the same time for the Indemnified Parties (which firm shall be designated by the Collateral Agent) except that, if any Indemnified Party other than the Collateral Agent shall determine, in its sole discretion, that there may be a conflict in such firm representing the Collateral Agent and such Indemnified Party, then the Assignor shall be liable for the reasonable fees and expenses of an additional firm for such Indemnified Party whose interests may be in conflict. The Assignor's obligations under this Article VI shall survive any termination of this Agreement.

ARTICLE VII
DEFINITIONS

7.1. DEFINITIONS. The following terms shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined. Except as otherwise defined herein, including in the recital paragraphs, capitalized terms used herein and defined in the Company Credit Agreement shall be used herein as so defined.

"Agreement" shall have the meaning specified in the first paragraph hereof.

"Assigned Agreements" shall have the meaning specified in Section 1.1 hereof.

"Assignor" shall have the meaning specified in the first paragraph hereof.

"Chattel Paper" shall have the meaning assigned that term under the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Collateral" shall have the meaning specified in Section 1.1(a).

"Collateral Agent" shall mean Bankers Trust Company, a New York banking corporation, in its capacity as collateral agent for the Secured Creditors or any of its successors in such capacity.

"Company" shall have the meaning specified in the first paragraph of this Agreement.

"Company Credit Agreement" shall have the meaning specified in the first "WHEREAS" clause of this Agreement.

"Company Guaranty" shall have the meaning specified in the fifth "Whereas" clause of this Agreement.

"Contract Rights" shall mean all rights of the Assignor under each Contract (including, without limitation, all rights to payment).

"Contracts" shall mean all contracts (including, without limitation, the NME Purchase Agreement) between the Assignor and one or more additional parties as any such Contract may be amended, modified or supplemented
from time to time.

"Credit Agreements" shall have the meaning specified in the third "Whereas" clause of this Agreement.

"Default" shall mean and include any "Default" under either Credit Agreement.

"Documents" shall have the meaning assigned that term under the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Equipment" shall mean all machinery, all manufacturing, distribution, selling, data processing and office equipment, all computers, all furniture, furnishings, appliances, trade fixtures, CAT scanners, X-ray machines, vehicles (other than vehicles the title to which is required to be registered pursuant to state motor vehicle registration statutes); all other equipment, including, in any event, and without limitation, all "equipment" as defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York and any attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Event of Default" shall mean and include any "Event of Default" under either Credit Agreement.

"Excluded Property" shall have the meaning specified in Section 1.1(a) of this Agreement.

"Fixtures" shall have the meaning assigned to that term under the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"General Intangibles" shall have the meaning assigned that term under the Uniform Commercial Code as in effect on the date hereof in the State of New York including, in any event, but not limited to, all rights, interests, choses in action, causes of actions, claims and all other intangible property of every kind and nature (other than Receivables and Instruments), including, without limitation, all loans, royalties and other obligations receivable; all inventions, designs, trade secrets, know-how, computer programs, printouts and other computer materials, goodwill, registrations, licenses (other than licenses with respect to which the Assignor is a licensee and which by their terms or by law are not assignable), franchises, patient lists, credit files, correspondence and advertising materials; all customer, insurance and supplier contracts, rights under license and franchise agreements and other contracts and contract rights; all interests in partnerships and joint ventures; all tax refunds and tax refund claims; all payments due or made to the Assignor in connection with any requisition, confiscation, condemnation, seizure or forfeiture of any property by any person or governmental authority; all credits with and other claims against carriers and shippers; all rights to indemnification; other proprietary rights of every kind and description; all rights under or in connection with any pledge agreement or security agreement securing any obligation owed to the Assignor; and all other intangible property.

"Goods" shall have the meaning assigned that term under the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Indemnified Party" shall have the meaning specified in Article VI of this Agreement.

"Instruments" shall mean all notes, drafts, stocks, bonds and debt and equity securities, whether or not certificated, and warrants, options, puts and calls and other rights to acquire or otherwise relating to the
same and all other writings which evidence a right to payment for money, including, in any event, and without limitation, all "instruments," "certificated securities" or "uncertificated securities" each as defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York, and all payments thereunder and instruments and other property from time to time delivered in respect thereof or in exchange therefor, together with all security pledged, assigned, hypothecated, granted or held to secure the foregoing.

"Inventory" shall mean all goods (whether in the possession of the Assignor or of a bailee or other person for sale, storage, transit, processing, use or otherwise and whether consisting of whole goods, spare parts, components, supplies, materials or consigned, returned or repossessed goods), including, without limitation, all such goods which are held for sale or lease or are to be furnished (or which have been furnished) or consumed in the Assignor's business and including all other inventory, including, in any event and without limitation, all "inventory" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York, now or hereafter owned by the Assignor.

"Lenders" shall mean the financial institutions from time to time signatories to either or both of the Credit Agreements.

"1992 Company Credit Agreement" shall have the meaning specified in the first "Whereas" clause of this Agreement.

"1992 Credit Agreements" shall have the meaning specified in the third "Whereas" clause of this Agreement.

"1992 Subsidiary Credit Agreement" shall have the meaning specified in the third "Whereas" clause of this Agreement.

"Obligations" shall mean (a) all indebtedness, obligations, and liabilities (including, without limitation, guarantees, reimbursement obligations in respect of Letters of Credit and other contingent liabilities) of the Assignor to the Collateral Agent, the Agent and any Lender, arising under or in connection with (i) the Company Credit Agreement, (ii) the Company Guaranty, and/or (iii) this Agreement; (b) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral; and (c) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of the Assignor referred to in clause (a), after an Event of Default shall have occurred and be continuing, the reasonable expenses of the Collateral Agent and the other Secured Creditors of retaking, holding, preparing for sale or lease, selling or otherwise disposing or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights hereunder, together with reasonable attorneys' fees of the Collateral Agent and the other Secured Creditors actually incurred and court costs.

"Original Co-Agents" shall have the meaning specified in the first "Whereas" clause of this Agreement.

"Permitted Encumbrances" shall have the meaning specified in Section 2.2.

"Proceeds" shall mean "proceeds" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Receivables" shall mean all of the Assignor's "accounts" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Secured Creditors" shall mean, collectively, the Lenders, the Agent, the Co-Agent, the Collateral Agent, and their respective successors and assigns.
"Significant Equipment" shall mean Equipment with an aggregate fair market value of $200,000 or greater.

"SUBSIDIARY COLLATERAL" shall have the meaning provided for the term "Collateral" in the Subsidiary Pledge and Security Agreement.

"Subsidiary Credit Agreement" shall have the meaning specified in the second "Whereas" clause of this Agreement.

"Subsidiary Guaranty" shall have the meaning specified in the third "Whereas" clause of this Agreement.

"Total Commitment" shall mean the Total Revolving Loan Commitment.

ARTICLE VIII
MISCELLANEOUS

8.1. NOTICES. All notices and other communications hereunder shall be given to the Assignor or the Collateral Agent at the addresses and in the manner specified in the Company Credit Agreement.

8.2. WAIVER; AMENDMENT. No delay on the part of the Collateral Agent in exercising any of its rights, remedies, powers and privileges hereunder or partial or single exercise thereof, shall constitute a waiver thereof. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless executed and delivered in accordance with the terms of the Credit Agreements. No notice to or demand on the Assignor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Collateral Agent to any other or further action in any circumstances without notice or demand.

8.3. OBLIGATIONS ABSOLUTE. The obligations of the Assignor under this Agreement shall be absolute and unconditional in accordance with its terms and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in the time, place or manner of payment of, or in any other term of, all or any of the Obligations, any waiver, indulgence, renewal, extension, amendment or modification of or addition, consent or supplement to or deletion from or any other action or inaction under or in respect of the Company Guaranty, either Credit Agreement, any Note, any other Credit Document or any other documents, instruments or agreements relating to the Obligations or any other instrument or agreement referred to therein or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of the Company Guaranty, either Credit Agreement, any Note, any other Credit Document or any other documents, instruments or agreements relating to the Obligations or any other instrument or agreement referred to therein or any assignment or transfer of any thereof; (c) any furnishing of any additional security to the Collateral Agent, the other Secured Creditors or their assignees or any acceptance thereof or any release of any security by the Collateral Agent, the other Secured Creditors or their assignees; (d) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Assignor or any Subsidiary of the Assignor, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not the Assignor shall have notice or knowledge of any of the foregoing; (f) any exchange, release or nonperfection of any other collateral, or any release, or amendment or waiver of or consent to departure from any guaranty or security, for all or any of the Obligations; or (g) any other
circumstance which might otherwise constitute a defense available to, or a dis-
charge of the Assignor. The rights and remedies of the Collateral Agent herein
provided are cumulative and not exclusive of any rights or remedies which the
Collateral Agent would otherwise have.

8.4. SUCCESSORS AND ASSIGNS. This Agreement shall be bind-
ing upon the Assignor and its successors and assigns and shall inure to the
benefit of each Secured Creditor and its permitted successors and assigns, pro-
vided that the Assignor may not transfer or assign any or all of its rights or
obligations hereunder without the written consent of the Collateral Agent.

8.5. HEADINGS DESCRIPTIVE. The headings of the several
sections of this Agreement are inserted for convenience only and shall not in
any way affect the meaning or construction of any provision of this Agreement.

8.6. SEVERABILITY. To the extent permitted by applicable
law, any provision of this Agreement which is prohibited or unenforceable in any
jurisdiction shall, as to such jurisdiction, be ineffective to the extent of
such prohibition or unenforceability without invalidating the remaining provi-
sions hereof, and any such prohibition or unenforceability in any jurisdiction
shall not invalidate or render unenforceable such provision in any other
jurisdiction.

8.7. GOVERNING LAW; APPOINTMENT OF AN AGENT FOR SERVICE OF
PROCESS; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGA-
TIONS OF THE PARTIES HEREBUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE
GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE
CONFLICT OF LAW PRINCIPLES THEREOF). ANY LEGAL ACTION OR PROCEEDING WITH
RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE
COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE
SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT,
THE

ASSIGNOR HEREBY CONSENTS, FOR ITSSELF AND IN RESPECT OF ITS PROPERTY, TO THE
JURISDICTION OF THE AFORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS
RIGHTS OR THE RIGHTS OF THE AGENT WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT
RELATED HERETO. THE ASSIGNOR HEREBY IRREVOCABLY DESIGNATES CT CORPORATION
SYSTEM, LOCATED AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS THE DESIGNEE,
APPOINTEE AND PROCESS AGENT OF THE ASSIGNOR, TO RECEIVE, FOR AND ON BEHALF OF
THE ASSIGNOR, SERVICE OF PROCESS IN SUCH JURISDICTIONS IN ANY LEGAL ACTION OR
PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO AND
SUCH SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COM-
PLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID COLLATERAL AGENT. IT IS UNDER-
STOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH PROCESS AGENT WILL BE PROMPTLY
FORWARDED BY MAIL TO THE ASSIGNOR AT ITS ADDRESS SET FORTH IN THE COMPANY CREDIT
AGREEMENT, BUT THE FAILURE OF THE ASSIGNOR TO RECEIVE SUCH COPY SHALL NOT, TO
THE EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH
PROCESS. THE ASSIGNOR HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY
APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO
THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT
MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH
RESPECTIVE JURISDICTIONS IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED
THERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE COLLATERAL AGENT TO SERVE
PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR
OTHERWISE PROCEED AGAINST THE ASSIGNOR IN ANY OTHER JURISDICTION.

8.8. ASSIGNOR'S DUTIES. It is expressly agreed, anything
herein contained to the contrary notwithstanding, that the Assignor shall remain
liable to perform all of the obligations, if any, assumed by it with respect to the
Collateral and the Collateral Agent shall not have any obligations or
liabilities with respect to any Collateral by reason of or arising out of this
Agreement (except for actions arising from the Collateral Agent's gross negli-
geance or willful misconduct or for acts which are not commercially reasonable),
nor shall the Collateral Agent be required or obligated in any manner to perform
or fulfill any of the obligations of the Assignor under or with respect to any
Collateral.
8.9. TERMINATION; RELEASE. When the Total Commitment is terminated, all Loans (under and as defined in each of the Credit Agreements) are indefeasibly paid in full, no Letters of Credit or Subsidiary Letters of Credit are outstanding and all other Obligations (other than indemnities which by their terms survive the repayment of the Loans) are irrevocably paid in full, this Agreement shall terminate. Upon the termination of this Agreement, the Collateral Agent, at the request and expense of the Assignor will promptly execute and deliver to the Assignor the proper instruments (including Uniform Commercial Code termination statements on form UCC-3) acknowledging the termination of this Agreement and will duly assign, transfer and deliver to the Assignor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Collateral Agent and has not theretofore been sold or otherwise applied or released pursuant to this Agreement.

8.10. COLLATERAL AGENT. The appointment of the Collateral Agent as Collateral Agent hereunder pursuant to the Intercreditor Agreement (as defined in the 1992 Company Credit Agreement) has been ratified and confirmed by the Lenders in the Credit Agreements, and the Collateral Agent shall be entitled to the benefits of the Credit Agreements. The Collateral Agent shall be obligated, and shall have the right hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of Collateral) solely in accordance with this Agreement and the Credit Agreements. The Collateral Agent may resign and a successor Collateral Agent may be appointed in the manner provided in the Credit Agreements. Upon the acceptance of any appointment as a Collateral Agent by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent under this Agreement, and the retiring Collateral Agent shall thereupon be discharged from its duties and obligations under this Agreement. After any retiring Collateral Agent's resignation, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Collateral Agent and the retiring Collateral Agent shall take all steps necessary to transfer to the new Collateral Agent the rights and interest granted under this Agreement.

8.11. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE ASSIGNOR HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, OR ANY MATTER ARISING IN CONNECTION HERUNDER.

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

BANKERS TRUST COMPANY, in its capacity as Collateral Agent

By: /s/ Mary Kay Coyle
Name: Mary Kay Coyle
Title: Vice President

CHARTER MEDICAL CORPORATION, as Assignor

By: /s/ James R. Bedenbaugh
SCHEDULE 1
COMPANY PLEDGE AND SECURITY AGREEMENT
EXCLUDED PROPERTY

SECOND AMENDED AND RESTATED
FINCO PLEDGE AND SECURITY AGREEMENT

SECOND AMENDED AND RESTATED FINCO PLEDGE AND SECURITY AGREEMENT
II, dated as of May 2, 1994 (as the same may be amended, supplemented or
modified from time to time, this "Agreement"), made by CMCI, Inc., a Nevada
corporation (the "Company"), to Bankers Trust Company, a New York banking
corporation, in its capacity as collateral agent (the "Collateral Agent", and
as agent under the Credit Agreements, as hereinafter defined, the "Agent") for
the financial institutions from time to time parties to the Credit Agreements
(the "Lenders"), First Union National Bank of North Carolina, as co-agent (the
Co-Agent"), and the Agent. Capitalized terms, unless otherwise defined in the
recitals hereto, shall have the meanings assigned thereto in Article VIII
hereof.

W I T N E S S E T H:

WHEREAS, the parties hereto (or their predecessors) entered into
the FINCO Pledge and Security Agreement dated as of September 1, 1988 which
was amended and restated by the Amended and Restated FINCO Pledge and Security
Agreement dated as of July 21, 1992 (the "1992 FINCO Pledge and Security
Agreement") in favor of the Collateral Agent, the Lenders and the Issuing
Banks (as defined in the 1992 FINCO Pledge Security Agreement), and now desire
to amend and restate such agreement in its entirety; and

WHEREAS, Charter Medical Corporation, a Delaware corporation (as
successor to WAF Acquisition Corporation, a Delaware corporation, "Charter"),
certain of the Lenders, the Agent, Wells Fargo Bank, National Association and
Bank of America National Trust and Savings Association, as co-agents (the
"Original Co-Agents") are parties to that certain Credit Agreement dated as of
September 1, 1988 which was amended and restated by the Amended and Restated
Credit Agreement dated as of July 21, 1992 (the "1992 Company Credit Agreement"), which is being amended and restated by the Second Amended and Restated Credit Agreement dated as of the
date hereof (as the same may be further amended, restated, supplemented or
otherwise modified from time to time, the "Company Credit Agreement"),
pursuant to which the Lenders made certain loans and commitments to Charter,
the terms of which are being amended and restated pursuant to the Company
Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Company
Credit Agreement, the Lenders have made certain commitments to make additional
loans to, and issue letters of credit for the account of, Charter; and

WHEREAS, certain Subsidiary Borrowers, certain of the Lenders, the
Agent and the Original Co-Agents entered into a Credit Agreement, dated as of
September 1, 1988 which was amended and restated by the Amended and Restated
Subsidiary Credit Agreement dated as of July 21, 1992 (the "1992 Subsidiary
Credit Agreement"; and, together with the 1992 Company Credit Agreement, the
"1992 Credit Agreements"), which is being amended and restated by the Second
Amended and Restated Subsidiary Credit Agreement dated as of the date hereof
(as the same may be further amended, restated, supplemented or otherwise
modified from time to time, the "Subsidiary Credit Agreement"; and, together
with the Company Credit Agreement, each a "Credit Agreement" and collectively
the "Credit Agreements"), pursuant to which certain of the Lenders made
certain loans and commitments to, and participated in letters of credit for the
benefit of, certain Subsidiary Borrowers, the terms of which are being
amended and restated pursuant to the Subsidiary Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Subsidiary
Credit Agreement, the Lenders have made certain commitments to make additional
loans to, and participate in and/or issue letters of credit for the account
of, the Subsidiary Borrowers; and
WHEREAS, the Company has executed and delivered a Second Amended and Restated Subsidiary Guaranty dated as of the date hereof (as the same may be amended, supplemented or otherwise modified from time to time, the "Subsidiary Guaranty") pursuant to which the Company has agreed jointly and severally to guarantee all of the obligations of Charter and each Subsidiary Borrower under the Credit Agreements and the other Credit Documents; and

WHEREAS, the Lenders have agreed to amend and restate the 1992 Credit Agreements upon terms and conditions acceptable to Charter and the Subsidiary Borrowers; and

WHEREAS, it was a condition precedent to the incurrence of loans and the participation in letters of credit under the 1992 Credit Agreements that the Company execute and deliver to the Collateral Agent the 1992 FINCO Pledge and Security Agreement and it is a condition precedent to the incurrence of loans and the issuance of letters of credit under the Credit Agreements that the Company execute and deliver to the Collateral Agent this Agreement; and

WHEREAS, (a) the Senior Secured Notes (as defined in the 1992 FINCO Pledge and Security Agreement) have been irrevocably paid in full; (b) each Issuing Bank has agreed, among other things, that the Reimbursement Agreements (as defined in the 1992 FINCO Pledge and Security Agreement) to which it is a party (other than the Credit Documents to the extent the same could be considered Reimbursement Agreements) shall no longer be entitled to the security interests and other benefits of this Agreement; and (c) the Intercreditor Agreement (as defined in the 1992 FINCO Pledge and Security Agreement) has been terminated, except for the appointment by the Lenders of Bankers Trust Company as Collateral Agent, which appointment has been ratified and confirmed in the Credit Agreements;

NOW, THEREFORE, in consideration of the benefits accruing to the Company, the receipt and sufficiency of which are hereby acknowledged, the Company hereby makes the following representations and warranties to the Collateral Agent and hereby covenants and agrees with the Collateral Agent as follows:

ARTICLE I
SECURITY INTERESTS

1.1. SECURITY FOR OBLIGATIONS, ETC. This Agreement is for the benefit of the Secured Parties to secure the payment in full when due, whether at stated maturity, by acceleration or otherwise, of all Obligations.

1.2. ASSIGNMENT AND PLEDGE.

(a) ASSIGNMENT. The Company hereby assigns to the Collateral Agent for the benefit of the Secured Parties and hereby grants to the Collateral Agent for the benefit of the Secured Parties a security interest in, all of the Company's right, title and interest in and to the following (together with the Assigned Agreement Rights (as hereinafter defined), the "Assigned Collateral"): (i) the mortgage notes in the aggregate amount listed on Schedule I attached hereto and all other mortgage notes payable to the Company and held by the Company from time to time (collectively, the "Mortgage Notes"), any other mortgage, security agreement or other instrument, contract or document securing, evidencing or otherwise relating to all or any of the Mortgage Notes whether now existing or hereafter entered into and all rights now or hereafter existing in, to and under each such document, other security
agreements and other such contracts as the same may be amended, restated, supplemented or otherwise modified from time to time (as so amended, restated, supplemented or modified, the "Assigned Agreements") and (ii) all Proceeds of any and all of the foregoing.

(b) PLEDGE. The Company hereby pledges, deposits with, and delivers to, the Collateral Agent for the benefit of the Secured Parties the Mortgage Notes accompanied by assignment forms duly executed in blank by the Company and hereby assigns, transfers, hypothecates and sets over to the Collateral Agent for the benefit of the Secured Parties, and grants to the Collateral Agent for the benefit of the Secured Parties a security interest in, all of the Company's right, title and interest in, to and under the following, whether now owned or hereafter acquired by the Company, all for its benefit and the benefit of the Secured Parties (the "Pledged Collateral") (the Assigned Collateral and the Pledged Collateral being referred to collectively herein as the "Collateral"):

(i) the Mortgage Notes and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Mortgage Notes; and

(ii) all Proceeds of the foregoing items described in clause (i).

(c) COLLATERAL. The security interest of the Collateral Agent under this Agreement extends to all Collateral, now existing or hereafter acquired, of the kind which is the subject of this Agreement, which the Company may acquire at any time during the continuation of this Agreement.

1.3. POWER OF ATTORNEY. The Company hereby constitutes and appoints the Collateral Agent its true and lawful attorney, irrevocably, with full power (in the name of the Company or otherwise), upon the occurrence and during the continuance of an Event of Default, to act, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to the Company under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings, consistent with the Collateral Agent's rights under this Agreement, which the Collateral Agent may deem to be necessary or advisable in the premises, which appointment as attorney is coupled with an interest and is irrevocable.

ARTICLE II

GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

The Company represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Agreement, as follows:

2.1. NO LIENS. The Company is, and as to Collateral acquired by it from time to time after the date hereof, the Company will be, the owner of all Collateral free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than as created under the Security Documents and other than in favor of the Company and except for Liens permitted under Section 8.1 of the Company Credit Agreement ("Permitted Liens")), and, except as to Permitted Liens, the Company shall defend the
Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Collateral Agent or any other Secured Party.

2.2. OTHER FINANCING STATEMENTS. Except for Permitted Liens, there is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering any interest of any kind in the Collateral and so long as any of the Obligations remain unpaid, the Company will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except financing statements filed or to be filed (i) in respect of and covering the security interests granted hereby by the Company, (ii) by the Company in respect of its interest in the Collateral and (iii) in respect of Permitted Liens.

2.3. CHIEF EXECUTIVE OFFICE; CORPORATE NAME; RECORDS. The chief executive office of the Company is located at 1061 East Flamingo Road, Suite One, Las Vegas, Nevada 89119. The Company will not move its chief executive office except to such new location the Company may establish in accordance with the last sentence of this Section 2.3. The Company will not change its corporate name nor carry on business under any name other than its corporate name except after having complied with the requirements of the last sentence of this Section 2.3. The Company shall not establish a new location for its chief executive office or change its corporate name or the name under which it presently conducts its business until (i) it shall give to the Collateral Agent written notice clearly describing such new location or specifying such new corporate name, as the case may be, and providing such other information in connection therewith as the Collateral Agent may reasonably request, and (ii) with respect to such new location or such new corporate name, as the case may be, it shall have taken all action, satisfactory to the Collateral Agent, to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

2.4. COLLATERAL. (a) As of the date hereof, all of the Mortgage Notes are described on Schedule II attached hereto and are not in default. Such Mortgage Notes had the respective aggregate balances of at least the amounts listed on Schedule I attached hereto on March 31, 1994.

(b) Each of the existing Assigned Agreements has been duly authorized, executed and delivered by each Credit Party party thereto, and is in full force and effect and is binding upon and enforceable against each Credit Party thereto in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law). As of the date hereof, there exists no default under any of the Assigned Agreements by any of the parties thereto. The Company has delivered original copies of the Assigned Agreements (including all modifications thereof and amendments and supplements thereto) to the Collateral Agent pursuant hereto.

ARTICLE III
SPECIAL PROVISIONS CONCERNING PLEDGED COLLATERAL

3.1. SUBSEQUENTLY ACQUIRED MORTGAGE NOTES. If the Company shall acquire any additional Mortgage Notes at any time or from time to time after the date hereof, the Company will forthwith pledge and deposit such Mortgage Notes with the Collateral Agent and deliver to the Collateral Agent instruments of transfer therefor, endorsed in blank by the Company, and will promptly thereafter deliver to the Collateral Agent a certificate executed by an authorized officer of the Company describ-
ing such Mortgage Notes and certifying that the same has been duly pledged with
the Collateral Agent hereunder.

3.2. COMPANY ACTIONS. The Company will not, at any time,
amend, restate, supplement or otherwise modify any material provision of any
Mortgage Note or Assigned Agreement in any manner that is adverse to the
interests of the Lenders nor take any action which would release or render
unenforceable any of the obligations of any Mortgage Note or Assigned
Agreement.

3.3. DIVIDENDS AND OTHER DISTRIBUTIONS. Unless an Event of
Default shall have occurred and be continuing, all principal, interest and
cash dividends payable in respect of the Pledged Collateral shall be paid to
the Company. The Collateral Agent shall be entitled to receive directly, and
to retain as part of the Collateral:

(a) all stock or other or additional securities and, after the
occurrence and during the continuance of an Event of Default, property
(including cash) paid or distributed by way of dividend in respect of the
Pledged Collateral;

(b) all stock or other or additional other securities and, after
the occurrence and during the continuance of an Event of Default, property
(including cash) paid or distributed in respect of the Pledged Collateral by
way of stock-split, spin-off, split-up, reclassification, combination of
shares or similar rearrangement; and

(c) all stock or other or additional other securities and, after
the occurrence and during the continuance of an Event of Default, property
(including cash) which may be paid in respect of the Pledged Collateral by
reason of any consolidation, merger, exchange of stock, conveyance of assets,
liquidation or similar corporate reorganization or other disposition of
Collateral.

ARTICLE IV

SPECIAL PROVISIONS
CONCERNING ASSIGNED AGREEMENTS

4.1. ASSIGNMENT OF RIGHTS. The Company hereby assigns,
transfers, delivers, pledges and sets over to the Collateral Agent, and grants
to the Collateral Agent a security interest in, all of its right, title and
interest in and to each and all of the Assigned Agreements, including but not
limited to:

(a) all payments due and to become due under any Assigned
Agreement, whether as contractual obligations, damages or otherwise;

(b) all of its claims, rights, powers, or privileges and remedies
under any Assigned Agreement; and

(c) all of its rights under any Assigned Agreement to make
determinations, to exercise any election (including, but not limited to,
election of remedies) or option or to give or receive any notice, consent,
waiver or approval together with full power and authority with respect to any
Assigned Agreement to demand, receive, enforce, collect or receipt for any of
the foregoing rights or any property the subject of any of the Assigned
Agreements, to enforce or execute any checks, or other instruments or orders,
to file any claims and to take any action which (in the opinion of the
Collateral Agent) may be necessary or advisable in connection with any of the
foregoing (the Assigned Agreements, together with all of the foregoing in this Section 4.1, the "Assigned Agreement Rights"); PROVIDED, HOWEVER, that until the occurrence and continuance of an Event of Default, the Company may exclusively exercise all of the Company's rights, powers, privileges and remedies under the Assigned Agreements, subject to Section 3.2 herein.

The Company hereby grants the Collateral Agent full power and authority to take all actions as the Collateral Agent deems necessary or advisable to defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Collateral Agent or any other Secured Party in the event the Company fails to do so. Furthermore, the Company hereby covenants and agrees to

execute and deliver to the Collateral Agent such other and further instruments of transfer, assignment and conveyance, and all such other documents and instruments as may be reasonably requested by the Collateral Agent to transfer, assign and convey to and vest in the Collateral Agent the Assigned Agreement Rights hereby transferred, assigned and conveyed or intended to be so.

4.2. PERFORMANCE OF ASSIGNED AGREEMENTS. The Company will at its expense (i) perform and observe all the terms and provisions of the Assigned Agreements to be performed or observed by it, maintain the Assigned Agreements in full force and effect, enforce each of the Assigned Agreements in accordance with its terms, and take all such action to such end as may, after the occurrence and during the continuance of an Event of Default, be permitted to the Collateral Agent; and (ii) furnish to the Collateral Agent promptly upon receipt thereof copies of all notices, requests and other documents (if any) received by the Company under or pursuant to the Assigned Agreements, and from time to time (A) furnish to the Collateral Agent such information and reports regarding the Assigned Collateral as the Collateral Agent may reasonably request in writing and (B) upon the written request of the Collateral Agent make to any party thereto such demands and requests for information and reports or for action as the Company is entitled to make under the Assigned Agreements.

ARTICLE V

FURTHER ASSURANCES

The Company will, subject to the provisions of the last sentence of this Article V, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such lists, descriptions and designations of its Collateral, financing statements, collateral assignments, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the Collateral Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral. The Company agrees to sign and deliver to the Collateral Agent such financing statements and collateral assignments, in form acceptable to the Collateral Agent, as the Collateral Agent may from time to time reasonably request or as are necessary or desirable in the opinion of the Collateral Agent to establish and maintain a valid and enforceable perfected security interest in the Collateral as provided herein and the other rights and security contemplated hereby all in accordance with the Uniform Commercial Code as enacted in any and all relevant jurisdictions or any other relevant law. To the extent permitted by applicable law, the Company will pay any
applicable filing fees and related expenses. The Company authorizes the
Collateral Agent, to the extent permitted by applicable law, to file any such
financing statements without the signature of the Company and to sign such
financing statement on behalf of, and in the name of, the Company.
Notwithstanding anything to the contrary set forth herein, the Collateral
Agent will not take any actions requiring any filing or recording to perfect
the security interest in the Assigned Collateral hereunder except during the
occurrence and continuance of an Event of Default. Upon the recording of any
collateral assignment in accordance with the provisions hereof, the Company
agrees to take all actions requested by the Collateral Agent to record and
perfect the security interest granted pursuant to any such collateral
assignment and the Company also agrees to pay any mortgage recording tax or
other fees or tax in connection with the recording of such collateral
assignment or any underlying mortgage deed of trust or similar instrument.

ARTICLE VI

REMNIES UPON OCCURRENCE OF EVENT OF DEFAULT

6.1. REMIES; OBTAINING THE COLLATERAL UPON DEFAULT. The
Company agrees that, if any Event of Default shall have occurred and be
continuing, then and in every such case, the Collateral Agent shall be
entitled to exercise all rights and remedies of a secured party under the
Uniform Commercial Code as in effect in any relevant jurisdiction to enforce
the assignments and security interests contained herein, and, to the extent
permitted by applicable law, the Collateral Agent may:

(a) exercise any and all rights, powers and remedies of the
Company under or in connection with the Pledged Collateral or the Assigned
Collateral, including, without limitation, any and all rights of the Company
to demand, otherwise require or receive payment of any amount under, or
performance of any provision of, the Assigned Agreements;

(b) receive all payments under, in connection with or otherwise
in respect of the Collateral which are otherwise payable to the Company, all
payments received by the Company under or in connection with or otherwise in
respect of the Collateral shall be received in trust for the benefit of the
Collateral Agent, shall be segregated from other funds of the Company and
shall be forthwith paid over to the Collateral Agent in the same form as so
received (with any necessary endorsement);

(c) in its sole discretion, without notice except as specified
below at any time or from time to time, sell, assign and deliver, or grant
options to purchase, all or any part of the Collateral in one or more parcels,
or any interest therein, at any public or private sale at any exchange,
broker's board or at any of the Collateral Agent's offices or elsewhere,
without demand of performance, advertisement or notice of intention to sell or
of the time or place of sale or adjournment thereof or to redeem or otherwise
(all of which are hereby expressly and irrevocably waived by the Company), for
cash, on credit or for other property, for immediate or future delivery
without any assumption of credit risk, and for such price or prices and on
such terms as the Collateral Agent in its absolute discretion may determine.
The Collateral Agent agrees that to the extent that notice of sale shall be
required by law that at least 10 days' notice to the Company of the time and
place of any public sale or the time after which any private sale is to be
made shall constitute reasonable notification. The Collateral Agent shall not
be obligated to make any sale of Collateral regardless of notice of sale
having been given. The Collateral Agent may adjourn any public or private
sale from time to time by announcement at the time and place fixed therefor,
and any such sale may, without further notice, be made at the time and place
to which it was so adjourned. The Company hereby waives and releases to the
fullest extent permitted by law any right or equity of redemption with respect
to the
Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Collateral Agent or any Secured Party, may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Collateral Agent nor any Secured Party shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto;

(d) transfer all or any part of the Collateral into the Collateral Agent's name or the name of its nominee or nominees and to notify the obligor of any Assigned Agreement Right or Mortgage Note (the Company hereby agreeing to deliver any such notice at the request of the Collateral Agent) that all payments and performance under the relevant Assigned Agreement or Mortgage Note shall be made or rendered to the Collateral Agent or its nominee or nominees;

(e) vote all or any part of the Pledged Collateral (whether or not transferred into the name of the Collateral Agent) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were a party thereto or outright owner thereof;

(f) settle, adjust, compromise and arrange all accounts, controversies, questions, claims and demands whatsoever in relation to all or any part of the Collateral;

(g) in respect of the Collateral, execute all such contracts, agreements, deeds, documents and instruments; to bring, defend and abandon all such actions, suits and proceedings, and to take all actions in relation to all or any part of the Collateral as the Collateral Agent in its absolute discretion may determine;

(h) appoint managers, sub-agents, officers and servants for any of the purposes mentioned in the foregoing provisions of this Section 6.1 and to dismiss the same, all as the Collateral Agent in its absolute discretion may determine; and

(i) generally take all such other action as the Collateral Agent in its reasonable discretion may determine as incidental or conducive to any of the matters or powers mentioned in the foregoing provisions of this Section 6.1 and which the Collateral Agent may or can do lawfully and to use the name of the Company for the purposes aforesaid and in any proceedings arising therefrom.

The Company hereby expressly agrees that no Secured Party other than the Collateral Agent shall have any obligations or liabilities in connection with this Agreement.

6.2. DISPOSITION OF THE COLLATERAL. The Company recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities laws, the Collateral Agent may be compelled, with respect to any sale of all or any part of the Collateral pursuant to Section 6.1(c), to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Company acknowledges that any such private sales may be at prices and on terms less favorable to the Collateral Agent than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act), and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Collateral Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral
for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if the Company would agree to do so.

6.3. WAIVER OF CLAIMS. EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, THE COMPANY HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT'S TAKING POSSESSION OR THE COLLATERAL AGENT'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH THE COMPANY WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and the Company hereby further waives to the extent permitted by applicable law:

(a) all damages occasioned by such taking of possession except any damages which are the direct result of the Collateral Agent's gross negligence or willful misconduct;

(b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder; and

(c) all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute, sale of the Collateral or any portion thereof, and the Company, for itself and all who may claim under it, insofar as it or they may now or hereafter lawfully do so, hereby waives the benefit of such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Company therein and thereto, and shall be a perpetual bar both at law and in equity against the Company and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under the Company.

6.4. APPLICATION OF PROCEEDS; COMPANY LIABLE FOR DEFICIENCY. All moneys collected by the Collateral Agent upon any sale or other disposition of the Collateral, together with all other moneys received by the Collateral Agent hereunder shall be applied as follows:

(a) first, to the payment of any and all expenses and fees (including reasonable attorneys' fees) actually incurred by the Collateral Agent in obtaining, taking possession of, removing, storing and disposing of Collateral and any and all amounts incurred by the Collateral Agent in connection therewith or owing to the Collateral Agent hereunder;

(b) next, any surplus then remaining, to the payment of the other Obligations; and

(c) if the Total Commitment is then terminated, all Loans (under and as defined in each Credit Agreement) have been indefeasibly paid in full, no Letters of Credit or Subsidiary Letters of Credit or other Obligations are outstanding, any surplus then remaining shall be paid to the Company, subject, however, to the rights of the holder of any then existing Lien of which the Collateral Agent has actual notice (without investigation);
it being understood that the Company shall remain liable to the extent of any
deficiency between the amount of the proceeds of the Collateral and the
aggregate amount of the sums referred to in clauses (a) and (b) of this
Section 6.4.

Notwithstanding the foregoing, in no event shall moneys be applied
pursuant to the foregoing clause (b) (when aggregated with all other amounts
contemporaneously received from the Company under any other Security document
in respect of the Obligations) in excess of the Company’s Maximum Guaranty
Liability (as defined in the Subsidiary Guaranty) with any excess to be paid
to the Company or to whomever may be lawfully entitled to receive the same.

6.5. REMEDIES CUMULATIVE. Each and every right, power and
remedy hereby specifically given to the Collateral Agent shall be in addition
to every other right, power and remedy specifically given under this Agreement
or under any other Credit Document or now or hereafter existing at law or in
equity, or by statute and each and every right, power and remedy whether
specifically herein given or otherwise existing may be exercised from time to
time or simultaneously and as often and in such order as may be deemed
expedient by the Collateral Agent. All such rights, powers and remedies shall
be cumulative and the exercise or the beginning of exercise of one shall not
be deemed a waiver of the right to exercise of any other or others. No delay
or omission of the Collateral Agent in the exercise of any such right, power
or remedy and no renewal or extension of any of the Obligations shall impair
any such right, power or remedy

or shall be construed to be a waiver of any Event of Default or an
acquiescence therein.

6.6. DISCONTINUANCE OF PROCEEDINGS. In case the Collateral
Agent shall have instituted any proceeding to enforce any right, power or
remedy under this Agreement by foreclosure, sale, entry or otherwise, and such
proceeding shall have been discontinued or abandoned for any reason or shall
have been determined adversely to the Collateral Agent, then and in every such
case the Company and the Collateral Agent shall be restored to their former
positions and rights hereunder with respect to the Collateral subject to the
security interest created under this Agreement, and all rights, remedies and
powers of the Collateral Agent shall continue as if no such proceeding had
been instituted.

ARTICLE VII

INDEMNITY

Without duplication of any amounts payable under Section 12.1 of
the Company Credit Agreement and any similar indemnity provision under any
other Credit Document, the Company shall: (i) whether or not the transactions
hereby contemplated are consummated, pay all reasonable out-of-pocket costs
and expenses of the Collateral Agent actually incurred in connection with the
administration (both before and after the execution hereof and including
advice of counsel as to the rights and duties of the Collateral Agent with
respect thereto) of and in connection with the preparation, execution and
delivery of this Agreement (including, without limitation, the reasonable fees
and disbursements of Skadden, Arps, Slate, Meagher & Flom) and of the
Collateral Agent actually incurred in connection with the preservation of
rights under, and enforcement of, and, after an Event of Default, the
renegotiation or restructuring of this Agreement and any amendment, waiver or
consent relating thereto (including, without limitation, the reasonable fees
and disbursements of counsel for the Collateral Agent); (ii) pay and hold the
Collateral Agent harmless from and against any and all present and future
stamp or documentary taxes or any other excise or property taxes, charges or
similar levies which arise from any payment made hereunder or from the
execution, delivery or regis-
tration of, or otherwise with respect to this Agreement and save the Collateral
Agent harmless from and against any and all liabilities with respect to or
resulting from any delay or omission to pay any such taxes, charges or levies;
and (iii) indemnify the Collateral Agent, its officers, directors, employees,
representatives and agents from and hold each of them harmless against any and
all costs, losses, liabilities, claims, damages or expenses actually incurred by
any of them (whether or not any of them is designated a party thereto) arising
out of or by reason of any investigation, litigation or other proceeding related
to this Agreement or any transaction contemplated hereby, including, without
limitation, the reasonable fees and disbursements of counsel incurred in
connection with any such investigation, litigation or other proceeding.
Notwithstanding anything in this Agreement to the contrary, the Company shall
not be responsible to the Collateral Agent or any officer, director, employee,
representative or agent of the foregoing (an "Indemnified Party") for any
losses, damages, liabilities or expenses which result from such Indemnified
Party's gross negligence or willful misconduct. It is understood that the
Company shall not, in connection with any single action, suit, proceeding or
claim or separate but substantially similar or related actions, suits,
proceedings or claims, arising out of the same general allegations or
circumstances, be liable for the fees and expenses of more than one separate
firm of attorneys at the same time for the Indemnified Parties (which firm shall
be designated by the Collateral Agent) except that, if any Indemnified Party
other than the Collateral Agent shall determine, in its sole discretion, that
there may be a conflict in such firm representing the Collateral Agent and such
Indemnified Party, then the Company shall be liable for the reasonable fees and
expenses of an additional firm for such Indemnified Party whose interests may be
in conflict. The Company’s obligations under this Article VII shall survive any
termination of this Agreement.

ARTICLE VIII
DEFINITIONS

8.1. DEFINITIONS. The following terms shall have the meanings
herein specified unless the context

otherwise requires. Such definitions shall be equally applicable to the
singular and plural forms of the terms defined. Except as otherwise defined
herein, capitalized terms used herein, including in the recital paragraphs,
and defined in the Company Credit Agreement shall be used herein as so
defined.

"Agreement" shall mean this Second Amended and Restated FINCO
Pledge and Security Agreement as the same may be amended, restated,
supplemented or otherwise modified from time to time in accordance with its
terms.

"Assigned Agreements" shall have the meaning specified in Section
1.2(a).

"Assigned Agreement Rights" shall have the meaning specified in
Section 4.1(c).

"Assigned Collateral" shall have the meaning specified in
Section 1.2(a).

"Collateral" shall have the meaning specified in Section 1.2(b).

"Event of Default" shall mean and include any "Event of Default"
under either Credit Agreement.

"Indemnified Party" shall have the meaning specified in Article
VII.
"Mortgage Notes" shall mean, collectively, all promissory notes from time to time made to the Company by Charter or a Subsidiary of Charter.

"Obligations" shall mean (a) all indebtedness, obligations, and liabilities (including without limitation, guarantees, reimbursement obligations in respect of Letters of Credit and Subsidiary Letters of Credit and other contingent liabilities) of the Company, Charter, any Subsidiary Borrower and any other Subsidiary of Charter to any Secured Party arising under or in connection with the Credit Agreements, the Subsidiary Guaranty, this Agreement, or any other Credit Document, as the same may be amended, restated, supplemented or otherwise modified from time to time; (b) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral;

and (c) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of the Company referred to in clause (a), after an Event of Default shall have occurred and be continuing, the reasonable expenses of retaking, holding, preparing for sale, selling or otherwise disposing or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights hereunder, together with reasonable attorneys' fees and court costs.

"Permitted Liens" shall have the meaning specified in Section 2.1 hereof.

"Pledged Collateral" shall have the meaning specified in Section 1.2(b).

"Proceeds" shall mean "Proceeds" as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York.

"Secured Parties" shall mean the Lenders, the Agent, the Co-Agent, and the Collateral Agent and their respective successors and assigns.

"Securities Act" shall have the meaning specified in Section 6.2.

"Total Commitment" shall mean the Total Revolving Loan Commitment.

ARTICLE IX

MISCELLANEOUS

9.1. NOTICES. All notices and other communications hereunder shall be given to the Company (at the address for Charter), the Collateral Agent and the Agent at the addresses and in the manner specified in the Company Credit Agreement.

9.2. WAIVER; AMENDMENT. No delay on the part of the Collateral Agent in exercising any of its rights, remedies, powers and privileges hereunder or partial or single exercise thereof, shall constitute a waiver thereof. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless executed in accordance with the provisions of the Credit Agreements. No notice to or demand on the Company in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Collateral Agent to any other or further action in any circumstances without notice or demand.
9.3. OBLIGATIONS ABSOLUTE. The obligations of the Company under this Agreement shall be absolute and unconditional in accordance with its terms and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in the time, place or manner of payment of, or in any other term of, all or any of the Obligations, any waiver, indulgence, renewal, extension, amendment or modification of or addition, consent or supplement to or deletion from or any other action or inaction under or in respect of either Credit Agreement, any Note, any other Credit Document or any other documents, instruments or agreements relating to the Obligations or any other instrument or agreement referred to therein or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of either Credit Agreement, any other Credit Document or any other documents, instruments or agreements referred to therein or any assignment or transfer of any thereof; (c) any furnishing of any additional security to the Collateral Agent, the other Secured Parties or their assigns or any acceptance thereof or any release of any security by the Collateral Agent, the other Secured Parties or their assigns; (d) any limitation on any party's liability or obligations under any such instrument or agreement or any term thereof; (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Company or any Subsidiary of the Company, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not the Company shall have notice or knowledge of any of the foregoing; (f) any exchange, release or nonperfection of any other collateral, or any release, amendment or waiver of or consent to departure from any guaranty or security, for all or any of the Obligations; or (g) any other circumstance which might otherwise constitute a defense available to, or a discharge of the Company.

9.4. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of each Secured Party and its permitted successors and assigns, provided that the Company may not transfer or assign any or all of its rights or obligations hereunder without the written consent of the Collateral Agent.

9.5. HEADINGS DESCRIPTIVE. The headings of the several sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

9.6. SEVERABILITY. To the extent permitted by applicable law, any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.7. GOVERNING LAW; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREBY SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF). ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE COMPANY HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE AFORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE RIGHTS OF THE SECURED PARTIES WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE COMPANY HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND AGENT OF THE COMPANY, TO RECEIVE, FOR AND ON BEHALF OF THE COMPANY, SERVICE OF PROCESS IN SUCH
JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO AND SUCH SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COMPLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID AGENT. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARDED BY MAIL TO THE COMPANY AT THE ADDRESS FOR CHARTER SET FORTH IN THE COMPANY CREDIT AGREEMENT, BUT THE FAILURE OF THE COMPANY TO RECEIVE SUCH COPY SHALL NOT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS. THE COMPANY HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED THERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE COMPANY TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY OTHER JURISDICTION.

9.8. THE COMPANY’S DUTIES. It is expressly agreed, anything herein contained to the contrary notwithstanding, that the Company shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the Collateral Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement, nor shall the Company be required or obligated in any manner to perform or fulfill any of the obligations of Collateral Agent under or with respect to any Collateral.

9.9. COLLATERAL AGENT. The appointment of the Collateral Agent as Collateral Agent hereunder pursuant to the Intercreditor Agreement has been ratified and confirmed by the Lenders in the Credit Agreements and the Collateral Agent shall be entitled to the benefits of the Credit Agreements. The Collateral Agent shall be obligated, and shall have the right hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of Collateral) solely in accordance with this Agreement and the Credit Agreements. The Collateral Agent may resign and a successor Collateral Agent may be appointed in the manner provided in the Credit Agreements. Upon the acceptance of any appointment as a Collateral Agent by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent under this Agreement, and the retiring Collateral Agent shall thereupon be discharged from its duties and obligations under this Agreement. After any retiring Collateral Agent’s resignation, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Collateral Agent.

9.10. TERMINATION; RELEASE. When the Total Commitment is terminated, no Letters of Credit and Subsidiary Letters of Credit are outstanding and all Loans (under and as defined in each Credit Agreement) and other Obligations are irrevocably paid in full, this Agreement shall terminate. Upon the termination of this Agreement, the Collateral Agent, at the request and expense of the Company will promptly execute and deliver to the Company the proper instruments (including Uniform Commercial Code termination statements on form UCC-3, if necessary) acknowledging the termination of this Agreement and will duly assign, transfer and deliver to the Company (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Collateral Agent and has not theretofore been sold or otherwise applied or released pursuant to this Agreement. Notwithstanding anything therein to the contrary, the Collateral Agent shall release the Collateral to the extent that the Company shall be
required to release the same in accordance with the terms of the Mortgage
Notes or Assigned Agreements; PROVIDED, HOWEVER, that the Collateral Agent
may release Collateral from the lien and security interest of this Agreement
in accordance with the provisions of the Credit Agreements.

9.11. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY
APPLICABLE LAW, THE COMPANY HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY
JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF IN CONNECTION
WITH THIS AGREEMENT OR ANY MATTER ARISING IN CONNECTION HEREUNDER.

9.12. AMENDMENT AND RESTATEMENT. This Agreement constitutes an
amendment and restatement of the 1992 FINCO Pledge and Security Agreement
amended hereby (the "Original Instrument"), and such Original Instrument shall
continue in effect on and after the date hereof as so amended and restated.
The parties do not intend that this Agreement constitute a novation,
termination, release or satisfaction of the Original Instrument, or constitute
payment or satisfaction of any indebtedness or other obligation secured by the
Original Instrument.

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

CMCI, INC.

By: /s/ Charlotte A. Sanford
---------------------------
Name: Charlotte A. Sanford
Title: Treasurer

BANKERS TRUST COMPANY,
as Collateral Agent

By: /s/ Mary Kay Coyle
---------------------------
Name: Mary Kay Coyle
Title: Vice President
The notes payable balances due to CMCI, Inc. at March 31, 1994 were as follows:

<table>
<thead>
<tr>
<th>Hospital Name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beltway Community Hospital, Inc.</td>
<td>$16,689,095.60</td>
</tr>
<tr>
<td>Charter Behavioral Health System of Austin, Inc.</td>
<td>13,132,792.17</td>
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<tr>
<td>Charter Behavioral Health System of Corpus Christi, Inc.</td>
<td>9,374,792.34</td>
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<tr>
<td>Charter Behavioral Health System of Dallas, Inc.</td>
<td>19,534,721.08</td>
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<td>Charter Medical of East Valley, Inc.</td>
<td>6,194,454.06</td>
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<td>Charter Behavioral Health System of Fort Worth, Inc.</td>
<td>17,468,623.69</td>
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<tr>
<td>Charter Medical of North Phoenix, Inc.</td>
<td>5,358,052.41</td>
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<tr>
<td>Charter Grapevine Behavioral Health System, Inc.</td>
<td>10,600,000.00</td>
</tr>
<tr>
<td>Charter Fairmount Behavioral Health System, Inc.</td>
<td>7,086,872.59</td>
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<tr>
<td>(d/b/a Charter Behavioral Health System of Kingwood)</td>
<td></td>
</tr>
<tr>
<td>Charter Lafayette Behavioral Health System, Inc.</td>
<td>3,033,434.98</td>
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<td>Charter Little Rock Behavioral Health System, Inc.</td>
<td>4,561,819.73</td>
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<tr>
<td>Charter Louisville Behavioral Health System, Inc.</td>
<td>4,303,703.53</td>
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<tr>
<td>Charter Behavioral Health System of Kansas City, Inc.</td>
<td>5,803,717.26</td>
</tr>
<tr>
<td>Florida Health Facilities, Inc.</td>
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<tr>
<td>(d/b/a Charter Hospital of Pasco)</td>
<td>7,498,493.98</td>
</tr>
<tr>
<td>Charter Lakeside Behavioral Health System, Inc.</td>
<td></td>
</tr>
<tr>
<td>(d/b/a Charter Behavioral Health System of Sugarland)</td>
<td>7,365,126.32</td>
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<tr>
<td>Charter Behavioral Health System of Toledo, Inc.</td>
<td>6,567,103.22</td>
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<tr>
<td>Charter Medfield Behavioral Health System, Inc.</td>
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<tr>
<td>(d/b/a Charter Hospital of West Palm Beach)</td>
<td>5,008,351.72</td>
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<tr>
<td>Charter Wichita Behavioral Health System, Inc.</td>
<td>4,498,911.63</td>
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<tr>
<td>Charter Lakeside Behavioral Health System, Inc.</td>
<td>16,000,000.00</td>
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<tr>
<td>Charter Laurel Oaks Behavioral Health System, Inc.</td>
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<tr>
<td>(f/k/a Charter Medical - Southeast, Inc.)</td>
<td>2,538,993.43</td>
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</tbody>
</table>

**SCHEDULE I**

SECOND AMENDED AND RESTATED
FINCO PLEDGE AND SECURITY AGREEMENT II

<table>
<thead>
<tr>
<th>Hospital Name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Palms Behavioral Health System, Inc.</td>
<td>2,877,832.71</td>
</tr>
<tr>
<td>Charter Plains Behavioral Health System, Inc.</td>
<td>3,302,962.94</td>
</tr>
<tr>
<td>Charter Real Behavioral Health System, Inc.</td>
<td>7,471,909.06</td>
</tr>
<tr>
<td>Charter Medical Corporation</td>
<td>238,933,000.00</td>
</tr>
<tr>
<td>Charter Fairmount Behavioral Health System, Inc.</td>
<td>9,000,000.00</td>
</tr>
</tbody>
</table>

**Total**  

$434,204,764.45

**SCHEDULE II**
A. Many facilities listed on Schedule I have more than one loan aggregating the total shown for such facilities. Each original loan is supported by a Loan Agreement with corresponding Borrowing Resolutions and Resolution Adopted by Consent on behalf of CMCI, Inc.

B. Generally each facility with multiple loans has executed an Annual Draw Credit Agreement with resolutions as described above under which additional loans are made.

C. The Charter Medical Corporation and CCM, Inc. notes each have Credit Agreements and Borrowing Resolutions.
SECOND AMENDED AND RESTATED COMPANY GUARANTY, dated as of May 2, 1994 (as the same may be amended, modified or supplemented from time to time, the "Company Guaranty"), made by Charter Medical Corporation, a Delaware corporation (the "Company" or the "Guarantor"), in favor of the financial institutions from time to time signatories to the Subsidiary Credit Agreement (as hereinafter defined) (the "Lenders"), Bankers Trust Company, as agent (the "Agent") for the Lenders, and First Union National Bank of North Carolina, as co-agent (the "Co-Agent") for the Lenders (the Lenders, the Agent and the Co-Agent, together with their permitted successors and assigns, individually, a "Guaranteed Party" and collectively, the "Guaranteed Parties").

W I T N E S S E T H:

WHEREAS, the Company entered into the Company Guaranty dated as of September 1, 1988 which was amended and restated by the Amended and Restated Company Guaranty dated as of July 21, 1992 (the "1992 Company Guaranty") in favor of the Agent, the Lenders and the Issuing Banks (as defined in the 1992 Company Guaranty), and now desire to amend and restate the 1992 Company Guaranty in its entirety; and

WHEREAS, the Company (as successor to WAF Acquisition Corporation, a Delaware corporation), certain of the Lenders, the Agent, Wells Fargo Bank National Association and Bank of America National Trust and Savings Association, as co-agents (the "Original Co-Agents"), entered into that certain Credit Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Credit Agreement dated July 21, 1992 (the "1992 Company Credit Agreement"), which is being amended and restated by the Second Amended and Restated Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Company Credit Agreement"), pursuant to which certain of the Lenders made certain loans and commitments to the Company, the terms of which are being amended and restated pursuant to the Company Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Company Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in

and/or issue letters of credit for the account of, the Company; and

WHEREAS, certain Subsidiaries of the Guarantor, certain of the Lenders, the Agent and the Original Co-Agents entered into a Credit Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Subsidiary Credit Agreement dated as of July 21, 1992 (the "1992 Subsidiary Credit Agreement"); and together with the 1992 Company Credit Agreement, the "1992 Credit Agreements"), which is being amended and restated by the Second Amended and Restated Subsidiary Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Subsidiary Credit Agreement"); and, together with the Company Credit Agreement, each a "Credit Agreement" and collectively the "Credit Agreements"), pursuant to which certain of the Lenders made certain loans and commitments to, and participated in certain letters of credit for the benefit of, the Borrowers, the terms of which are being amended and restated pursuant to the Subsidiary Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Subsidiary Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Borrowers; and

WHEREAS, the Lenders have agreed to amend and restate the 1992 Credit Agreements upon terms and conditions acceptable to the Company and the Borrowers; and
WHEREAS, it was a condition precedent to the incurrence of loans and the participation in letters of credit under the 1992 Credit Agreements that the Guarantor execute and deliver to the Guaranteed Parties the 1992 Company Guaranty and it is a condition precedent to the incurrence of loans and the issuance of letters of credit under the Credit Agreements that the Guarantor execute and deliver to the Guaranteed Parties this Company Guaranty; and

WHEREAS, each Issuing Bank has agreed, among other things, that the Reimbursement Agreements (as defined in the 1992 Credit Agreements) to which it is a party (other than the Credit Documents to the extent the same could be considered Reimbursement Agreements) shall no longer be entitled to the benefits of this Company Guaranty;

NOW, THEREFORE, in consideration of the premises contained therein and in order to induce the Lenders to make

loans and issue letters of credit under the Credit Agreements, the Guarantor hereby agrees as follows:

SECTION 1. DEFINITIONS. Except as otherwise defined herein, capitalized terms used herein, including in the recital paragraphs, and defined in the Subsidiary Credit Agreement (by reference to the Company Credit Agreement or otherwise) shall be used herein as so defined.

SECTION 2. GUARANTY. The Guarantor hereby unconditionally guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of each Borrower now or hereafter existing, whether for principal, interest (including any interest accruing during a Proceeding (as hereinafter defined) whether or not the claim for such interest is allowable or discharged in such Proceeding), fees, expenses or otherwise (including, without limitation, the Obligation under the Subsidiary Credit Agreement of a Borrower to reimburse drawings honored under a Subsidiary Letter of Credit) and any and all reasonable expenses (including counsel fees and expenses) incurred by the Agent or any Lender in enforcing any rights under this Company Guaranty (collectively, the “Guaranteed Obligations”). Any and all payments by the Guarantor hereunder shall be made free and clear of and without deduction for any set-off or counterclaim, subject to the requirements of the Subsidiary Credit Agreement.

SECTION 3. GUARANTY ABSOLUTE. The Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Subsidiary Credit Agreement, the Notes and the other Credit Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or any Lender with respect thereto. This is a guaranty of payment and not of collection, and the liability of the Guarantor under this Company Guaranty shall be absolute and unconditional in accordance with its terms and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in the time, place or manner of payment of, or in any other term of, all or any of the Guaranteed Obligations, any waiver, indulgence, renewal, extension, amendment or modification of, or addition, consent or supplement to, or deletion from or any other action or inaction under, or in respect of, either Credit Agreement, any Note, any other Credit Document, or any documents, instruments or agreements relating to the Guaranteed Obligations or any other instrument or agreement referred to therein or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of either Credit Agreement, any Note, any other Credit Document or any other documents, instruments or agreements referred to therein or any assignment or transfer of any thereof; (c) any furnishing of any additional security to the Guaranteed Parties or their assignees or any acceptance thereof
or any release of any security by the Guaranteed Parties, or their assignees;
(d) any limitation on any party's liability or obligations under any such
instrument or agreement or any invalidity or unenforceability, in whole or in
part, of any such instrument or agreement or any term thereof; (e) any
bankruptcy, insolvency, reorganization, composition, adjustment, dissolution,
liquidation or other like proceeding relating to the Company or any Borrower, or
any action taken with respect to this Company Guaranty by any trustee or
receiver, or by any court, in any such proceeding, whether or not the Guarantor
shall have notice or knowledge of any of the foregoing; (f) any exchange,
release or nonperfection of any other collateral, or any release, or amendment
or waiver of, or consent to, departure from any guaranty or security, for all or any
of the Guaranteed Obligations; or (g) any other circumstance which might
otherwise constitute a defense available to, or a discharge of, the Guarantor.
This Company Guaranty shall continue to be effective or be reinstated, as the
case may be, if at any time any payment of any of the Guaranteed Obligations is
rescinded or must otherwise be returned by any Guaranteed Party upon the
insolvency, bankruptcy or reorganization of any Borrower or the Guarantor or
otherwise, all as though such payment had not been made.

SECTION 4. WAIVER. To the extent permitted by applicable law,
the Guarantor hereby waives promptness, diligence, notice of acceptance and any
other notice with respect to any of the Guaranteed Obligations and this Company
Guaranty and any requirement that the Guaranteed Parties protect, secure,
perfect or insure any security interest or lien or any property subject thereto
or exhaust any right or take any action against any Borrower or any other Person
or any collateral.

SECTION 5. WAIVER OF SUBROGATION. The Guarantor hereby
irrevocably waives any claim or right of subrogation, reimbursement,
exoneration, contribution or indemnification, any right to participate in any
claim or remedy of the Guaranteed Parties or any collateral which the Agent, any
other Guaranteed Party or the Collateral Agent now has or hereafter acquires in
connection with the payment, performance or enforcement of such Guarantor's
obligations under this Company Guaranty or any other Credit Document whether or
not such claim, remedy or right arises in equity, or under contract, statute or
common law, including the right to take or receive, directly or indirectly, in
cash or other

property or by set-off or in any other manner, payment or security on account of
such claim or other rights. If any amount shall be paid to the Guarantor in
violation of the preceding sentence and the Guaranteed Obligations shall not
have been paid in full or any commitment of any Guaranteed Party under either
Credit Agreement shall not have been irrevocably terminated, such amount shall
be deemed to have been paid to the Guarantor for the benefit of, and held in
trust for, the Agent for the benefit of the Guaranteed Parties, and shall
forthwith be paid to the Agent to be credited and applied to the Obligations,
whether matured or unmatured. The Guarantor acknowledges that it will receive
direct and indirect benefits from the financing arrangements contemplated by the
Credit Agreements and that the waiver set forth in this Section 5 is knowingly
made in contemplation of such benefits.

SECTION 6. SEVERABILITY. To the extent permitted by applicable
law, any provision of this Company Guaranty which is prohibited or unenforceable
in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent
of such prohibition or unenforceability without invalidating the remaining
provisions hereof, and any such prohibition or unenforceability in any
jurisdiction shall not invalidate or render unenforceable such provision in any
other jurisdiction.

SECTION 7. AMENDMENTS, ETC. No amendment or waiver of any
provision of this Company Guaranty nor consent to any departure by the Guarantor
therefrom shall in any event be effective unless the same shall be executed in
accordance with the terms of the Credit Agreements.

SECTION 8. ADDRESSES FOR NOTICES. All notices and other
communications provided for hereunder shall be given to the Company and the
Agent at the addresses and in the manner specified in the Company Credit
Agreement.
SECTION 9. NO WAIVER; REMEDIES. No failure on the part of the Guaranteed Parties to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10. RIGHT OF SET-OFF. In addition to, and not in limitation of, all rights of offset that any Lender or other holder of a Note may have under applicable law, each Lender or other holder of a Note shall, upon the occurrence of any Event of Default and whether or not such Lender or such holder has made any demand or the Guarantor's obligations hereunder have matured, have the right to appropriate and apply to the payment of the Guaranteed Obligations, all deposits (general or special, time or demand, provisional or final) then or thereafter held by, and other indebtedness or property then or thereafter owing by, such Lender or other holder, whether or not related to this Company Guaranty or any transaction hereunder.

SECTION 11. CONTINUING GUARANTY; TRANSFER OF OBLIGATIONS. This Company Guaranty is a continuing guaranty and shall (i) remain in full force and effect until payment in full of the Guaranteed Obligations and all other amounts payable under this Company Guaranty, (ii) be binding upon the Guarantor, its successors and assigns, and (iii) inure to the benefit of and be enforceable by each of the Guaranteed Parties and its permitted successors, transferees and assigns; PROVIDED that the Company may not assign or transfer any of its interests or obligations hereunder without the prior written consent of the Lenders. Without limiting the generality of the foregoing clause (iii), any Lender may assign in accordance with the terms and provisions of the Subsidiary Credit Agreement to one or more banks or other entities all or any part of, or may grant participations to one or more banks or other entities in or to all or any part of, any of the Guaranteed Obligations, whereupon each such bank or entity shall become vested with all the rights in respect thereof granted to such Lender herein or otherwise in respect hereof; PROVIDED, HOWEVER, that except as otherwise permitted by the terms and provisions of each of the Credit Agreements, no participant in the Guaranteed Obligations shall be permitted to exercise any right under Section 10 hereof.

SECTION 12. GOVERNING LAW; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION. THIS COMPANY GUARANTY AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF). ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS COMPANY GUARANTY OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS COMPANY GUARANTY, THE GUARANTOR HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE AFORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE RIGHTS OF THE GUARANTEED PARTIES WITH RESPECT TO THIS COMPANY GUARANTY OR ANY DOCUMENT RELATED HERETO. THE GUARANTOR HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, LOCATED AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND AGENT OF THE GUARANTOR OR SUCH BORROWER, TO RECEIVE, FOR AND ON BEHALF OF THE GUARANTOR OR SUCH BORROWER, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS COMPANY GUARANTY OR ANY DOCUMENT RELATED HERETO AND SUCH SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COMPLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID AGENT. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARDED BY MAIL TO THE GUARANTOR AT ITS ADDRESS SET FORTH IN THE COMPANY CREDIT AGREEMENT, BUT THE FAILURE OF THE GUARANTOR TO RECEIVE SUCH COPY SHALL NOT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS. THE GUARANTOR HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED
SECTION 13. SUBORDINATION OF BORROWER'S OBLIGATIONS TO THE GUARANTOR. As an independent covenant, the Guarantor hereby expressly covenants and agrees for the benefit of the Guaranteed Parties that all obligations and liabilities of each Borrower to the Guarantor of whatsoever description including, without limitation, all intercompany receivables of the Guarantor from a Borrower ("Junior Claims") shall be subordinate and junior in right of payment to all Obligations of each Borrower and the Company, as the case may be, to the Guaranteed Parties, including, without limitation, interest accrued during any Proceeding (as defined hereinafter) on the Obligations whether or not the claim for such interest is allowable or discharged in such Proceeding ("Senior Claims").

If an Event of Default shall occur and the Senior Claims shall have been declared due and payable then, unless and until such Event of Default shall have been cured or shall have ceased to exist, no direct or indirect payment (in cash, property, securities by setoff or otherwise) shall be made by any Borrower to the Guarantor on account of, or in any manner in respect of, any Junior Claim except such payments and distributions the proceeds of which shall be applied to the payment of Senior Claims.

Notwithstanding anything to the contrary set forth in the immediately preceding paragraph of this Section 13, in the event of a Proceeding, all Senior Claims shall first be paid in full before any direct or indirect payment or distribution (in cash, property, or securities, by setoff or otherwise) shall be made to the Guarantor on account of or in any manner in respect of any Junior Claim except such payments and distributions the proceeds of which shall be applied to the payment of Senior Claims. For the purposes of this Agreement, "Proceeding" means the occurrence of any of the following events: the Company or any Borrower shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or any involuntary case is commenced against the Company or any Borrower; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or any substantial part of the property of the Company or any Borrower, or the Company or any Borrower commences any other proceedings under any reorganization arrangement, adjustment of debt, relief of debtor, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company or any Borrower; or the Company or any Borrower is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company or any Borrower suffers any appointment of any custodian or the like for it or any substantial part of its property; or the Company or any Borrower makes a general assignment for the benefit of creditors; or the Company or any Borrower shall fail to pay, or shall state that it is unable to pay, its debts generally as they become due; or the Company or any Borrower shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts or the Company or any Borrower shall by any act or failure to act indicate its consent to, approval of, or acquiescence in, any of the foregoing; or any corporate action shall be taken by the Company or any Borrower for the purpose of effecting any of the foregoing.

In the event any direct or indirect payment or distribution is made to the Guarantor in contravention of this Section 13, such payment or distribution shall be deemed received in trust for the benefit of the Agent and the Lenders and shall be immediately paid over to the Agent for application in accordance with the terms of the Credit Agreements.

The Guarantor agrees to execute such additional documents as the
Agent may request to evidence the subordination provided for in this Section 13.

By its execution and delivery of this Company Guaranty, each Borrower hereby acknowledges and agrees to the subordination provided for in this Section 13.

14. AMENDMENT AND RESTATEMENT. This Company Guaranty constitutes an amendment and restatement of the 1992 Company Guaranty amended hereby (the "Original Instrument"), and such Original Instrument shall continue in effect on and after the date hereof as so amended and restated. The parties do not intend that this Company Guaranty constitute a novation, termination, release or satisfaction of the Original Instrument, or constitute payment or satisfaction of any indebtedness or other obligation secured by the Original Instrument.

SECTION 15. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF, OR IN CONNECTION WITH, THIS COMPANY GUARANTY OR ANY OTHER CREDIT DOCUMENT OR ANY MATTER ARISING IN CONNECTION HEREUNDER OR THEREUNDER.

IN WITNESS WHEREOF, the Guarantor has caused this Company Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

CHARTER MEDICAL CORPORATION

By /s/ James R. Bedenbaugh
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Name: James R. Bedenbaugh
Title: Treasurer

ACKNOWLEDGED AND AGREED TO AS APPLICABLE TO THE BORROWERS:

EACH OF THE BORROWERS LISTED ON ANNEX I HERETO

By /s/ Charlotte A. Sanford
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Charlotte A. Sanford, in her capacity as Treasurer for each of the Borrowers listed on Annex I hereto

ANNEX I

SECOND AMENDED AND RESTATED COMPANY GUARANTY

I. LETTERS OF CREDIT

Charter Behavioral Health System of New Mexico, Inc.
Charter Behavioral Health System of Charleston, Inc.
Charter Behavioral Health System of Northwest Arkansas, Inc.
Charter Behavioral Health System of Central Georgia, Inc.
Charter Fairmount Behavioral Health System, Inc.
Charter Forest Behavioral Health System, Inc.
Charter Hospital of St. Louis, Inc. (Greenville)
Charter Palms Behavioral Health System, Inc.
Charter Plains Behavioral Health System, Inc.
Charter Ridge Behavioral Health System, Inc.
Charter Rivers Behavioral Health System, Inc.
Charter Springs Behavioral Health System, Inc.
CMSF, Inc. (Glade)

II. SUBSIDIARY LOANS

Charter Behavioral Health System of Northern California, Inc.
Charter Behavioral Health System of Northwest Indiana, Inc.
Charter Hospital of St Louis, Inc. (Orlando South)
Charter Indianapolis Behavioral Health System, Inc.
Charter Lakeside Behavioral Health System, Inc.
Charter Mission Viejo Behavioral Health System, Inc.
Charter San Diego Behavioral Health System, Inc.
Charter South Bend Behavioral Health System, Inc.
Charter Terre Haute Behavioral Health System, Inc.
Charter Woods Behavioral Health System, Inc.
SECOND AMENDED AND RESTATED SUBSIDIARY COLLATERAL ACCOUNTS ASSIGNMENT AGREEMENT

This SECOND AMENDED AND RESTATED SUBSIDIARY COLLATERAL ACCOUNTS ASSIGNMENT AGREEMENT (this "Agreement") is dated as of May 2, 1994, and made between each corporation listed on Schedule I hereto (the "Subsidiary Borrowers" or the "Pledgors") and BANKERS TRUST COMPANY, as Agent (the "Agent") for the financial institutions from time to time parties to the Subsidiary Credit Agreement (as hereinafter defined) (the "Lenders").

W I T N E S S E T H:

WHEREAS, certain of the parties hereto are parties to the Subsidiary Collateral Accounts Assignment Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Subsidiary Collateral Accounts Assignment Agreement dated as of July 21, 1992 (the "1992 Subsidiary Collateral Accounts Assignment Agreement"), and now desire to amend and restate such agreement in its entirety; and

WHEREAS, Charter Medical Corporation, a Delaware corporation (as successor to WAF Acquisition Corporation, a Delaware corporation, the "Company"), certain of the Lenders, the Agent, Wells Fargo Bank, National Association and Bank of America National Trust and Savings Association, as co-agents (the "Original Co-Agents"), entered into that certain Credit Agreement dated as of September 1, 1988 which was amended and restated by the Amended and Restated Credit Agreement dated as of July 21, 1992 (the "1992 Company Credit Agreement"), which is being amended and restated by the Second Amended and Restated Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Company Credit Agreement"), pursuant to which certain of the Lenders made certain loans and commitments to the Company, the terms of which are being amended and restated pursuant to the Company Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Company Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Company; and

WHEREAS, certain Borrowers, certain of the Lenders, the Original Co-Agents and the Agent entered into a Credit Agreement, dated as of September 1, 1988 which was amended and restated by the Amended and Restated Subsidiary Credit Agreement dated as of July 21, 1992 (the "1992 Subsidiary Credit Agreement"; and, together with the 1992 Company Credit Agreement, the "1992 Credit Agreement"), which is being amended and restated by the Second Amended and Restated Subsidiary Credit Agreement dated as of the date hereof (as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Subsidiary Credit Agreement"; and, together with the Company Credit Agreement, each a "Credit Agreement" and collectively the "Credit Agreements"), pursuant to which certain of the Lenders made certain loans and commitments to, and issued letters of credit for the benefit of, the Borrowers, the terms of which are being amended and restated pursuant to the Subsidiary Credit Agreement; and

WHEREAS, pursuant to the terms and conditions of the Subsidiary Credit Agreement, the Lenders have made certain commitments to make additional loans to, and participate in and/or issue letters of credit for the account of, the Borrowers; and

WHEREAS, the Lenders have agreed to amend and restate the 1992 Credit Agreements upon terms and conditions acceptable to the Company and the Borrowers; and

WHEREAS, it was a condition precedent to the incurrence of loans and participation in letters of credit under the 1992 Credit Agreements that the Pledgors execute and deliver to the Agent the 1992 Subsidiary Collateral Accounts Assignment Agreement and it is a condition precedent to the incurrence of loans and the issuance of letters of credit under the Credit Agreements that each Pledgor executes and delivers to the Agent this Agreement;
NOW, THEREFORE, in consideration of the foregoing and the agreements, provisions and covenants contained herein, each Pledgor and the Agent hereby agree as follows:

SECTION 1. DEFINITIONS. (a) The terms defined in the Subsidiary Credit Agreement (by reference to the Company Credit Agreement or otherwise) and not otherwise defined herein, including in the recital paragraphs, are used herein as defined therein.

(b) The following terms used in this Agreement shall have the following meanings:

"COLLATERAL" means (a) all funds from time to time on deposit in the Subsidiary L/C Cash Collateral Account, (b) all investments in the Subsidiary L/C Cash Collateral Account and all certificates and instruments from time to time representing or evidencing such investments, (c) all notes, certificates of deposit, checks and other instruments from time to time hereafter delivered to or otherwise possessed by the Agent for or on behalf of the Pledgors in substitution for or in addition to any or all of the Collateral, (d) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Collateral, and (e) to the extent not covered by clauses (a) through (d) above, all proceeds of any or all of the foregoing Collateral.

"INVESTMENTS" means those investments, if any, made by the Agent pursuant to Section 5 hereof.

"OBLIGATIONS" means all obligations of each Pledgor under the Subsidiary Credit Agreement and the other Credit Documents.

"SUBSIDIARY L/C CASH COLLATERAL ACCOUNT" means the cash collateral account established and maintained pursuant to Section 2 hereof.

SECTION 2. ESTABLISHMENT OF COLLATERAL ACCOUNT. (a) If, at any time, any Subsidiary Borrower is required to deposit any amounts into the L/C Cash Collateral Account pursuant to Section 4.2(a) of the Subsidiary Credit Agreement, the Agent and the Subsidiary Borrowers shall, and at all other times the Agent may, and upon the request of the Agent the Borrowers shall, establish and maintain at the Payment Office, in the name of the Pledgors but under the sole dominion and control of the Agent, a cash collateral account bearing interest only as a result of investments permitted by Section 5. The Pledgors hereby jointly and severally agree to deposit in the Subsidiary L/C Cash Collateral Account each amount, if any, required to be so deposited in respect of Subsidiary Letters of Credit pursuant to Section 4.2(a) of the Subsidiary Credit Agreement.

(b) Any amounts deposited in the Subsidiary L/C Cash Collateral Account shall be (A) applied to the reimbursement of payments made by the L/C Banks and the other Lenders in respect of drawings under Subsidiary Letters of Credit in accordance with and subject to Sections 2.3 and 2.4 of the Subsidiary Credit Agreement or Section 9 of the Credit Agreements, (B) applied in accordance with Section 12 hereof or (C) released to the Pledgors pursuant to Section 4.2(a) of the Subsidiary Credit Agreement.

SECTION 3. CONDITIONAL ASSIGNMENT OF COLLATERAL. Each Pledgor hereby assigns to the Agent for its benefit and the benefit of the Lenders, and grants to the Agent for its benefit and the benefit of the Lenders a lien and security interest in, the Collateral. In accordance with Section 12 hereof, upon the failure of any Pledgor to pay the Obligations in accordance with the provisions of the Subsidiary Credit Agreement and the other Credit Documents, the Agent may apply any and all amounts constituting and in respect of Collateral in satisfaction of the payment in full of the Obligations. Upon payment in full of
the Obligations, the Agent agrees to re-assign to the Pledgors the remaining Collateral.

SECTION 4. DELIVERY OF COLLATERAL. All certificates or instruments, if any, representing or evidencing the Collateral shall be delivered to and held by the Agent pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Agent. In the event any Collateral is not evidenced by a certificate, a notation, reflecting title in the name of
the Agent or the security interest of the Agent shall be made in the records of the issuer of such Collateral or in such other appropriate records as the Agent may require, all in form and substance reasonably satisfactory to the Agent. The Agent shall have the right, upon the occurrence and during the continuance of an Event of Default to transfer to or to register in the name of the Agent or any of its nominees any or all of the Collateral. In addition, the Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Collateral for certificates or instruments of smaller or larger denominations.

SECTION 5. INVESTING OF AMOUNTS IN THE SUBSIDIARY L/C CASH COLLATERAL ACCOUNT. Cash held by the Agent in the Subsidiary L/C Cash Collateral Account shall not be invested or reinvested except as provided in this Section 5.

(a) Except as otherwise provided in Section 12 hereof, the Company (i) may direct the Agent to (A) invest cash (including the proceeds of sales of Cash Equivalents) in the Subsidiary L/C Cash Collateral Account from time to time in Cash Equivalents and (B) deliver to the Company for distribution to the respective Pledgors any interest accrued on the amounts deposited in the Subsidiary L/C Cash Collateral Account; PROVIDED, that the Agent shall not be obligated to deliver any such interest (x) more often than once every calendar month, (y) to the extent that either before or after such delivery of interest, the Company would be required to deposit any amount in the Subsidiary L/C Cash Collateral Account pursuant to Section 4.2(a) of the Subsidiary Credit Agreement, or (z) upon the occurrence and during the continuance of an Event of Default; and (ii) shall direct the Agent to sell any such Cash Equivalents from time to time to the extent necessary such that the amount of cash held in the Subsidiary L/C Cash Collateral Account is sufficient to permit any application thereof to the payment of the Obligations as provided in the Subsidiary Credit Agreement.

(b) The Agent is hereby authorized to sell or set-off, and shall sell, all or any designated part of the Collateral (i) so long as no Event of Default shall have occurred and be continuing, upon the receipt of appropriate written or tested telex instructions from the Company, or (ii) in any event (but only with prior written notice to the Company) if such sale is necessary to permit the Agent to perform its duties hereunder or under the Subsidiary Credit Agreement, PROVIDED, HOWEVER that the Agent shall have no responsibility for any loss in the value of the Collateral resulting from a fluctuation in interest rates or otherwise as a result of any such sale or any sale pursuant to Section 12. Except as provided in paragraph (a) above, any interest on securities constituting part of the Collateral and the net proceeds of the sale or payment of any such securities shall be held in the Subsidiary L/C Cash Collateral Account by the Agent.

SECTION 6. REPRESENTATIONS AND WARRANTIES. In addition to its representations and warranties made pursuant to Section 6 of the Subsidiary Credit Agreement and warrants to the Agent for the benefit of the Lenders that the following statements are true, correct and complete:

(a) On and after the Closing Date, the Pledgors will be the legal and beneficial owner of the Collateral free and clear of any Lien except for the
lien and security interest created by this Agreement; and

(b) The pledge, assignment and possession of the Collateral pursuant to this Agreement creates a valid assignment of, and a valid and perfected first priority security interest in the Collateral, securing the payment of the Obligations.

SECTION 7. FURTHER ASSURANCES. Each Pledgor agrees that at any time and from time to time, at its expense, it will promptly execute and deliver to the Agent any further instruments and documents, and take any further actions, that may be necessary or that the Agent may reasonably request, in order to protect the assignment given hereby or to perfect and protect any security interest granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

SECTION 8. TRANSFERS AND OTHER LIENS. Except as permitted hereunder, each Pledgor agrees that it will not (a) sell or otherwise dispose of any Collateral or any interest in the Collateral, or (b) create or permit to exist any Lien upon or with respect to any of the Collateral, except for the lien and security interest created by this Agreement and Permitted Liens.

SECTION 9. THE AGENT APPOINTED ATTORNEY-IN-FACT. Each Pledgor hereby irrevocably appoints the Agent as its attorney-in-fact, coupled with an interest and with full authority in the place and stead of such Pledgor and in the name of such Pledgor or otherwise, from time to time in Agent's reasonable discretion after the occurrence and during the continuance of an Event of Default to take any action and to execute any instrument which the Agent may reasonably deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to such Pledgor representing any payment, dividend, or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same. In performing its functions and duties under this Agreement, the Agent shall act solely as the agent of the Lenders and the Agent has not assumed and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for any Pledgor.

SECTION 10. THE AGENT MAY PERFORM. If any Pledgor fails to perform any agreement contained herein, after notice to such Pledgor, the Agent may itself perform, or cause performance of, such agreement, and the expenses of the Agent, as the case may be, incurred in connection therewith shall be payable by the Pledgors under Section 13 hereof.

SECTION 11. STANDARD OF CARE; NO RESPONSIBILITY FOR CERTAIN MATTERS. In dealing with the Collateral in its possession, the Agent shall exercise the same care which it would exercise in dealing with its own property of a similar nature, but it shall not be responsible for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral whether or not the Agent has or is deemed to have knowledge of such matters, (b) taking any steps to preserve rights against any parties with respect to any Collateral (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Collateral), (c) the collection of any proceeds, (d) any loss resulting from Investments made pursuant to Section 5 hereof, except for a loss resulting from the Agent's gross negligence or willful misconduct in complying with said Section 5, or (e) determining (i) the correctness of any statement or calculation made by any Pledgor in any written or telex (tested or otherwise) instructions, or (ii) whether any deposit in the Subsidiary L/C Cash Collateral Account is proper.

SECTION 12. REMEDIES UPON DEFAULT. If any Default or Event of Default shall have occurred and be continuing:
(a) the Agent may sell all or any portion of the Collateral and apply the cash proceeds thereof and any other cash in the Subsidiary L/C Cash Collateral Account to the payment of any of the Obligations, whether or not due, in such order as the Required Lenders may determine in their sole discretion; any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all Obligations shall be paid over to the Pledgors or to whomsoever may be lawfully entitled to receive such surplus; and

(b) anything contained herein to the contrary notwithstanding, any of the Collateral consisting of investments in call deposits of the Lenders shall be subject to the Lenders' rights of set-off under Section 12.2 of the Subsidiary Credit Agreement.

SECTION 13. INDEMNITY. Without duplication of any amounts payable under Section 12.1 of each of the Company Credit Agreement and the Subsidiary Credit Agreement and any other similar indemnity provision contained in any other Credit Document, the Pledgors shall (i) whether or not the transactions hereby contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Agent actually incurred in connection with the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of the Agent with respect thereto) of and in connection with the preparation, execution and delivery of this Agreement (including, without limitation, the reasonable fees and disbursements of Skadden, Arps, Slate, Meagher & Flom) and of the Agent and each Lender actually incurred in connection with the preservation of rights under, and enforcement of, and, after an Event of Default, renegotiation or restructuring of this Agreement and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of counsel for the Agent and each Lender); (ii) pay and hold the Agent and each of the Lenders harmless from and against any and all present and future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to this Agreement and save the Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay any such taxes, charges or levies; and (iii) indemnify the Agent and each Lender, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all costs, losses, liabilities, claims, damages or expenses actually incurred by any of them (whether or not any of them is designated a party thereto) arising out of or by reason of any investigation, litigation or other proceeding related to this Agreement or any transaction contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding. Notwithstanding anything in this Agreement to the contrary, the Pledgors shall not be responsible to the Agent, or any officer, director, employee, representative or agent of the foregoing (an "Indemnified Party") for any losses, damages, liabilities or expenses which result from such Indemnified Party's gross negligence or willful misconduct. It is understood that the Pledgors shall not, in connection with any single action, suit, proceeding or claim or separate but substantially similar or related actions, suits, proceedings or claims, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at the same time for the Indemnified Parties (which firm shall be designated by the Agent) except that, if any Indemnified Party other than the Agent shall determine, in its sole discretion, that there may be a conflict in such firm representing the Agent and such Indemnified Party, then the Pledgors shall be liable for the reasonable fees and expenses of an additional firm for such Indemnified Party whose interests may be in conflict. The Pledgors' obligations under this Section 13 shall survive any termination of this Agreement.

SECTION 14. NO WAIVER. No failure on the part of the Agent to exercise, and no course of dealing with respect to, and no delay in exercising,
any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the Agent of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein provided are to the fullest extent permitted by law cumulative and are not exclusive of any remedies provided by law, in equity or under any other Credit Document.

SECTION 15. AMENDMENTS, ETC. No amendment, modification, termination or waiver of any provision of this Agreement, or consent to any departure by any Pledgor therefrom, shall in any event be effective unless the same shall be executed in accordance with the terms of the Subsidiary Credit Agreement.

SECTION 16. NOTICES. Except as otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be given to the parties hereto at the addresses and in the manner specified in the Subsidiary Credit Agreement.

SECTION 17. CONTINUING SECURITY INTEREST; TERMINATION. Except as provided hereunder and under the Subsidiary Credit Agreement, none of the Pledgors nor any Person claiming on behalf of or through the Pledgors shall have any right to withdraw any of the funds held in the Subsidiary L/C Cash Collateral Account until the termination of the Total Revolving Loan Commitment, indefeasible payment in full of all of the Obligations and no Letters of Credit or Subsidiary Letters of Credit are outstanding. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the termination of the Total Revolving Loan Commitment, indefeasible payment in full of all Obligations and no Letters of Credit or Subsidiary Letters of Credit are outstanding, (b) be binding upon each Pledgor, its successors and assigns, and (c) inure to the benefit of the Agent, the Lenders, and their respective successors, transferees and assigns; PROVIDED that no Pledgor may assign or transfer any of its interests or obligations hereunder without the written consent of the Required Lenders. Without limiting the generality of the foregoing clause (c) and subject to the provisions of Section 12.4 of the Subsidiary Credit Agreement, any Lender may assign or otherwise transfer any Note held by it to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise. Upon the termination of the Total Revolving Loan Commitment, indefeasible payment in full of all Obligations and the cancellation or expiration of all outstanding Letters of Credit and Subsidiary Letters of Credit, each Pledgor shall be entitled to the return, upon its request and at its expense, of such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

SECTION 18. GOVERNING LAW; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREFUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF). ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PLEDGOR HEREBY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE JURISDICTION OF THE AFORESAID COURTS SOLELY FOR THE PURPOSE OF ADJUDICATING ITS RIGHTS OR THE RIGHTS OF THE AGENT WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. EACH PLEDGOR HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM LOCATED AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS THE DESIGNEE, APPOINTEE AND AGENT OF SUCH PLEDGOR, TO RECEIVE, FOR AND ON BEHALF OF SUCH PLEDGOR, SERVICE OF PROCESS IN SUCH JURISDICTIONS IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO AND SUCH SERVICE SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE DEEMED COMPLETED TEN DAYS AFTER DELIVERY THEREOF TO SAID AGENT. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARDED BY MAIL TO SUCH PLEDGOR AT ITS ADDRESS SET FORTH IN THE SUBSIDIARY CREDIT AGREEMENT, BUT THE FAILURE OF ANY PLEDGOR TO RECEIVE SUCH COPY SHALL NOT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, AFFECT IN ANY WAY THE SER-
VICE OF SUCH PROCESS. EACH PLEDGOR HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE AGENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY PLEDGOR IN ANY OTHER JURISDICTION.

SECTION 19. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PLEDGOR HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY MATTER ARISING IN CONNECTION HEREUNDER.

SECTION 20. AMENDMENT AND RESTATEMENT. This Agreement constitutes an amendment and restatement of the 1992 Subsidiary Collateral Accounts Assignment Agreement amended hereby (the "Original Instrument"), and such Original Instrument shall continue in effect on and after the date hereof as so amended and restated. The parties do not intend that this Agreement constitute a novation, termination, release or satisfaction of the Original Instrument, or constitute payment or satisfaction of any indebtedness or other obligation secured by the Original Instrument.

IN WITNESS WHEREOF, each Pledgor and the Agent have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

Bankers Trust Company,
as Agent

By /s/ Mary Kay Coyle
--------------------------------
Name: Mary Kay Coyle
Title: Vice President

PLEDGORS:

By /s/ Charlotte A. Sanford
--------------------------------
Charlotte A. Sanford in her capacity as Treasurer for each of the corporations, each as a Pledgor, listed on Schedule I hereto

SCHEDULE I
II. SUBSIDIARY LOANS

Charter Behavioral Health System of Northern California, Inc.
Charter Behavioral Health System of Northwest Indiana, Inc.
Charter Hospital of St. Louis, Inc. (Orlando South)
Charter Indianapolis Behavioral Health System, Inc.
Charter Lakeside Behavioral Health System, Inc.
Charter Mission Viejo Behavioral Health System, Inc.
Charter San Diego Behavioral Health System, Inc.
Charter South Bend Behavioral Health System, Inc.
Charter Terre Haute Behavioral Health System, Inc.
Charter Woods Behavioral Health System, Inc.
INDENTURE OF MORTGAGE, DEED TO
SECURE DEBT, DEED OF TRUST, SECURITY
AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS; AMENDED
INDENTURE OF MORTGAGE, DEED TO SECURE DEBT,
DEED OF TRUST, SECURITY AGREEMENT AND
ASSIGNMENT OF LEASES AND RENTS; AND
CONSOLIDATION AGREEMENT

from

CHARTER HOSPITAL OF ST. LOUIS, INC.
2700 E. Phillips Road
Greer, South Carolina 29651
as DEBTOR, GRANTOR, TRUSTOR
and MORTGAGOR

to

BANKERS TRUST COMPANY, as Agent,
as GRANTEE, SECURED PARTY
BENEFICIARY and MORTGAGEE
280 Park Avenue
New York, New York 10015

Dated as of May 2, 1994

The total outstanding principal amount of indebtedness secured by this
instrument shall not exceed Three Hundred Million and 00/100 Dollars
($300,000,000.00). This instrument contains after acquired property provisions.
This instrument is intended to secure the debts and obligations referred to
herein.

This document was prepared by:

Kenneth Kraus, Esq.
Skadden, Arps, Slate,
Meagher & Flom
1440 New York Ave., N.W.
Washington, D.C. 20005

INDENTURE OF MORTGAGE, DEED TO SECURE DEBT, DEED OF TRUST, SECURITY
AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS; AMENDED INDENTURE OF MORTGAGE,
DEED TO SECURE DEBT, DEED OF TRUST, SECURITY AGREEMENT AND ASSIGNMENT OF LEASES
AND RENTS; AND CONSOLIDATION AGREEMENT dated as of May 2, 1994 (herein, together
with all amendments and supplements hereto, called this "Mortgage"), made by the
entity identified as "Debtor, Grantor, Trustor and Mortgagor" on the cover page
hereof (herein together with any corporation succeeding thereto by merger,
consolidation or acquisition of its assets substantially as an entirety, the
"Mortgagor"), and BANKERS TRUST COMPANY ("Agent"), a New York banking
corporation, as collateral agent for the Banks (as hereinafter defined) and the
Co-Agent (as hereinafter defined), as grantee, secured party, beneficiary and
mortgagee (each of the Agent, the Co-Agent and the Banks is sometimes
individually referred to as a "Beneficiary" and, collectively "Beneficiaries"),
having its principal office at 280 Park Avenue, New York, New York 10015 and the
person or entity identified as "Trustee" on the cover page hereof (herein
together with his or its successors and assigns, the "Individual Trustee" (in
the case of an individual) or the "Jurisdictional Trustee" (in the case of an
entity)) (the Individual Trustee, together with the Jurisdictional Trustee and
all separate trustees and co-trustees appointed as provided in Section 4.4,
sometimes collectively referred to as the "Trustees").

**RECITALS:**

1. Mortgagor is (i) either the owner in fee simple absolute of or the holder of a leasehold estate in the real property described in SCHEDULE A hereto, (ii) either the owner in fee simple absolute of, or the holder of a leasehold estate in the Improvements and Personal Property (each as hereinafter defined) and (iii) the owner either of the landlord's interest or sublandlord's interest in any and all leases of all or any portion of the Trust Estate (as hereinafter defined).

2. WAF Acquisition Corporation, a Delaware corporation (as succeeded by Charter Medical Corporation as the surviving corporation pursuant to the Merger (as defined in the Original Company Credit Agreement referred to below), the "Company"), the institutions who are party to that Credit Agreement (the "Original Banks"), the Agent and Wells Fargo Bank, National Association ("Wells Fargo") and Bank of America National Trust and Savings Association ("Bank of America"), as Co-Agents entered into that certain Credit Agreement dated as of September 1, 1988 (as amended through July 20, 1992, the "Original Company Credit Agreement"), pursuant to which the Original Banks made loans to the Company (the "Original Credit Agreement Loans") which are evidenced by certain promissory notes (the "Original Credit Agreement Notes")

3. The Company, the Original Banks and the Agent entered into that certain Amended and Restated Credit Agreement, dated as of July 21, 1992 (the "1992 Credit Agreement Amendment"), pursuant to which the Original Banks made amended, consolidated and restated loans to the Company (the "1992 Loans") which are evidenced by certain promissory notes (the "1992 Notes")

4. The Company, certain of the Original Banks and certain other financial institutions (collectively, the "Banks"), the Agent and First Union National Bank (NC), as co-agent (the "Co-Agent") have entered into that certain Second Amended and Restated Credit Agreement, dated as of the date hereof (the "Amended Credit Agreement"). The Original Company Credit Agreement as amended by the 1992 Credit Agreement Amendment and as amended and restated in its entirety pursuant to the Amended Credit Agreement and as the same may hereafter be amended, restated, supplemented or otherwise modified is hereinafter referred to as the "Company Credit Agreement".

5. Pursuant to the Company Credit Agreement some or all of the loans and letter of credit obligations outstanding under the Original Credit Agreement as amended by the 1992 Credit Agreement Amendment will be continued, and the Banks have made loans to and will make further loans to the Company, have participated in letters of credit and may issue and participate in additional letters of credit for the account of the Company. The Original Credit Agreement Loans, the 1992 Loans and the loans made and to be made pursuant to the Company Credit Agreement are hereinafter collectively referred to as the "Credit Agreement Loans". The Original Credit Agreement Notes, as amended and restated by the 1992 Notes, are contemporaneously herewith being amended, restated and consolidated to include loans made and to be made pursuant to the Company Credit Agreement pursuant to new promissory notes (the "1994 Notes"). The Original Credit Agreement Notes, as amended and restated by the 1992 Notes and as amended, restated and consolidated contemporaneously herewith by the 1994 Notes, as all of the foregoing may hereafter be amended, restated, supplemented or otherwise modified, together with each and every other note executed and delivered from time to time pursuant to the Company Credit Agreement, are hereinafter referred to as the "Credit Agreement Notes".

6. Certain of the Original Banks, the Agent, Bank of America and Wells Fargo entered into that certain Credit Agreement, dated as of September 1, 1988 (as amended through July 20, 1992, the "Original Subsidiary Credit Agreement") with each of the subsidiary borrowers a party thereto, pursuant to
which the Original Banks made loans to the subsidiary borrowers (collectively, the "Original Subsidiary Loans") and purchased participations in letters of credit issued for the account of the subsidiary borrowers (the "Original Subsidiary Letters of Credit")

7. The 1992 Banks and the Agent entered into that certain Amended and Restated Subsidiary Credit Agreement, dated as of July 21, 1992, with each of the subsidiary borrowers (the "1992 Subsidiary Credit Agreement Amendment"), pursuant to which the Original Banks made loans to the subsidiary borrowers (the "1992 Subsidiary Loans") which are evidenced by certain promissory notes (the "1992 Subsidiary Notes").

8. The Banks, the Agent and the Co-Agent have entered into that certain Second Amended and Restated Subsidiary Credit Agreement, dated as of the date hereof, with each of the subsidiary borrowers a party thereto (the "Amended Subsidiary Credit Agreement"). The Original Subsidiary Credit Agreement as amended by the 1992 Subsidiary Credit Agreement Amendment and as amended and restated in its entirety pursuant to the Amended Subsidiary Credit Agreement and as the same may hereafter be amended, restated, supplemented or otherwise modified is hereinafter referred to as the "Subsidiary Credit Agreement"). The Company Credit Agreement and the Subsidiary Credit Agreement are hereinafter together referred to as the "Agreements" and individually as an "Agreement".

9. Pursuant to the Subsidiary Credit Agreement the loans and letter of credit obligations outstanding under the Original Subsidiary Credit Agreement as amended by the 1992 Subsidiary Credit Agreement Amendment will be continued, and the Banks have made loans to and will make further loans to the subsidiary borrowers and have participated in letters of credit and may issue and participate in additional letters of credit for the accounts of the subsidiary borrowers. The Original Subsidiary Loans, the 1992 Subsidiary Loans and the loans made and to be made pursuant to the Subsidiary Credit Agreement are hereinafter collectively referred to as the "Subsidiary Loans". The Credit Agreement Loans and the Subsidiary Loans are hereinafter collectively referred to as the "Loans". The Original Subsidiary Notes, as amended and restated by the 1992 Subsidiary Notes, are contemporaneously herewith being amended and restated to include loans made and to be made pursuant to the Subsidiary Credit Agreement pursuant to new promissory notes (the "1994 Subsidiary Notes"). The Original Subsidiary Notes, as amended and restated by the 1992 Subsidiary Notes and as amended and restated contemporaneously herewith by the 1994 Subsidiary Notes, as all of the foregoing may hereafter be amended, restated, supplemented or otherwise modified, together with each and every other note executed and delivered from time to time pursuant to the Subsidiary Credit Agreement, are hereinafter referred to as the "Subsidiary Notes". The Credit Agreement Notes and the Subsidiary Notes are hereinafter collectively referred to as the "Notes" and individually as a "Note".

10. The Loans are in the form of revolving credit loans under which advances, payments and readvances may be made from time to time, and the Loans will bear interest at variable rates which are described in the Notes and Agreements.

11. Mortgagor is a wholly-owned subsidiary of the Company or of another wholly-owned subsidiary of the Company, and has and will benefit, directly or indirectly, from the Loans.

12. Mortgagor executed and delivered to the Agent that certain Indenture of Mortgage, Deed to Secure Debt, Deed of Trust, Security Agreement, and Assignment of Leases and Rents, dated as of September 30, 1988, and recorded on October 15, 1990 in the RMC Office of Greenville County in Book 2107, at Page 162 (the "Original Mortgage"), covering the Trust Estate and securing, among other things, (i) payment of all principal and interest and other sums due
or becoming due in respect of the Original Subsidiary Loans and the Original Subsidiary Notes; and (ii) payment by the Company of all principal and interest and other sums due or becoming due under the Original Credit Agreement Loans and the Original Credit Agreement Notes.

13. Mortgagor executed and delivered to the Agent that certain Amended and Restated Indenture of Mortgage, Deed to Secure Debt, Deed of Trust, Security Agreement and Assignment of Leases and Rents, dated as of July 21, 1992, and recorded on July 22, 1992, in the RMC Office of Greenville County in Book 2275, at Page 284 (the "1992 Mortgage"), covering the Trust Estate and securing, among other things, (i) payment of all principal and interest and other sums due or becoming due in respect of the Original Subsidiary Loans, the 1992 Subsidiary Loans, the Original Subsidiary Notes and the 1992 Subsidiary Notes; and (ii) payment by the Company of all principal and interest and other sums due or becoming due under the Original Credit Agreement Loans, the 1992 Loans, the Original Credit Agreement Notes and the 1992 Notes.

14. The Original Mortgage and the 1992 Mortgage were executed and delivered to the Agent for the benefit of the Issuing Banks party to the Intercreditor Agreement and the Trustee for the Senior Secured Notes (as such terms are defined in the 1992 Mortgage) and for the benefit of the Banks. The Senior Secured Notes have been irrevocably paid in full; and each Issuing Bank has terminated as of the date hereof the Reimbursement Agreements (as defined in the 1992 Mortgage) to which it is a party (other than the Credit Documents to the extent the same could be considered Reimbursement Agreements). The Intercreditor Agreement has been terminated, except for the appointment thereunder by the Banks of the Agent as collateral agent, which appointment has been ratified and confirmed in the Company Credit Agreement and the Subsidiary Credit Agreement.

15. This Mortgage is being given by Mortgagor to secure, subject to the provisions hereof, (i) payment of all principal and interest and other sums due or becoming due in respect of the Subsidiary Loans and the Subsidiary Notes; (ii) payment of all reimbursement obligations arising under the Agreements in respect of Letters of Credit and Subsidiary Letters of Credit (as such terms are defined in the Company Credit Agreement); (iii) payment by the Company of all principal and interest and other sums due or becoming due under the Credit Agreement Loans and the Credit Agreement Notes; (iv) the payment of any further or subsequent advances made to preserve the lien of this Mortgage and any other sums due or becoming due under this Mortgage; and (v) performance of all terms, covenants, conditions, agreements and liabilities contained in this Mortgage, the Company Credit Agreement, the Subsidiary Credit Agreement, the Notes, the Guaranty (as hereinafter defined), the Other Mortgages (as hereinafter defined) and any other mortgage, or deed of trust or other security instrument or agreement given to secure payment of any of the foregoing (collectively, the "Loan Documents"). This Mortgage secures future obligations as well as obligations that currently exist. All of the foregoing payment and performance obligations in clauses (i), (ii), (iii), (iv) and (v) of the preceding sentence are hereinafter called the "Indebtedness."

16. The parties intend that all advances of portions of any of the Loans which are revolving loans shall constitute obligatory advances; subject, however, to the terms and conditions of the applicable Agreement.

G R A N T I N G   C L A U S E S:

NOW, THEREFORE, THIS MORTGAGE WITNESSETH: that the terms, covenants and conditions of the Original Mortgage and the 1992 Mortgage are hereby amended by this Mortgage; that the liens of the Original Mortgage, the 1992 Mortgage and this Mortgage be and the same hereby are consolidated as a joint and single lien covering the Trust Estate; and that the Mortgagor, in consideration of
the Trust Estate, the acceptance by the Agent of the trusts created hereby and by the Agreements, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged (a) has mortgaged, warranted, granted, bargained, sold, conveyed, pledged, and assigned and (b) by these presents does hereby mortgage, warrant, grant, bargain, sell, convey, pledge, and assign unto the Agent and Trustees and their successors and assigns forever, in the trusts created hereby and by the Agreements to secure payment and performance of the Indebtedness, all and singular, for the benefit of the Beneficiaries, all its estate, right, title and interest in, to and under any and all of the property (herein called the "Trust Estate") described in the following Granting Clauses; PROVIDED, HOWEVER, the maximum liability of the Mortgagor hereunder shall not at any time exceed the sum of its Maximum Guaranty Liability (as defined in the Guaranty and "Guaranty" shall mean that certain Second Amended and Restated Subsidiary Guaranty, dated as of the date hereof, made by the Mortgagor and certain affiliates of the Mortgagor in favor of the Agent and the Banks, as the same shall hereafter be amended, restated, supplemented or otherwise modified from time to time) less the sum of any amounts, if any, collected by or on behalf of the Agent from the Mortgagor pursuant to any Loan Documents executed by Mortgagor, and provided further, however, notwithstanding anything herein to the contrary, the total Indebtedness secured by this Mortgage shall not exceed Three Hundred Million Dollars ($300,000,000):

I. Each parcel of land described in Schedule A hereto (herein collectively called the "Land Parcels") together with the entire right, title and interest of the Mortgagor in and to such Land Parcels, together with (a) all right, title and interest of the Mortgagor in and to all buildings, structures and other improvements now standing, or at any time hereafter constructed or placed, upon the Land Parcels, including all of the Mortgagor's right, title and interest in and to all equipment and fixtures of every kind and nature on the Land Parcels or in any such buildings, structures or other improvements (such buildings, structures, other improvements, equipment and fixtures being herein collectively called the "Improvements"), (b) all right, title and interest of the Mortgagor in and to all tenements, hereditaments, easements, rights of way, rights, privileges and appurtenances in and to each Land Parcel belonging or in any way appertaining thereto, including without limitation all right, title and interest of the Mortgagor in, to and under any streets, ways, alleys, vaults, goes or strips of land adjoining each Land Parcel and (c) all claims or demands of the Mortgagor, in law or in equity, in possession or expectancy of, in and to the Land Parcels together with rents, income, revenues, issues and profits from and in respect of the property described above in this Granting Clause I and the present and continuing right to make claim for, collect, receive and receipt for the same as hereinafter provided. It is the intention of the parties hereto that, so far as may be permitted by law, all of the foregoing, whether now owned or hereafter acquired by the Mortgagor, affixed, attached or annexed to each Land Parcel shall be and remain or become and constitute a part of the Trust Estate and the security covered by and subject to the lien of this Mortgage. All such right, title and interest of the Mortgagor in and to a Land Parcel, the interest of the Mortgagor in and to the Improvements located thereon and such other property with respect thereto described in Granting Clause I is herein called a "Property" and all such Properties are herein collectively called the "Properties."

II. All right, title and interest of the Mortgagor in and to (i) all extensions, improvements, betterments, renewals, substitutes and replacements of and on the Property described in the foregoing Granting Clause I and (ii) all additions and appurtenances thereto not presently leased to or owned by the Mortgagor and hereafter leased to, acquired by or released to the Mortgagor or constructed, assembled or placed upon the Properties (including, but not limited to, the fee estate in any Land Parcel) immediately upon such leasing, acquisition, release, construction, assembling or placement, and without any further grant or other act by the Mortgagor.

III. All the estate, right, title and interest of the Mortgagor in and to (i) all judgments, insurance proceeds, awards of damages and settlements resulting from condemnation proceedings or the taking of the Properties, or any
part thereof, under the power of eminent domain or for any damage (whether caused by such taking or otherwise) to the Properties, or any part thereof, or to any rights appurtenant thereto, and all proceeds of any sales or other dispositions of the Properties or any part thereof; and the Agent, subject to Sections 4.2 and 8.2 of the Company Credit Agreement, is hereby authorized to collect and receive said awards and proceeds and to give proper receipts and acquittances thereto and (ii) all contract rights (except for such rights contained in any government or Medicare contracts which according to their terms or pursuant to law cannot be assigned), general intangibles, actions and rights in action, relating to the Properties including, without limitation, all rights to insurance proceeds and unearned premiums arising from or relating to damage to the Properties; and (iii) all proceeds, products, replacements, additions, substitutions, renewals and accessions of and to the Properties.

IV. As additional security for the obligations secured hereby, the Mortgagor does hereby pledge and presently and absolutely assign to the Agent from and after the date hereof (including any period of redemption), primarily and on a parity with said Properties, and not secondarily, all the rents, issues and profits of the real property and all rents, issues, profits, revenues, royalties, bonuses, rights, and benefits due, payable or accruing (including all deposits of money as advance rent, for security or as earnest money or as down payment for the purchase of all or any part of the Properties) (the "Rents") under any and all present and future leases, subleases, lettings and licenses of and all other contracts or other agreements affecting, or relative to, the ownership or occupancy of all or any portion of the Properties and does hereby transfer and assign to the Agent all such leases, subleases and agreements (the "Leases"). The Agent hereby grants to the Mortgagor the right to collect and use the Rents as they become due and payable under the Leases, until an Event of Default (as hereinafter defined) has occurred and is continuing PROVIDED that the existence of such right shall not operate to subordinate this assignment to any subsequent assignment, in whole or in part by the Mortgagor, and any such subsequent assignment shall be subject to the rights of the Agent under this Mortgage. The Mortgagor further agrees to execute and deliver such assignments of Leases as the Agent may from time to time request. Upon the occurrence and during the continuance of an Event of Default (1) the Mortgagor agrees, upon demand, to deliver to the Agent all of the Leases with such additional assignments thereof as the Agent may request and agrees that the Agent may assume the management of the real property, and collect the Rents, applying the same upon the Indebtedness and (2) the Mortgagor hereby authorizes and directs all tenants, purchasers or other persons occupying or otherwise acquiring any interest in any part of the real property to pay the Rents due under the Leases to the Agent upon request of the Agent. The Mortgagor hereby appoints the Agent as its true and lawful attorney in fact to manage said property and collect the Rents, with full power to bring suit for collection of the Rents and possession of the Properties, giving and granting unto said Agent and unto its agent or attorney full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in the protection of the security hereby conveyed; PROVIDED, HOWEVER, that (i) this power of attorney and assignment of rents shall not be construed as an obligation upon the Agent to make or cause to be made any repairs that may be needful or necessary and (ii) the Agent agrees that until such Event of Default has occurred and is continuing as aforesaid, the Agent shall permit the Mortgagor to perform the aforementioned management responsibilities. Upon the Agent's receipt of the Rents, at Agent's option, it may pay: (1) reasonable charges for collection hereunder, costs of necessary repairs and other costs requisite and necessary during the continuance of this power of attorney and assignment of rents and (2) general and special taxes and assessments and insurance premiums. This power of attorney and assignment of leases and rents shall be irrevocable until this Mortgage shall have been satisfied and all of the Trust Estate released of record and the releasing of this Mortgage shall act
as a revocation of this power of attorney and assignment of leases and rents with respect to such portion of the Trust Estate so released. The Agent shall have and hereby expressly reserves the right and privilege (but assumes no obligation) to demand, collect, sue for, receive and recover the Rents, or any part thereof, now existing or hereafter made, and apply the same in accordance with law.

V. All of the Mortgagor's right, title and interest in and to all personal property and equipment of every nature whatsoever now or hereafter located in or on the Trust Estate (collectively, the "Personal Property"), including but not limited to (a) all screens, window shades, blinds, wainscoting, storm doors and windows, floor coverings, and awnings; (b) all apparatus, machin-
permits required for the construction, completion, occupancy and operation of each and every Property, environmental certificates, hospital or other licenses or permits but excluding such government, Medicare or other permits, certificates, approvals, authorizations and licenses which, according to their terms or pursuant to law cannot be so assigned; and (iii) all engineering reports, land planning, maps, surveys, and any other reports, exhibits or plans and specifications used or to be used in connection with the construction, operation or maintenance of each and every Property, together with all amendments and modifications thereof.

VII. All of Mortgagor's rights and interest as lessee under the lease, if any, which may be described in Schedule A hereto (the "Net Lease"), including, without limitation, Mortgagor's right of first refusal or other option to purchase the Property leased under any such Net Lease.

TO HAVE AND TO HOLD THE TRUST ESTATE, whether now owned or held or hereafter acquired, unto the Agent and Trustees and their successors and assigns, forever.

IN TRUST FOREVER, with power of sale (to the extent permitted by applicable law), upon the terms and trusts herein set forth for the benefit and security of the

Agent and Trustees and their successors and assigns, to secure the payment and performance of, and compliance with, the obligations, covenants and conditions of this Mortgage and the Indebtedness, all as herein set forth.

IT IS HEREBY COVENANTED, DECLARED AND AGREED that the Trust Estate is to be held by the Agent or the Trustees upon and subject to the covenants, conditions, uses and trusts set forth in this Mortgage.

C O V E N A N T S:

Mortgagor hereby covenants and agrees as follows:

ARTICLE I.

SECTION 1.1 PAYMENT OF LOANS AND GUARANTY. Mortgagor shall duly and punctually pay or cause to be paid within any applicable grace period set forth in the applicable Agreement covering the same and in the manner specified in the Notes the principal, interest, and all other sums due or to become due or required to be paid under or in respect of any Loan or any of the Agreements or the Notes, and shall perform all of the Mortgagor's obligations under the Guaranty and shall perform all the conditions, covenants and obligations on the part of the Mortgagor to be performed hereunder.

SECTION 1.2 GOOD TITLE. Mortgagor represents, warrants and covenants that: (i) on and as of the date hereof, it has good and marketable title to an indefeasible fee simple estate in the portions of the Trust Estate constituting real property (or leasehold title with respect to any Property which is leased pursuant to the Net Lease, if any, indicated in Schedule A hereto) and rights in the portions of the Trust Estate constituting personal property, subject to no mortgage, pledge, security interest, charge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other) or other security agreement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, any financing lease in the nature thereof, any filing or agreement to file a financing statement as debtor under the Uniform Commercial Code or any similar statute of any jurisdiction, domestic or foreign, other than notice filings not per-
Credit Agreement, and (y) those Liens on Schedule B attached hereto (collectively, "Permitted Encumbrances"); (ii) it will keep in effect all material rights and appurtenances to or that constitute a part of the Trust Estate; and (iii) on and as of the date hereof this Mortgage creates and constitutes a valid and enforceable first mortgage lien on each Property to the extent it constitutes real estate under applicable law and a perfected security interest in so much of the Trust Estate as is governed by the Uniform Commercial Code as adopted in the states where the Land Parcels are located, subject only to Permitted Encumbrances, and Mortgagor does now and will forever warrant and defend to Agent and the Beneficiaries such title and the validity and priority of the Lien hereby created and evidenced against the claims of all persons and parties whomsoever, subject to the provisions of this Mortgage.

SECTION 1.3 INCORPORATION OF TERMS OF 1992 MORTGAGE. The terms, covenants and conditions of the 1992 Mortgage shall be, and the same hereby are, incorporated herein by this reference thereto except as modified by this Mortgage and except that:

(a) The reference to Section 1.08(e) of the Company Credit Agreement in Section 1.5 of the 1992 Mortgage shall be, and hereby is, amended to be a reference to Section 1.8(d) of the Company Credit Agreement;

(b) The references to Section 7.03 of the Company Credit Agreement in Sections 1.7 and 1.10 of the 1992 Mortgage shall be, and hereby are, amended to be references to Section 7.3 of the Company Credit Agreement;

(c) Section 1.14(a) of the 1992 Mortgage shall be, and hereby is, amended to read as follows:

"(a) CASUALTY; ASSIGNMENT OF PROCEEDS. In case of any material damage to, or loss or destruction of, any material Improvements and Personal Property or any part thereof (each, a "Destruction"), Mortgagor shall promptly send to Agent a notice setting forth the nature and extent of such Destruction. The proceeds of any insurance payable in respect of such Destruction are hereby assigned and shall be paid to Agent; provided, however, that insurance proceeds which do not exceed $500,000 for any individual occurrence shall be paid to Mortgagor unless the applicable insurer shall have received a notice from the Agent that a default or an Event of Default (as defined in Section 3.1 hereof) has occurred and is continuing. All insurance proceeds, less the amount of any expenses incurred in litigating, arbitrating, compromising or settling any claim arising out of such Destruction to the extent such amount is greater than $200,000 ("Net Proceeds") , shall be applied in accordance with the provisions of Sections 1.14(c) and 1.14(d)."

(d) Section 1.14(d) of the 1992 Mortgage shall be, and hereby is, amended to read as follows:

"(d) DISTRIBUTION OF NET AWARD OR NET PROCEEDS. In the event Mortgagor does not elect Restoration in accordance with the terms of Section 1.14(c), or, having made such election, Mortgagor fails to commence Restoration within 180 days from the Taking or Destruction or fails to diligently pursue such Restoration to completion, such Net Award or Net Proceeds shall be deemed "Net Proceeds" (as defined in the Company Credit Agreement) of an "Asset Sale" (as defined in the Company Credit Agreement); subject, however, to the amount of such Net Award or Net Proceeds satisfying the applicable mone-
(e) The references to the "Senior Note Indenture" in Sections 1.14(c), 1.14(e) and 5.13 of the 1992 Mortgage shall be, and hereby are, deleted;

(f) The references to the "Intercreditor Agreement" in Sections 2.1(b), 3.2(b), 3.3(c), 4.2(c), 4.2(d), 4.6(a), 4.6(b), 5.6, 5.15 and 5.16 of the 1992 Mortgage shall be, and hereby are, deemed to be references to the "Agreements" as defined herein; and

(g) The reference to "Reimbursement" in Section 3.3(c) of the 1992 Mortgage shall be, and hereby is, deleted.

(h) All references to "Holders" in the 1992 Mortgage shall be, and hereby are, deleted.

SECTION 1.4 NO NOVATION. This Mortgage constitutes an amendment and continuation of the instrument amended hereby (the "Original Instrument"), and such Original Instrument shall continue in effect on and after the date hereof as so amended and continued. The parties do not intend that this Mortgage constitute a novation, termination, release or satisfaction of the Original Instrument, and shall not constitute payment or satisfaction of any indebtedness or other obligation secured by the Original Instrument.

IN WITNESS WHEREOF, the undersigned, by their duly elected officers and pursuant to proper authority of their respective boards of directors have duly executed, sealed, acknowledged and delivered this instrument as of the date first written above.

WITNESSES: CHARTER HOSPITAL OF
ST LOUIS INC.

/s/ Mark Lewis By: /s/ Charlotte A. Sanford
Name: Mark Lewis Name: Charlotte A. Sanford
Title: Treasurer

/s/ Linton Newlin 
Name: Linton Newlin

Attest: /s/ James R. Bedenbaugh
Name: James R. Bedenbaugh
Title: Assistant Secretary

WITNESS: BANKERS TRUST COMPANY,
as Agent

/s/ Tina Henderson By: /s/ Robert E. Megan
Name: Tina Henderson Name: Robert E. Megan
Title: Vice President

/s/ Fiona Salmon 
[SEAL]
CORPORATE ACKNOWLEDGMENT

STATE OF NEW YORK  )
                        ) ss.:
COUNTY OF NEW YORK  )

On this 1st day of May, 1994 before me, the undersigned officer, personally appeared Charlotte A. Sanford and James R. Bedenbaug, personally known and acknowledged themselves to me to be the Treasurer and Assistant Secretary respectively of CHARTER HOSPITAL OF ST. LOUIS, INC. and that as such officers, being duly authorized to do so pursuant to its by-laws or a resolution of its board of directors, executed and acknowledged the foregoing instrument for the purposes therein contained, by signing the name of the corporation by themselves as such officer(s) as their free and voluntary act and deed and the voluntary act and deed of said corporation.

IN WITNESS WHEREOF, I hereunder set my hand and official seal.

/s/ Robert L. Montgomery
------------------------------
Notary Public

My Commission Expires:
[NOTARIAL SEAL]

18

STATE OF NEW YORK  )
                        ) ss.:
COUNTY OF NEW YORK  )

On this 1st day of May, 1994 before me, the undersigned officer, personally appeared Robert Megan, personally known and acknowledged himself to me to be the Vice President of Bankers Trust Company, and that as such officer, being duly authorized to do so pursuant to its by-laws or a resolution of its board of directors, executed and acknowledged the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such officer as his free and voluntary act and deed and the voluntary act and deed of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Robert L. Montgomery
------------------------------
Notary Public

My Commission Expires:
[NOTARIAL SEAL]
SCHEDULE A

DESCRIPTION OF LAND PARCEL

The plot(s), piece(s) and parcel(s) of land described as follows:

ALL that certain piece, parcel or tract of land, situate, lying and being in the State of South Carolina, County of Greenville, on the western side of Phillips Road, as shown on plat entitled "United Healthcare, Inc., dated January 9, 1984, prepared by Enwright Associates Inc., recorded in the RMC Office for Greenville County, S.C. in Plat Book 10-X at Page 34, and being further shown as Lots 13, 14 and 15 in Riverbanks Energy Center on plat entitled "As Built Survey for Park Brierwood Hospital, Inc., Park Health Care Psychiatric Company", dated June 16, 1989, prepared by Freeland-Clinkscales & Associates, Inc., and having, according to said more recent plat, the following courses and distances:

BEGINNING at a point of beginning, being an iron pin located on the western right of way of Phillips Road, and being 867.39 feet south of the intersection of the southern right of way of Shelter Drive, also being known as the front adjoining property corner of Lots 5 and 15 as shown on the subdivision plat entitled "Riverbanks Energy Center, Phase II", and running thence along the western right of way of Phillips Road, S. 04-32 W, 933.58 feet to an iron pin; thence leaving said right of way along a joint property line with property now or formerly of R.J. Roach, N. 84-37 W. 700.00 feet to an iron pin, being a joint property corner of Lots 13 and 15; thence continuing, N. 84-37 W. 98.88 feet to a point at the property corner of Lots 12 and 13; thence along the joint property line with Lots 12 and 13, N. 33-24 W. 670.08 feet to an iron pin located on the eastern right of way of Shelter Drive, being the joint front corner of Lots 12 and 13; thence along the eastern right of way of Shelter Drive along a radius of 823.52 feet with an arc of 185.02 feet and a chord of N. 42-48 E. 184.70 feet to an iron pin, being the joint front corner of Lots 13 and 14; thence continuing along said right of way on a radius of 823.52 feet with an arc of 265.25 feet and a chord of N. 27-05 E. 264.10 feet to an iron pin; thence continuing along said right of way, N. 17-52 E. 183.99 feet to an iron pin, being the joint front corner of Lots 6 and 14; thence leaving said right of way along the joint property line of Lots 6 and 14, S. 56-32 E. 309.99 feet to an iron pin, being a joint property corner of Lots 6, 14, and 15; thence, along a joint property line with Lots 13, 6, and 5, S. 84-36 E. 699.95 feet to an iron pin, being the point of beginning. Said tract contains 22.989 acres.

SCHEDULE B

PERMITTED ENCUMBRANCES

1. Taxes, constituting a lien on the Trust Estate, which are not yet due and payable.

2. Rights or claims of parties in possession, as tenants only, not shown in the public records.

3. Easements or claims of Easements not shown by the public records.

4. Rights of the public and/or government agencies in public rights of way dedicated pursuant to instruments appearing of record or otherwise affecting the Property, if any.

5. Restrictive Covenants recorded in the RMC Office for Greenville County, S.C. in Deed Book 1224, at Page 636, on October 23, 1984.

6. Amendment to Restrictive Covenants and Easements recorded in the RMC Office for Greenville County, S.C. in Deed Book 1225, at Page 747, on November 6, 1984.

7. 75 foot front, 50 foot rear, and 25 foot side building set back lines as shown on plat recorded in the RMC Office for Greenville County, S.C. in Plat Book 10-Z, at Page 34.
8. Twenty-five foot utility easement along the southern property line of the subject property as shown on said plat referred to hereinabove.


10. Drainage and utility easement five feet each side of all side lot lines and ten feet on inside of rear lot lines, as shown on plat dated June 16, 1989, prepared by Freeland-Clinkscales & Associates, Inc., referred to hereinabove.

11. Twenty-five foot public utility easement along the southern property line of the subject property as shown on plat dated June 16, 1989, prepared by Freeland-Clinkscales & Associates, Inc., referred to hereinabove.

12. Overhead electrical lines along the eastern property line of the subject property as shown on said plat referred to hereinabove.
Bear, Stearns & Co. Inc.
245 Park Avenue
New York, New York 10167

BT Securities Corporation
130 Liberty Street, 30th Floor
New York, New York 10006

Ladies and Gentlemen:

Charter Medical Corporation, a Delaware corporation (the "Company"), proposes to issue and sell to Bear, Stearns & Co. Inc. and BT Securities Corporation (the "Initial Purchasers") upon the terms and subject to the conditions hereinafter set forth, $375,000,000 aggregate principal amount of its 11 1/4% Senior Subordinated Notes due 2004 (the "Notes"). The Notes will be issued pursuant to an indenture (the "Indenture") to be dated as of the Closing Date (as hereinafter defined), between the Company, the guarantors party thereto (the "Guarantors") and Marine Midland Bank, as trustee (the "Trustee"). The Indenture and the Notes will be substantially in the forms previously furnished to you and are more fully described in the Offering Memoranda referred to below. All capitalized terms used and not defined herein have the respective meanings ascribed to them in the Offering Memoranda.

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to you as follows:

(a) The Company has prepared and furnished to you a preliminary offering memorandum, dated April 5, 1994, with respect to the Notes that is subject to completion, together with the Supplement, dated April

16, 1994, to such preliminary memorandum (collectively, the "Preliminary Memorandum") and also has prepared and proposes to furnish to you a final offering memorandum, dated April 22, 1994, with respect to the Notes that includes definitive information with respect to the rate of interest on and the offering price of the Notes, the use by the Company of the net proceeds from the sale thereof to you, and other data derived therefrom (hereafter, the "Definitive Memorandum" and collectively with the Preliminary Memorandum, the "Offering Memoranda"). The Preliminary Memorandum and the Definitive Memorandum, at the respective dates thereof and at all times subsequent thereto to and including the Closing Date do not and will not, as of their respective dates, contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, no representation or warranty is made in this subsection (a) with respect to any information contained in or omitted from the Definitive Memorandum or the Preliminary Memorandum in reliance upon and in conformity with information with respect to you that has been
furnished in writing to the Company by you expressly for use in connection with the preparation thereof.

(b) Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included in the Definitive Memorandum any loss or interference with its business from fire, explosion, flood or other calamity (whether or not covered by insurance) or from any labor dispute or court or governmental action, order or decree, other than as set forth in the Definitive Memorandum, which loss or interference would, individually or in the aggregate, have a "Material Adverse Effect" (as defined in subsection (e) below). Subsequent to the respective dates as of which information is provided in the Definitive Memorandum and except as set forth in the Definitive Memorandum, there has not been any change in the capital stock (except for the exercise by grantees of outstanding options to purchase shares of Common Stock, $.25 par value, of the Company in accordance with the terms of such options and the plans under which they were issued) or long-term debt (except for scheduled principal payments, repayments and reductions of indebtedness with the net proceeds from the sale of assets of the Company or its subsidiaries and excess cash from operations and one principal prepayment in respect of the Company's presently outstanding bank term loan) of the Company or any of its subsidiaries, any material adverse change in the business, prospects, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries taken as a whole (a "Material Adverse Change"), or any development or event involving a prospective Material Adverse Change, whether or not arising from transactions in the ordinary course of business, and since the date of the latest balance sheet included in the Definitive Memorandum, neither the Company nor any of its subsidiaries has incurred or undertaken any liabilities or obligations, direct or contingent, that are material to the Company and its subsidiaries taken as a whole, except for those that are fully disclosed in the Definitive Memorandum.

(c) This Agreement, the New Credit Agreement (and the "Credit Documents" as therein defined) and the Exchange and Registration Rights Agreement being entered into concurrently herewith, which shall be substantially in the form of Exhibit A hereto (the "Registration Rights Agreement"), have been duly and validly authorized, executed and delivered by the Company and each is a valid and binding agreement of the Company enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally, and to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity), and except insofar as rights to indemnification and contribution contained therein may be limited by federal or state securities laws or related public policy. This Agreement, the Registration Rights Agreement and the New Credit Agreement (and the Credit Documents) conform to the general descriptions thereof set forth in the Offering Memoranda, which general descriptions do not purport to describe all provisions of such documents.

(d) The execution, delivery, and performance by the Company and the Guarantors of this Agreement, the Registration Rights Agreement, the Indenture, the Notes and the New Credit Agreement (and the Credit Documents), in each case to the extent a party thereto, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the issuance, sale and delivery of the Notes and the application of the net proceeds therefrom as set forth in the Offering Memoranda under the caption "Use of Proceeds," will not (i)
conflict with or result in a breach of any of the terms and provisions of, or constitute a default (or an event that with notice, lapse of time, or both, would constitute a default) or require consent under, or result in the creation (except for the liens expressly contemplated by and created under the New Credit Agreement and the Credit Documents) or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries, pursuant to the terms of any agreement, instrument, franchise, license or permit to or by which the Company or any of its subsidiaries is a party or may be bound (other than those as to which requisite waivers or consents have been obtained by the Company and furnished to you, and other than the agreements and instruments identified on Schedule 1(d) hereto relating to outstanding indebtedness of the Company and/or its subsidiaries which indebtedness shall be paid or redeemed in full or for which full provision for repayment in full shall irrevocably have been made on or prior to the Closing Date, or (ii) violate or conflict with any provision of the certificate of incorporation, by-laws, or equivalent instruments, of the Company or any of its subsidiaries (as amended and/or restated through the date hereof) or any judgment, decree, order, law, rule or regulation of any court or any public or governmental authority having jurisdiction over the Company or any of its subsidiaries or any of their respective properties or assets. No consent, approval, authorization, order, registration, filing, qualification, license or permit of or with any court or any public or governmental authority having jurisdiction over the Company or any of its subsidiaries or any of their respective properties or assets is required for the execution, delivery and performance of this Agreement, the Registration Rights Agreement, the New Credit Agreement (and the Credit Documents), the Indenture or the Notes, except for such filings as may be required by, and compliance with, federal and state securities laws in connection with the performance of the Company's obligations under the Registration Rights Agreement.

(e) Each of the Company and its subsidiaries has been duly organized, is validly existing as a corporation in good standing under the laws of its respective jurisdiction of incorporation and has the requisite corporate power and authority to conduct its business as described in the Offering Memoranda and to own, lease and operate its properties, and each is duly qualified and in good standing as a foreign corporation authorized to conduct business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified or in good standing would not have a material adverse effect on the business, prospects, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole or adversely affect the validity or enforceability of the Notes (a "Material Adverse Effect").

(f) All of the outstanding shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued and are fully paid and non-assessable (except for assessments that may be imposed by the laws of governmental authorities of the State of New York with respect to back wages due to employees), and are owned directly or indirectly by the Company (except that the subsidiaries of the Company identified on Schedule 1(f) hereto may not be wholly owned, directly or indirectly, by the Company because of applicable statutory requirements of the jurisdictions set forth on such schedule), free and clear of any security interest, claim, lien, or encumbrance, except for (i) those in favor of a wholly owned domestic subsidiary or of a foreign subsidiary of the Company, (ii) those created in connection with the acquisition of a wholly owned domestic or a foreign subsidiary of the Company, the obtaining of first mortgage financing and the issuance of municipal, industrial development or similar tax exempt securities by certain subsidiaries of the Company and (iii) those to be created or permitted pursuant to the New Credit Agreement and the Credit Documents, and there are no preemptive, subscription or other rights granted to or in favor of any person other than the Company or one of its wholly owned subsidiaries to acquire any such capital stock.

(g) The Company has an authorized capitalization as set forth in
the Offering Memoranda. At the Closing Date, all of the outstanding capital stock of the Company will have been duly authorized and will be validly issued, fully paid and non-assessable and will not have been issued in violation of any preemptive, subscription or similar rights.

(h) The Notes have been duly and validly authorized for issuance by all necessary corporate action on the part of the Company and, when executed and delivered by the Company (assuming the due authorization, execution and delivery of the Indenture by the Trustee and the execution and delivery of certificates of authentication by one of the Trustee's duly authorized officers), will have been duly and validly executed, authenticated, issued and delivered and will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally, and to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity). The Notes, when issued, will conform in all material respects to the description thereof set forth in the Offering Memoranda.

(i) The Indenture conforms in all material respects to the description thereof set forth in the Offering Memoranda and conforms in all material respects with the requirements of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), applicable to indentures to be qualified thereunder. The Indenture has been duly and validly authorized by all necessary corporate action by the Company and the Guarantors and, when executed and delivered by the Company, the Guarantors and the Trustee (assuming the due authorization, execution and delivery thereof by the Trustee), will constitute a valid and binding agreement of the Company and the Guarantors, enforceable against them in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally, and to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(j) Neither the Company nor any of its subsidiaries is in violation of its certificate of incorporation or by-laws (as amended and/or restated and in effect through the date hereof) or is in default in the performance of any obligation, agreement or condition contained in any bond, mortgage, debenture, note, deed of trust or contained in any other evidence of indebtedness or any other agreement, indenture or instrument to which it is a party or by which it or any of its property is bound, except for those defaults that, individually or in the aggregate, would not have a Material Adverse Effect.

(k) Other than as set forth in the Definitive Memorandum, there are no legal or governmental proceedings (including, without limitation, proceedings relating to human health or the environment) pending to which the Company or any of its subsidiaries is a party or of which any of their respective properties or assets is the subject which, if determined adversely to the Company or any of its subsidiaries would, individually or in the aggregate, have a Material Adverse Effect, and, to the Company's knowledge, no such proceedings are threatened or contemplated. There is no contract, document, statute or regulation that is not described in the Offering Memoranda which is of a character that would be required to be described in the Offering Memoranda if the Offering Memoranda were a
(l) Each of the Company and its subsidiaries possesses all necessary licenses, consents, authorizations, approvals, orders, certificates and permits (including, without limitation, those relating to human health and/or the environment) (collectively, "Licenses") of and from, has made all declarations and filings with, and has satisfied all of its material obligations, including, without limitation, eligibility and other similar requirements imposed by, all federal, state, local and other public and governmental authorities, all self-regulatory organizations, including, without limitation, the Joint Commission on Accreditation of Health Care Organizations, and all courts and other tribunals, in each case as required for the conduct of the business in which it is engaged, except where the failure to obtain any such License, to make any such declaration or filing or to satisfy any such requirement would not, individually or in the aggregate, have a Material Adverse Effect. Each License is in full force and effect, each of the Company and its subsidiaries is operating in compliance with such Licenses, and there are no proceedings pending or, to the Company's knowledge, threatened against the Company or any of its subsidiaries which seek to cause any such License that is material to the conduct and/or prospects of the business of the Company and its subsidiaries to be revoked, withdrawn, canceled, suspended or not renewed, except where the failure of such License to be in full force or effect or the non-compliance with such License would not, individually or in the aggregate, have a Material Adverse Effect. No event has occurred which allows, or after notice or lapse of time, or both, would allow, revocation or termination of any such License or result in any other material impairment of the rights of the holder of any such License, except where the revocation or termination of any such License or any such impairment would not, individually or in the aggregate, have a Material Adverse Effect.

(m) Each of the Company and its subsidiaries has conducted and presently is conducting its business in compliance with all applicable foreign, federal, state, and local laws, rules, regulations, codes and ordinances relating to (i) zoning, land use, protection of the environment, human health and safety, and hazardous or toxic substances, wastes, pollutants or contaminants, (ii) employee or occupational safety, employment discrimination, employee hours and wages and employee benefits, and (iii) payments for services rendered (A) from private insurers or federal, state or local payment or reimbursement programs or (B) directly from patients for psychiatric, behavioral and general healthcare services furnished to patients (whether treated on an inpatient or outpatient basis), except for such noncompliance which would not, individually or in the aggregate, have a Material Adverse Effect.

(n) Arthur Andersen & Co., whose reports are included in the Offering Memoranda, are independent public accountants for the Company under Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and its official interpretations and rulings.

(o) The financial statements of the Company and its subsidiaries and related notes thereto included in the Offering Memoranda present fairly, in all material respects, the consolidated financial position, results of operations, cash flows and changes in stockholders' equity of the Company and its subsidiaries or affiliates (as reflected in such financial statements) in conformity with United States generally accepted accounting principles ("GAAP") on the basis stated in the Offering Memoranda at the respective dates and for the respective periods to which they apply. Such financial statements and notes have been prepared in
accordance with GAAP consistently applied throughout the periods
presented, except as disclosed therein; and the other financial,
accounting and statistical information and data related to the Company set
forth in the Offering Memoranda present fairly, in all material respects,
the information purported to be shown thereby at the respective dates and
for the respective periods to which they apply and, in the case of
financial but not statistical information and data, have been prepared on
a basis consistent with such financial statements and the books and
records of the Company (which have been maintained in a manner consistent
with GAAP) and the other entities as to which such information is shown.

(p) Neither the Company nor any of its affiliates is (i) an
"investment company" or a company "controlled" by an "investment company"
within the meaning of, and is not registered or otherwise required to be
registered under, the Investment Company Act of 1940, as amended (the
"Investment Company Act"), or (ii) a "holding company" or a "subsidiary
company" of a "holding company" or an "affiliate" thereof within the
meaning of the Public Utility Holding Company Act of 1935, as amended (the
"Public Utility Act”).

(q) The Notes, when issued, will not be of the same class (within
the meaning of Rule 144A under the Act) as other securities of the Company
that are listed on a national securities exchange registered under Section
6 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"),
or quoted in a U.S. automated interdealer quotation system of a registered
national securities association.

(r) Neither the Company nor, assuming the accuracy of your
representations contained in Section 3 hereof, any person acting on its
behalf has offered the Notes for sale by means of any general solicitation
or general advertising within the meaning of Rule 502(c) of Regulation D
under the Act or in any manner involving a public offering or distribution
of the Notes within the meaning of the Act.

(s) Neither the Company nor any affiliate (as defined in Rule
501(b) of Regulation D under the Act) thereof has directly, or indirectly
through any agent, within the six months next preceding the date hereof,
sold, offered for sale or solicited offers to buy any "security" (as
defined in the Act) of the same or a similar class as the Notes.

(t) Assuming the accuracy of your representations contained in
Section 3 hereof and your compliance with your covenants therein set
forth, it is not necessary, in connection with the sale and delivery of
the Notes to you and the offer and resale of the Notes by you, in each
case in the manner specified in this Agreement and as contemplated by the
Offering Memoranda, to register the Notes under the Act or to qualify the
Indenture under the Trust Indenture Act.

(u) Neither the Company nor any of its officers, directors or
employees has employed any broker or finder or incurred any liability for
any brokerage fees, commissions or finders' fees in connection with the
issuance of the Notes.

(v) Each of the Company and its subsidiaries has filed all
material tax returns required to be filed by it and all such tax returns
are true and complete in all material respects. Each of the Company and
its subsidiaries has paid all taxes, assessments and other charges which
have become due, other than those not yet delinquent and except for those
contested in good faith by appropriate proceedings for which adequate
reserves in conformity with GAAP have been provided and other than those
which, individually or in the aggregate, would not have a Material Adverse
Effect. No tax liens have been filed (except with respect to real
property taxes not yet due) and no claims or assessments are being
asserted with respect to any such taxes, assessments or other charges,
other than liens, claims
or assessments which, individually or in the aggregate, would not have a Material Adverse Effect.

(w) The description of the Company's liability insurance set forth in the Offering Memorandum under the caption "Business--Liability Insurance" is a fair and accurate description thereof. The Company regularly accrues, and the financial statements of the Company reflect the accrual of, adequate reserves against loss contingencies arising from known and incurred claims against the Company and its subsidiaries. Management of the Company believes that its insurance coverage limits are adequate.

(x) No labor dispute by the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, has been threatened which would, individually or in the aggregate, have a Material Adverse Effect. No collective bargaining agreement exists with respect to any of the employees of the Company or its subsidiaries.

(y) Each of the Company and its subsidiaries owns or possesses adequate rights to use all material trademarks, service marks and trade names owned or used by it or which are necessary for the conduct of its business; the Company and its subsidiaries have not received any notice of, and have no knowledge of, any infringement of or conflict with asserted rights of others with respect to any such trademarks, service marks or trade names which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(aa) Each of the Company and its subsidiaries has timely filed all requisite cost reports and other reports required to be filed in connection with federal Medicare and all applicable state Medicaid programs due on or before the date hereof, all of which are true and complete in all material respects. There are no claims, actions or appeals pending (and the Company and its subsidiaries have not filed any claims or reports that would result in any such claims, actions or appeals) before any commission, board or agency, including, without limitation, any intermediary or insurance carrier, the Provider Reimbursement Review Board or the Administrator of the Health Care Financing Administration, with respect to any state or federal Medicare or Medicaid cost reports or claims filed by the Company or any of its subsidiaries or on or before the date hereof, or with respect to any disallowances by any commission, board or agency in connection with any audit of such cost reports, which, if adversely determined, could have a Material Adverse Effect. No validation review or program integrity review related to the Company or any of its subsidiaries has been conducted by any commission, board or agency in connection with state or federal Medicare or Medicaid programs, and no such reviews are scheduled, pending or, to the Company's best knowledge, threatened against or affecting the Company or any of its subsidiaries. Each of the Company and its subsidiaries has timely filed all material reports, data and other information required by other regulatory agencies, including, without limitation, the Florida Health Care Cost Containment Board. Except as disclosed in the Offering Memoranda, each of the Company and its subsidiaries is in compliance in all material respects with all rules, regulations and requirements of such agencies, except where such non-compliance would not have a Material Adverse Effect. Except as disclosed in the Offering Memoranda, the conduct of the business of each of the Company and its subsidiaries, including, without limitation, any presently existing transactions and agreements with physicians, does not violate the Medicare and Medicaid antifraud and abuse amendments codified under Section 1128B(b) of the Social Security Act or the Stark anti-referral provisions codified at 42 U.S.C. Section 1395nn, including all amendments thereto to the extent effective on the date hereof, except where such non-compliance would not have a Material Adverse Effect.
Each of the Company and its subsidiaries has good and marketable fee simple title to or valid leasehold interests in all of its material real property and good title to all of its other material property (including, without limitation, all such real and other property reflected in the consolidated balance sheet of the Company as of September 30, 1993, other than properties included within the classification "Net Assets of Discontinued Operations" and other than properties disposed of in the ordinary course of business since such balance sheet date and other dispositions made in accordance with the Existing Credit Agreement, free and clear of all security interests, charges, pledges, mortgages, liens, encumbrances, hypothecations, collateral assignments and similar restrictions on and impairments and imperfections of title (collectively, "Liens"), other than Liens permitted under the Existing Credit Agreement and under outstanding industrial revenue bond obligations and hospital facility mortgages.

The Company and its subsidiaries have not violated any federal, state or local law relating to discrimination in employment nor any applicable wage or hour laws, nor any provisions of the Employee Retirement Income Security Act of 1974, as amended, or the rules and regulations promulgated thereunder ("ERISA"), nor has the Company or any of its subsidiaries engaged in any unfair labor practice, which in each case would result, singly or in the aggregate, in a Material Adverse Effect. There is (i) no significant unfair labor practice complaint pending against the Company or any of its subsidiaries or, to the best knowledge of the Company and its subsidiaries, threatened against any of them, before the National Labor Relations Board or any state or local labor relations board, and no significant grievance or significant arbitration proceeding arising out of or under any collective bargaining agreement is pending against the Company or any of its subsidiaries or, to the best knowledge of the Company and its subsidiaries, threatened against any of them, (ii) no significant strike, labor dispute, slowdown or stoppage pending against the Company or any of its subsidiaries or, to the best knowledge of the Company and its subsidiaries, threatened against any of them and (iii) to the best knowledge of the Company and its subsidiaries, no union representation question existing with respect to the employees of the Company or any of its subsidiaries and, to the best knowledge of the Company, no union organizing activities are taking place, except (with respect to any matter specified in clause (i), (ii) or (iii) above, singly or in the aggregate) such as would not have a Material Adverse Effect.

2. PURCHASE, SALE AND DELIVERY OF THE SECURITIES.

(a) On the basis of your representations, warranties and covenants set forth in Section 3 hereof, the Company agrees to sell to each of you and, each of you, severally and not jointly, agrees to purchase from the Company the principal amount of Notes set forth opposite your name below at a purchase price equal to 97.5% of the principal amount thereof; PROVIDED, HOWEVER, the Company shall not be obligated to sell the Notes to either of you unless each of you purchases on the Closing Date the respective principal amount of the Notes set forth opposite your name below.

<table>
<thead>
<tr>
<th>Bear, Stearns &amp; Co. Inc.</th>
<th>$225,000,000</th>
</tr>
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<tbody>
<tr>
<td>BT Securities Corporation</td>
<td>$150,000,000</td>
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</table>

(b) Delivery of the Notes against payment of the purchase price therefor shall be made at the offices of Bear, Stearns & Co. Inc., located at
245 Park Avenue, New York, New York 10167, or such other location as may be mutually acceptable to each of you and the Company. Such delivery and payment shall be made at 9:30 a.m., New York time, on the fifth full business day next following the date of this Agreement, or at such other time as shall be agreed upon by each of you and the Company. The time and date of such delivery and payment are herein called the "Closing Date." Certificates evidencing beneficial interests in the Notes, in definitive form, without interest coupons, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), or in the name of such other eligible nominee of DTC identified by you to the Company in writing at least three full business days prior to the Closing Date, in the principal amounts corresponding to the aggregate principal amount of the Notes sold to QIBs (as defined in Section 3 below) (the "Global Notes"), and certificates evidencing one or more individually denominated Notes, each in definitive form, without interest coupons, registered in such names and in such denominations as you may request in writing at least three full business days prior to the Closing Date, in the principal amounts corresponding to the aggregate principal amount of the Notes sold to Accredited Institutions (as defined in Section 3 below) who are not QIBs (the "Non-global Notes"), shall be delivered to you by the Company, against payment by you of the aggregate purchase price therefor by wire transfer of immediately available funds in accordance with the instructions set forth in that certain letter agreement of even date herewith between the Company and each of you. The Company shall reimburse you for the incremental cost of such funds at the then prevailing federal funds effective overnight rate, plus 150 basis points and the amount of any applicable bank charges incurred by you.

(c) The Company will permit you to examine and package the Global Notes and the Non-global Notes for delivery at least two full business days prior to the Closing Date.

(d) It is understood that each certificate evidencing the Notes shall bear a legend substantially to the following effect:

"This Note has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, may not be offered or sold to, or for the account or benefit of, any person except as set forth in the following sentence. By its acquisition hereof, the holder (1) represents that (a) it is a "Qualified Institutional Buyer" (as defined in Rule 144A under the Securities Act) or (b) it is an "Accredited Investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that is an institution (an "Institutional Accredited Investor"), (2) agrees that it will not prior to the date which is three years after the later of the date of original issuance of this Note and the last date on which the issuer or any affiliate of the issuer was the owner of this Note (the "Resale Restriction Termination Date") resell, pledge or otherwise transfer this Note, except (a) to the issuer, (b) to a person whom the seller reasonably believes is a Qualified Institutional Buyer purchasing for its own account or for the account of another Qualified Institutional Buyer in compliance with the resale provisions of Rule 144A under the Securities Act, (c) to an Institutional Accredited Investor that, prior to such transfer, furnishes to the Trustee a written certification containing certain representations and agreements relating to the restrictions on transfer of this Note (the form of which letter can be obtained from the Trustee), (d) pursuant to the resale limitations provided by Rule 144 under the Securities Act (if then available), (e) pursuant to an effective registration statement under the Securities Act, or (f) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the
disposition of such holder's property or the property of such account at all times be within its control and to compliance with applicable state securities laws, and (3) agrees that it will deliver to each person to whom this Note is transferred a notice substantially to the effect of this legend. If the proposed transferee is an Institutional Accredited Investor, the holder must, prior to any such transfer, furnish to each of the Trustee and the issuer such certifications, legal opinions and other information as either of them reasonably may require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The foregoing restrictions on resale shall not apply subsequent to the resale Restriction Termination Date."

3. OFFERING AND RESALE OF THE NOTES. You have advised the Company that it is your intention, as promptly as you deem appropriate after the Company shall have furnished you with copies of the Definitive Memorandum (as specified in Section 4(b) hereof), to resell the Notes pursuant to the procedures and upon the terms and subject to the conditions set forth in the Definitive Memorandum. Each of you hereby represents and warrants to the Company that you are a Qualified Institutional Buyer and an Accredited Investor (within the meaning of Rule 501(a) of Regulation D under the Act). In connection therewith, you represent and warrant to and agree with the Company that the Notes have been and will be offered for sale and will be sold by you solely to (i) persons reasonably believed by you to be "Qualified Institutional Buyers" purchasing for their own account or for the account of other Qualified Institutional Buyers within the meaning of Rule 144A under the Act ("QIBs") and (ii) a limited number of persons who are "Accredited Investors" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Act that are institutions (each, an "Accredited Institution"), and who provide to you a letter in the form of Exhibit A to the Offering Memorandum, that you have not and will not offer the Notes for sale by means of any general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D under the Act or in any manner involving a public distribution or offering of the Notes within the meaning of the Act. You agree that, prior to or simultaneously with the confirmation of sale by you to any purchaser of any of the Notes purchased by you from the Company pursuant hereto, you shall furnish to that purchaser a copy of the Definitive Memorandum (and any amendment thereof or supplement thereto that the Company shall have furnished to you prior to the date of such confirmation of sale).

4. AGREEMENTS OF THE COMPANY. The Company agrees with you as follows:

(a) The Company will advise you promptly (and, if so requested by you, will confirm such advice in writing) of the occurrence, during the period referred to in paragraph (d) below, of any event of which the Company has knowledge that makes any statement of a material fact made in the Definitive Memorandum untrue or that requires the addition of any statement of a material fact to, or other material change in, the Definitive Memorandum in order to make the statements therein, in light of the circumstances existing when it is delivered to a purchaser of the Notes, not misleading.

(b) The Company will furnish to you and to those persons whom you identify to the Company such number of copies of the Definitive Memorandum, and any amendments of or supplements thereto, as you reasonably may request.

(c) The Company will not make any amendment of or supplement to the Offering Memoranda of which you shall not previously have been consulted or use any such proposed amendment or supplement to which you shall reasonably and in good faith object.

(d) If, during the period from the date of the Definitive Memorandum through the Closing Date, and for so long thereafter as in the opinion of your counsel the Definitive Memorandum is required to be delivered in connection with resales of the Notes by you, any event shall
occur as a result of which it becomes necessary to amend or supplement the Definitive Memorandum in order to make the statements therein, in light of the circumstances existing when the Definitive Memorandum is delivered to a purchaser, not misleading, or if it becomes necessary to amend or supplement the

Definitive Memorandum to comply with any law, the Company promptly will prepare an appropriate amendment of or supplement to the Definitive Memorandum so that the statements in the Definitive Memorandum, as so amended or supplemented, will not, in light of the circumstances existing when it is so delivered, be misleading, or so that the Definitive Memorandum will comply with law, and the Company will furnish to you such number of copies thereof as you reasonably may request.

(e) The Company will cooperate with you and your counsel in connection with the registration or qualification of the Notes under the securities or "Blue Sky" laws of such jurisdictions as you may request, will continue such qualification in effect for so long as required to permit the continuance of sales of and dealings in the Notes within such jurisdictions to complete the resale by you of all of the Notes as specified in Section 3 hereof, and will file such consents to service of process or other documents as may be necessary in order to effect such registration or qualification; PROVIDED, HOWEVER, that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file any general consent to service of process in any jurisdiction in which it is not already so qualified or subject.

(f) For a period of three years following the date hereof and thereafter for so long as you are making a market in the Notes, the Company will furnish to you, upon request, a copy of each report mailed by the Company to holders of the Notes and/or holders of the Company's capital stock or filed by the Company with the Commission and such other publicly available information concerning the Company and its subsidiaries as you reasonably may request.

(g) For so long as and at any time that the Notes are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Act and the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company, upon request of any holder of the Notes, will furnish to such holder, and to any prospective purchaser or purchasers of Notes designated by such holder, information satisfying the requirements of subsection (d)(4)(i) of Rule 144A under the Act.

(h) If you so request, the Company will use its best efforts, and will cooperate with you, to cause the Notes to be eligible for inclusion in the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") market of the National Association of Securities Dealers, Inc. ("NASD").

(i) The Company will not, and will not authorize or knowingly permit any person acting on its behalf to, offer to buy or offer to sell any of the Notes by means of any form of general solicitation or general advertising within the meaning of Section 502(c) of Regulation D under the Act or in any manner involving a public offering or distribution of the Notes within the meaning of the Act.

(j) The Company shall not take any action or omit to take any action (and shall cause its subsidiaries not to take any action or omit to take any action) which taking or omission, as the case may be, would result in the Company becoming an "investment company" or a company controlled by an "investment company" within the meaning of, or require the Company to register as an "investment company" under, the Investment Company Act.
Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay all costs, expenses and fees incident to (i) the preparation, printing, and distribution (as applicable) of this Agreement, the Preliminary Memorandum, the Definitive Memorandum and all amendments thereof and supplements thereto, (ii) the reproduction and delivery of all other agreements, instruments and documents printed and delivered in connection with the offering and sale of the Notes, (iii) the registration or qualification of the Notes under the securities or "Blue Sky" laws of the several states (including, in each case, the reasonable fees and disbursements of your counsel relating to such registration or qualification and the preparation of a "Blue Sky" Memorandum relating thereto), (iv) the inclusion of the Notes in the PORTAL market of the NASD, (v) the engagement of the Trustee and its agents and the reasonable fees and disbursements of counsel for such Trustee in connection with the Indenture, (vi) the assignment to the Notes of an investment rating by all statistical rating agencies, including, without limitation, Standard & Poor's and Moody's Investors Services, and (vii) the performance by the Company of its other obligations under this Agreement.

The Company will apply the net proceeds from the sale of the Notes as set forth under the caption "Use of Proceeds" in the Definitive Memorandum.

The Company will use its best efforts to do and perform all things required or necessary to be done and performed under this Agreement by the Company prior to the Closing Date and to satisfy all conditions precedent to the delivery of the Notes.

The Company will not (and will direct its affiliates not to) take, directly or indirectly, any action that is designed, or constitutes or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Notes.

During the period beginning from the date hereof and continuing to and including the date which is six months after the Closing Date, neither the Company nor any Affiliate (as defined in Rule 501(b) under the Act) thereof shall sell, offer for sale, solicit offers to buy or otherwise negotiate in respect of the sale of any "security" (as defined in Section 2(1) of the Act) of the same or a similar class as the Notes, other than as contemplated by the Registration Rights Agreement.

The Company will use its best efforts to cause the Exchange Notes to be listed on a national securities exchange (registered as such under Section 6 of the Exchange Act) as promptly as practicable after consummation of the Exchange Offer.

5. INDEMNIFICATION.

(a) The Company agrees to indemnify and hold harmless you and each person, if any, who controls you within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages, awards, liabilities and judgments ("Losses") arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the Offering Memoranda or any amendments thereof or supplements thereto (including, without limitation, the financial statements, accounting and statistical data included therein and all schedules and the related notes thereto) or by any omission or alleged omission to state therein a
material fact required to be stated therein or necessary to make the statements
therein, in light of the circumstances under which they were made, not
misleading, except insofar as such Losses arise out of or are based upon any
such untrue statement or omission or alleged untrue statement or omission based
upon the information relating to you furnished by you in writing to the Company
expressly for use therein and used in conformity therewith; PROVIDED,
HOWEVER, that the indemnity obligations arising under this Section 5(a) shall
not inure to your benefit or that of any such controlling person if the person
asserting any such Losses purchased the Notes from you and if a copy of the
Definitive Memorandum was not sent or given by you or on your behalf to such
person at or prior to the written confirmation of the sale of the Notes to such
person, and if the Definitive Memorandum would have cured the defect giving rise
to such Losses.

(b) In case any action or proceeding (including any governmental
investigation or inquiry) shall be brought against you or any person controlling
you based upon the Offering Memoranda or any amendment thereof or supplement
thereto and with respect to which indemnity may be sought against the Company,
you shall promptly notify the Company in writing and the Company shall assume
the defense thereof, including the employment of counsel (reasonably
satisfactory to you) and the payment of all fees and expenses of such defense;
PROVIDED THAT your failure (or the failure by any person controlling you) so
to notify the Company shall not relieve the Company of its indemnification
obligations under Sections 5(a) and (b) hereof, except to the extent that the
Company is materially prejudiced or forfeits substantive rights and defenses by
reason of such failure.  You or any such controlling person shall have the right
to employ separate counsel in any such action and participate in the defense
thereof, but the fees and expenses of such counsel shall be the responsibility
of you or of such controlling person, unless (i) the employment of such counsel
has been authorized in writing by the Company, (ii) the Company has failed
promptly to assume the defense and employ counsel (reasonably satisfactory to
you), or (iii) the named parties to any such action (including any impleaded
parties) include both you or such controlling person and the Company, and you or
such controlling person shall have been advised by such counsel that there may
be one or more legal defenses

available to you or such controlling person that are different from or
additional to those available to the Company (in all of which cases the Company
shall not have the right to assume the defense of such action on behalf of you
or such controlling person; it being understood, however, that the Company shall
not, in connection with any one such action or separate but substantially
similar or related actions in the same jurisdiction arising out of the same
general allegations or circumstances, be liable for the reasonable fees and
expenses of more than one separate firm of attorneys (in addition to any local
counsel) for you and all such controlling persons, which firm shall be
designated in writing by you and that all such fees and expenses shall be
reimbursed promptly as they are billed).  The Company shall not be liable for
any settlement of any such action or proceeding effected without its written
consent (not to unreasonably be withheld) and if settled with its written
consent or if there is a final judgment for the plaintiff, the Company agrees to
indemnify and hold harmless you and each such controlling person from and
against any loss or liability by reason of such settlement or judgment. Without
limiting the generality of the foregoing, no indemnifying party shall, without
the prior written consent of the indemnified party, effect any settlement of any
pending or threatened proceeding in respect of which any indemnified party is or
has been threatened to be made a party where indemnity could have been sought
hereunder by such indemnified party; PROVIDED, HOWEVER, that an indemnifying
party may effect such a settlement without the consent of the indemnified party
if such settlement includes an unconditional release of such indemnified party
from all liability for claims that are the subject matter of such proceeding or
the indemnifying party indemnifies the indemnified party in writing for an
amount equal to the maximum liability for all such claims as contemplated above.

(c) You agree, severally and not jointly, to indemnify and hold
harmless the Company, its directors, its officers and each person, if any,
controlling the Company within the meaning of Section 15 of the Act or Section
20 of the Exchange Act, from and against any and all Losses to the same extent
as the foregoing indemnity from the Company to you but only with respect to
information relating to you furnished in writing by you expressly for use in the
Offering Memoranda or any amendment thereof or supplement thereto and used in conformity therewith. In case any action or proceeding shall be brought against the Company, any of its directors, any such officer or any such controlling person based on the Offering Memoranda or any amendment or supplement thereto and in respect of which indemnity may be sought against you, you shall have the same rights and duties as are given to the Company by Section 5(b) hereof (except that if the Company shall have assumed the defense thereof, you shall not be required to do so, and in such case you may employ separate counsel therein and participate in the defense thereof but the fees and expenses of such counsel shall be at your expense), and the Company, its directors, each such officer and each such controlling person shall have the same rights and duties as are given to you by Section 5(b) hereof.

(d) If the indemnification provided for in this Section 5 is unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any Losses, then each indemnifying party, in lieu of, or in addition to, indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Losses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and you on the other hand from the offering of the Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and you in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. The relative benefits received by the Company and you shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company, and the total discounts and commissions received by you, bear to the total price of the Notes to investors, in each case as set forth in the table on the cover page of the Definitive Memorandum. The relative fault of the Company and you shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or omission or alleged omission to state a material fact relates to information supplied by the Company or you and the parties' relative intent, knowledge, access to information and opportunity to prevent such statement or omission.

The Company and you agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of Losses shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5, neither of you shall be required to contribute any amount in excess of the amount by which the total price at which the Notes were offered by you to investors exceeds the amount of any damages that you otherwise were required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Your obligations under this paragraph to contribute are several in proportion to your respective purchase obligations and not joint.

6. CONDITIONS OF YOUR OBLIGATIONS. Your obligations to purchase and pay for the Notes shall be subject to (i) the accuracy of the representations and warranties of the Company herein contained as of the date hereof and as of the Closing Date, (ii) the presence in any certificates, opinions, written statements or letters furnished pursuant to this Section 6 to
you or to your counsel, of any qualification or limitation not previously approved by you, (iii) the performance by the Company of its obligations hereunder required to be performed on or prior to the Closing Date, and (iv) the following additional conditions:

(a) (i) Since the date of the latest balance sheet included in the Offering Memoranda, there shall not have occurred any Material Adverse Change, or any development involving a prospective Material Adverse Change, whether or not arising in the ordinary course of business, or any change in the capital stock or in the long-term debt of the Company or any of its subsidiaries from that set forth in or contemplated by the Offering Memoranda, (ii) neither the Company nor any of its subsidiaries shall have incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries, taken as a whole, other than those reflected in or contemplated by the Offering Memoranda, and (iii) on the Closing Date, you shall have received a certificate dated the Closing Date, signed by each of the Chief Executive Officer and the Chief Financial Officer of the Company, and such other certificates of executive officers of

the Company as you may specify in a memorandum of Closing to be delivered to the Company prior to the Closing Date confirming the matters set forth in the introduction to, and this paragraph (a) of, this Section 6.

(b) On the Closing Date, you shall have received the opinion of King & Spalding, counsel to the Company, dated the Closing Date and addressed to you, and in form and scope satisfactory to you, substantially to the effect that:

(i) Each of the Company and its subsidiaries is duly organized, validly existing and in good standing under the laws of its respective jurisdiction of incorporation and is duly qualified and in good standing as a foreign corporation in the jurisdictions identified in such opinion based on a review by such counsel of corporate statutes set forth in official statutory compilations. The Company has all requisite corporate power and authority to own or lease and operate its properties and to conduct the business in which it is engaged as described in the Offering Memoranda.

(ii) As of the Closing Date, the authorized capital stock of the Company consists of 80,000,000 shares of Common Stock, $.25 par value. All of the outstanding shares of the Company's capital stock have been duly authorized and validly issued, are fully paid and non-assessable (except for assessments that may be imposed by the laws of governmental authorities of the State of New York with respect to back wages due to employees) and were not issued in violation of or subject to any preemptive, subscription or other similar rights. All of the outstanding shares of capital stock of each subsidiary of the Company owned directly or indirectly of record and, to the knowledge of such counsel, beneficially by the Company (except that the subsidiaries of the Company identified on Schedule 1(f) hereto may not be wholly owned directly or indirectly by the Company because of applicable statutory requirements of the jurisdictions set forth in such schedule) free and clear of all liens, claims, limitations on voting rights, options, security interests and other encumbrances except

for (i) those in favor of a wholly owned domestic or of a foreign subsidiary of the Company, (ii) those created in connection with the acquisition of a wholly owned domestic or a foreign subsidiary of the Company, the obtaining of first mortgage financing and the issuance of municipal, industrial development or similar tax exempt
securities by certain subsidiaries of the Company and (iii) those to be created or permitted pursuant to the New Credit Agreement and the Credit Documents. To the knowledge of such counsel, there are no outstanding securities of any subsidiary convertible into or evidencing the right to purchase or subscribe for any shares of capital stock of such subsidiary, there are no outstanding or authorized options, warrants, calls, subscriptions, rights, commitments or any other agreements of any character obligating any subsidiary to issue any shares of its capital stock or any securities convertible into or evidencing the right to purchase or subscribe for any shares of such capital stock, and there are no agreements with respect to the voting, sale or transfer of any shares of capital stock of any subsidiary to which such subsidiary is a party.

(iii) The Indenture has been duly and validly authorized by the Company and the Guarantors and, when executed and delivered by the Company and the Guarantors (assuming the due authorization, execution and delivery thereof by the Trustee), will constitute a valid and binding agreement of the Company and the Guarantors, enforceable against them in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (whether enforcement is sought in a proceeding at law or in equity), and except as the usury waiver therein may be deemed to be unenforceable. The Notes have been duly and validly authorized for issuance and, when executed and delivered by the Company (assuming the due authorization, execution and delivery of the Indenture by the Trustee and the execution and delivery of certificates of authentication by one of the Trustee's duly authorized officers), will be duly and validly executed, issued, authenticated and delivered and will constitute valid and binding obligations of the Company, entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (whether enforcement is sought in a proceeding at law or in equity). The Indenture and the Notes conform in all material respects to the descriptions thereof contained in the Offering Memoranda.

(iv) This Agreement, the Registration Rights Agreement and the New Credit Agreement (and the Credit Documents) have been duly and validly authorized, executed and delivered by the Company, and each is a valid and binding agreement of the Company enforceable against it in accordance with its terms (except for certain provisions of the New Credit Agreement), subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) and except to the extent that rights to indemnification and contribution contained herein and therein may be limited by federal or state securities laws or public policy relating thereto.

(v) The execution, delivery and performance by the Company and the Guarantors of this Agreement, the Registration Rights Agreement, the New Credit Agreement (and the Credit Documents), the Indenture and the Notes, in each case to the extent a party thereto, and the consummation of the transactions contemplated hereby and thereby, including the issuance, sale and delivery of the Notes, will not (A) conflict with or result in a breach of any of the terms...
and provisions of, or constitute a default (or an event which with notice, lapse of time, or both, would constitute a

default) or require consent under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to the terms of any agreement, indenture or other instrument that has been specified to such counsel in writing by an officer of the Company or of which they otherwise are aware or (B) violate or conflict with any provision of the certificate of incorporation or by-laws of the Company (as amended and/or restated to date) or, to the knowledge of such counsel, any judgment, decree, order, law, rule or regulation of any court or any public or governmental authority having jurisdiction over the Company or any of its subsidiaries or any of their respective properties or assets.

(vi) Neither the Company nor any of its affiliates is (i) an "investment company" or a company "controlled" by an "investment company" within the meaning of, and is not registered or otherwise required to be registered under, the Investment Company Act, or (ii) a "holding company" or an "affiliate" thereof within the meaning of the Public Utility Act.

(vii) Assuming the accuracy of the representations and warranties of the Company contained in paragraphs (r), (s) and (t) of Section 1 of this Agreement and your representations and warranties contained in Section 3 of this Agreement, assuming compliance by the Company of its agreements in Section 4(i) of this Agreement and compliance by each of you with your covenants contained in Section 3 of this Agreement, and other than with respect to the transactions contemplated by the Registration Rights Agreement, the issuance and sale of the Notes to you and the reoffering, resale and delivery of the Notes by you, in each case in the manner contemplated in this Agreement and the Offering Memoranda, are exempt from the registration requirements of the Act and it is not necessary to qualify the Indenture under the Trust Indenture Act.

(viii) The statements in the Offering Memoranda under the caption "Description of the Notes", "Summary of New Credit Agreement", and "Exchange Offer; Registration Rights", insofar as they describe the provisions of documents and instruments therein described, constitute fair summaries thereof, accurate in all material respects. The statements in the Offering Memoranda under the captions "Notice to Investors", "Business - Sources of Revenue; Regulation and Other Factors" and "Certain Federal Income Tax Consequences of the Exchange Offer" insofar as they purport to describe federal laws of the United States fairly present in all material respects the information set forth therein.

(ix) No consent, approval, waiver, license or other authorization by or filing with any public or governmental authority of the federal government of the United States of America, or the States of Delaware, Georgia, or New York is required for the issue and sale of the Notes or the consummation by the Company and the Guarantors of the transactions contemplated by this Agreement, the Registration Rights Agreement, the New Credit Agreement (and the Credit Documents), or the Indenture, except for such as may be required by state securities or "Blue Sky" laws and by federal securities laws in connection with performance of the Company's obligations under the Registration Rights Agreement, and except for
those consents, approvals, waivers, licenses or authorizations which heretofore have been obtained or made.

(x) To such counsel's knowledge, other than as disclosed in the Offering Memoranda, there is no litigation or governmental proceeding pending or overtly threatened against the Company or any of its subsidiaries which if determined adversely to the Company or any of its subsidiaries would, individually or in the aggregate, have a material adverse effect on the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole.

In addition, such counsel shall state that they have participated in conferences with officers and other representatives of the Company, representatives of the independent certified public accountants of the Company and your representatives and counsel at which conferences the contents of the Offering Memoranda and any amendment thereof or supplement thereto and related matters were discussed and, although such counsel have not undertaken to investigate or verify independently, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Offering Memoranda or any amendment thereof or supplement thereto (except as to matters referred to in the last sentence of clause (iii) and in clause (viii) above), no facts have come to the attention of such counsel that would lead them to believe that the Definitive Memorandum (or any amendment thereof or supplement thereto made prior to the Closing Date), as of its date or as of the Closing Date, contained an untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that no view need be expressed by such counsel with respect to the financial statements and other financial, accounting and related statistical data included in the Definitive Memorandum or any amendment thereof or supplement thereto).

In furnishing the foregoing opinion, such counsel may rely (A) as to matters involving the application of laws other than the federal laws of the United States, the laws of the State of Georgia, the laws of the State of New York, and the general corporation laws of the State of Delaware (to the extent such counsel deems proper and to the extent specified in such opinion, if at all), upon an opinion or opinions (in form and scope satisfactory to your counsel) of other counsel qualified to opine with respect to the applicable laws or upon a review of corporate statutes set forth in official statutory compilations; and (B) as to matters of fact, to the extent such counsel deems proper and to the extent specified in such opinion, on certificates of responsible officers and other representatives of the Company and the Guarantors, certificates of public officials, and certificates or other written statements of officers of departments of various jurisdictions having custody of documents respecting the corporate existence or good standing of the Company and its subsidiaries, provided that copies of any such statements or certificates shall be delivered to your counsel. The opinion of counsel for the Company shall state that the opinion of any such other counsel is in form and scope satisfactory to such counsel and, in such counsel's opinion, you and your counsel are justified in relying thereon.

(c) On the Closing Date, you shall have received from your counsel, Weil, Gotshal & Manges, an opinion, dated the Closing Date and addressed to you, with respect to matters as you reasonably may require, and the Company shall have furnished to your counsel such documents as they may reasonably request for the purpose of enabling them to opine upon such matters. In furnishing the foregoing opinion, such counsel may rely
on opinions of other counsel and certificates in the same respect and to
the same extent as counsel in subsection (b) above.

(d) Concurrently with the execution and delivery of this Agreement, and on the Closing Date you shall have received from Arthur Andersen & Co., a letter addressed to you, dated the date of its delivery, in form and substance satisfactory to you, to the effect set forth in Annex I hereto.

(e) As of the Closing Date, the Company shall have performed and complied in all material respects with each of its agreements herein contained and required to be performed or complied with by the Company at or prior to the Closing Date.

(f) Prior to or concurrently with the delivery of the Notes to you (i) the Company and each lender that is party to the New Credit Agreement (and the Credit Documents), shall have executed and delivered the agreements governing the same (except Credit Documents not required to be executed in connection with the Initial Loans), all conditions to any borrowing by the Company thereunder on the Closing Date as contemplated by the Definitive Memorandum shall have been satisfied or waived and the lenders shall have advanced the funds contemplated to be borrowed by the Company under the New Credit Agreement, on the Closing Date as described in the Offering Memoranda and (ii) all conditions precedent requisite for the defeasance and subsequent redemption (except the furnishing of notice of redemption to holders which shall be mailed to holders of the 7 1/2% Debentures on May 3, 1994) by the Company of its 7-1/2% Debentures and the retirement of certain senior indebtedness as contemplated by the Definitive Memorandum shall have been satisfied.

(g) On or prior to the Closing Date, the Company shall have furnished to you such further information, certificates and documents as you reasonably may request in a memorandum of Closing furnished to the Company prior to the Closing Date.

(h) Concurrently with the execution and delivery of this Agreement and on or prior to the Closing Date, you shall have received from KPMG Peat, Marwick, a "comfort letter" addressed to you, with respect to the Target Hospitals, in form and substance reasonably satisfactory to you.

If any of the conditions specified in this Section 6 shall not have been fulfilled when and as required by this Agreement, all of your obligations hereunder may be canceled by you at, or at any time prior to, the Closing Date.

7. EFFECTIVE DATE OF AGREEMENT AND TERMINATION.

(a) This Agreement shall become effective upon its execution.

(b) This Agreement may be terminated at any time prior to the Closing Date by you upon notice to the Company if any of the following has occurred: (i) since the respective dates as of which information is provided in the Definitive Memorandum, any adverse change or development involving a prospective adverse change in, or affecting particularly the condition (financial or otherwise) of the Company, any of its subsidiaries, or the earnings, affairs, or business prospects of the Company or any of its subsidiaries, whether or not arising in the ordinary course of business, which would, in your reasonable judgment, make it impracticable to market the Notes on the terms and in the manner specified in the Offering Memoranda, (ii) any outbreak or escalation of hostilities or other national or international calamity or crisis or change in economic conditions, if the effect of such outbreak, escalation, calamity, crisis or change on the financial markets of the United States or elsewhere would, in your reasonable judgment, make it impracticable to market the Notes on the terms and in the manner specified in the Offering Memoranda, (iii) any suspension of trading in securities on the New York Stock Exchange, Inc., the American Stock Exchange or the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or the imposition of any limitation on prices (other than limitations on hours or numbers of days of trading) for securities on any such
exchange or NASDAQ, (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which in your reasonable judgment materially and adversely affects, or will materially and adversely affect, the business or operations of the Company and its subsidiaries, taken as a whole, (v) the declaration of a banking moratorium by either federal or New York State authorities, or (vi) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs which in your reasonable judgment could have a material adverse effect on the financial markets in the United States.

8. MISCELLANEOUS.

(a) Notices given pursuant to any provision of this Agreement shall be given by telex or facsimile transmission or by notice in writing hand delivered or by certified mail, postage prepaid, return receipt requested. All such notices shall be sent to the telex number, facsimile transmission number or address (as the case may be) as follows: (i) if to the Company, to Charter Medical Corporation, 577 Mulberry Street, Macon, Georgia 31298, Attention: Chief Financial Officer (facsimile transmission no. (912) 751-2832), with a copy to King & Spalding, 191 Peachtree Street, Atlanta, Georgia 30303-1763, Attention: Philip A. Theodore, Esq. (facsimile transmission no. (404) 572-5145) and (ii) if to you, to Bear, Stearns & Co. Inc., 245 Park Avenue, New York, New York 10167, Attention: Corporate Finance Department (facsimile transmission no. (212) 272-3092), with copies to Weil, Gotshal & Manges, 767 Fifth Avenue, New York, New York 10153, Attention: Clifford E. Neimeth, Esq. (facsimile transmission no. (212) 310-8087); and to BT Securities Corporation, 130 Liberty Street, 30th Floor, New York, New York 10006, Attention: Corporate Finance Department (facsimile transmission no. (212) 250-7218).

(b) The respective indemnities, contribution agreements, representations, warranties and other statements of the Company, its officers and directors and each of you set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, and will survive delivery of and payment for the Notes, regardless of (i) any investigation, or statement as to the results thereof, made by or on behalf of you or by or on behalf of the officers or directors of the Company or any controlling person of the Company, (ii) acceptance of the Notes and payment for them hereunder, and (iii) termination of this Agreement.

(c) If this Agreement shall be terminated by you because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, the Company shall reimburse you for all out-of-pocket expenses (including the fees and disbursements of your counsel) reasonably incurred by you.

(d) Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon the Company, you, any controlling persons referred to herein and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any right under or by virtue of this Agreement and the term "successors and assigns" shall not include a purchaser of any of the Notes from you merely because of such purchase. Notwithstanding the foregoing, it is expressly understood and agreed that each purchaser of the Notes from you is intended to be a beneficiary of the Company's covenants contained in the Registration Rights Agreement to the same extent as if the Notes were sold and those covenants were made directly to such purchaser by the Company, and each such purchaser shall have the right to take action against the Company to enforce, and obtain monetary recovery for damages resulting from any breach of, those covenants.
(e) This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to instruments made and performed wholly in such state and without regard to the choice of law provisions of such state.

(f) This Agreement may be signed in counterparts, all of which taken together shall constitute but one and the same original instrument.

Please confirm that the foregoing correctly sets forth the mutual agreement and understanding between the Company and you as to the subject matter herein set forth.

Very truly yours,

CHARTER MEDICAL CORPORATION

By: /s/ Lawrence W. Drinkard

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Lawrence W. Drinkard
Executive Vice President

Accepted in New York, New York
April 22, 1994

BEAR, STEARNS & CO. INC.

By: /s/ Curtis S. Lane

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Name:  Curtis S. Lane
Title: Senior Managing Director

BT SECURITIES CORPORATION

By: /s/ Edmund H. Driggs

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Name:  Edmund H. Driggs
Title: Managing Director

SCHEDULE 1 (d) TO PURCHASE AGREEMENT

1. Indenture, dated as of July 21, 1992, among Charter Medical Corporation, as Issuer of 7 1/2% Senior Subordinated Debentures due 2003, the parties named therein, as Guarantors, and Society National Bank, as Trustee.


4. Mortgage, Deed of Trust, Trust Deed, Assignment, Security Agreement and
Fixture Filing, dated as of August 30, 1989, by Charter Hospital of Sacramento, Inc. (subsequently Charter Behavioral Health System of Northern California, Inc.) to Chicago Title Insurance Company, the trustee thereunder to the extent that the Mortgage operates as a deed of trust or trust deed to public trustee; and for the benefit of Citibank, N.A., as agent (in such capacity, the "Agent") for the "Lenders" party to the Credit Agreement (as such term is defined in the Mortgage) to the extent the Mortgage operates as a mortgage and the beneficiary thereunder to the extent the Mortgage operates as a deed of trust, trust deed or deed of trust to public trustee (collectively, the "Mortgagee"); recorded in Series No. 48463, filed in Placer County, California on August 31, 1989.


SCHEDULE 1(f) TO PURCHASE AGREEMENT

<table>
<thead>
<tr>
<th>NAME OF FOREIGN SUBSIDIARY</th>
<th>COUNTRY OF INCORPORATION</th>
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<tbody>
<tr>
<td>Charter Medical (Cayman Islands) Ltd.</td>
<td>Cayman Islands, BWI</td>
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<tr>
<td>Golden Isle Assurance Company Ltd.</td>
<td>Bermuda</td>
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<tr>
<td>Plymouth Insurance Company, Ltd.</td>
<td>Bermuda</td>
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<tr>
<td>Societe Anonyme de la Metairie</td>
<td>Switzerland</td>
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ANNEX I

Pursuant to Section 6(d) of the Purchase Agreement, Arthur Andersen & Co. shall furnish letters to the Representatives (as defined below) to the effect that:

(i) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of Rule 101 of the published Rules of Conduct of the American Institute of Certified Public Accountants;

(ii) In their opinion, the financial statements (including, in the footnotes thereto, the combined Subsidiary Guarantors and the combined non-guarantor affiliates of the Company (collectively, the "SAB 53 Information")) and any supplementary financial information and schedules which have been audited by them and included in the Offering Memoranda comply as to form in all material respects with generally accepted accounting principles; and, to the extent applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited consolidated interim financial statements of the Company included in the Offering Memoranda;

(iii) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Offering Memoranda agrees with the corresponding amounts (after restatements where applicable) in the audited consolidated financial statements for such five fiscal years;

(iv) On the basis of limited procedures, not constituting an audit in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its
subsidiaries since the date of the latest audited financial statements included in the Offering Memoranda, inquiries of officials of the Company and its subsidiaries responsible for financial, internal audit and control and accounting matters, and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) the unaudited consolidated statements of income, consolidated balance sheets, consolidated statements of cash flows and consolidated statement of stockholder equity included in the Offering Memoranda are not in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with the basis for the audited consolidated statements of income, consolidated balance sheets, consolidated statements of cash flows and consolidated statements of changes in equity included in the Offering Memoranda;

(B) any other unaudited income statement data and balance sheet items included in the Offering Memoranda do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis consistent in all material respects with the basis for the corresponding amounts in the audited consolidated financial statements included in the Offering Memoranda;

(C) the unaudited financial statements which were not included in the Offering Memoranda but from which were derived any unaudited condensed financial statements of the type referred to in clause (A) above and any unaudited income statement data and balance sheet items included in the Offering Memoranda and of the type referred to in clause (B) above were not determined on a basis consistent in all material respects with the basis for the audited consolidated financial statements included in the Offering Memoranda;

(D) any unaudited pro forma consolidated condensed financial statements included in the Offering Memoranda are not in conformity with generally accepted accounting principles as described in the requirements of Rule 11-02 of Regulation S-X or the pro forma adjustments with regard to the Refinancing adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(E) as of a specified date disclosed in such letter, there have been any changes in the consolidated capitalization (other than issuances of capital stock upon the exercise of stock options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest financial statements included in the Offering Memoranda) or any increase in the consolidated long-term indebtedness of the Company and its subsidiaries, or any decreases in consolidated net current assets or net assets or other items specified by the Representatives or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included in the Offering Memoranda, except in each case for changes, increases or decreases which the Offering Memoranda discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included in the Offering Memoranda to the specified date referred to in clause (E) above there were any decreases in consolidated net revenues or operating income or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases
in any items specified by the Representatives, in each case as compared
with the comparable period of the preceding year and with any other period
of corresponding length specified by the Representatives, except in each
case for decreases or increases which the Offering Memoranda discloses
have occurred or may occur or which are described in such letter; and

(v) In addition to the audit referred to in their report(s) included in
the Offering Memoranda and the aforementioned limited procedures, inspection of
minute books, inquiries and other procedures referred to in paragraphs (iii) and
(iv) above, they have carried out certain customary specified procedures, not
constituting an audit in accordance with generally accepted auditing standards,
with respect to certain amounts, percentages and financial information specified
by the Representatives, which are derived from the general accounting books and
records of the Company and its subsidiaries, which appear in the Offering
Memoranda, or in exhibits and schedules thereto specified by the
Representatives, and have compared certain of such amounts, percentages and
financial information with the accounting records of the Company and its
subsidiaries and have found them to be in agreement.

EXHIBIT A

$375,000,000

CHARTER MEDICAL CORPORATION

11 1/4% Senior Subordinated Notes due 2004

EXCHANGE AND REGISTRATION RIGHTS AGREEMENT

April 22, 1994

Bear, Stearns & Co. Inc.
245 Park Avenue
New York, New York 10167

BT Securities Corporation
130 Liberty Street
30th Floor
New York, New York 10006

Dear Sirs:

Charter Medical Corporation, a Delaware corporation (the "Company"),
proposes to issue and sell to Bear, Stearns & Co. Inc. and BT Securities
Corporation (the "Initial Purchasers"), upon the terms and subject to the
conditions set forth in the purchase agreement of even date and executed
concurrently herewith (the "Purchase Agreement"), $375,000,000 aggregate
principal amount of its 11 1/4% Senior Subordinated Notes due 2004 (the
"Notes"). The Notes will be issued pursuant to an indenture (the "Indenture") to
be dated as of the Closing Date, between the Company, the guarantors party
thereto (the "Guarantors") and Marine Midland Bank, as trustee (the "Trustee"),
in each case substantially in the form previously furnished to you. All
capitalized terms used and not defined herein have the respective meanings
ascribed thereto in the Purchase Agreement. As an inducement to you to enter
into the Purchase Agreement and in satisfaction of a condition to your
obligations thereunder, the Company agrees with you, for the benefit of the
holders of the Notes (including you as the Initial Purchasers thereof), as
follows:

A-1
1. REGISTERED EXCHANGE OFFER.

(a) The Company shall prepare and, as soon as practicable after the Closing Date, file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Exchange Registration Statement") on an appropriate form under the Securities Act of 1933, as amended (the "Act"), with respect to a proposed offer (the "Registered Exchange Offer") to the holders of the Notes to issue and deliver to such holders, in exchange for the Notes, a corresponding principal amount of senior subordinated debt securities of the Company identical in all material respects (except with respect to legends which restrict the transfer thereof) to the Notes (the "Exchange Notes"), shall use its best efforts to cause the Exchange Registration Statement to become effective under the Act no later than 90 days after the Closing Date and, upon the effectiveness of such registration statement, shall commence the Registered Exchange Offer and shall cause the same to remain open for acceptance for not less than 20 business days (but in no event longer than 30 days after the date the Exchange Registration Statement is declared effective subject to any extensions required by applicable law), and to be conducted in accordance with such procedures, as may be required by applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, without limitation, the requirements of Rule 13e-4 (other than the filing requirements of such Rule) and Regulation 14E under the Exchange Act; it being the objective of such Registered Exchange Offer to enable each holder of Notes electing to exchange its Notes for Exchange Notes (assuming that such holder is not an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act, acquires the Exchange Notes in the ordinary course of such holder's business and has no arrangements with any person to participate in a public distribution of the Exchange Notes within the meaning of the Act) to trade in such Exchange Notes from and after their receipt without any limitations or restrictions on transfer under the Act or the Exchange Act and without material restrictions on transfer under the securities and "Blue Sky" laws of a substantial proportion of the several states of the United States. The Initial Purchasers acknowledge and agree that the foregoing statement of the objective of the Registered Exchange Offer is based upon existing interpretations of the staff of the Commission's Division of Corporation Finance (the "Staff"), which interpretations are subject to change without notice.

(b) Subject to interpretations of the Staff then applicable, the Company shall indicate in a "Plan of Distribution" section contained in the final prospectus filed pursuant to Rule 424 under the Act and constituting a part of the Exchange Registration Statement that any broker or dealer registered as such under Section 15 of the Exchange Act (each a "Broker-Dealer") who holds Notes that were acquired for its own account as a result of market-making or other trading activities (other than Notes acquired directly from the Company), may exchange such Notes for Exchange Notes pursuant to the Registered Exchange Offer; PROVIDED, HOWEVER, that such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and, therefore, must deliver a prospectus satisfying the requirements of the Act in connection with any resales of the Exchange Notes received by it in the Registered Exchange Offer, which prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the final prospectus contained in the Exchange Registration Statement. Such "Plan of Distribution" section also shall state that the delivery by a Broker-Dealer of the final prospectus relating to the Registered Exchange Offer in connection with resales of Exchange Notes shall not be deemed to be an admission by such Broker-Dealer that it is an "underwriter" within the meaning of the Act, and shall contain all other information with respect to resales of the Exchange Notes by Broker-Dealers that the Commission may require in connection therewith, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the principal amount of Exchange Notes held by any such Broker-Dealer, except to the extent required by the Staff as a result of a change in its interpretations with respect thereto after the date of this Agreement.

(c) In connection with the Registered Exchange Offer and the offer and sale of Exchange Notes by Broker-Dealers as contemplated in Section 1(b) above, the Company shall take all such other and further action, including
making appropriate filings under state securities and "Blue Sky" laws and delivering such number of copies of the final prospectus relating to the Registered Exchange Offer as any Broker-Dealer proposing to deliver the same in connection with its resales of Exchange Notes reasonably may request, as may be necessary to realize the foregoing objectives. The Company shall cause the Exchange Registration Statement to remain current and continuously effective for a period of 180 days from the date on which such registration statement is first declared effective, and shall supplement or amend from time to time the prospectus contained therein to the extent necessary to permit such prospectus (as so supplemented or amended) to be delivered by Broker-Dealers in connection with their resales of Exchange Notes as aforesaid.

2. SHELF REGISTRATION.

In the event that applicable interpretations of the Staff do not permit the Company to effect the Registered Exchange Offer or if for any other reason the Registered Exchange Offer is not consummated within 120 days after the Closing Date, or if the Initial Purchasers so request with respect to Notes not eligible to be exchanged for Exchange Notes in the Registered Exchange Offer or if any holder of Notes determines that it is not eligible to participate in the Registered Exchange Offer or does not receive freely tradeable Exchange Notes in the Registered Exchange Offer and so requests, the following provisions shall apply:

(a) The Company shall promptly file with the Commission and thereafter shall use its best efforts to cause to be declared effective a registration statement on an appropriate form under the Act relating to the offer and sale of the Notes by the holders thereof from time to time in accordance with the methods of distribution set forth in such registration statement and Rule 415 under the Act (hereafter, a "Subordinated Notes Shelf Registration Statement").

(b) The Company agrees to use its best efforts to keep the Subordinated Notes Shelf Registration Statement current and continuously effective in order to permit the prospectus included therein to be usable by the holders of the Notes for a period of three years from the date such registration statement is declared effective by the Commission or such shorter period that shall terminate when all the Notes covered by the Subordinated Notes Shelf Registration Statement have been sold pursuant thereto; PROVIDED that the Company shall be deemed not to have used its best efforts to keep the Subordinated Notes Shelf Registration Statement effective during the requisite period if it voluntarily takes any action that would result in holders of the Notes covered thereby not being able to offer and sell such Notes during that period, unless such action is required by applicable law, and PROVIDED, FURTHER, that the foregoing shall not apply to actions taken by the Company in good faith and for valid business reasons (not including avoidance of the Company's obligations hereunder), including, without limitation, the acquisition or divestiture of a material portion of its assets, so long as the Company promptly thereafter complies with the requirements of Section 3(i) hereof, if applicable. Any such period during which the Company fails to keep the Subordinated Notes Shelf Registration Statement effective and usable for offers and sales of Notes is hereafter referred to as a "Suspension Period." A Suspension Period shall commence on and include the date on which the Company provides notice that the Subordinated Notes Shelf Registration Statement is no longer effective or that the prospectus included therein is no longer usable for offers and sales of Notes and shall end on the date when each seller of Notes covered by the Subordinated Notes Shelf Registration Statement either receives the copies of the supplemented or amended prospectus contemplated by Section 3(i) hereof or is advised in writing by the Company that use of the prospectus may be resumed. If one or more Suspension
Periods occur, the three-year time period referenced above shall be extended by a period which is not less than the aggregate number of days included in all Suspension Periods.

(c) Notwithstanding any other provisions of this Agreement to the contrary, the Company shall cause the Subordinated Notes Shelf Registration Statement and the related prospectus and any amendment or supplement thereto, as of the effective date of such registration statement, amendment or supplement, (i) to comply in all material respects with the applicable requirements of the Act and the rules and regulations of the Commission promulgated thereunder and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

3. REGISTRATION PROCEDURES. In connection with any Subordinated Notes Shelf Registration Statement to be filed pursuant to Section 2 hereof, and, to the extent applicable, any Exchange Offer Registration Statement pursuant to Section 1 hereof, the following provisions shall apply:

(a) The Company shall furnish to you, prior to the filing thereof with the Commission, a copy of the applicable registration statement and each amendment thereof and each supplement, if any, to the prospectus included therein and shall use its best efforts to reflect in each such document, when so filed with the Commission, such comments as you reasonably may propose.

(b) The Company shall advise you and the holders of the Notes or the Exchange Notes, and, if requested by you or any such holder, confirm such advice in writing:

(i) when the registration statement and any amendment thereto has been filed with the Commission and when the registration statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to the registration statement or the prospectus included therein or for additional information (including schedules and exhibits);

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Notes or the Exchange Notes for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the occurrence of any event that requires the making of any changes in the registration statement or the prospectus necessary in order to make the statements contained therein not misleading (which advice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made).

(c) The Company shall use its best efforts to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible time.

(d) The Company shall furnish to each holder of the Notes or the Exchange Notes included within the coverage of the Exchange Offer Registration Statement or the Subordinated Notes Shelf Registration Statement, as the case may be, without charge, at least one copy of the applicable registration statement and any post-effective amendment thereto, including financial statements and schedules, and, if the holder so requests in writing, all exhibits (including those incorporated by reference).

(e) The Company shall deliver to each holder of Notes or Exchange
Exchange Offer Registration Statement or the Subordinated Notes Shelf Registration Statement, as the case may be, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the registration statement and any amendment or supplement thereto as such persons reasonably may request; the Company consents to the use of the prospectus or any amendment or supplement thereto by each of the selling holders of the Notes or the Exchange Notes in connection with the offering and sale of the Notes or the Exchange Notes covered by the prospectus or any amendment or supplement thereto.

(f) Prior to any public distribution of the Notes or the Exchange Notes pursuant to the Exchange Offer Registration Statement or the Subordinated Notes Shelf Registration Statement, as the case may be, the Company shall register or qualify or cooperate with the holders of the Notes or the Exchange Notes included therein and their respective counsel in connection with the registration or qualification of such Notes or Exchange Notes for offer and sale under the securities or "Blue Sky" laws of such jurisdictions as any seller reasonably requests in writing and shall do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Notes or the Exchange Notes covered by the Registered Exchange Offer or the Subordinated Notes Shelf Registration Statement, as the case may be; PROVIDED that the Company shall not be required to qualify generally to conduct business in any jurisdiction where it is not then so qualified or to post any bond or to take any action which would subject it to general service of process or to taxation in any such jurisdiction where it is not then so subject.

(g) The Company shall make available at reasonable times for inspection by (i) each of the selling holders of the Notes or the Exchange Notes included within the coverage of the Registered Exchange Offer or the Subordinated Notes Shelf Registration Statement, as the case may be, (ii) any underwriter participating in any distribution pursuant to the Registered Exchange Offer or the Subordinated Notes Shelf Registration Statement, as the case may be, and (iii) any attorney or accountant retained by such holder or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and shall cause the Company's officers, directors and employees to supply all information reasonably requested by any such holder, underwriter, attorney or accountant in connection with the Registered Exchange Offer or the Subordinated Notes Shelf Registration Statement, as the case may be, subsequent to the filing thereof and prior to its effectiveness.

(h) The Company shall cooperate with the holders of the Notes or the Exchange Notes to facilitate the timely preparation and delivery of certificates evidencing the Notes or the Exchange Notes free of any restrictive legends thereon and in such denominations and registered in such names as the holders may request prior to sales of the Notes or the Exchange Notes pursuant to the Exchange Offer Registration Statement or the Subordinated Notes Shelf Registration Statement, as the case may be.

(i) Upon the occurrence of any event contemplated by paragraph 3(b)(v) above, the Company promptly shall prepare a post-effective amendment to the applicable registration statement or a supplement to the related prospectus and/or file any other required document so that, as thereafter delivered to purchasers of the Notes or the Exchange Notes, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein not misleading.

(j) Not later than the effective date of the applicable registration statement, the Company shall have obtained and shall communicate to a CUSIP number for the Notes or the Exchange Notes, as the case may be, and provide the Trustee with printed certificates for the Notes or Exchange Notes, as the case may be, in a form eligible for deposit with CEDE & Co. or an
otherwise eligible securities custodian, and trading through The Depositary Trust Company book-entry transfer and delivery system.

(k) The Company shall use its best efforts to comply with all applicable rules and regulations of the Commission and shall make generally available to its security holders an earnings statement satisfying the provisions of Section 11(a) of the Act, no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter next following the effective date of each of the Exchange Registration Statement or the Subordinated Notes Shelf Registration Statement, which statements shall cover such 12-month period. The Company may, at its option, satisfy such requirement by complying with Rule 158 under the Act.

(l) The Company shall cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended.

A-8

(m) The Company may require each holder of Notes to be sold pursuant to the Subordinated Notes Shelf Registration Statement to furnish to the Company such information regarding the holder and the intended method of distribution by such holder of such Notes as the Company may from time to time reasonably require for inclusion in such registration statement. The Company may also require each such holder to provide to the Company an undertaking confirming the holder's obligations to the Company pursuant to this Section 3(m), Section 3(n), Section 3(o) and Section 5(b) hereof.

(n) In the case of a Shelf Registration Statement, each holder agrees that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 3(b)(v) hereof, such holder shall promptly discontinue any resale of the Notes pursuant to the Shelf Registration Statement until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by Sections 3(d) and 3(e) hereof. If the Company shall give any such notice to suspend any resale of Notes pursuant to the Shelf Registration Statement, the Company shall extend the period during which the Shelf Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such notice to and including the date when the holder shall have received copies of the supplemented or amended prospectus necessary to resume such dispositions.

(o) In case of an Exchange Offer Registration Statement, each holder agrees that, prior to its exchange of Notes for Exchange Notes, it shall make certain representations to the Company, including (i) any Exchange Notes to be received by it will be acquired in the ordinary course of its business, (ii) it has no arrangement with any person to participate in a public distribution (within the meaning of the Act) of the Exchange Notes, and (iii) it is not an "affiliate", as defined in Rule 405 of the Act, of the Company, or if it is such an affiliate, that it shall comply with the registration and prospectus delivery requirements of the Act to the extent applicable to it. In addition, each holder who is not a Broker-Dealer shall represent that it is not engaged in, and does not intend to engage in, a public distribution of the Exchange Notes.

4. REGISTRATION EXPENSES. The Company shall bear all expenses incurred in connection with the performance of its obligations under Sections 1 through 3 hereof and, in the event of a Subordinated Notes Shelf Registration Statement, shall bear or reimburse the holders of the Notes for the reasonable fees and disbursements of one firm of counsel designated by the holders of a majority in principal amount of the Notes (outstanding within the meaning of the Indenture) to act as counsel for all holders of the Notes in connection therewith.
5. INDEMNIFICATION.

(a) INDEMNIFICATION BY THE COMPANY. In the event of a
Subordinated Notes Shelf Registration Statement, the Company agrees to indemnify
and hold harmless each holder of Notes and in the case of the Registered
Exchange Offer, the Company agrees to indemnify and hold harmless each
Broker-Dealer who holds Exchange Notes acquired for its own account pursuant to
the Exchange Offer, and, in each such case, agrees to further indemnify and hold
harmless such holder's or Broker-Dealer's officers, directors, employees and
agents and each person who controls such holder within the meaning of Section 15
of the Act or Section 20 of the Exchange Act (each such person being sometimes
hereafter referred to as an "Indemnified Holder") from and against any and all
losses, claims, damages, liabilities, awards and judgments (collectively,
"Losses") arising out of or based upon any untrue statement or alleged untrue
statement of a material fact contained in any registration statement or
prospectus or in any amendment thereof or supplement thereto or in any
preliminary prospectus relating to the Subordinated Notes Shelf Registration
Statement, the Registered Exchange Offer or the delivery by Broker-Dealers who
are required to do so of the final prospectus contained in the Exchange
Registration Statement in connection with their resales of the Exchange Notes,
as the case may be, or arising out of or based upon any omission or alleged
omission to state therein a material fact required to be stated therein or
necessary to make the statements therein, in light of the circumstances under
which they were made, not misleading, except insofar as such Losses are caused
by any such untrue statement or omission based upon information relating to such
holder furnished in writing to the Company by such holder expressly for use
therein and used in conformity therewith; PROVIDED, HOWEVER, that the
indemnity obligations of the Company arising under this Section 5(a) with
respect to the Subordinated Notes Shelf Registration Statement and Registered
Exchange Offer, shall not inure to your benefit or that of any such controlling
person if the person asserting any such Losses purchased the Notes or the
Exchange Notes from you and if a copy of the final prospectus contained in the
Subordinated Notes Shelf Registration Statement or Exchange Offer Registration
Statement, as the case may be, was not sent or given by you or on your behalf to
such person at or prior to the written confirmation of the sale of the Notes or
the Exchange Notes to such person, and if such final prospectus would have cured
the defect giving rise to such Losses. This indemnity is and will be in
addition to any liability which the Company otherwise may have. The Company
also will indemnify underwriters, selling brokers, dealer managers and similar
securities industry professionals participating in the distribution, their
officers and directors and each person who controls such persons (within the
meaning of Section 15 of the Act or Section 20 of the Exchange Act) to the same
extent as provided above with respect to the indemnification of the holders of
the Notes or the Exchange Notes, as the case may be, if so requested of the
Company.

In case any action shall be brought or asserted against an
Indemnified Holder in respect of which indemnity may be sought from the Company,
such Indemnified Holder shall promptly notify the Company in writing, and the
Company shall assume the defense thereof, including the employment of counsel
(reasonably satisfactory to such Indemnified Holder) and the payment of all fees
and expenses of such defense; PROVIDED, HOWEVER, that the failure to so
notify the Company shall not relieve the Company of its indemnification
obligations pursuant to this Section 5 except to the extent the Company is
materially prejudiced or forfeits substantive rights and defenses by reason of
such failure. Such Indemnified Holder shall have the right to employ separate
counsel in any such action and participate in the defense thereof, but the fees
and expenses of such counsel shall be at the expense of such Indemnified Holder
unless (a) the employment of such counsel has been authorized in writing by the
Company or (b) the Company has failed promptly to assume the defense and to
employ counsel (reasonably satisfactory to such Indemnified Holder) or (c) the
named parties to any such action (including any impleaded parties) include both
such Indemnified Holder and the Company, and such Indemnified Holder shall have
been advised by such counsel that there may be one or more legal defenses
available to such Indemnified Holder which are different from or additional to
those available to the Company (in all of which cases the Company shall not have
the right to assume the defense of such action on behalf of such Indemnified
Holder; it being understood, however, that the Company shall not, in connection
with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm.

of attorneys (in addition to any local counsel) for such Indemnified Holder and any other Indemnified Holders, which firm shall be designated in writing by such Indemnified Holders and that all such fees and expenses shall be reimbursed as they are billed). The Company shall not be liable for any settlement of any such action effected without its written consent (not to be unreasonably withheld) and if settled with its written consent, the Company agrees to indemnify and hold harmless such Indemnified Holders from and against any loss or liability by reason of such settlement. Without limiting the generality of the foregoing, the Company shall not, without the prior written consent of the Indemnified Holder, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Holder is a party where indemnity could have been sought hereunder by such Indemnified Holder; PROVIDED, HOWEVER, that the Company may effect such a settlement without the consent of any Indemnified Holder if such settlement includes an unconditional release of such Indemnified Holder from all liability for claims that are the subject matter of such proceeding or the Company indemnifies the Indemnified Holder in writing for an amount equal to the maximum liability for all such claims as contemplated above.

(b) INDEMNIFICATION BY HOLDERS. In the event of a Subordinated Notes Shelf Registration Statement, each holder of Notes agrees to indemnify and hold harmless the Company, its directors and officers, employees and agents and each person, if any, who controls the Company within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act from and against any and all Losses to the same extent as the foregoing indemnity from the Company to such holder, but only with respect to information relating to such holder or the plan of distribution furnished in writing by such holder expressly for use in any registration statement or prospectus or any amendment or supplement thereto or any preliminary prospectus relating to the Subordinated Notes Shelf Registration Statement; PROVIDED, HOWEVER, that no such holder shall be liable for any indemnity claims hereunder in excess of the amount of net proceeds received by such holder from the sale of Notes pursuant to the Subordinated Notes Shelf Registration Statement. In case any action shall be brought against the Company or its directors, officers, employees or agents or any such controlling person, in respect of which indemnity may be sought against a holder of Notes, such holder shall have the rights and duties given to the Company, and the Company or its directors, officers, employees or agents or such controlling person shall have the same rights and duties given to each holder by Section 5(a) hereof. The Company shall be entitled to receive indemnification from underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, to the same extent as provided above with respect to information so furnished in writing by such persons specifically for inclusion in any prospectus or registration statement or any amendment or supplement thereto or any preliminary prospectus.

(c) CONTRIBUTION. If the indemnification provided for in this Section 5 is unavailable or otherwise insufficient to hold harmless an indemnified party under Section 5(a) or Section 5(b) hereof (other than by reason of exceptions provided in those Sections) in respect of any Losses, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Losses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand, and the Indemnified Holder on the other hand or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i)
above but also the relative fault of the Company and the Indemnified Holder in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. The relative fault of the Company and of the Indemnified Holder shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Indemnified Holder and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and you, on behalf of the holders of the Notes and the Exchange Notes, agree that it would not be just and equitable if contribution pursuant to this Section 5(c) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by a party as a result of the Losses shall be deemed to include, subject to the limitations set forth in the second paragraph of Section 5(a), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

6. ADDITIONAL INTEREST UNDER CERTAIN CIRCUMSTANCES; REMEDIES. In the event that (i) the Exchange Registration Statement is not filed with the Commission on or prior to June 30, 1994, or (ii) the Registered Exchange Offer is not consummated pursuant to its terms or the Subordinated Notes Shelf Registration Statement is not declared effective on or prior to August 31, 1994, the interest rate borne by the Notes shall be increased by 50 basis points per annum following such June 30, 1994 date in the case of clause (i) above, or such August 31, 1994 date in the case of clause (ii) above. Such interest rate shall increase by an additional 25 basis points per annum at the beginning of each subsequent 30-day period in the case of clause (i) above (commencing with the period beginning on July 1, 1994), or 60-day period in the case of clause (ii) above (commencing with the period beginning on September 1, 1994), up to a maximum aggregate increase of 150 basis points per annum. Upon (x) the filing of the Exchange Offer Registration Statement in the case of clause (i) above, or (y) the consummation of the Registered Exchange Offer or the effectiveness of the Subordinated Notes Shelf Registration Statement in the case of clause (ii) above, the interest rate borne by the Notes shall be reduced from and including the date on which any of the events specified in clause (x) or (y) occur by the amount of any increase in such rate (by reason of this Section 6) from the interest rate of the Notes existing on the date of original issuance thereof.

For all purposes of this Section 6, interest on the Notes shall accrue and be calculated on the basis of a 360-day year comprised of twelve, 30-day months.

7. MISCELLANEOUS.

(a) AMENDMENTS AND WAIVERS. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent from the holders of a majority in outstanding principal amount of the Notes (insofar as such matters relate to the Notes) or the Exchange Notes (insofar as such matters relate to the Exchange Notes).

(b) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telex, telecopier, or air courier guaranteeing overnight delivery:
(i) if to a holder of Notes or Exchange Notes, at the most current address given by such holder to the Company in accordance with the provisions of this Section 7(b), which address initially is, with respect to each holder, the address of such holder to which confirmation of the sale of Notes was first sent by you, with a copy in like manner to you at your address first above written, Attention: Corporate Finance Department, in the case of Bear, Stearns & Co. Inc. and Attention: Corporate Finance Department, in the case of BT Securities Corporation;

(ii) if to you, to your address first above written, Attention: Corporate Finance Department, in the case of Bear, Stearns & Co. Inc. and Attention: Corporate Finance Department, in the case of BT Securities Corporation; and

(iii) if to the Company, initially at its address set forth in the Purchase Agreement.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged by recipient's teletype operator, if telecopied; and on the day delivered, if sent by overnight air courier guaranteeing next day delivery.

(c) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including, without limitation, and without the need for an express assignment, subsequent holders of the Notes.

(d) COUNTERPARTS. This agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

(e) HEADINGS. The headings in this agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(f) GOVERNING LAW. This agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to instruments made and performed wholly in such state but without regard to the conflicts of laws provisions thereof.

(g) SEVERABILITY. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

Please confirm that the foregoing correctly sets forth the mutual agreement and understanding between the Company and you with respect to the subject matter hereof.

Very truly yours,

CHARTER MEDICAL CORPORATION

By: /S/ Lawrence W. Drinkard
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Lawrence W. Drinkard
Accepted in New York, New York
April 22, 1994

BEAR, STEARNS & CO. INC.

By: /S/ Curtis S. Lane
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Name: Curtis S. Lane
Title: Senior Managing Director

BT SECURITIES CORPORATION

By: /S/ Edmund H. Driggs
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Name: Edmund H. Driggs
Title: Managing Director
Dear Sirs:

Charter Medical Corporation, a Delaware corporation (the "Company"), proposes to issue and sell to Bear, Stearns & Co. Inc. and BT Securities Corporation (the "Initial Purchasers"), upon the terms and subject to the conditions set forth in the purchase agreement of even date and executed concurrently herewith (the "Purchase Agreement"), $375,000,000 aggregate principal amount of its 11 1/4% Senior Subordinated Notes due 2004 (the "Notes"). The Notes will be issued pursuant to an indenture (the "Indenture") to be dated as of the Closing Date, between the Company, the guarantors party thereto (the "Guarantors") and Marine Midland Bank, as trustee (the "Trustee"), in each case substantially in the form previously furnished to you. All capitalized terms used and not defined herein have the respective meanings ascribed thereto in the Purchase Agreement. As an inducement to you to enter into the Purchase Agreement and in satisfaction of a condition to your obligations thereunder, the Company agrees with you, for the benefit of the holders of the Notes (including you as the Initial Purchasers thereof), as follows:

1. REGISTERED EXCHANGE OFFER.

(a) The Company shall prepare and, as soon as practicable after the Closing Date, file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Exchange Registration Statement") on an appropriate form under the Securities Act of 1933, as amended (the "Act"), with respect to a proposed offer (the "Registered Exchange Offer") to the holders of the Notes to issue and deliver to such holders, in exchange for the Notes, a corresponding principal amount of senior subordinated debt securities of the Company identical in all material respects (except with respect to legends which restrict the transfer thereof) to the Notes (the "Exchange Notes"), shall use its best efforts to cause the Exchange Registration Statement to become effective under the Act no later than 90 days after the Closing Date and, upon the effectiveness of such registration statement, shall commence the Registered Exchange Offer and shall cause the same to remain open for acceptance for not less than 20 business days (but in no event longer than 30 days after the date the Exchange Registration Statement is declared effective subject to any extensions required by applicable law), and to be conducted in accordance with such procedures, as may be required by applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, without limitation, the requirements of Rule 13e-4 (other than the filing requirements of such Rule) and Regulation 14E under the Exchange Act; it being the objective of such Registered Exchange Offer to enable each holder of Notes electing to exchange its Notes for Exchange Notes (assuming that such holder is not an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act, acquires the Exchange Notes in the ordinary course of such holder's business and has no arrangements with any person to participate in a public distribution of the Exchange Notes within the meaning of the Act) to trade in such Exchange Notes from and after their receipt without any limitations or restrictions on transfer under the Act or the Exchange Act and without material restrictions on transfer under the securities and "Blue Sky"
laws of a substantial proportion of the several states of the United States. The Initial Purchasers acknowledge and agree that the foregoing statement of the objective of the Registered Exchange Offer is based upon existing interpretations of the staff of the Commission's Division of Corporation Finance (the "Staff"), which interpretations are subject to change without notice.

(b) Subject to interpretations of the Staff then applicable, the Company shall indicate in a "Plan of Distribution" section contained in the final prospectus filed pursuant to Rule 424 under the Act and constituting a part of the Exchange Registration Statement that any broker or dealer registered as such under Section 15 of the Exchange Act (each a "Broker-Dealer") who holds Notes that were acquired for its own account as a result of market-making or other trading activities (other than Notes acquired directly from the Company), may exchange such Notes for Exchange Notes pursuant to the Registered Exchange Offer; PROVIDED, HOWEVER, that such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and, therefore, must deliver a prospectus satisfying the requirements of the Act in connection with any resales of the Exchange Notes received by it in the Registered Exchange Offer, which prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the final prospectus contained in the Exchange Registration Statement. Such "Plan of Distribution" section also shall state that the delivery by a Broker-Dealer of the final prospectus relating to the Registered Exchange Offer in connection with resales of Exchange Notes shall not be deemed to be an admission by such Broker-Dealer that it is an "underwriter" within the meaning of the Act, and shall contain all other information with respect to resales of the Exchange Notes by Broker-Dealers that the Commission may require in connection therewith, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the principal amount of Exchange Notes held by any such Broker-Dealer, except to the extent required by the Staff as a result of a change in its interpretations with respect thereto after the date of this Agreement.

(c) In connection with the Registered Exchange Offer and the offer and sale of Exchange Notes by Broker-Dealers as contemplated in Section 1(b) above, the Company shall take all such other and further action, including making appropriate filings under state securities and "Blue Sky" laws and delivering such number of copies of the final prospectus relating to the Registered Exchange Offer as any Broker-Dealer proposing to deliver the same in connection with its resales of Exchange Notes reasonably may request, as may be necessary to realize the foregoing objectives. The Company shall cause the Exchange Registration Statement to remain current and continuously effective for a period of 180 days from the date on which such registration statement is first declared effective, and shall supplement or amend from time to time the prospectus contained therein to the extent necessary to permit such prospectus (as so supplemented or amended) to be delivered by Broker-Dealers in connection with their resales of Exchange Notes as aforesaid.

2. SHELF REGISTRATION.

In the event that applicable interpretations of the Staff do not permit the Company to effect the Registered Exchange Offer or if for any other reason the Registered Exchange Offer is not consummated within 120 days after the Closing Date, or if the Initial Purchasers so request with respect to Notes not eligible to be exchanged for Exchange Notes in the Registered Exchange Offer or if any holder of Notes determines that it is not eligible to participate in the Registered Exchange Offer or does not receive freely tradeable Exchange Notes in the Registered Exchange Offer and so requests, the following provisions shall apply:

(a) The Company shall promptly file with the Commission and thereafter shall use its best efforts to cause to be declared effective a registration statement on an appropriate form under the Act relating to the offer and sale of the Notes by the holders thereof from time to time in accordance with the methods of distribution set forth in such registration statement and Rule 415 under the Act (hereafter, a "Subordinated Notes Shelf
(b) The Company agrees to use its best efforts to keep the Subordinated Notes Shelf Registration Statement current and continuously effective in order to permit the prospectus included therein to be usable by the holders of the Notes for a period of three years from the date such registration statement is declared effective by the Commission or such shorter period that shall terminate when all the Notes covered by the Subordinated Notes Shelf Registration Statement have been sold pursuant thereto; PROVIDED that the Company shall be deemed not to have used its best efforts to keep the Subordinated Notes Shelf Registration Statement effective during the requisite period if it voluntarily takes any action that would result in holders of the Notes covered thereby not being able to offer and sell such Notes during that period, unless such action is required by applicable law, and PROVIDED, FURTHER, that the foregoing shall not apply to actions taken by the Company in good faith and for valid business reasons (not including avoidance of the Company’s obligations hereunder), including, without limitation, the acquisition or divestiture of a material portion of its assets, so long as the Company promptly thereafter complies with the requirements of Section 3(i) hereof, if applicable. Any such period during which the Company fails to keep the Subordinated Notes Shelf Registration Statement effective or that the prospectus included therein is no longer usable for offers and sales of Notes and shall end on the date when each seller of Notes covered by the Subordinated Notes Shelf Registration Statement either receives the copies of the supplemented or amended prospectus contemplated by Section 3(i) hereof or is advised in writing by the Company that use of the prospectus may be resumed. If one or more Suspension Periods occur, the three-year time period referenced above shall be extended by a period which is not less than the aggregate number of days included in all Suspension Periods.

(c) Notwithstanding any other provisions of this Agreement to the contrary, the Company shall cause the Subordinated Notes Shelf Registration Statement and the related prospectus and any amendment or supplement thereto, as of the effective date of such registration statement, amendment or supplement, (i) to comply in all material respects with the applicable requirements of the Act and the rules and regulations of the Commission promulgated thereunder and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

3. REGISTRATION PROCEDURES. In connection with any Subordinated Notes Shelf Registration Statement to be filed pursuant to Section 2 hereof, and, to the extent applicable, any Exchange Offer Registration Statement pursuant to Section 1 hereof, the following provisions shall apply:

(a) The Company shall furnish to you, prior to the filing thereof with the Commission, a copy of the applicable registration statement and each amendment thereof and each supplement, if any, to the prospectus included therein and shall use its best efforts to reflect in each such document, when so filed with the Commission, such comments as you reasonably may propose.

(b) The Company shall advise you and the holders of the Notes or the Exchange Notes, and, if requested by you or any such holder, confirm such advice in writing:

(i) when the registration statement and any amendment thereto has been filed with the Commission and when the registration statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to the registration statement or the prospectus included therein or for additional information (including schedules and exhibits);
(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Notes or the Exchange Notes for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the occurrence of any event that requires the making of any changes in the registration statement or the prospectus necessary in order to make the statements contained therein not misleading (which advice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made).

(c) The Company shall use its best efforts to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible time.

(d) The Company shall furnish to each holder of the Notes or the Exchange Notes included within the coverage of the Exchange Offer Registration Statement or the Subordinated Notes Shelf Registration Statement, as the case may be, without charge, at least one copy of the applicable registration statement and any post-effective amendment thereto, including financial statements and schedules, and,

if the holder so requests in writing, all exhibits (including those incorporated by reference).

(e) The Company shall deliver to each holder of Notes or Exchange Notes included within the coverage of the Exchange Offer Registration Statement or the Subordinated Notes Shelf Registration Statement, as the case may be, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the registration statement and any amendment or supplement thereto as such persons reasonably may request; the Company consents to the use of the prospectus or any amendment or supplement thereto by each of the selling holders of the Notes or the Exchange Notes in connection with the offering and sale of the Notes or the Exchange Notes covered by the prospectus of any amendment or supplement thereto.

(f) Prior to any public distribution of the Notes or the Exchange Notes pursuant to the Exchange Offer Registration Statement or the Subordinated Notes Shelf Registration Statement, as the case may be, the Company shall register or qualify or cooperate with the holders of the Notes or the Exchange Notes included therein and their respective counsel in connection with the registration or qualification of such Notes or Exchange Notes for offer and sale under the securities or "Blue Sky" laws of such jurisdictions as any seller reasonably requests in writing and shall do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Notes or the Exchange Notes covered by the Registered Exchange Offer or the Subordinated Notes Shelf Registration Statement, as the case may be; PROVIDED that the Company shall not be required to qualify generally to conduct business in any jurisdiction where it is not then so qualified or to post any bond or to take any action which would subject it to general service of process or to taxation in any such jurisdiction where it is not then so subject.

(g) The Company shall make available at reasonable times for inspection by (i) each of the selling holders of the Notes or the Exchange Notes included within the coverage of the Registered Exchange Offer or the Subordinated Notes Shelf Registration Statement, as the case may be, (ii) any underwriter participating in any distribution pursuant to the Registered Exchange Offer or the Subordinated Notes Shelf Registration Statement, as the case may be, and (iii) any attorney or accountant retained by such holder or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and shall
cause the Company's officers, directors and employees to supply all information reasonably requested by any such holder, underwriter, attorney or accountant in connection with the Registered Exchange Offer or the Subordinated Notes Shelf Registration Statement, as the case may be, subsequent to the filing thereof and prior to its effectiveness.

(h) The Company shall cooperate with the holders of the Notes or the Exchange Notes to facilitate the timely preparation and delivery of certificates evidencing the Notes or the Exchange Notes free of any restrictive legends thereon and in such denominations and registered in such names as the holders may request prior to sales of the Notes or the Exchange Notes pursuant to the Exchange Offer Registration Statement or the Subordinated Notes Shelf Registration Statement, as the case may be.

(i) Upon the occurrence of any event contemplated by paragraph 3(b)(v) above, the Company promptly shall prepare a post-effective amendment to the applicable registration statement or a supplement to the related prospectus and/or file any other required document so that, as thereafter delivered to purchasers of the Notes or the Exchange Notes, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein not misleading.

(j) Not later than the effective date of the applicable registration statement, the Company shall have obtained and shall communicate to you a CUSIP number for the Notes or the Exchange Notes, as the case may be, and provide the Trustee with printed certificates for the Notes or Exchange Notes, as the case may be, in a form eligible for deposit with CEDE & Co. or an otherwise eligible securities custodian, and trading through The Depositary Trust Company book-entry transfer and delivery system.

(k) The Company shall use its best efforts to comply with all applicable rules and regulations of the Commission and shall make generally available to its security holders an earnings statement satisfying the provisions of Section 11(a) of the Act, no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter next following the effective date of each of the Exchange Registration Statements or the Subordinated Notes Shelf Registration Statement, which statements shall cover such 12-month period. The Company may, at its option, satisfy such requirement by complying with Rule 158 under the Act.

(l) In the case of a Shelf Registration Statement, each holder agrees that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 3(b)(v) hereof, such holder shall promptly discontinue any resale of the Notes pursuant to the Shelf Registration Statement until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by Sections 3(d) and 3(e) hereof. If the Company shall give any such notice to suspend any resale of Notes pursuant to the Shelf Registration Statement, the Company shall extend the period during which the Shelf Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such notice to and including the date when the holder shall have received copies of the supplemented or amended prospectus necessary to resume such dispositions.

(m) The Company may require each holder of Notes to be sold pursuant to the Subordinated Notes Shelf Registration Statement to furnish to the Company such information regarding the holder and the intended method of distribution by such holder of such Notes as the Company may from time to time reasonably require for inclusion in such registration statement. The Company may also require each such holder to provide to the Company an undertaking confirming the holder's obligations to the Company pursuant to this Section 3(m), Section 3(n), Section 3(o) and Section 5(b) hereof.

(n) In the case of a Shelf Registration Statement, each holder agrees that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 3(b)(v) hereof, such holder shall promptly discontinue any resale of the Notes pursuant to the Shelf Registration Statement until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by Sections 3(d) and 3(e) hereof. If the Company shall give any such notice to suspend any resale of Notes pursuant to the Shelf Registration Statement, the Company shall extend the period during which the Shelf Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such notice to and including the date when the holder shall have received copies of the supplemented or amended prospectus necessary to resume such dispositions.

(o) In case of an Exchange Offer Registration Statement, each holder agrees that, prior to its exchange of Notes for Exchange Notes, it shall make certain representations to the Company, including (i) any Exchange Notes to be
received by it will be acquired in the ordinary course of its business, (ii) it has no arrangement with any person to participate in a public distribution (within the meaning of the Act) of the Exchange Notes, and (iii) it is not an "affiliate", as defined in Rule 405 of the Act, of the Company, or if it is such an affiliate, that it shall comply with the registration and prospectus delivery requirements of the Act to the extent applicable to it. In addition, each holder who is not a Broker-Dealer shall represent that it is not engaged in, and does not intend to engage in, a public distribution of the Exchange Notes.

4. REGISTRATION EXPENSES. The Company shall bear all expenses incurred in connection with the performance of its obligations under Sections 1 through 3 hereof and, in the event of a Subordinated Notes Shelf Registration Statement, shall bear or reimburse the holders of the Notes for the reasonable fees and disbursements of one firm of counsel designated by the holders of a majority in principal amount of the Notes (outstanding within the meaning of the Indenture) to act as counsel for all holders of the Notes in connection therewith.

5. INDEMNIFICATION.

(a) INDEMNIFICATION BY THE COMPANY. In the event of a Subordinated Notes Shelf Registration Statement, the Company agrees to indemnify and hold harmless each holder of Notes and in the case of the Registered Exchange Offer, the Company agrees to indemnify and hold harmless each Broker-Dealer who holds Exchange Notes acquired for its own account pursuant to the Exchange Offer, and, in each such case, agrees to further indemnify and hold harmless such holder's or Broker-Dealer's officers, directors, employees and agents and each person who controls such holder within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each such person being sometimes hereafter referred to as an "Indemnified Holder") from and against any and all losses, claims, damages, liabilities, awards and judgments (collectively, "Losses") arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus or in any amendment thereof or supplement thereto or in any preliminary prospectus relating to the Subordinated Notes Shelf Registration Statement, the Registered Exchange Offer or the delivery by Broker-Dealers who are required to do so of the final prospectus contained in the Exchange Registration Statement in connection with their resales of the Exchange Notes, as the case may be, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such Losses are caused by any such untrue statement or omission based upon information relating to such holder furnished in writing to the Company by such holder expressly for use therein and used in conformity therewith; PROVIDED, HOWEVER, that the indemnity obligations of the Company arising under this Section 5(a) with respect to the Subordinated Notes Shelf Registration Statement and Registered Exchange Offer, shall no inure to your benefit or that of any such controlling person if the person asserting any such Losses purchased the Notes or the Exchange Notes from you and if a copy of the final prospectus contained in the Subordinated Notes Shelf Registration Statement or Exchange Offer Registration Statement, as the case may be, was not sent or given by you or on your behalf to such person at or prior to the written confirmation of the sale of the Notes or the Exchange Notes to such person, and if such final prospectus would have cured the defect giving rise to such Losses. This indemnity is and will be in addition to any liability which the Company otherwise may have. The Company also will indemnify underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, their officers and directors and each person who controls such persons (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of the holders of the Notes or the Exchange Notes, as the case may be, if so requested of the Company.

In case any action shall be brought or asserted against an Indemnified
Holder in respect of which indemnity may be sought from the Company, such
Indemnified Holder shall promptly notify the Company in writing, and the Company
shall assume the defense thereof, including the employment of counsel
(reasonably satisfactory to such Indemnified Holder) and the payment of all fees
and expenses of such defense; PROVIDED, HOWEVER, that the failure to so notify
the Company shall not relieve the Company of its indemnification obligations
pursuant to this Section 5 except to the extent the Company is materially
prejudiced or forfeits substantive rights and defenses by reason of such
failure. Such Indemnified Holder shall have the right to employ separate
counsel in any such action and participate in the defense thereof, but the fees
and expenses of such counsel shall be at the expense of such Indemnified Holder
unless (a) the employment of such counsel has been authorized in writing by the
Company or (b) the Company has failed promptly to assume the defense and to
employ counsel (reasonably satisfactory to such Indemnified Holder) or (c) the
named parties to any such action (including any impleaded parties) include both
such Indemnified Holder and the Company, and such Indemnified Holder shall have
been advised by such counsel that there may be one or more legal defenses available
to such Indemnified Holder which are different from or additional to those
available to the Company (in all of which cases the Company shall not have the
right to assume the defense of such action on behalf of such Indemnified Holder;
it being understood, however, that the Company shall not, in connection with any
one such action or separate but substantially similar or related actions in the
same jurisdiction arising out of the same general allegations or circumstances,
be liable for the reasonable fees and expenses of more than one separate firm of
attorneys (in addition to any local counsel) for such Indemnified Holder and any
other Indemnified Holders, which firm shall be designated in writing by such
Indemnified Holders and that all such fees and expenses shall be reimbursed as
they are billed). The Company shall not be liable for any settlement of any
such action effected without its written consent (not to be unreasonably
withheld) and if settled with its written consent, the Company agrees to
indemnify and hold harmless such Indemnified Holders from and against any loss
or liability by reason of such settlement. Without limiting the generality of
the foregoing, the Company shall not, without the prior written consent of the
Indemnified Holder, effect any settlement of any pending or threatened
proceeding in respect of which any Indemnified Holder is a party where indemnity
could have been sought hereunder by such Indemnified Holder; PROVIDED, HOWEVER,
that the Company may effect such a settlement without the consent of any
Indemnified Holder if such settlement includes an unconditional release of such
Indemnified Holder from all liability for claims that are the subject matter of
such proceeding or the Company indemnifies the Indemnified Holder in writing for
an amount equal to the maximum liability for all such claims as contemplated
above.

(b) INDEMNIFICATION BY HOLDERS. In the event of a Subordinated Notes
Shelf Registration Statement, each holder of Notes agrees to indemnify and hold
harmless the Company, its directors and officers, employees and agents and each
person, if any, who controls the Company within the meaning of either Section 15
of the Act or Section 20 of the Exchange Act from and against any and all Losses
to the same extent as the foregoing indemnity from the Company to such holder,
but only with respect to information relating to such holder or the plan of
distribution furnished in writing by such holder expressly for use in any
registration statement or prospectus or any amendment or supplement thereto or
any preliminary prospectus relating to the

Subordinated Notes Shelf Registration Statement; PROVIDED, HOWEVER, that no such
holder shall be liable for any indemnity claims hereunder in excess of the
amount of net proceeds received by such holder from the sale of Notes pursuant
to the Subordinated Notes Shelf Registration Statement. In case any action
shall be brought against the Company or its directors, officers, employees or
agents or any such controlling person, in respect of which indemnity may be
sought against a holder of Notes, such holder shall have the rights and duties
given to the Company, and the Company or its directors, officers, employees or
agents or such controlling person shall have the same rights and duties given to
each holder by Section 5(a) hereof. The Company shall be entitled to receive
indemnification from underwriters, selling brokers, dealer managers and similar
securities industry professionals participating in the distribution, to the same extent as provided above with respect to information so furnished in writing by such persons specifically for inclusion in any prospectus or registration statement or any amendment or supplement thereto or any preliminary prospectus.

(c) CONTRIBUTION. If the indemnification provided for in this Section 5 is unavailable or otherwise insufficient to hold harmless an indemnified party under Section 5(a) or Section 5(b) hereof (other than by reason of exceptions provided in those Sections) in respect of any Losses, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Losses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand, and the Indemnified Holder on the other hand or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Indemnified Holder in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. The relative fault of the Company and of the Indemnified Holder shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Indemnified Holder and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and you, on behalf of the holders of the Notes and the Exchange Notes, agree that it would not be just and equitable if contribution pursuant to this Section 5(c) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by a party as a result of the Losses shall be deemed to include, subject to the limitations set forth in the second paragraph of Section 5(a), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

6. ADDITIONAL INTEREST UNDER CERTAIN CIRCUMSTANCES; REMEDIES. In the event that (i) the Exchange Registration Statement is not filed with the Commission on or prior to June 30, 1994, or (ii) the Registered Exchange Offer is not consummated pursuant to its terms or the Subordinated Notes Shelf Registration Statement is not declared effective on or prior to August 31, 1994, the interest rate borne by the Notes shall be increased by 50 basis points per annum following such June 30, 1994 date in the case of clause (i) above, or such August 31, 1994 date in the case of clause (ii) above. Such interest rate shall increase by an additional 25 basis points per annum at the beginning of each subsequent 30-day period in the case of clause (i) above (commencing with the period beginning on July 1, 1994), or 60-day period in the case of clause (ii) above (commencing with the period beginning on September 1, 1994), up to a maximum aggregate increase of 150 basis points per annum. Upon (x) the filing of the Exchange Offer Registration Statement in the case of clause (i) above, or (y) the consummation of the Registered Exchange Offer or the effectiveness of the Subordinated Notes Shelf Registration Statement in the case of clause (ii) above, the interest rate borne by the Notes shall be reduced from and including the date on which any of the events specified in clause (x) or (y) occur by the amount of any increase in such rate (by reason of this Section 6) from the interest rate of the Notes existing on the date of original issuance thereof.

For all purposes of this Section 6, interest on the Notes shall accrue and be calculated on the basis of a 360-day year comprised of twelve, 30-day months.

7. MISCELLANEOUS

(a) AMENDMENTS AND WAIVERS. The provisions of this Agreement may not
be amended, modified or supplemented, and waivers or consents to departures from
the provisions hereof may not be given, unless the Company has obtained the
written consent from the holders of a majority in outstanding principal amount
of the Notes (insofar as such matters relate to the Notes) or the Exchange Notes
(insofar as such matters relate to the Exchange Notes).

(b) NOTICES. All notices and other communications provided for or
permitted hereunder shall be made in writing by hand-delivery, first-class mail,
telecopy, or air courier guaranteeing overnight delivery;

(i) if to a holder of Notes or Exchange Notes, at the most
current address given by such holder to the Company in accordance with
the provisions of this Section 7(b), which address initially is, with
respect to each holder, the address of such holder to which
confirmation of the sale of Notes was first sent by you, with a copy
in like manner to you at your address first above written, Attention:
Corporate Finance Department, in the case of Bear, Stearns & Co. Inc.
and Attention: Corporate Finance Department, in the case of BT
Securities Corporation;

(ii) if to you, to your address first above written, Attention:
Corporate Finance Department, in the case of Bear, Stearns & Co. Inc.
and Attention: Corporate Finance Department, in the case of BT
Securities Corporation; and

(iii) if to the Company, initially at its address set forth in
the Purchase Agreement.

All such notices and communications shall be deemed to have been duly
given: at the time delivered by hand, if personally delivered; five business
days after being deposited in the mail, postage prepaid, if mailed; when
answered back, if telexed; when receipt acknowledged by recipient's telecopy
operator, if telecopied; and on the day delivered, if sent by overnight air
courier guaranteeing next day delivery.

(c) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the
benefit of and be binding upon the successors

and assigns of each of the parties, including, without limitation, and without
the need for an express assignment, subsequent holders of the Notes.

(d) COUNTERPARTS. This agreement may be executed in counterparts,
each of which when so executed shall be deemed to be an original and all of
which taken together shall constitute but one and the same agreement.

(e) HEADINGS. The headings in this agreement are for convenience of
reference only and shall not limit or otherwise affect the meaning hereof.

(f) GOVERNING LAW. This agreement shall be governed by and construed
in accordance with the laws of the State of New York applicable to instruments
made and performed wholly in such state but without regard to the conflicts of
laws provisions thereof.

(g) SEVERABILITY. If any one or more of the provisions contained
herein, or the application thereof in any circumstance, is held invalid, illegal
or unenforceable, the validity, legality and enforceability of any such
provision in every other respect and of the remaining provisions contained
herein shall not be affected or impaired thereby.

Please confirm that the foregoing correctly sets forth the mutual
agreement and understanding between the Company and you as to the subject matter
herein set forth.

Very truly yours,

CHARTER MEDICAL CORPORATION
Accepted in New York, New York  
April 22, 1994

BEAR, STEARNS & CO. INC.

By: /s/ Curtis S. Lane  
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Name: Curtis S. Lane  
Title: Senior Managing Director

BT SECURITIES CORPORATION

By: /s/ Edmund H. Driggs  
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Name: Edmund H. Driggs  
Title: Managing Director
May 18, 1994

Charter Medical Corporation
577 Mulberry Street
Macon, Georgia 31298

Re: Charter Medical Corporation
Registration Statement on Form S-4

Gentlemen:

We have acted as counsel to Charter Medical Corporation, a Delaware corporation ("Charter") and certain subsidiaries thereof (the "Guarantors"), in connection with the registration, pursuant to the above-captioned registration statement (the "Registration Statement"), of Charter's 11 1/4% Series A Senior Subordinated Notes due 2004 (the "Notes"). The Notes are to be issued pursuant to the terms of an Indenture, dated as of May 2, 1994 (the "Indenture"), among Charter, the Guarantors and Marine Midland Bank, as Trustee, in substantially the form filed as Exhibit 4(a) to the Registration Statement.

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the form of the Indenture, such records of Charter and the Guarantors and all such agreements, certificates of officers or representatives of Charter, the Guarantors and others, and such other documents, certificates and corporate or other records as we have deemed necessary or appropriate as a basis for the opinions set forth herein. In our examination we have assumed the genuineness of all signatures, the legal capacity of natural persons, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such copies. As to any facts material to this opinion which we did not independently establish or verify, we have relied upon statements and representations of representatives of Charter and the Guarantors and of public officials. We have no reason to believe that such statements and representations are untrue.

Based upon and subject to the foregoing, it is our opinion that the Notes, when executed by duly authorized officers of Charter, authenticated by duly authorized officers of the Trustee and delivered in accordance with the terms of the Indenture, will constitute the legal, valid and binding obligations of Charter, enforceable against Charter in accordance with their respective terms.

Our opinion is subject to the following qualifications:

(a) The enforceability of the Indenture and Notes against Charter and the Guarantors may be limited by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and by general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforceability is sought in a proceeding in law or at equity). Such principles of equity are of general application, and in applying such principles, a court, among other things, might not allow a creditor to accelerate maturity of a debt upon the occurrence of a default deemed immaterial or for non-credit reasons or might decline to order a debtor to perform covenants.
We hereby consent to the reference to our firm under the caption "Legal Matters" in the prospectus included in the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

KING & SPALDING
May 18, 1994

Charter Medical Corporation
577 Mulberry Street
Macon, Georgia 31298

Re: Charter Medical Corporation
REGISTRATION STATEMENT ON FORM S-4

Gentlemen:

We have acted as counsel to Charter Medical Corporation, a Delaware corporation ("Charter"), in connection with the preliminary Prospectus (the "Prospectus") dated May 18, 1994 that forms a part of the Registration Statement on Form S-4 that will be filed by the Company on May 18, 1994 with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Registration Statement"), relating to the registration of the Company's 11 1/4% Series A Senior Subordinated Notes due 2004 (the "Notes").

All capitalized terms used herein without definition have the respective meanings specified in the Prospectus.

You have requested our opinion with respect to the description contained in the Prospectus of the federal income tax consequences of the exchange (the "Exchange") of the Notes for the Company's outstanding 11 1/4% Senior Subordinated Notes due 2004 (the "Old Notes").

We understand that our opinion will be attached as an Exhibit to the Registration Statement and that our opinion will be referred to in the Prospectus. We hereby consent to such use of our opinion.

In rendering the opinion expressed herein, we have examined such documents as we have deemed appropriate, including the Prospectus. In our examination of documents, we have assumed, with your consent, that all documents submitted to us are

authentic originals, or if submitted as photocopies, that they faithfully reproduce the originals thereof, that all such documents have been or will be duly executed to the extent required, that all representations and statements set forth in such documents are true and correct, and that all obligations imposed by any such documents on the parties thereto have been or will be performed or satisfied in accordance with their terms. We have also obtained such additional information and representations as we have deemed relevant and necessary through consultation with the officers and directors of the Company.

Based upon and subject to the foregoing, it is our opinion that the material federal income tax consequences of the Exchange to the holders of the Old Notes and to the Company are fairly and accurately described in the Prospectus under the caption "Certain Federal Income Tax Consequences of the Exchange Offer."

The opinion expressed herein is based upon existing statutory, regulatory and judicial authority, any of which may be changed at any time with retroactive effect to the detriment of the holders. In addition, as noted above, our opinion is based solely on the documents that we have examined, the additional
information that we have obtained, and the representations that have been made to us. Our opinion cannot be relied upon if any of the facts contained in such documents or if such additional information is, or later becomes, inaccurate or if any of the representations made to us is, or later becomes, inaccurate.

Finally, our opinion is limited to the tax matters specifically discussed under the caption "Certain Federal Income Tax Considerations of the Exchange Offer" in the Prospectus, and we have not been asked to address, nor have we addressed, any other tax consequences relating to the issuance or sale of the Securities.

Very truly yours,

/s/ King & Spalding

KING & SPALDING
1. PURPOSE. The purpose of the Charter Medical Corporation 1994 Stock Option Plan is to motivate and retain officers and other key employees of Charter Medical Corporation and its Subsidiaries who have major responsibility for the attainment of the primary long-term performance goals of Charter Medical Corporation.

2. DEFINITIONS. The following terms shall have the following meanings:

"Board" means the Board of Directors of the Corporation.


"Committee" means a committee of two or more members of the Board constituted and empowered by the Board to administer the Plan in accordance with its terms.

"Corporation" means Charter Medical Corporation, a Delaware corporation.

"Director" means a member of the Board.

"Disability" means a physical or mental condition under which the Participant qualifies for (or will qualify for after expiration of a waiting period) disability benefits under the long-term disability plan of the Corporation or Subsidiary that employs such Participant.


"Fair Market Value" means: (1) If the Stock is listed on a national securities exchange (as such term is defined by the Exchange Act) or is traded on the Nasdaq National Market System on the date of determination, the price equal to the mean between the high and low sales prices of a share of Stock on said national securities exchange or on said Nasdaq National Market System on that day (or if no shares of the Stock are traded on that date but there were shares traded on dates within a reasonable period both before and after such date, the Fair Market Value shall be the weighted average of the means between the high and low sales prices of the Stock on the nearest date before and the nearest date after that date on which shares of the Stock are traded); (2) If the Stock is traded both on a national securities exchange and in the over-the-counter market, the Fair Market Value shall be determined by the prices on the national securities exchange; and (3) If the Stock is not listed for trading on a national securities exchange and is not traded on the Nasdaq National Market System or otherwise in the over-the-counter market, then the Committee shall determine the Fair Market Value of the Stock from time to time in its sole discretion.

"Option" means an Option granted pursuant to Section 6.

"Participant" means an employee of the Corporation or any of its Subsidiaries who is selected to participate in the Plan in accordance with Section 4.

"Plan" means the Charter Medical Corporation 1994 Stock Option Plan.

"Stock" means the common stock, par value $0.25 per share, of the Corporation.

"Stock Option Agreement" means the written agreement or instrument which sets forth the terms of an Option granted to a Participant under this Plan.
"Subsidiary" means any corporation, as defined in Section 7701 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, of which the Corporation, at the time, directly or indirectly, owns 50% or more of the outstanding securities having ordinary voting power to elect directors (other than securities having voting power only by reason of a contingency).

3. ADMINISTRATION. The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee, acting in its absolute discretion, shall exercise such powers and take such action as expressly called for under this Plan and, further, the Committee shall have the power to interpret the Plan, to determine the terms of each Stock Option Agreement (subject to the provisions of the Plan) and (subject to Section 18 and Rule 16b-3 under the Exchange Act, if applicable) to take such other action in the administration and operation of this Plan as the Committee deems equitable under the circumstances. All actions of the Committee shall be binding on the Corporation, on each affected Participant and on each other person directly or indirectly affected by such action. No member of the Board shall serve as a member of the Committee unless such member is a "disinterested person" within the meaning of Rule 16b-3 under the Exchange Act. The Committee shall have the right to delegate to the chief executive officer of the Corporation the authority to select Participants and to grant Options (except to any person subject to Section 16 of the Exchange Act), subject to any review, approval, or notification required by the Committee or as may otherwise be required by law.

4. PARTICIPATION. Participants in the Plan shall be limited to those officers and employees of the Corporation or any of its Subsidiaries who have been selected to participate in the Plan by the Committee acting in its absolute discretion.

5. MAXIMUM NUMBER OF SHARES SUBJECT TO OPTIONS. Subject to the provisions of Section 9, there shall be 1,300,000 shares of Stock reserved for use under this Plan, and such shares of Stock shall be reserved to the extent that the Committee and the Board deems appropriate from authorized but unissued shares of Stock or from shares of Stock which have been reacquired by the Corporation. Any shares of Stock subject to any Option which remain after the cancellation, expiration, exchange or forfeiture of such Option thereafter shall again become available for use under this Plan. All authorized and unissued shares issued upon exercise of Options under the Plan shall be fully paid and nonassessable shares.

6. GRANT OF OPTIONS. The Committee, acting in its absolute discretion, shall have the right to grant Options to Participants under this Plan from time to time; provided, however, that the maximum number of shares of Stock issuable upon exercise of Options shall not exceed 1,300,000, subject to adjustment as provided in Section 9. No Option shall be granted after December 31, 1996. The maximum number of Options that are granted to any Participant shall not exceed 150,000, subject to adjustment as provided in Section 9.

7. TERMS AND CONDITIONS OF OPTIONS. Options granted pursuant to the Plan shall be evidenced by Stock Option Agreements in such form as the Committee from time to time shall approve and including such terms and conditions not inconsistent with the provisions set forth in the Plan as the Committee may determine; provided, that such Stock Option Agreements and the Options granted shall comply with and be subject to the following terms and conditions:

(a) EMPLOYMENT. Each Participant shall agree to remain in the employ of and to render services to the Corporation or a Subsidiary thereof for such period as the Committee may require in the Stock Option Agreement; provided, however, that such agreement shall not impose upon the Corporation or any Subsidiary thereof any obligation to retain the Participant in its employ for any period.
(b) NUMBER OF SHARES. Each Stock Option Agreement shall state the total number of shares of Stock to which it pertains.

(c) EXERCISE PRICE. The exercise price per share for Options shall be Fair Market Value of the Stock on the date of grant, subject to adjustment as contemplated by Section 9.

(d) MEDIUM AND TIME OF PAYMENT. The exercise price shall be payable upon the exercise of the Option in an amount equal to the number of shares then being purchased times the per share exercise price. Payment shall be in cash; except that the Corporation, in its sole discretion, may permit payment by delivery to the Corporation of a certificate or certificates for shares of Stock duly endorsed for transfer to the Corporation with signature guaranteed by a member firm of the New York Stock Exchange or by a national banking association. In the event of any payment by delivery of shares of Stock, such shares shall be valued on the basis of their Fair Market Value determined as of the day prior to the date of delivery. If payment is made by delivery of shares of Stock, the value of such Stock may not exceed the total exercise price payment; but the preceding clause shall not prevent delivery of a stock certificate for a number of shares having a greater value, if the number of shares to be applied to payment of the exercise price is designated by the Participant and the Participant requests that a certificate for the remainder shares be delivered to the Participant.

In addition to the payment of the purchase price of the shares of Stock then being purchased, a Participant shall also, pursuant to Section 15, pay to the Corporation or otherwise provide for payment of an amount equal to the amount, if any, which the Corporation at the time of exercise is required to withhold under the income tax withholding provisions of the Code and other applicable income tax laws.

(e) METHOD OF EXERCISE. All Options shall be exercised by written notice directed to the Secretary of the Corporation at its principal place of business, accompanied by payment made in accordance with the foregoing subsection (d) of the option exercise price for the number of shares specified in the notice of exercise and by any documents required by Section 13. The Corporation shall make delivery of such shares within a reasonable period of time; provided, however, that if any law or regulation requires the Corporation to take any action (including but not limited to the filing of a registration statement under the Securities Act of 1933 and causing such registration statement to become effective) with respect to the shares specified in such notice before their issuance, then the date of delivery of such shares shall be extended for the period necessary to take such action.

(f) TERM OF OPTIONS. Except as otherwise specifically provided in the Plan, the terms of all Options shall commence on the date of grant and shall expire ten years after the date of grant.

(g) EXERCISE OF OPTIONS. Options are exercisable only to the extent they are vested as provided in Section 8. After Options have vested in accordance with Section 8, such Options are exercisable at any time, in whole or in part during their terms if the Participant is at the time of exercise employed by the Company or a Subsidiary. If a Participant’s employment with the Corporation or any Subsidiary is terminated for any reason other than death or disability, the vested portion of each Option held by such Participant on the date of such termination may be exercised for 90 days following the date of termination of employment (but not after expiration of the term of the option). In the event of the death or Disability of a Participant, the vested portion of each Option held by such Participant on the date of such event may be exercised within twelve months of the date of such event (but not after the expiration of the term of the option).

In the event of the death of a Participant, the vested portion of each Option previously held by such Participant may be exercised within the time set forth above by the executor, other legal representative or, if none, the heir or legatee of such Participant.
(h) ADJUSTMENTS UPON CHANGES IN CAPITALIZATION. Upon a change in capitalization pursuant to Section 9, the number of shares covered by an Option and the per share option exercise price shall be adjusted in accordance with the provisions of Section 9.

(i) TRANSFERABILITY. No Option shall be assignable or transferable by the Participant except by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or ERISA. The designation of a beneficiary shall not constitute a transfer; and, during the lifetime of a Participant, all Options held by such Participant shall be exercisable only by him or his lawful representative in the event of his incapacity.

(j) RIGHTS AS A STOCKHOLDER. A Participant shall have no rights as a stockholder with respect to shares covered by his Option until the date of the issuance of the shares to him and only after such shares are fully paid. Unless specified in Section 9, no adjustment will be made for dividends or other rights for which the record date is prior to the date of such issuance.

(k) MISCELLANEOUS PROVISIONS. The Stock Option Agreements authorized under the Plan may contain such other provisions not inconsistent with the terms of this Plan as the Committee shall deem advisable.

8. VESTING. Options granted under this Plan shall be exercisable only to the extent such Options have become vested pursuant to this Section 8. An Option shall vest at the rate of 33-1/3% of the shares covered by the Option on each of the first three anniversary dates of the grant of the Option if the Participant is an employee of the Company or a Subsidiary on such dates.

9. CHANGE IN CAPITALIZATION. If the Stock should, as a result of a stock split or stock dividend, combination of shares, recapitalization or other change in the capital structure of the Corporation or exchange of Stock for other securities by reclassification or otherwise, be increased or decreased or changed into, or exchanged for, a different number or kind of shares or other securities of the Corporation, or any other corporation, then the number of shares covered by Options, the number and kind of shares which thereafter may be distributed or issued under the Plan and the per share option price of Options shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent dilution of or increase in the rights granted to, or available for, Participants.

10. FRACTIONAL SHARES. In the event that any provision of this Plan or a Stock Option Agreement would create a right to acquire a fractional share of Stock, such fractional share shall be disregarded.

11. SUCCESSOR CORPORATION. If the Company is merged or consolidated with another corporation or other legal entity and the Company is not the surviving corporation or legal entity, or in the event all or substantially all of the property or common stock of the Company is acquired by another corporation or legal entity, or in case of a dissolution, reorganization or liquidation of the Company, the Board of Directors of the Company, or the board of directors or governing body of any corporation or other legal entity assuming the obligations of the Company hereunder,

shall either: (i) make appropriate provision for the preservation of Participants' rights under the Plan in any agreement or plan it may enter into or adopt to effect any of the foregoing transactions; or (ii) upon written notice to each Participant, provide that all Options, whether or not vested, may be exercised within thirty days of the date of such notice and if not so exercised, shall be terminated.

12. NON-ALIENATION OF BENEFITS. Except insofar as applicable law may otherwise require, (i) no Options, rights or interest of Participants or Stock deliverable to any Participant at any time under the Plan shall be subject in any manner to alienation by anticipation, sale, transfer, assignment,
bankruptcy, pledge, attachment, charge of encumbrance of any kind, and any attempt to so alienate, sell, transfer, assign, pledge, attach, charge or otherwise encumber any such amount, whether presently or thereafter payable, shall be void; and (ii), to the fullest extent permitted by law, the Plan shall in no manner be liable for, or subject to, claims, liens, attachments or other like proceedings or the debts, liabilities, contracts, engagements, or torts of any Participant or beneficiary. Nothing in this Section 12 shall prevent a Participant's rights and interests under the Plan from being transferred by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or ERISA; provided, however, that no transfer by will or by the laws of descent and distribution shall be effective to bind the Corporation unless the Committee or its designee shall have been furnished before or after the death of such Participant with a copy of such will or such other evidence as the Committee may deem necessary to establish the validity of the transfer.

13. LISTING AND QUALIFICATION OF SHARES. The Corporation, in its discretion, may postpone the issuance or delivery of shares of Stock until completion of any stock exchange listing, or other qualification or registration of such shares under any state or federal law, rule or regulation, as the Corporation may consider appropriate, and may require any Participant to make such representations, including, but not limited to, a written representation that the shares are to be acquired for investment and not for resale or with a view to the distribution thereof, and furnish such information as it may consider appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations. The Corporation may cause a legend or legends to be placed on such certificates to make appropriate reference to such representation and to restrict transfer in the absence of compliance with applicable federal or state securities laws.

14. NO CLAIM OR RIGHT UNDER THE PLAN. No employee of the Corporation or any Subsidiary shall at any time have the right to be selected as a Participant in the Plan nor, having been selected as a Participant and granted an Option, to be granted any additional Option. Neither the action of the Corporation in establishing the Plan, nor any action taken by it or by the Board or the Committee thereunder, nor any provision of the Plan, nor participation in the Plan, shall be construed to give, and does not give, to any person the right to be retained in the employ of the Corporation or any Subsidiary, or interfere in any way with the right of the Corporation or any Subsidiary to discharge or terminate any person at any time without regard to the effect such discharge or termination may have upon such person's rights, if any, under the Plan.

15. TAXES. The Corporation may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all federal, state, local and other taxes required by law to be withheld with respect to Options under the Plan, including, but not limited to, (i) deducting the amount required to be withheld from salary or any other amount then or thereafter payable to a Participant, beneficiary or legal representative or (ii) requiring a Participant, beneficiary or legal representative to pay to the Corporation the amount required to be withheld as a condition of releasing the Stock.

16. NO LIABILITY OF DIRECTORS. No member of the Board or Committee shall be personally liable by reason of any contract or other instrument executed by such member on his behalf in his capacity as a member of the Board or Committee, nor for any mistake of judgment made in good faith, and the Corporation shall indemnify and hold harmless each employee, officer and Director of the Corporation, to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with the Plan to the fullest extent permitted or required by the Corporation's governing instruments and, in addition, to the fullest extent of any applicable insurance policy purchased by the Corporation.

17. OTHER PLANS. Nothing contained in the Plan is intended to amend, modify or rescind any previously approved compensation plans or programs entered into by the Corporation or its Subsidiaries. The Plan shall be construed to be in addition to any and all such plans or programs. No award of Options under the Plan shall be construed as compensation under any other executive compensation or employee benefit plan of the Corporation or any of its Subsidiaries, except as specifically provided in any such plan or as otherwise
Plan by the Board shall not be construed as creating any limitations on the power or authority of the Board to adopt such additional compensation or incentive arrangements as the Board may deem necessary or desirable.

18. AMENDMENT OR TERMINATION. This Plan may be amended by the Board from time to time to the extent that the Board deems necessary or appropriate; provided, however, no such amendment shall be made absent the approval of the stockholders of the Corporation: (1) if stockholder approval of such amendment is required for continued compliance with Rule 16b-3 of the Exchange Act, or (2) if stockholder approval of such amendment is required by any other applicable laws or regulations or by the rules of any stock exchange as long as the Stock is listed for trading on such exchange. The Committee also may suspend the granting of Options under this Plan at any time and may terminate this Plan at any time; provided, however, the Corporation shall not have the right to modify, amend or cancel any Option granted before such suspension or termination unless (1) the Participant consents in writing to such modification, amendment or cancellation or (2) there is a dissolution or liquidation of the Corporation or a transaction described in Section 11 of this Plan.

19. CAPTIONS. The captions preceding the sections of the Plan have been inserted solely as a matter of convenience and shall not, in any manner, define or limit the scope or intent of any provisions of the Plan.

20. GOVERNING LAW. The Plan and all rights thereunder shall be governed by, and construed in accordance with, the laws of the State of Georgia, without reference to the principles of conflicts of law thereof.

21. EXPENSES. All expenses of administering the Plan shall be borne by the Corporation.

22. EFFECTIVE DATE. The Plan shall be effective as of the date of its adoption by the Board, subject to approval of this Plan by the stockholders of the Corporation after the date of its adoption in accordance with the requirements of Rule 16b-3 under the Exchange Act.
1. PURPOSE. The purpose of the Charter Medical Corporation Directors' Unit Award Plan is to provide an incentive and a means of encouraging stock ownership by non-employee directors.

2. DEFINITIONS. The following terms shall have the following meanings:
   - "Award" means the grant of a number of Units to a Participant.
   - "Board" means the Board of Directors of the Corporation.
   - "Committee" means the Compensation Committee of the Board or any other committee of the Board that is authorized by the Board to administer the Plan.
   - "Common Stock" means the $0.25 par value common stock of the Corporation.
   - "Corporation" means Charter Medical Corporation, a Delaware corporation.
   - "Unit" means a unit of measurement equivalent to one share of Common Stock (without any adjustment pursuant to Sections 10 or 12), with none of the attendant rights of a holder of such stock, such as, but not limited to, the right to vote such stock and the right to receive dividends thereon.
   - "Director" means a member of the Board.
   - "Disability" means a physical or mental condition that would qualify the Participant for disability benefits under the long-term disability plan of the Corporation if the Participant were an employee of the Corporation.
   - "Participant" means a non-employee Director of the Corporation who participates in the Plan in accordance with Section 5.
   - "Plan" means the Charter Medical Corporation Directors' Unit Award Plan.

3. ADMINISTRATION. The Plan is intended to be self-executing. To the extent the Plan or any provision of the Plan needs to be construed or interpreted, the Committee shall construe or interpret the Plan; and any construction or interpretation of the Plan or of any Award made under the Plan shall be final, conclusive and binding on the Corporation and each Participant.

4. ELIGIBILITY. Members of the Board of Directors who are not employees of the Corporation or any subsidiary shall be granted Awards of Units under and pursuant to the terms of the Plan.

5. AWARDS OF UNITS. Each eligible Participant shall be granted, on the later of February 18, 1994, or the date he or she first becomes a non-employee Director, an Award of 2,500 Units, for so long as Units are available under the Plan. Units shall not be awarded after February 18, 1998. Units shall be evidenced solely by a letter from the Corporation to the Participant stating that 2,500 Units have been awarded to the Participant under the Plan and shall not be represented by any stock certificate, agreement or other document that creates any obligation on the part of the Corporation other than as are specifically provided in the Plan.

6. MAXIMUM NUMBER OF UNITS AVAILABLE FOR AWARDS. The maximum aggregate number of Units awarded under the Plan shall not exceed 15,000.

7. VESTING. Units awarded under the Plan shall vest on the date the Participant ceases to be a non-employee Director of the Corporation, subject to adjustment as follows:
(a) IF a Participant ceases to be a non-employee Director of the Corporation prior to the fifth anniversary of the Award of Units to such Participant due to voluntary resignation as a Director, voluntary decision not to stand for reelection or removal as a Director by the stockholders for a cause, THEN the number of Units vested in such Participant shall be the product of 500 times the number of anniversary dates of the Award of Units to such Participant that occur prior to such Participant's ceasing to be a non-employee Director of the Corporation.

(b) IF a Participant ceases to be a non-employee Director of the Corporation prior to the fifth anniversary of the Award of Units to such Participant due to such Participant's becoming an employee of the Corporation or any subsidiary of the Corporation, THEN the number of Units vested in such Participant shall be the product of 500 times the number of anniversary dates of the Award of Units to such Participant that occur prior to the date such Participant becomes an employee of the Corporation or any subsidiary.

If a Participant ceases to be a non-employee Director of the Corporation prior to the fifth anniversary of the Award of Units to such Participant for any reason other than those stated in (a) and (b) above, including but not limited to death or Disability of the Participant, then the number of Units vested in such Participant on the date the Participant ceases to be a non-employee Director of the Corporation shall be the number of Units awarded to such Participant.

8. SETTLEMENT OF UNITS. Within thirty days after a Participant becomes vested in the number of Units provided by the vesting provisions of Section 7, the Corporation shall settle the Units by issuing and delivering to the Participant a certificate for a number of shares of the Corporation's Common Stock equal to the number of Units vested in such Participant pursuant to the vesting provisions of Section 7. The number of shares of Common Stock payable in settlement of Units shall be subject to adjustment pursuant to the provisions of Sections 10 and 12. The shares of Common Stock issued by the Corporation in settlement of Unit may, at the election of the Corporation, be either shares of Common Stock held in treasury or authorized but unissued shares of Common Stock; provided, however, that the Corporation shall not be required to reserve out of its authorized but unissued shares of Common Stock any shares of Common Stock for issuance upon settlement of Units under the Plan.

9. UNSECURED CREDITOR STATUS. A Participant shall have no right, title or interest whatsoever in or to any assets of the Corporation as a result of being granted Units under the Plan. To the extent that any person acquires the right to have Units settled by the Corporation under the Plan, such rights shall be no greater than the right of an unsecured general creditor of the Corporation.

10. CHANGE IN CAPITALIZATION. If after February 18, 1994, the Common Stock should, as a result of a stock split or stock dividend, combination of shares, recapitalization or other change in the capital structure of the Corporation or exchange of Common Stock for other securities by reclassification or otherwise, be increased or decreased or changed into, or exchanged for, a different number or kind of shares or other securities of the Corporation, or any other corporation, then the number of shares issuable upon settlement of Units shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent dilution of or increase in the rights granted to, or available for, Participants.

11. FRACTIONAL SHARES. If any provision of this Plan would create upon vesting pursuant to Section 7 a right to acquire a fractional share of Common Stock, such fractional share shall be disregarded.

12. SUCCESSOR CORPORATION. If the Corporation is merged or consolidated with another corporation or other legal entity and the Corporation is not the surviving corporation or legal entity, or in the event all or substantially all
of the property or Common Stock of the Corporation is acquired by another
corporation or legal entity, or in case of a dissolution, reorganization or
liquidation of the Corporation, the Board of Directors of the Corporation, or
the board of directors or governing body of any corporation or other legal
entity assuming the obligations of the Corporation hereunder, shall either:
(i) make appropriate provision for the preservation of Participants' rights
under the Plan in any agreement or plan it may enter into or adopt to effect any
of the foregoing transactions; or (ii) upon written notice to each Participant,
provide that all Units, whether or not vested, shall be settled by the
Corporation within thirty days of the date of such notice.

13. NON-ALIENATION OF BENEFITS. Except insofar as applicable law may
otherwise require, (i) no Units awarded or Common Stock deliverable (but not yet
delivered) to any Participant at any time under the Plan shall be subject in any
manner to alienation by anticipation, sale, transfer, assignment, bankruptcy,
pledge, attachment, charge or encumbrance of any kind, and any attempt to so
alienate, sell, transfer, assign, pledge, attach, charge or otherwise encumber
any such amount, whether presently or thereafter payable, shall be void; and
(ii), to the fullest extent permitted by law, the Plan shall in no manner be
liable for, or subject to, claims, liens, attachments or other like proceedings
or the debts, liabilities, contracts, engagements, or torts of any Participant
or beneficiary. Nothing in this Section 13 shall prevent a Participant's rights
and interests under the Plan from being transferred by will or by the laws of
descent and distribution or pursuant to a qualified domestic relations order as
defined by the Internal Revenue Code or ERISA; provided, however, that no
transfer by will or by the laws of descent and distribution shall be effective
to bind the Corporation unless the Corporation shall have been furnished before
or after the death of such Participant with a copy of such will or such other
evidence as the Corporation may deem necessary to establish the validity of the
transfer.

14. LISTING AND QUALIFICATION OF SHARES. The Corporation, in its
discretion, may postpone the issuance or delivery of shares of Common Stock
until completion of any stock exchange listing, or other qualification or
registration of such shares under any state or federal law, rule or regulation,
as the Corporation may consider appropriate, and may require any Participant to
make such representations, including, but not limited to, a written representation that
the shares are to be acquired for investment and not for resale or with a view
to the distribution thereof, and furnish such information as it may consider
appropriate in connection with the issuance or delivery of the shares in
compliance with applicable laws, rules and regulations. The Corporation may
cause a legend or legends to be placed on such certificates to make appropriate
reference to such representation and to restrict transfer in the absence of
compliance with applicable federal or state securities laws.

15. TAXES. The Corporation may make such provisions and take such steps
as it may deem necessary or appropriate for the withholding of all federal,
state, local and other taxes required by law to be withheld upon settlement of
Units under the Plan, including, but not limited to, requiring a Participant,
beneficiary or legal representative to pay to the Corporation the amount
required to be withheld as a condition of delivering shares of Common Stock.

16. NO LIABILITY OF DIRECTORS. No member of the Board or Committee shall
be personally liable by reason of any contract or other instrument executed by
such member on his behalf in his capacity as a member of the Board or Committee,
nor for any mistake of judgment made in good faith, and the Corporation shall
indemnify and hold harmless each employee, officer and Director of the
Corporation, to whom any duty or power relating to the administration or
interpretation of the Plan may be allocated or delegated, against any cost or
expense (including counsel fees) or liability (including any sum paid in
settlement of a claim with the approval of the Board) arising out of any act or
omission to act in connection with the Plan to the fullest extent permitted or
required by the Corporation's governing instruments and, in addition, to the
fullest extent of any applicable insurance policy purchased by the Corporation.

17. AMENDMENT OR TERMINATION. This Plan may be amended by the Board from
time to time to the extent that the Board deems necessary or appropriate;
provided, however, no such amendment shall be made absent the approval of the
stockholders of the Corporation: (1) if stockholder approval of such amendment
is required for continued compliance with Rule 16b-3 of the Exchange Act, or (2) if stockholder approval of such amendment is required by any other applicable laws or regulations or by the rules of any stock exchange as long as the Common Stock is listed for trading on such exchange. The Corporation also may suspend the awarding of Units under this Plan at any time and may terminate this Plan at any time; provided, however, the Corporation shall not have the right to modify, amend or cancel any Award granted before such suspension or termination unless (1) the Participant consents in writing to such modification, amendment or cancellation or (2) there is a dissolution or liquidation of the Corporation or a transaction described in Section 12 of this Plan.

18. CAPTIONS. The captions preceding the sections of the Plan have been inserted solely as a matter of convenience and shall not, in any manner, define or limit the scope or intent of any provisions of the Plan.

19. GOVERNING LAW. The Plan and all rights thereunder shall be governed by, and construed in accordance with, the laws of the State of Georgia, without reference to the principles of conflicts of law thereof.

20. EXPENSES. All expenses of administering the Plan shall be borne by the Corporation.

21. EFFECTIVE DATE. The Plan shall be effective as of the date of its adoption by the Board, subject to approval of this Plan by the stockholders of the Corporation after the date of its adoption in accordance with the requirements of Rule 16b-3 under the Exchange Act.
CHARTER MEDICAL CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS BEFORE FIXED CHARGES TO FIXED CHARGES

(IN THOUSANDS)

The following computations for each of the five years in the period ended September 30, 1993, and the six months ended March 31, 1993 and 1994, and pro forma results for the year and six months ended September 30, 1993 and March 31, 1994, respectively, reflect income available for fixed charges, fixed charges and the resultant ratios. The computations should be read in conjunction with the financial information and discussions contained in “Unaudited Pro Forma Financial Information” and the Company’s consolidated historical statements and related notes thereto included in this Registration Statement.

TEN MONTHS    TWO MONTHS
YEARS ENDED SEPTEMBER 30,        ENDED           ENDED        YEAR ENDED
1989       JULY 31,    SEPTEMBER 30,   SEPTEMBER 30, 1993
---------------------   ----------  ----------  ----------  -------------  -------------
INCOME:
Income (loss) from continuing operations before reorganization items, income taxes, extraordinary items and cumulative effect of a change in accounting principle:  $(77,832) $ (365,475) $ (167,157) $ (77,422) $ (7,072) $ (37,746)
Fixed charges as adjusted (1)..............  204,242  225,497  246,504  180,452  14,097  81,538
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INCOME (LOSS)............................  $126,410
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-------  ----------  ----------  ----------  -------------  -------------
FIXED CHARGES:
Interest expenses (before deducting capitalized interest).................  $170,604 $ 188,348 $ 206,117 $147,429 $ 12,958 $ 69,825
Amortization of deferred financing costs, discounts and premiums.............  32,232  35,108  34,165  28,635  997  3,847
Interest components of rentals (2)...........  6,100  7,496  6,252  4,543  601  3,847
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FIXED CHARGES............................  $208,936  $230,952  $246,534  $180,607  $14,556  $81,538
-------  ----------  ----------  ----------  -------------  -------------
-------  ----------  ----------  ----------  -------------  -------------
RATIO OF EARNINGS BEFORE FIXED CHARGES TO FIXED CHARGES............................
DEFICIENCY OF EARNINGS BEFORE FIXED CHARGES TO FIXED CHARGES............................  $(82,526) $ (370,930) $ (167,187) $ (77,577) $ (7,531) $ (37,746)
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SIX MONTHS                          PRO FORMA
ENDED  SEPTEMBER 30,             FOR THE  SIX MONTHS
MARCH 31,   SEPTEMBER 30,  MARCH 31,
---------------------   ----------  -------------  -------------
INCOME:
Income (loss) from continuing operations before reorganization items, income taxes, extraordinary items and cumulative effect of a change in accounting principle:  $(20,543) $ 6,136 $ 16,461 $ 12,400
Fixed charges as adjusted (1)..............  41,066  19,622  66,215  32,401
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INCOME (LOSS)............................  $ 20,523  $ 25,758  $ 82,676  $ 44,801
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-------  ----------  -------------  -------------
FIXED CHARGES:
Interest expenses (before deducting capitalized interest).................  $ 36,211 $ 16,665 $ 58,006 $ 28,917
Amortization of deferred financing costs, discounts and premiums.............  2,950  1,379  2,003  994
Interest components of rentals (2)...........  1,905  1,592  6,206  2,504
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FIXED CHARGES............................  $ 41,066 $ 19,636 $ 66,215 $ 32,415
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RATIO OF EARNINGS BEFORE FIXED CHARGES TO FIXED CHARGES.............................
DEFICIENCY OF EARNINGS BEFORE FIXED CHARGES TO FIXED CHARGES.............................  $(20,543)
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<END>

(1) Represents actual fixed charges as determined above, less interest expense
capitalized of $4,694,000 in 1989; $5,455,000 in 1990; $30,000 in 1991; $155,000 for the ten months ended July 31, 1992, $459,000 for the two months ended September 30, 1992 and $14,000 for the six months ended March 31, 1994, actual and pro forma.

(2) With respect to estimating the interest component of rentals for operating leases, explicit interest rates, where applicable, have been utilized.
<table>
<thead>
<tr>
<th>Corporation Name</th>
<th>State of Incorporation</th>
<th>Jurisdiction</th>
<th>Doing-Business-As Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambulatory Resource, Inc.</td>
<td>Georgia</td>
<td>Georgia</td>
<td>Charter Hospital of Columbus</td>
</tr>
<tr>
<td>Atlanta MDS, Inc.</td>
<td>Georgia</td>
<td>Texas</td>
<td>Charter Hospital of Dallas</td>
</tr>
<tr>
<td>Belay Community Hospital, Inc.</td>
<td>Ohio</td>
<td>Ohio</td>
<td>Charter Hospital of Virginia Beach</td>
</tr>
<tr>
<td>C.A.C.O. Service, Inc.</td>
<td>Nevada</td>
<td>Nevada</td>
<td>Charter Hospital of Austin</td>
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<tr>
<td>CCM, Inc.</td>
<td>Georgia</td>
<td>Georgia</td>
<td>Charter Hospital of Jefferson, Inc.</td>
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<tr>
<td>Charter of Alabama, Inc.</td>
<td>Alabama</td>
<td>Alabama</td>
<td>Charter Hospital of Huntsville</td>
</tr>
<tr>
<td>Charter Alvarez Behavioral Health System, Inc.</td>
<td>California</td>
<td>California</td>
<td>Charter Hospital of Lake Charles</td>
</tr>
<tr>
<td>Charter Appalachian Mall Behavioral Health System, Inc.</td>
<td>North Carolina</td>
<td>North Carolina</td>
<td>Charter Hospital of Greensboro</td>
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<tr>
<td>Charter Arbor Indy Behavioral Health System, Inc.</td>
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<td>Indiana</td>
<td>Charter Hospital of Indianapolis</td>
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<tr>
<td>Charter Augusta Behavioral Health System, Inc.</td>
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<td>Charter Hospital of Augusta</td>
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<tr>
<td>Charter Bay Harbor Behavioral Health System, Inc.</td>
<td>Florida</td>
<td>Florida</td>
<td>Charter Vista Hospital</td>
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<tr>
<td>Charter Beacon Behavioral Health System, Inc.</td>
<td>Indiana</td>
<td>Indiana</td>
<td>Charter Hospital of Northwest Indiana</td>
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<tr>
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<td>Georgia</td>
<td>Charter Hospital of Athens</td>
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<td>Charter Behavioral Health Systems of Atlanta, Inc.</td>
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</tr>
<tr>
<td>Charter Behavioral Health System of Austin, Inc.</td>
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<td>Alabama</td>
<td>Charter Woods Hospital</td>
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<tr>
<td>CMER, Inc.</td>
<td>Nevada</td>
<td>Charter Glade Hospital</td>
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<td>CMTC, Inc.</td>
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<td>Charter Glade Behavioral Health System</td>
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<tr>
<td>CWSF, Inc.</td>
<td>Florida</td>
<td>Charter Hospital of Pasco</td>
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<tr>
<td>CF Associates, Inc.</td>
<td>Virginia</td>
<td>Charter Behavioral Health System of Tampa Bay/Pasco</td>
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<tr>
<td>Desert Springs Hospital, Inc.</td>
<td>Nevada</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<tr>
<td>Employee Assistance Services, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Florida Health Facilities, Inc.</td>
<td>Florida</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Golden Isle Assurance Company Ltd.</td>
<td>Bermuda</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Group Practice Affiliates, Inc.</td>
<td>Delaware</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Gulf Coast EAP Services, Inc.</td>
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<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Gwinnette Immediate Care Center, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>HCS, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Holcomb Ridge Immediate Care Center, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<tr>
<td>Hospital Investors, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<tr>
<td>Mandarin Meadows, Inc.</td>
<td>Florida</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<tr>
<td>Metropolitan Hospital, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<tr>
<td>Middle Georgia Hospital, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Pacific - Charter Medical, Inc.</td>
<td>California</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Peachford Professional Network, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Riello, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Schizophrenia Treatment and Rehabilitation, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Shallowford Community Hospital, Inc.</td>
<td>Georgia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Societe Anonyme De La Metairie</td>
<td>Switzerland</td>
<td>La Metairie Clinic</td>
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<td>Strategic Advantage, Inc.</td>
<td>Minnesota</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Stuart Circle Hospital Corporation</td>
<td>Virginia</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<td>Tampa Bay Behavioral Health Alliance, Inc.</td>
<td>Florida</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
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<tr>
<td>Western Behavioral Systems, Inc.</td>
<td>California</td>
<td>Charter Behavioral Health System of Southern California/Oak</td>
</tr>
</tbody>
</table>
CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report (and to all references to our Firm) included in or made a part of this registration statement.

/s/ Arthur Andersen & Co.

Atlanta, Georgia
May 13, 1994
ACCOUNTANTS' CONSENT

The Boards of Directors
Charter Medical Corporation and
National Medical Enterprises, Inc.

Our report, dated July 19, 1993 except as to Note 9, which is as of April 14, 1994, and Note 10, which is as of May 13, 1994, was qualified for the effects on the combined financial statements of such adjustments, if any, as might be necessary had the Company been able to determine the amount of the settlements and agreements described in Note 9 to the combined financial statements that are applicable to the Selected Psychiatric Hospitals.

We consent to the use of our qualified reports included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG Peat Marwick

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Los Angeles, California
May 17, 1994
KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints E. Mac Crawford, Lawrence W. Drinkard and John R. Day, and each of them, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, in any and all capacities, to sign the Registration Statement to which this power of attorney is attached, to sign all amendments (including post-effective amendments) to the Registration Statement to which this power of attorney is attached, and to file such Registration Statement, all those amendments, and exhibits to them and other documents to be filed in connection with them, with the Securities and Exchange Commission.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ E. Mac Crawford</td>
<td>President, Chairman of the Board of Directors and Chief Executive Officer</td>
<td>May 18, 1994</td>
</tr>
<tr>
<td>/s/ Lawrence W. Drinkard</td>
<td>Executive Vice President-Finance (Chief Financial Officer)</td>
<td>May 18, 1994</td>
</tr>
<tr>
<td>/s/ John R. Day</td>
<td>Vice President and Controller (Principal Accounting Officer)</td>
<td>May 18, 1994</td>
</tr>
<tr>
<td>/s/ Edwin M. Banks</td>
<td>Director</td>
<td>May 18, 1994</td>
</tr>
<tr>
<td>/s/ Andre C. Dimitriadis</td>
<td>Director</td>
<td>May 18, 1994</td>
</tr>
<tr>
<td>/s/ Raymond H. Kiefer</td>
<td>Director</td>
<td>May 18, 1994</td>
</tr>
<tr>
<td>/s/ Gerald L. McManis</td>
<td>Director</td>
<td>May 13, 1994</td>
</tr>
</tbody>
</table>

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in
connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ W. Stephen Love

-------------------------------
W. Stephen Love

EXHIBIT A
POWER OF ATTORNEY
W. STEPHEN LOVE

Ambulatory Resources, Inc...........................................President
Atlanta MOB, Inc......................................................President
Charter Community Hospital of Des Moines, Inc....................President
Charter Financial Offices, Inc........................................President
Charter Medical - Cleveland, Inc..................................President
Charter Northside Hospital, Inc....................................President
Charter Regional Medical Center, Inc..............................President
Desert Springs Hospital, Inc.........................................President
Gwinnett Immediate Care Center, Inc..............................President
Holcomb Bridge Immediate Care Center, Inc.......................President
Metropolitan Hospital, Inc............................................President
Middle Georgia Hospital, Inc.......................................President
Rivoli, Inc..........................................................President
Shallowford Community Hospital, Inc.............................President
Stuart Circle Hospital Corporation.................................President

POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.
them.
IN WITNESS WHEREOF, the undersigned director or officer or both,
as the case may be, of each of the Companies listed on Exhibit A hereof, has
executed this instrument on this 12th day of May, 1994.
/s/ Vernon S. Westrich
------------------------------Vernon S. Westrich

EXHIBIT A
POWER OF ATTORNEY
VERNON S. WESTRICH

Charter Beacon Behavioral Health System, Inc..................
Charter Behavioral Health System of Chicago, Inc..............
Charter Behavioral Health System of Columbia, Inc.............
Charter Behavioral Health System of Kansas City, Inc..........
Charter Behavioral Health System of Northwest Arkansas, Inc...
Charter Behavioral Health System of Northwest Indiana, Inc....
Charter Behavioral Health System of Paducah, Inc..............
Charter Behavioral Health System of Toledo, Inc...............
Charter Contract Services, Inc................................
Charter Indianapolis Behavioral Health System, Inc............
Charter Lafayette Behavioral Health System, Inc...............
Charter Little Rock Behavioral Health System, Inc.............
Charter Louisville Behavioral Health System, Inc..............
Charter Milwaukee Behavioral Health System, Inc...............
Charter Ridge Behavioral Health System, Inc...................
Charter Sioux Falls Behavioral Health System, Inc.............
Charter South Bend Behavioral Health System, Inc..............
Charter Terre Haute Behavioral Health System, Inc.............
Charter Wichita Behavioral Health System, Inc.................
Charterton/LaGrange, Inc......................................

President
President
President
President
President
President
President
President
President
President
President
President
President
President
President
President
President
President
President
President

POWER OF ATTORNEY
The undersigned director or officer or both, as the case may be, of each of the
corporations listed on Exhibit A hereto (singularly, the "Company" and together,
the "Companies"), serving in the capacities listed opposite the name of each
Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A.
Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and
agents, each with full power to act without the others and each of said
attorneys having full power of substitution and resubstitution, to do any and
all acts and things and to execute in his name, place or stead in his capacity
as an officer or director or both of each of the Companies, any and all
instruments which they may deem necessary or advisable to enable each Company to
comply with the Securities Act of 1933, as amended, and the Trust Indenture Act
of 1939, as amended (collectively, the "Acts") and any rules, regulations and
requirements of the Securities and Exchange Commission in respect thereof, in
connection with the filing under the Acts of all such registration statements,
amendments, post-effective amendments or supplements thereto, and any new or
revised prospectuses, as may be necessary or desirable in connection with the
registration of $375,000,000 aggregate principal amount of 11 1/4% Senior
Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees
thereof by the Companies, including specifically, but without limiting the
generality of the foregoing, the power and authority to sign the name of the
undersigned in his capacity as an officer or director or both of each of the
Companies to all such registration statements, amendments, post-effective
amendments or supplements thereto, and any new or revised prospectuses; and the
undersigned hereby ratifies and approves the acts of said attorneys and each of
them.
IN WITNESS WHEREOF, the undersigned director or officer or both,


as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ Margie M. Smith
-------------------------------
Margie M. Smith

EXHIBIT A
POWER OF ATTORNEY
MARGIE M. SMITH

Charter Alvarado Behavioral Health System, Inc. Director
Charter Appalachian Hall Behavioral Health System, Inc. Director
Charter Arbor Indy Behavioral Health System, Inc. Director
Charter Bay Harbor Behavioral Health System, Inc. Director
Charter Behavioral Health System of Atlanta, Inc. Director
Charter Behavioral Health System of Baywood, Inc. Director
Charter Behavioral Health System of Bradenton, Inc. Director
Charter Behavioral Health System of Canoga Park, Inc. Director
Charter Behavioral Health System of Chula Vista, Inc. Director
Charter Behavioral Health System of Evansville, Inc. Director
Charter Behavioral Health System at Fair Oaks, Inc. Director
Charter Behavioral Health System at Hidden Brook, Inc. Director
Charter Behavioral Health System of Jefferson, Inc. Director
Charter Behavioral Health System of Lafayette, Inc. Director
Charter Behavioral Health System of Lakewood, Inc. Director
Charter Behavioral Health System at Los Altos, Inc. Director
Charter Behavioral Health System of Michigan City, Inc. Director
Charter Behavioral Health System of Nashua, Inc. Director
Charter Behavioral Health System at Potomac Ridge, Inc. Director
Charter Behavioral Health System of Rockford, Inc. Director
Charter Behavioral Health System of San Jose, Inc. Director
Charter Behavioral Health System of Texarkana, Inc. Director
Charter Behavioral Health System of Tucson, Inc. Director
Charter Behavioral Health System of Virginia Beach, Inc. Director
Charter Behavioral Health System of Visalia, Inc. Director
Charter Behavioral Health System at Warwick Manor, Inc. Director
Charter Behavioral Health System of Washington, D.C., Inc. Director
Charter Behavioral Health System of Waverly, Inc. Director
Charter Behavioral Health System of Yorba Linda, Inc. Director
Charter Brawner Behavioral Health System, Inc. Director
Charter Canyon Springs Behavioral Health System, Inc. Director
Charter Centennial Peaks Behavioral Health System, Inc. Director
Charter Cove Forge Behavioral Health System, Inc. Director
Charter Crescent Pines Behavioral Health System, Inc. Director
Charter Fairbridge Behavioral Health System, Inc. Director
Charter Fenwick Hall Behavioral Health System, Inc. Director
Charter Lakehurst Behavioral Health System, Inc. Director
Charter Laurel Oaks Behavioral Health System, Inc. Director
Charter Linden Oaks Behavioral Health System, Inc. Director
Charter Meadows Behavioral Health System, Inc. Director
Charter Medfield Behavioral Health System, Inc. Director
Charter Mid-South Behavioral Health System, Inc. Director
Charter Northbrooke Behavioral Health System, Inc. Director
Charter Richmond Behavioral Health System, Inc. Director
Charter Serenity Lodge Behavioral Health System, Inc. Director
Charter Springwood Behavioral Health System, Inc. Director
Charter Tidewater Behavioral Health System, Inc. Director
Charter White Oak Behavioral Health System, Inc. Director
POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ Lawrence W. Drinkard
-----------------------------------
Lawrence W. Drinkard

EXHIBIT A
POWER OF ATTORNEY
LAWRENCE W. DRINKARD

Charter Alvarado Behavioral Health System, Inc................ President
Charter Appalachian Behavioral Health System, Inc............ President
Charter Arbor Indy Behavioral Health System, Inc............. President
Charter Bay Harbor Behavioral Health System, Inc............. President
Charter Behavioral Health System at Fair Oaks, Inc......... President
Charter Behavioral Health System at Hidden Brook, Inc..... President
Charter Behavioral Health System at Los Altos, Inc.......... President
Charter Behavioral Health System at Potomac Ridge, Inc..... President
Charter Behavioral Health System at Warwick Manor, Inc.... President
Charter Behavioral Health System of Baywood, Inc........... President
Charter Behavioral Health System of Bradenton, Inc......... President
Charter Behavioral Health System of Canoga Park, Inc...... President
Charter Behavioral Health System of Chula Vista, Inc....... President
Charter Behavioral Health System of Evansville, Inc........ President
Charter Behavioral Health System of Jefferson, Inc......... President
Charter Behavioral Health System of Lafayette, Inc......... President
Charter Behavioral Health System of Lakewood, Inc.......... President
Charter Behavioral Health System of Michigan City, Inc..... President
Charter Behavioral Health System of Nashua, Inc............ President
Charter Behavioral Health System of Rockford, Inc.......... President
Charter Behavioral Health System of San Jose, Inc.......... President
Charter Behavioral Health System of Texarkana, Inc........ President
Charter Behavioral Health System of Tucson, Inc............ President
Charter Behavioral Health System of Virginia Beach, Inc.... President
Charter Behavioral Health System of Visalia, Inc............ President
The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ Jim R. Johnson
Jim R. Johnson
POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 13th day of May, 1994.

/s/ William H. Freeman, Jr.
William H. Freeman, Jr.

EXHIBIT A
POWER OF ATTORNEY
WILLIAM H. FREEMAN, JR.

Charter Medical - New York, Inc............................... President
Charter Medical of Orange County, Inc........................ President
Charter Psychiatric Hospitals, Inc............................ President
Mandarin Meadows, Inc......................................... President

POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all...
instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ Joseph M. Cobern
-----------------------------
Joseph M. Cobern

EXHIBIT A
POWER OF ATTORNEY
JOSEPH M. COBERN

Ambulatory Resources, Inc. ................................... Director
Atlanta MIB, Inc. ........................................... Director
Beltway Community Hospital, Inc. ........................... Director
Charter of Alabama, Inc. .................................... Director
C.A.C.O. Services, Inc. ..................................... Director
CCM, Inc. .................................................. Director
Charter Augusta Behavioral Health System, Inc.......... Director
Charter Beacon Behavioral Health System, Inc. .......... Director
Charter Behavioral Health System of Athens, Inc......... Director
Charter Behavioral Health System of Austin, Inc......... Director
Charter Behavioral Health System of Central Georgia, Inc. Director
Charter Behavioral Health System of Charleston, Inc. ... Director
Charter Behavioral Health System of Charlotte, Inc. ... Director
Charter Behavioral Health System of Chicago, Inc. ...... Director
Charter Behavioral Health System of Columbia, Inc. .... Director
Charter Behavioral Health System of Corpus Christi, Inc. Director
Charter Behavioral Health System of Dallas, Inc. ....... Director
Charter Behavioral Health System of Fort Worth, Inc. ... Director
Charter Behavioral Health System of Jackson, Inc. ...... Director
Charter Behavioral Health System of Jacksonville, Inc. .. Director
Charter Behavioral Health System of Kansas, Inc. ....... Director
Charter Behavioral Health System of Lake Charles, Inc. .. Director
Charter Behavioral Health System of Mobile, Inc. ....... Director
Charter Behavioral Health System of Nevada, Inc. ....... Director
Charter Behavioral Health System of New Mexico, Inc. .. Director
Charter Behavioral Health System of Northern California, Inc. Director
Charter Behavioral Health System of Northwest Arkansas, Inc. Director
Charter Behavioral Health System of Northwest Indiana, Inc. Director
Charter Behavioral Health System of Paducah, Inc. ...... Director
Charter Behavioral Health System of Savannah, Inc. ...... Director
Charter Behavioral Health System of Southern California, Inc. Director
Charter Behavioral Health System of Tampa Bay, Inc. .. Director
Charter Behavioral Health System of Toledo, Inc. ....... Director
Charter Behavioral Health System of the Inland Empire, Inc. Director
Charter Behavioral Health System of Winston-Salem, Inc. Director
Charter-By-The-Sea Behavioral Health System, Inc. ...... Director
Charter Canyon Behavioral Health System, Inc. .......... Director
Charter Colonial Institute, Inc. .......................... Director
Charter Community Hospital, Inc. ........................ Director
Charter Community Hospital of Des Moines, Inc. ....... Director
Charter Contract Services, Inc. .......................... Director
Charter Fairmount Behavioral Health System, Inc. ...... Director
<table>
<thead>
<tr>
<th>Organization</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Financial Offices, Inc.</td>
<td>Director</td>
</tr>
<tr>
<td>Charter Forest Behavioral Health System, Inc.</td>
<td>Director</td>
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<td>Charter Grapevine Behavioral Health System, Inc.</td>
<td>Director</td>
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<td>Charter Greensboro Behavioral Health System, Inc.</td>
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<td>Charter Health Management of Texas, Inc.</td>
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<td>Charter Hospital of Columbus, Inc.</td>
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<td>Charter Hospital of Denver, Inc.</td>
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<td>Charter Hospital of Ft. Collins, Inc.</td>
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<td>Charter Hospital of Laredo, Inc.</td>
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<td>Charter Hospital of Miami, Inc.</td>
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<td>Charter Hospital of Mobile, Inc.</td>
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<td>Charter Hospital of Northern New Jersey, Inc.</td>
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<td>Charter Hospital of Santa Teresa, Inc.</td>
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<td>Charter Hospital of St. Louis, Inc.</td>
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<td>Charter Hospital of Torrance, Inc.</td>
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<td>Charter Indianapolis Behavioral Health System, Inc.</td>
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<td>Charter Lafayette Behavioral Health System, Inc.</td>
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<td>Charter Lakeside Behavioral Health System, Inc.</td>
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<td>Charter Little Rock Behavioral Health System, Inc.</td>
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<td>Charter Louisville Behavioral Health System, Inc.</td>
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<td>Charter Medical - California, Inc.</td>
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<td>Charter Medical - Clayton County, Inc.</td>
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<td>Charter Medical - Cleveland, Inc.</td>
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<td>Charter Medical - Dallas, Inc.</td>
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<td>Charter Medical Executive Corporation</td>
<td>Director</td>
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<td>Charter Medical Information Services, Inc.</td>
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<td>Charter Medical International, S.A., Inc.</td>
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<td>Charter Medical - Long Beach, Inc.</td>
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<td>Charter Medical Management Company</td>
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<td>Charter Medical - New York, Inc.</td>
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<td>Charter Medical of East Valley, Inc.</td>
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<td>Charter Medical of North Phoenix, Inc.</td>
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<td>Charter Medical of Orange County, Inc.</td>
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<td>Charter Mental Health Options, Inc.</td>
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<td>Charter Milwaukee Behavioral Health System, Inc.</td>
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<td>Charter Mission Viejo Behavioral Health System, Inc.</td>
<td>Director</td>
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<td>Charter MOB of Charlottesville, Inc.</td>
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<td>Charter North Behavioral Health System, Inc.</td>
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<td>Charter North Counseling Center, Inc.</td>
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<td>Charter Northridge Behavioral Health System, Inc.</td>
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<td>Charter Northside Hospital, Inc.</td>
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<td>Charter Oak Behavioral Health System, Inc.</td>
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<td>Charter Palms Behavioral Health System, Inc.</td>
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<td>Charter Peachford Behavioral Health System, Inc.</td>
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<td>Charter Pines Behavioral Health System, Inc.</td>
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<td>Charter Plains Behavioral Health System, Inc.</td>
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<td>Charter - Provo School, Inc.</td>
<td>Director</td>
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<td>Charter Psychiatric Hospitals, Inc.</td>
<td>Director</td>
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<td>Charter Real Behavioral Health System, Inc.</td>
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<td>Charter Regional Medical Center, Inc.</td>
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<td>Charter Ridge Behavioral Health System, Inc.</td>
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<td>Charter Rivers Behavioral Health System, Inc.</td>
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<td>Charter San Diego Behavioral Health System, Inc.</td>
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<td>Charter Sioux Falls Behavioral Health System, Inc.</td>
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<td>Charter South Bend Behavioral Health System, Inc.</td>
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<td>Charter Springs Behavioral Health System, Inc.</td>
<td>Director</td>
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<td>Charter Suburban Hospital of Mesquite, Inc.</td>
<td>Director</td>
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<td>Charter Terre Haute Behavioral Health System, Inc.</td>
<td>Director</td>
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<td>Charter Thousand Oaks Behavioral Health System, Inc.</td>
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<td>Charterton/LaGrange, Inc.</td>
<td>Director</td>
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<td>Charter Treatment Center of Michigan, Inc.</td>
<td>Director</td>
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</table>
POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ Joan Kradlak

Joan Kradlak
EXHIBIT A
POWER OF ATTORNEY
JOAN KRADLAK

CCM, Inc................................................ President

POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ James R. Bedenbaugh
--------------------------------
James R. Bedenbaugh

EXHIBIT A
POWER OF ATTORNEY
JAMES R. BEDENBAUGH

CMCI, Inc..................................................President
CMFC, Inc................................................President

POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said
attorneys having full power of substitution and resubstitution, to do any and
all acts and things and to execute in his name, place or stead in his capacity
as an officer or director or both of each of the Companies, any and all
instruments which they may deem necessary or advisable to enable each Company to
comply with the Securities Act of 1933, as amended, and the Trust Indenture Act
of 1939, as amended (collectively, the "Acts") and any rules, regulations and
requirements of the Securities and Exchange Commission in respect thereof, in
connection with the filing under the Acts of all such registration statements,
amendments, post-effective amendments or supplements thereto, and any new or
revised prospectuses, as may be necessary or desirable in connection with the
registration of $375,000,000 aggregate principal amount of 11 1/4% Senior
Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees
thereof by the Companies, including specifically, but without limiting the
generality of the foregoing, the power and authority to sign the name of the
undersigned in his capacity as an officer or director or both of each of the
Companies to all such registration statements, amendments, post-effective
amendments or supplements thereto, and any new or revised prospectuses; and the
undersigned hereby ratifies and approves the acts of said attorneys and each of
them.

IN WITNESS WHEREOF, the undersigned director or officer or both,
as the case may be, of each of the Companies listed on Exhibit A hereof, has
executed this instrument on this 18th day of May, 1994.

/s/ James M. Filush
--------------------------------
James M. Filush

EXHIBIT A
POWER OF ATTORNEY
JAMES M. FILUSH

Charter Alvarado Behavioral Health System, Inc............. Director
Charter Appalachian Hall Behavioral Health System, Inc........ Director
Charter Arbor Indy Behavioral Health System, Inc............. Director
Charter Bay Harbor Behavioral Health System, Inc............. Director
Charter Behavioral Health Systems of Atlanta, Inc............ Director
Charter Behavioral Health System of Baywood, Inc.............. Director
Charter Behavioral Health System of Bradenton, Inc........... Director
Charter Behavioral Health System of Canoga Park, Inc........ Director
Charter Behavioral Health System of Chula Vista, Inc........ Director
Charter Behavioral Health System of Evansville, Inc.......... Director
Charter Behavioral Health System at Fair Oaks, Inc........... Director
Charter Behavioral Health System at Hidden Brook, Inc........ Director
Charter Behavioral Health System of Jefferson, Inc........... Director
Charter Behavioral Health System of Lafayette, Inc.......... Director
Charter Behavioral Health System of Lakewood, Inc........... Director
Charter Behavioral Health System at Los Altos, Inc........... Director
Charter Behavioral Health System of Michigan City, Inc....... Director
Charter Behavioral Health System of Nashua, Inc.............. Director
Charter Behavioral Health System at Potomac Ridge, Inc....... Director
Charter Behavioral Health System of Rockford, Inc........... Director
Charter Behavioral Health System of San Jose, Inc........... Director
Charter Behavioral Health System of Texarkana, Inc.......... Director
Charter Behavioral Health System of Tucson, Inc.............. Director
Charter Behavioral Health System of Virginia Beach, Inc...... Director
Charter Behavioral Health System of Visalia, Inc............ Director
Charter Behavioral Health System at Warwick Manor, Inc....... Director
Charter Behavioral Health System of Washington, D.C., Inc..... Director
Charter Behavioral Health System of Waverly, Inc............. Director
Charter Behavioral Health System of Yorba Linda, Inc......... Director
Charter Brawner Behavioral Health System, Inc............... Director
Charter Canyon Springs Behavioral Health System, Inc......... Director
Charter Centennial Peaks Behavioral Health System, Inc....... Director
Charter Cove Forge Behavioral Health System, Inc............ Director
Charter Crescent Pines Behavioral Health System, Inc......... Director
Charter Fairbridge Behavioral Health System, Inc............. Director
Charter Fenwick Hall Behavioral Health System, Inc........... Director
Charter Lakehurst Behavioral Health System, Inc.............. Director
Charter Laurel Heights Behavioral Health System, Inc......... Director
Charter Laurel Oaks Behavioral Health System, Inc............ Director
The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

Jon C. O'Shaughnessy

Jon C. O'Shaughnessy

EXHIBIT A
POWER OF ATTORNEY
JON C. O'SHAUGHNESSY

CMSF, Inc..................................................... President
CPS Associates, Inc........................................... President
Charter Behavioral Health System of Charlottesville, Inc........ President
Charter Behavioral Health System of Tampa Bay, Inc.............. President
Charter Behavioral Health System of Winston-Salem, Inc........ President
POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ E. Mac Crawford

E. Mac Crawford

EXHIBIT A
POWER OF ATTORNEY
E. MAC CRAWFORD

Charter Medical International, S.A., Inc. ..................... President
Charter Medical Management Company ......................... President

POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together,
The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ David A. Richardson

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David A. Richardson

EXHIBIT A
POWER OF ATTORNEY
DAVID A. RICHARDSON

Charter Behavioral Health System of Austin, Inc. ............ President
Charter Behavioral Health System of Corpus Christi, Inc. ...... President
Charter Behavioral Health System of Dallas, Inc. ............. President
Charter Behavioral Health System of Jackson, Inc. ............ President
Charter Behavioral Health System of Lake Charles, Inc. ....... President
Charter Behavioral Health System of New Mexico, Inc. ........ President
Charter Forest Behavioral Health System, Inc. ............... President
Charter Grapevine Behavioral Health System, Inc. .......... President
Charter Health Management of Texas, Inc. .................... President
Charter Medical - California, Inc. ......................... President
Charter North Behavioral Health System, Inc. ............... President
Charter North Counseling Center, Inc. ....................... President
Charter Palms Behavioral Health System, Inc. ............... President
Charter Real Behavioral Health System, Inc. ................. President
Pacific - Charter Medical, Inc. .............................. President
Sistemas De Terapia Respiratoria S.A., Inc. ................ President

POWER OF ATTORNEY
of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 13th day of May, 1994.

/s/ Donna Y. Wood
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Donna Y. Wood

EXHIBIT A
POWER OF ATTORNEY
DONNA Y. WOOD

Charter Colonial Institute, Inc............................... President
Charter Hospital of Northern New Jersey, Inc.................. President
Charter Medical - Clayton County, Inc......................... President
HCS, Inc...................................................... President
Hospital Investors, Inc....................................... President

POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has
EXHIBIT A
POWER OF ATTORNEY
C. CLARK WINGFIELD

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ Charlotte A. Sanford
------------------------------
Charlotte A. Sanford

EXHIBIT A
POWER OF ATTORNEY
CHARLOTTE A. SANFORD

Ambulatory Resources, Inc......................................... Treasurer
Atlanta MOB, Inc.................................................. Treasurer
Beltway Community Hospital, Inc................................... Treasurer
CCM, Inc.......................................................... Treasurer
Charter Alvarado Behavioral Health System, Inc. Treasurer
Charter Appalachian Hall Behavioral Health System, Inc. Treasurer
Charter Arbor Indy Behavioral Health System, Inc. Treasurer
Charter Augusta Behavioral Health System, Inc. Treasurer
Charter Bay Harbor Behavioral Health System, Inc. Treasurer
Charter Beacon Behavioral Health System, Inc. Treasurer
Charter Behavioral Health System at Fair Oaks, Inc. Treasurer
Charter Behavioral Health System at Hidden Brook, Inc. Treasurer
Charter Behavioral Health System at Los Altos, Inc. Treasurer
Charter Behavioral Health System at Potomac Ridge, Inc. Treasurer
Charter Behavioral Health System at Warwick Manor, Inc. Treasurer
Charter Behavioral Health System of Athens, Inc. Treasurer
Charter Behavioral Health System of Austin, Inc. Treasurer
Charter Behavioral Health System of Baywood, Inc. Treasurer
Charter Behavioral Health System of Bradenton, Inc. Treasurer
Charter Behavioral Health System of Canoga Park, Inc. Treasurer
Charter Behavioral Health System of Central Georgia, Inc. Treasurer
Charter Behavioral Health System of Charleston, Inc. Treasurer
Charter Behavioral Health System of Charlottesville, Inc. Treasurer
Charter Behavioral Health System of Chicago, Inc. Treasurer
Charter Behavioral Health System of Chula Vista, Inc. Treasurer
Charter Behavioral Health System of Columbia, Inc. Treasurer
Charter Behavioral Health System of Corpus Christi, Inc. Treasurer
Charter Behavioral Health System of Dallas, Inc. Treasurer
Charter Behavioral Health System of Evansville, Inc. Treasurer
Charter Behavioral Health System of Fort Worth, Inc. Treasurer
Charter Behavioral Health System of Jackson, Inc. Treasurer
Charter Behavioral Health System of Jacksonville, Inc. Treasurer
Charter Behavioral Health System of Jefferson, Inc. Treasurer
Charter Behavioral Health System of Kansas City, Inc. Treasurer
Charter Behavioral Health System of Lafayette, Inc. Treasurer
Charter Behavioral Health System of Lake Charles, Inc. Treasurer
Charter Behavioral Health System of Lakewood, Inc. Treasurer
Charter Behavioral Health System of Michigan City, Inc. Treasurer
Charter Behavioral Health System of Mobile, Inc. Treasurer
Charter Behavioral Health System of Nashua, Inc. Treasurer
Charter Behavioral Health System of Nevada, Inc. Treasurer
Charter Behavioral Health System of New Mexico, Inc. Treasurer
Charter Behavioral Health System of Northern California, Inc. Treasurer
Charter Behavioral Health System of Northwest Arkansas, Inc. Treasurer
Charter Behavioral Health System of Northwest Indiana, Inc. Treasurer
Charter Behavioral Health System of Paducah, Inc. Treasurer
Charter Behavioral Health System of Rockford, Inc. Treasurer
Charter Behavioral Health System of San Jose, Inc. Treasurer
Charter Behavioral Health System of Southern California, Inc. Treasurer
Charter Behavioral Health System of Tampa Bay, Inc. Treasurer
Charter Behavioral Health System of Texarkana, Inc. Treasurer
Charter Behavioral Health System of the Inland Empire, Inc. Treasurer
Charter Behavioral Health System of Toledo, Inc. Treasurer
Charter Behavioral Health System of Tucson, Inc. Treasurer
Charter Behavioral Health System of Virginia Beach, Inc. Treasurer
Charter Behavioral Health System of Visalia, Inc. Treasurer
Charter Behavioral Health System of Washington, D.C., Inc. Treasurer
Charter Behavioral Health System of Waverly, Inc. Treasurer
Charter Behavioral Health System of Winston-Salem, Inc. Treasurer
Charter Centennial Peaks Behavioral Health System, Inc. Treasurer
Charter Colonial Institute, Inc. Treasurer
Charter Community Hospital, Inc. Treasurer
Charter Community Hospital of Des Moines, Inc. Treasurer
Charter Contract Services, Inc. Treasurer
Charter Cove Forge Behavioral Health System, Inc. Treasurer
Charter Crescent Pines Behavioral Health System, Inc. Treasurer
Charter Fairbridge Behavioral Health System, Inc. Treasurer
Charter Fairmount Behavioral Health System, Inc. Treasurer
Charter Fenwick Hall Behavioral Health System, Inc. Treasurer
Charter Financial Offices, Inc. Treasurer
Charter Forest Behavioral Health System, Inc. Treasurer
Charter Grapevine Behavioral Health System, Inc. Treasurer
| Charter Greensboro Behavioral Health System, Inc. | Treasurer |
| Charter Health Management of Texas, Inc. | Treasurer |
| Charter Hospital of Columbus, Inc. | Treasurer |
| Charter Hospital of Denver, Inc. | Treasurer |
| Charter Hospital of Ft. Collins, Inc. | Treasurer |
| Charter Hospital of Laredo, Inc. | Treasurer |
| Charter Hospital of Miami, Inc. | Treasurer |
| Charter Hospital of Mobile, Inc. | Treasurer |
| Charter Hospital of Northern New Jersey, Inc. | Treasurer |
| Charter Hospital of Santa Teresa, Inc. | Treasurer |
| Charter Behavioral Health System of Savannah, Inc. | Treasurer |
| Charter Hospital of St. Louis, Inc. | Treasurer |
| Charter Hospital of Torrance, Inc. | Treasurer |
| Charter Indianapolis Behavioral Health System, Inc. | Treasurer |
| Charter Lafayette Behavioral Health System, Inc. | Treasurer |
| Charter Lakehurst Behavioral Health System, Inc. | Treasurer |
| Charter Lakeside Behavioral Health System, Inc. | Treasurer |
| Charter Medical of North Phoenix, Inc. | Treasurer |
| Charter Medical of Orange County, Inc. | Treasurer |
| Charter Medical - California, Inc. | Treasurer |
| Charter Medical - Clayton County, Inc. | Treasurer |
| Charter Medical - Cleveland, Inc. | Treasurer |
| Charter Medical - Dallas, Inc. | Treasurer |
| Charter Medical - Long Beach, Inc. | Treasurer |
| Charter Medical - New York, Inc. | Treasurer |
| Charter Mental Health Options, Inc. | Treasurer |
| Charter Mid-South Behavioral Health System, Inc. | Treasurer |
| Charter Milwaukee Behavioral Health System, Inc. | Treasurer |
| Charter Mission Viejo Behavioral Health System, Inc. | Treasurer |
| Charter MOB of Charlotteville, Inc. | Treasurer |
| Charter North Behavioral Health System, Inc. | Treasurer |
| Charter North Counseling Center, Inc. | Treasurer |
| Charter Northbrooke Behavioral Health System, Inc. | Treasurer |
| Charter Northridge Behavioral Health System, Inc. | Treasurer |
| Charter Northside Hospital, Inc. | Treasurer |
| Charter Oak Behavioral Health System, Inc. | Treasurer |
| Charter of Alabama, Inc. | Treasurer |
| Charter Palms Behavioral Health System, Inc. | Treasurer |
| Charter Peachford Behavioral Health System, Inc. | Treasurer |
| Charter Pines Behavioral Health System, Inc. | Treasurer |
| Charter Plains Behavioral Health System, Inc. | Treasurer |
| Charter Psychiatric Hospitals, Inc. | Treasurer |
| Charter Real Behavioral Health System, Inc. | Treasurer |
| Charter Regional Medical Center, Inc. | Treasurer |
| Charter Richmond Behavioral Health System, Inc. | Treasurer |
| Charter Ridge Behavioral Health System, Inc. | Treasurer |
| Charter Rivers Behavioral Health System, Inc. | Treasurer |
| Charter San Diego Behavioral Health System, Inc. | Treasurer |
| Charter Serenity Lodge Behavioral Health System, Inc. | Treasurer |
| Charter Sioux Falls Behavioral Health System, Inc. | Treasurer |
| Charter South Bend Behavioral Health System, Inc. | Treasurer |
| Charter Springs Behavioral Health System, Inc. | Treasurer |
| Charter Springwood Behavioral Health System, Inc. | Treasurer |
| Charter Suburban Hospital of Mesquite, Inc. | Treasurer |
| Charter Terre Haute Behavioral Health System, Inc. | Treasurer |
| Charter Thousand Oaks Behavioral Health System, Inc. | Treasurer |
The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior...
Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereto, has executed this instrument on this 18th day of May, 1994.

/s/ Elbert T. McQueen

Elbert T. McQueen

EXHIBIT A
POWER OF ATTORNEY
ELBERT T. McQUEEN

Charter Augusta Behavioral Health System, Inc.................... President
Charter Behavioral Health System of Athens, Inc.................. President
Charter Behavioral Health System of Central Georgia, Inc...... President
Charter Behavioral Health System of Charleston, Inc............ President
Charter Behavioral Health System of Jacksonville, Inc.......... President
Charter Behavioral Health System of Mobile, Inc............... President
Charter Behavioral Health System of Savannah, Inc............... President
Charter-By-The-Sea Behavioral Health System, Inc.............. President
Charter Hospital of Mobile, Inc................................. President
Charter of Alabama, Inc............................................ President
Charter Rivers Behavioral Health System, Inc.................. President
Charter Woods Behavioral Health System, Inc.................... President
Charter Woods Hospital, Inc........................................ President
Employee Assistance Services, Inc............................... President

POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereto, has
executed this instrument on this 18th day of May, 1994.

/s/ Glenn A. McRae

Glenn A. McRae

EXHIBIT A
POWER OF ATTORNEY
GLENN A. McRAE

Ambulatory Resources, Inc..................................... Director
Atlanta MOB, Inc................................................... Director
Beltway Community Hospital, Inc.................................. Director
Charter of Alabama, Inc........................................... Director
C.A.C.O. Services, Inc............................................. Director
CCM, Inc........................................................ Director
Charter Augusta Behavioral Health System, Inc.................. Director
Charter Beacon Behavioral Health System, Inc.................... Director
Charter Behavioral Health System of Athens, Inc................ Director
Charter Behavioral Health System of Austin, Inc................ Director
Charter Behavioral Health System of Central Georgia, Inc...... Director
Charter Behavioral Health System of Charleston, Inc........... Director
Charter Behavioral Health System of Charlotte, Inc............. Director
Charter Behavioral Health System of Chicago, Inc............... Director
Charter Behavioral Health System of Columbia, Inc.............. Director
Charter Behavioral Health System of Corpus Christi, Inc...... Director
Charter Behavioral Health System of Dallas, Inc................ Director
Charter Behavioral Health System of Fort Worth, Inc.......... Director
Charter Behavioral Health System of Jacksonville, Inc........ Director
Charter Behavioral Health System of Kansas City, Inc.......... Director
Charter Behavioral Health System of Lake Charles, Inc......... Director
Charter Behavioral Health System of Mobile, Inc................ Director
Charter Behavioral Health System of Nevada, Inc................. Director
Charter Behavioral Health System of New Mexico, Inc.......... Director
Charter Behavioral Health System of Northern California, Inc. Director
Charter Behavioral Health System of Northwest Arkansas, Inc. Director
Charter Behavioral Health System of Northwest Indiana, Inc. Director
Charter Behavioral Health System of Paducah, Inc.............. Director
Charter Behavioral Health System of Savannah, Inc............. Director
Charter Behavioral Health System of Southern California, Inc. Director
Charter Behavioral Health System of Tampa Bay, Inc............ Director
Charter Behavioral Health System of Toledo, Inc................ Director
Charter Behavioral Health System of the Inland Empire, Inc... Director
Charter Behavioral Health System of Winston-Salem, Inc....... Director
Charter-By-The-Sea Behavioral Health System, Inc.............. Director
Charter Canyon Behavioral Health System, Inc.................. Director
Charter Colonial Institute, Inc.................................. Director
Charter Community Hospital, Inc................................ Director
Charter Community Hospital of Des Moines, Inc................ Director
Charter Contract Services, Inc.................................. Director
Charter Fairmount Behavioral Health System, Inc............... Director
Charter Financial Offices, Inc.................................. Director
Charter Forest Behavioral Health System, Inc.................... Director
Charter Grapevine Behavioral Health System, Inc................ Director
Charter Greensboro Behavioral Health System, Inc............... Director
Charter Health Management of Texas, Inc......................... Director
Charter Hospital of Columbus, Inc................................ Director
Charter Hospital of Denver, Inc.................................. Director
Charter Hospital of Ft. Collins, Inc............................. Director
Charter Hospital of Laredo, Inc.................................. Director
Charter Hospital of Miami, Inc.................................. Director
Charter Hospital of Mobile, Inc................................ Director
Charter Hospital of Northern New Jersey, Inc................... Director
Charter Hospital of Santa Teresa, Inc........................... Director
POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ Howard A. McLure
Howard A. McLure

EXHIBIT A
POWER OF ATTORNEY
HOWARD A. MCLURE

Charter Alvarado Behavioral Health System, Inc............... Director
Charter Appalachian Hall Behavioral Health System, Inc........ Director
Charter Arbor Indy Behavioral Health System, Inc.............. Director
Charter Bay Harbor Behavioral Health System, Inc............. Director
Charter Behavioral Health Systems of Atlanta, Inc............ Director
Charter Behavioral Health System of Baywood, Inc............. Director
Charter Behavioral Health System of Bradenton, Inc.......... Director
Charter Behavioral Health System of Canoga Park, Inc........ Director
Charter Behavioral Health System of Chula Vista, Inc......... Director
Charter Behavioral Health System of Evansville, Inc......... Director
Charter Behavioral Health System at Fair Oaks, Inc........... Director
Charter Behavioral Health System at Hidden Brook, Inc....... Director
Charter Behavioral Health System of Jefferson, Inc......... Director
Charter Behavioral Health System of Lafayette, Inc........ Director
POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the
undersigned hereby ratifies and approves the acts of said attorneys and each of
them.

IN WITNESS WHEREOF, the undersigned director or officer or both,
as the case may be, of each of the Companies listed on Exhibit A hereof, has
executed this instrument on this 18th day of May, 1994.

/s/ John C. McCauley

-----------------------------

John C. McCauley

EXHIBIT A
POWER OF ATTORNEY
JOHN C. McCaULEY

Ambulatory Resources, Inc............................. Director and Vice President
Atlanta MOB, Inc........................................ Director and Vice President
Beltway Community Hospital, Inc........................ Director and Vice President
Charter of Alabama, Inc.................................. Director and Vice President
C.A.C.O. Services, Inc.................................. Director and Vice President
CCM, Inc................................................... Director and Vice President
Charter Augusta Behavioral Health System, Inc........ Director and Vice President
Charter Beacon Behavioral Health System, Inc........... Director and Vice President
Charter Behavioral Health System of Athens, Inc........ Director and Vice President
Charter Behavioral Health System of Austin, Inc........ Director and Vice President
Charter Behavioral Health System of Central Georgia, Inc. Director and Vice President
Charter Behavioral Health System of Charleston, Inc...... Director and Vice President
Charter Behavioral Health System of Charlottesville, Inc... Director and Vice President
Charter Behavioral Health System of Chicago, Inc......... Director and Vice President
Charter Behavioral Health System of Columbia, Inc........ Director and Vice President
Charter Behavioral Health System of Corpus Christi, Inc.... Director and Vice President
Charter Behavioral Health System of Dallas, Inc............ Director and Vice President
Charter Behavioral Health System of Fort Worth, Inc........ Director and Vice President
Charter Behavioral Health System of Jackson, Inc.......... Director and Vice President
Charter Behavioral Health System of Jacksonville, Inc...... Director and Vice President
Charter Behavioral Health System of Kansas City, Inc....... Director and Vice President
Charter Behavioral Health System of Lake Charles, Inc....... Director and Vice President
Charter Behavioral Health System of Mobile, Inc............. Director and Vice President
Charter Behavioral Health System of Nebraska, Inc......... Director and Vice President
Charter Behavioral Health System of New Mexico, Inc........ Director and Vice President
Charter Behavioral Health System of Northern California, Inc. Director and Vice President
Charter Behavioral Health System of Northwest Arkansas, Inc. Director and Vice President
Charter Behavioral Health System of Northwest Indiana, Inc. Director and Vice President
Charter Behavioral Health System of Paducah, Inc............ Director and Vice President
Charter Behavioral Health System of Savannah, Inc.......... Director and Vice President
Charter Behavioral Health System of Southern California, Inc. Director and Vice President
Charter Behavioral Health System of Tampa Bay, Inc........... Director and Vice President
Charter Behavioral Health System of Toledo, Inc............. Director and Vice President
Charter Behavioral Health System of the Inland Empire, Inc... Director and Vice President
Charter Behavioral Health System of Winston-Salem, Inc...... Director and Vice President
Charter-By-The-Sea Behavioral Health System, Inc........... Director and Vice President
Charter Canyon Behavioral Health System, Inc................ Director and Vice President
Charter Colonial Institute, Inc........................... Director and Vice President
Charter Community Hospital, Inc........................ Director and Vice President
Charter Community Hospital of Des Moines, Inc............ Director and Vice President
Charter Contract Services, Inc............................ Director and Vice President
Charter Fairmount Behavioral Health System, Inc............ Director and Vice President
Charter Financial Offices, Inc............................ Director and Vice President
Charter Forest Behavioral Health System, Inc................ Director and Vice President
Charter Grapevine Behavioral Health System, Inc............. Director and Vice President
Charter Greensboro Behavioral Health System, Inc............. Director and Vice President
Charter Health Management of Texas, Inc..................... Director and Vice President
Charter Hospital of Columbus, Inc........................ Director and Vice President
Charter Hospital of Denver, Inc........................... Director and Vice President
Charter Hospital of Ft. Collins, Inc........................ Director and Vice President
<table>
<thead>
<tr>
<th>Organization Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Charter Hospital of Laredo, Inc</td>
<td>Director and Vice President</td>
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<tr>
<td>Charter Hospital of Miami, Inc</td>
<td>Director and Vice President</td>
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<tr>
<td>Charter Hospital of Mobile, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Hospital of Northern New Jersey, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Hospital of Santa Teresa, Inc</td>
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<td>Charter Hospital of St. Louis, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Hospital of Torrance, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Indianapolis Behavioral Health System, Inc</td>
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<td>Charter Lafayette Behavioral Health System, Inc</td>
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<td>Charter Lakeside Behavioral Health System, Inc</td>
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<td>Charter Little Rock Behavioral Health System, Inc</td>
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<td>Charter Louisana Behavioral Health System, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Medical - California, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Medical - Clayton County, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Medical - Cleveland, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Medical - Dallas, Inc</td>
<td>Director and Vice President</td>
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<tr>
<td>Charter Medical Executive Corporation</td>
<td>Director and Vice President</td>
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<td>Charter Medical Information Services, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Medical International, S.A., Inc</td>
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<td>Charter Medical - Long Beach, Inc</td>
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<td>Charter Medical Management Company</td>
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<td>Charter Medical - New York, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Medical of East Valley, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Medical of North Phoenix, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Medical of Orange County, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Mental Health Options, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Milwaukee Behavioral Health System, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Mission Viejo Behavioral Health System, Inc</td>
<td>Director and Vice President</td>
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<td>Charter MOB of Charlottesville, Inc</td>
<td>Director and Vice President</td>
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<td>Charter North Behavioral Health System, Inc</td>
<td>Director and Vice President</td>
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<td>Charter North Counseling Center, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Northridge Behavioral Health System, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Northside Hospital, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Oak Behavioral Health System, Inc</td>
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<td>Charter Peabody Behavioral Health System, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Pinos Behavioral Health System, Inc</td>
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<td>Charter Plains Behavioral Health System, Inc</td>
<td>Director and Vice President</td>
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<td>Charter - Provo School, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Psychiatric Hospitals, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Real Behavioral Health System</td>
<td>Director and Vice President</td>
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<td>Charter Regional Medical Center, Inc</td>
<td>Director and Vice President</td>
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<td>Charter Ridge Behavioral Health System, Inc</td>
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<td>Charter Rivers Behavioral Health System, Inc</td>
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<td>Charter San Diego Behavioral Health System, Inc</td>
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<td>Charter Sioux Falls Behavioral Health System, Inc</td>
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<td>Charter South Bend Behavioral Health System, Inc</td>
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<td>Charter Springs Behavioral Health System, Inc</td>
<td>Director and Vice President</td>
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<tr>
<td>Charter Surburban Hospital of Mesquite, Inc</td>
<td>Director and Vice President</td>
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<tr>
<td>Charter Terre Haute Behavioral Health System, Inc</td>
<td>Director and Vice President</td>
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<tr>
<td>Charter Thousand Oaks Behavioral Health System, Inc</td>
<td>Director and Vice President</td>
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<tr>
<td>Charterton/LaGrange, Inc</td>
<td>Director and Vice President</td>
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Charter Treatment Center of Michigan, Inc | Director and Vice President |
Charter Westbrook Behavioral Health System, Inc | Director and Vice President |
Charter Wichita Behavioral Health System, Inc | Director and Vice President |
Charter Woods Behavioral Health System, Inc | Director and Vice President |
Charter Woods Hospital, Inc | Director and Vice President |
CMCI, Inc | Director and Vice President |
CMFPC, Inc | Director and Vice President |
CMHF, Inc | Director and Vice President |
CPS Associates, Inc | Director and Vice President |
Desert Springs Hospital, Inc | Director and Vice President |
Employee Assistance Services, Inc | Director and Vice President |
Florida Health Facilities, Inc | Director and Vice President |
Gulf Coast EAP Services, Inc | Director and Vice President |
Gwinnett Immediate Care Center, Inc | Director and Vice President |
HCS, Inc | Director and Vice President |
Holcomb Bridge Immediate Care Center, Inc | Director and Vice President |
Hospital Investors, Inc | Director and Vice President |
<table>
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<tr>
<th>Corporation</th>
<th>Position</th>
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<tr>
<td>Mandarin Meadows, Inc.</td>
<td>Director and Vice President</td>
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<tr>
<td>Metropolitan Hospital, Inc.</td>
<td>Director and Vice President</td>
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<tr>
<td>Middle Georgia Hospital, Inc.</td>
<td>Director and Vice President</td>
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<tr>
<td>Pacific - Charter Medical, Inc.</td>
<td>Director and Vice President</td>
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<tr>
<td>Peachford Professional Network, Inc.</td>
<td>Director and Vice President</td>
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<td>Rivoli, Inc.</td>
<td>Director and Vice President</td>
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<td>Shallowford Community Hospital, Inc.</td>
<td>Director and Vice President</td>
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<tr>
<td>Sistemas De Terapia Respiratoria S.A., Inc.</td>
<td>Director and Vice President</td>
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<tr>
<td>Stuart Circle Hospital Corporation</td>
<td>Director and Vice President</td>
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<tr>
<td>Tampa Bay Behavioral Health Alliance, Inc.</td>
<td>Director and Vice President</td>
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<td>Western Behavioral Systems, Inc.</td>
<td>Director and Vice President</td>
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<tr>
<td>Charter Medical (Cayman Islands) Ltd.</td>
<td>Director and Vice President</td>
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<td>Charter Medical of Puerto Rico, Inc.</td>
<td>Director and Vice President</td>
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<tr>
<td>Charter Medical International, Inc.</td>
<td>Director and Vice President</td>
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</tbody>
</table>

**POWER OF ATTORNEY**

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereof, has executed this instrument on this 18th day of May, 1994.

/s/ William E. Hale
-------------------------------------------------
William E. Hale

**EXHIBIT A**
**POWER OF ATTORNEY**
WILLIAM E. HALE

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Position</th>
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<tr>
<td>Charter Behavioral Health System of Nevada, Inc.</td>
<td>President</td>
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<tr>
<td>Charter Behavioral Health System of Northern California, Inc.</td>
<td>President</td>
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<tr>
<td>Charter Behavioral Health System of the Inland Empire, Inc.</td>
<td>President</td>
</tr>
<tr>
<td>Charter Canyon Behavioral Health System, Inc.</td>
<td>President</td>
</tr>
<tr>
<td>Charter Community Hospital, Inc.</td>
<td>President</td>
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<tr>
<td>Charter Medical - Long Beach, Inc.</td>
<td>President</td>
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<tr>
<td>Charter Medical of East Valley, Inc.</td>
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<tr>
<td>Charter Medical of North Phoenix, Inc.</td>
<td>President</td>
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</table>
POWER OF ATTORNEY

The undersigned director or officer or both, as the case may be, of each of the corporations listed on Exhibit A hereto (singularly, the "Company" and together, the "Companies"), serving in the capacities listed opposite the name of each Company on Exhibit A hereto, hereby constitutes and appoints Charlotte A. Sanford, Lawrence W. Drinkard, and John R. Day his true and lawful attorneys and agents, each with full power to act without the others and each of said attorneys having full power of substitution and resubstitution, to do any and all acts and things and to execute in his name, place or stead in his capacity as an officer or director or both of each of the Companies, any and all instruments which they may deem necessary or advisable to enable each Company to comply with the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended (collectively, the "Acts") and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the Acts of all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses, as may be necessary or desirable in connection with the registration of $375,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2004 of Charter Medical Corporation, and the guarantees thereof by the Companies, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned in his capacity as an officer or director or both of each of the Companies to all such registration statements, amendments, post-effective amendments or supplements thereto, and any new or revised prospectuses; and the undersigned hereby ratifies and approves the acts of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned director or officer or both, as the case may be, of each of the Companies listed on Exhibit A hereto, has executed this instrument on this 13th day of May, 1994.

/s/ Joseph C. Little

Joseph C. Little

EXHIBIT A
POWER OF ATTORNEY
JOSEPH C. LITTLE

Beltway Community Hospital, Inc.......................... President
Charter Behavioral Health System of Southern California, Inc. President
Charter Hospital of Columbus, Inc.......................... President
Charter Hospital of Denver, Inc............................ President
Charter Hospital of Ft. Collins, Inc....................... President
Charter Hospital of Laredo, Inc............................. President
Charter Hospital of Santa Teresa, Inc.................... President
Charter Hospital of Torrance, Inc......................... President
Charter Medical - Dallas, Inc.............................. President
Charter Suburban Hospital of Mesquite, Inc................ President
Charter Treatment Center of Michigan, Inc................. President
C.A.C.O. Services, Inc................................. President
Western Behavioral Systems, Inc.......................... President
FORM T-1
STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939 OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)

MARINE MIDLAND BANK
(Exact name of trustee as specified in its charter)

16-1057879
(I.R.S. Employer Identification No.)

140 Broadway, New York, N.Y. 10005-1180
(212) 658-1000 (Zip Code)
(Address of principal executive offices)

CHARTER MEDICAL CORPORATION
(Exact name of obligor as specified in its charter)

Delaware 58-1076937
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

577 Mulberry Street
Macon, Georgia 31298
(Address of principal executive offices) (Zip Code)

See Table of Additional Obligors below

11 1/4% SERIES A SENIOR SUBORDINATED NOTES DUE 2004
(Title of Indenture Securities)

ADDITIONAL OBLIGORS(1)

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<tr>
<th>EXACT NAME OF OBLIGOR AS SPECIFIED IN ITS CHARTER</th>
<th>STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION</th>
<th>I.R.S. EMPLOYER IDENTIFICATION NUMBER</th>
<th>ADDRESS INCLUDING ZIP CODE, INCLUDING AREA CODE, AND TELEPHONE NUMBER</th>
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<td>Ambulatory Resources, Inc.</td>
<td>Georgia</td>
<td>58-1456102</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Atlanta Med, Inc.</td>
<td>Georgia</td>
<td>58-1558215</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Beltway Community Hospital, Inc.</td>
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<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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### ADDITIONAL OBLIGORS (1) (CONTINUED)

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<tr>
<td>Charter Behavioral Health System of Dallas, Inc.</td>
<td>Texas</td>
<td>58-1513306</td>
<td>6800 Preston Road Pflugerville, TX 75074 (214) 964-3939</td>
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<tr>
<td>Charter Behavioral Health System of Evansville, Inc.</td>
<td>Indiana</td>
<td>35-1916338</td>
<td>577 Mulberry Street Macon, GA 31208 (912) 742-1161</td>
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<td>Charter Behavioral Health System of Fort Worth, Inc.</td>
<td>Texas</td>
<td>58-1643151</td>
<td>6201 Overton Ridge Blvd. Fort Worth, TX 76132 (817) 292-6844</td>
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<td>Charter Behavioral Health System of Jackson, Inc.</td>
<td>Mississippi</td>
<td>58-1616919</td>
<td>East Lakeland Drive Jackson, MS 35208 (601) 939-8050</td>
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<td>Charter Behavioral Health System of Jacksonville, Inc.</td>
<td>Florida</td>
<td>58-1483015</td>
<td>3947 Salazbury Road Jacksonville, FL 32216 (904) 296-2447</td>
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<td>Indiana</td>
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<td>Kansas</td>
<td>58-1603154</td>
<td>8000 West 127th Street Overland Park, KS 66213 (913) 897-4995</td>
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<td>Charter Behavioral Health System of Lafayette, Inc.</td>
<td>Louisiana</td>
<td>72-0086492</td>
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<td>Charter Behavioral Health System of Lake Charles, Inc.</td>
<td>Louisiana</td>
<td>62-1152811</td>
<td>4250 Fifth Avenue South Lake Charles, LA 70605 (504) 474-6133</td>
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<td>33-0060647</td>
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<td>Charter Behavioral Health System of Mobile, Inc.</td>
<td>Alabama</td>
<td>58-1569921</td>
<td>5800 Southland Drive Mobile, AL 36609 (205) 661-3001</td>
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<td>Charter Behavioral Health System of Nashua, Inc.</td>
<td>New Hampshire</td>
<td>02-0470752</td>
<td>577 Mulberry Street Macon, GA 31208 (912) 742-1161</td>
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<td>Charter Behavioral Health System of Nevada, Inc.</td>
<td>Nevada</td>
<td>58-1321117</td>
<td>7000 West Spring Mountain Road Las Vegas, NV 89180 (702) 876-4357</td>
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<td>Charter Behavioral Health System of New Mexico, Inc.</td>
<td>New Mexico</td>
<td>58-1479480</td>
<td>5901 Euni Road SE Albuquerque, NM 87108 (505) 265-8800</td>
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<td>Charter Behavioral Health System of Northern California, Inc.</td>
<td>California</td>
<td>58-1857277</td>
<td>101 Cirby Hills Drive Roseville, CA 90678 (911) 969-4666</td>
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<td>Charter Behavioral Health System of Northwest Arkansas, Inc.</td>
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<td>4253 Crossover Road Fayetteville, AR 72701 (501) 521-5731</td>
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<td>58-1603160</td>
<td>101 West 61st Avenue State Road 91 Hackett, IN 46342 (219) 947-4444</td>
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<td>Charter Behavioral Health System of San Jose, Inc.</td>
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<td>Charter Behavioral Health System of Savannah, Inc.</td>
<td>Georgia</td>
<td>58-1750983</td>
<td>1150 Cornell Ave Savannah, GA 31416 (912) 354-3931</td>
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<td>Charter Behavioral Health System of Southern California, Inc.</td>
<td>California</td>
<td>58-1366605</td>
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<td>Charter Behavioral Health System of Tampa Bay, Inc.</td>
<td>Florida</td>
<td>58-1616916</td>
<td>4024 North Riverside Drive Tampa, FL 33603 (813) 238-8671</td>
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<td>Charter Behavioral Health System of Texarkana, Inc.</td>
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<td>Charter Behavioral Health System of the Inland Empire, Inc.</td>
<td>California</td>
<td>95-2685983</td>
<td>2055 Kellogg Drive Corona, CA 91720 (714) 735-2910</td>
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<tr>
<td>Charter Behavioral Health System of Toledo, Inc.</td>
<td>Ohio</td>
<td>58-1731068</td>
<td>1725 Timberline Road Maumee, Ohio 43537</td>
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<td>Winston-Salem, Inc.</td>
<td>North Carolina</td>
<td>56-1050902</td>
<td>3637 Old Vineyard Road Winston-Salem, NC 27104</td>
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<td>-by-Selma, Inc.</td>
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<td>(919) 768-7710</td>
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<td>Yorba Linda, Inc.</td>
<td>California</td>
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<td>157 West 7200 South Midvale, UT 84047</td>
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<td>Beverly Behavioral Health System, Inc.</td>
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<td>Charter Canyon Behavioral Health System, Inc.</td>
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<td>21530 South Pioneer Boulevard Hawaiian Gardens, CA 90716</td>
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<td>Charter Little Rock Behavioral Health System, Inc.</td>
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<td>58-1747019</td>
<td>1601 Murphy Drive Haughtville, AR 72118 (501) 851-8700</td>
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<td>Charter Louisville Behavioral Health System, Inc.</td>
<td>Kentucky</td>
<td>58-1571903</td>
<td>1405 Brown Lane Louisville, KY 40207 (502) 896-0495</td>
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<td>Charter Meadows Behavioral Health System, Inc.</td>
<td>Maryland</td>
<td>52-1866216</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Charter MOB of Charlottesville, Inc.</td>
<td>Virginia</td>
<td>58-1761158</td>
<td>1023 Millmont Avenue Charlottesville, VA 22901 (804) 977-1120</td>
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<td>Charter Medfield Behavioral Health System, Inc.</td>
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<td>Charter Medical -- California, Inc.</td>
<td>Georgia</td>
<td>58-1357345</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charter Medical -- Clayton County, Inc.</td>
<td>Georgia</td>
<td>58-1579404</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charter Medical -- Cleveland, Inc.</td>
<td>Texas</td>
<td>58-1468733</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charter Medical -- Dallas, Inc.</td>
<td>Texas</td>
<td>58-1398846</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>OBLIGOR NAME</td>
<td>STATE OR OTHER JURISDICTION OF OBLIGOR AS SPECIFIED IN ITS CHARTER</td>
<td>INCORPORATION OR ORGANIZATION</td>
<td>IDENTIFICATION NUMBER</td>
</tr>
<tr>
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<td>-------------------------------</td>
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</tr>
<tr>
<td>Charter Medical -- Long Beach, Inc.</td>
<td>California</td>
<td>58-1366040</td>
<td>6040 Paramount Boulevard Long Beach, CA 90805</td>
</tr>
<tr>
<td>Charter Medical -- New York, Inc.</td>
<td>New York</td>
<td>58-1761152</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Medical (Cayman Islands) Ltd.</td>
<td>Cayman Islands</td>
<td>58-1641857</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Medical Executive Corporation</td>
<td>Georgia</td>
<td>58-1530092</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Medical Information Services, Inc.</td>
<td>Georgia</td>
<td>58-1530236</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Medical International, Inc.</td>
<td>Cayman Islands</td>
<td>applied for</td>
<td>P.O. Box 1043 Swiss Bank Building Caledonian House, George Street, Cayman Islands (099) 949-0530</td>
</tr>
<tr>
<td>Charter Medical International, S.A., Inc.</td>
<td>Nevada</td>
<td>58-1605110</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Medical Management Company</td>
<td>Georgia</td>
<td>58-1193352</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Medical of East Valley, Inc.</td>
<td>Arizona</td>
<td>58-1643158</td>
<td>2190 W. Grace Boulevard Chandler, AZ 85224</td>
</tr>
<tr>
<td>Charter Medical of England Limited</td>
<td>United Kingdom</td>
<td>applied for</td>
<td>6015 W. Peoria Avenue Glendale, AZ 85301</td>
</tr>
<tr>
<td>Charter Medical of Orange County, Inc.</td>
<td>Florida</td>
<td>58-1615673</td>
<td>1225 Bonne de Leon Avenue Santee, Puerto Rico 09007</td>
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<tr>
<td>Charter Medical of Puerto Rico, Inc.</td>
<td>Puerto Rico</td>
<td>58-1208667</td>
<td>1225 Bonne de Leon Avenue Santee, Puerto Rico 09007</td>
</tr>
<tr>
<td>Charter Medical Management Company</td>
<td>Georgia</td>
<td>58-1193352</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Mental Health Options, Inc.</td>
<td>Florida</td>
<td>58-2100704</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Mid-South Behavioral Health System, Inc.</td>
<td>Tennessee</td>
<td>58-1860496</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Milwaukee Behavioral Health System, Inc.</td>
<td>Wisconsin</td>
<td>58-1790135</td>
<td>11101 West Lincoln Avenue West Allis, WI 53227</td>
</tr>
<tr>
<td>Charter Mission Viejo Behavioral Health System, Inc.</td>
<td>California</td>
<td>58-1761156</td>
<td>23228 Madero Mission Viejo, CA 92691</td>
</tr>
<tr>
<td>Charter North Behavioral Health System, Inc.</td>
<td>Alaska</td>
<td>58-1474951</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter North Counseling Center, Inc.</td>
<td>Alaska</td>
<td>58-2067832</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Northbrookes Behavioral Health System, Inc.</td>
<td>Wisconsin</td>
<td>58-1784461</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Northbridge Behavioral Health System, Inc.</td>
<td>North Carolina</td>
<td>58-1669190</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Northside Hospital, Inc.</td>
<td>Georgia</td>
<td>58-1440656</td>
<td>577 Mulberry Street Macon, GA 31298</td>
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<tr>
<td>Charter Oak Behavioral Health System, Inc.</td>
<td>California</td>
<td>58-1334120</td>
<td>23228 Madero Mission Viejo, CA 92691</td>
</tr>
<tr>
<td>Charter Palma Behavioral Health System, Inc.</td>
<td>Texas</td>
<td>58-1416037</td>
<td>1421 E. Jackson Avenue McLellan, TX 75102</td>
</tr>
<tr>
<td>Charter Peachford Behavioral Health System, Inc.</td>
<td>Georgia</td>
<td>58-1086165</td>
<td>577 Mulberry Street Macon, GA 31298</td>
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<tr>
<td>Charter Pines Behavioral Health System, Inc.</td>
<td>North Carolina</td>
<td>58-1648241</td>
<td>577 Mulberry Street Macon, GA 31298</td>
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<tr>
<td>Charter Plains Behavioral Health System, Inc.</td>
<td>Texas</td>
<td>58-1648211</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Psychiatric Hospitals, Inc.</td>
<td>Delaware</td>
<td>58-1532072</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Real Behavioral Health System, Inc.</td>
<td>Texas</td>
<td>58-1488597</td>
<td>577 Mulberry Street Macon, GA 31298</td>
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<tr>
<td>Charter Regional Medical Center, Inc.</td>
<td>Texas</td>
<td>74-1299623</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>Charter Richmond Behavioral Health System, Inc.</td>
<td>Virginia</td>
<td>58-1761160</td>
<td>577 Mulberry Street Macon, GA 31298</td>
</tr>
<tr>
<td>EXACT NAME OF OBLIGOR AS SPECIFIED IN ITS CHARTER</td>
<td>STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION</td>
<td>I.R.S. EMPLOYER IDENTIFICATION NUMBER</td>
<td>ADDRESS INCLUDING ZIP CODE, AND TELEPHONE NUMBER</td>
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</tr>
<tr>
<td>Charter Woods Behavioral Health System, Inc.</td>
<td>Kentucky</td>
<td>58-1393063</td>
<td>(912) 742-1161 3050 Rio Dosa Drive Lexington, KY 40509 (606) 269-2325</td>
</tr>
<tr>
<td>Charter Ridge Behavioral Health System, Inc.</td>
<td>Kentucky</td>
<td>58-1408623</td>
<td>2900 Sunset Boulevard West Columbia, SC 29171 (803) 796-9911</td>
</tr>
<tr>
<td>Charter San Diego Behavioral Health System, Inc.</td>
<td>California</td>
<td>58-1669160</td>
<td>11878 Avenue of Industry San Diego, CA 92129 (619) 487-3200</td>
</tr>
<tr>
<td>Charter Serenity Lodge Behavioral Health System, Inc.</td>
<td>Virginia</td>
<td>56-1703066</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charter Sioux Falls Behavioral Health System, Inc.</td>
<td>South Dakota</td>
<td>58-1674278</td>
<td>2812 South Louise Avenue Sioux Falls, SD 57106 (605) 341-8111</td>
</tr>
<tr>
<td>Charter South Bend Behavioral Health System, Inc.</td>
<td>Indiana</td>
<td>58-1674287</td>
<td>6704 North Gumwood Drive Granger, IN 46330 (219) 272-9739</td>
</tr>
<tr>
<td>Charter Springs Behavioral Health System, Inc.</td>
<td>Florida</td>
<td>58-1517461</td>
<td>3130 S.W. 27th Avenue Ocala, FL 32678 (904) 237-7293</td>
</tr>
<tr>
<td>Charter Springwood Behavioral Health System, Inc.</td>
<td>Virginia</td>
<td>58-2097829</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charter Suburban Hospital of Mesquite, Inc.</td>
<td>Texas</td>
<td>75-1116721</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charter Terre Haute Behavioral Health System, Inc.</td>
<td>Indiana</td>
<td>58-1674293</td>
<td>1400 Crossing Boulevard Terre Haute, IN 47802 (812) 299-4136</td>
</tr>
<tr>
<td>Charter Tidewater Behavioral Health System, Inc.</td>
<td>Virginia</td>
<td>54-1703069</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charter Treatment Center of Michigan, Inc.</td>
<td>Michigan</td>
<td>58-2025057</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charter Westbrook Behavioral Health System, Inc.</td>
<td>Virginia</td>
<td>54-0587777</td>
<td>1500 Westbrook Avenue Richmond, VA 23227 (804) 266-9671</td>
</tr>
<tr>
<td>Charter White Oak Behavioral Health System, Inc.</td>
<td>Maryland</td>
<td>52-1866223</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charter Woods Behavioral Health System, Inc.</td>
<td>Alabama</td>
<td>58-1350526</td>
<td>700 Cottonwood Road Otsman, AL 36502 (205) 794-4357</td>
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<tr>
<th>EXACT NAME OF OBLIGOR AS SPECIFIED IN ITS CHARTER</th>
<th>STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION</th>
<th>I.R.S. EMPLOYER IDENTIFICATION NUMBER</th>
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<tr>
<td>Charter Woods Hospital, Inc.</td>
<td>Alabama</td>
<td>58-2102428</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charter of Alabama, Inc.</td>
<td>Alabama</td>
<td>63-049546</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Charterton/LeGrande, Inc.</td>
<td>Kentucky</td>
<td>61-0882911</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Desert Springs Hospital, Inc.</td>
<td>Nevada</td>
<td>88-0117696</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Employee Assistance Services, Inc.</td>
<td>Georgia</td>
<td>58-1001282</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Florida Health Facilities, Inc.</td>
<td>Florida</td>
<td>58-1860493</td>
<td>21806 State Road 54 Lutz, FL 33549 (813) 948-2241</td>
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<tr>
<td>Gulf Coast EAP Services, Inc.</td>
<td>Alabama</td>
<td>58-2101394</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Gwinnett Immediate Care Center, Inc.</td>
<td>Georgia</td>
<td>58-1456097</td>
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**ADDITIONAL OBLIGORS(1) (CONTINUED)**

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<th>JURISDICTION OF INCORPORATION OR ORGANIZATION</th>
<th>I.R.S. EMPLOYER IDENTIFICATION NUMBER</th>
<th>ADDRESS INCLUDING ZIP CODE, AND TELEPHONE NUMBER</th>
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<tr>
<td>Peachford Professional Network, Inc.</td>
<td>Georgia</td>
<td>58-2100700</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Rivoli, Inc.</td>
<td>Georgia</td>
<td>58-1666160</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Shallowford Community Hospital, Inc.</td>
<td>Georgia</td>
<td>58-1179851</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Sistemas De Terapia Respiratoria S.A., Inc.</td>
<td>Georgia</td>
<td>58-1181077</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<td>Stuart Circle Hospital Corporation</td>
<td>Virginia</td>
<td>54-0855184</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
<tr>
<td>Tampa Bay Behavioral Health Alliance, Inc.</td>
<td>Florida</td>
<td>58-2100703</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
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<tr>
<td>Western Behavioral Systems, Inc.</td>
<td>California</td>
<td>58-1662416</td>
<td>577 Mulberry Street Macon, GA 31298 (912) 742-1161</td>
</tr>
</tbody>
</table>

---

(1) The Additional Registrants listed are wholly-owned subsidiaries of the Registrant and are guarantors of the Registrant’s 11 1/4% Senior Subordinated Notes due 2004 and will be guarantors of the Registrant’s 11 1/4 Series A Senior Subordinated Notes due 2004 to be issued pursuant to the Exchange Offer described in the attached Registration Statement. The Additional Registrants have been conditionally exempted, pursuant to Section 12(h) of the Securities Exchange Act of 1934, from filing reports under Sections 13 or 15(d) of the Securities Act of 1934.

---

General

**Item 1. GENERAL INFORMATION.**

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervisory authority to which it is subject.

State of New York Banking Department, Albany, N.Y.

Federal Deposit Insurance Corporation, Washington, D.C.

Board of Governors of the Federal Reserve System, Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

**Item 2. AFFILIATIONS WITH OBLIGOR.**
If the obligor is an affiliate of the trustee, describe each such affiliation.

None

Item 16. LIST OF EXHIBITS.

EXHIBIT

T1A(i) - Copy of the Organization Certificate of Marine Midland Bank.

T1A(ii) - Copy of Certificate of the State of New York Banking Department dated December 31, 1993 as to the authority of Marine Midland Bank to commence business.

T1A(iii) - Copy of authorization of Marine Midland Bank to exercise corporate trust powers. See Item T1A(ii).

T1A(iv) - Copy of the existing By-Laws of Marine Midland Bank as adopted on January 20, 1994.

T1A(v) - Not applicable.

T1A(vi) - Consent of Marine Midland Bank required by Section 321(b) of the Trust Indenture Act of 1939.

T1A(vii) - Copy of the latest report of condition of the trustee (December 31, 1993).

T1A(viii) - Not applicable.

T1A(ix) - Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, Marine Midland Bank, a trust company organized under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York on the ___th day of May, 1994.

MARINE MIDLAND BANK

By:/s/ Frank J. Godino
-----------------------------
Frank J. Godino
Assistant Corporate Trust Officer

EXHIBIT T1A(i)

ORGANIZATION CERTIFICATE

of
We, the undersigned, all being of full age, all but one of us being citizens of the United States and all of us being residents of the State of New York, having associated ourselves together for the purpose of forming a trust company under and pursuant to the Banking Law of the State of New York, do hereby certify:

FIRST. That the name by which the corporation is to be known is Marine Midland Bank.

SECOND. That the place where its principal office is to be located is Buffalo, New York.

THIRD. That the amount of its capital stock is to be One Hundred Eighty-five Million and no/100 Dollars ($185,000,000.00) and the number of shares into which such capital stock is to be divided is 1,850,000 with a par value of $100.00 each.

FOURTH. The shares are not to be classified as preferred and common.

If the shares are to be so classified,

(a) The number and par value of shares to be included in each class are as follows: not applicable.

(b) All the designations, preferences, privileges and voting powers of the shares of each class, and the restrictions or qualifications thereof are as follows: not applicable.

(c) The number of shares of common stock which are to be reserved for issuance in exchange for preferred shares or otherwise to replace any capital stock represented by preferred shares is none.

FIFTH. The name, place of residence and citizenship of each incorporator, and the number of shares subscribed for by each are:

<table>
<thead>
<tr>
<th>Full Name</th>
<th>Residence</th>
<th>*Citizenship</th>
<th>No. of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>James H. Cleave</td>
<td>New York</td>
<td>Canada</td>
<td>0</td>
</tr>
<tr>
<td>John M. Endries</td>
<td>New York</td>
<td>New York</td>
<td>0</td>
</tr>
<tr>
<td>Bernard J. Kennedy</td>
<td>New York</td>
<td>New York</td>
<td>0</td>
</tr>
<tr>
<td>Northrup R. Knox</td>
<td>New York</td>
<td>New York</td>
<td>0</td>
</tr>
<tr>
<td>Henry J. Nowak</td>
<td>New York</td>
<td>New York</td>
<td>0</td>
</tr>
</tbody>
</table>

*S - ----------------------
* If a citizen of New York or a contiguous state, insert name of such state.

SIXTH. The term of existence of the corporation is to be perpetual.

SEVENTH. The number of directors is to be not less than seven or more than thirty.

EIGHTH. The names of the incorporators who shall be the directors until the first annual meeting of stockholders are: James H. Cleave, John M. Endries, Bernard J. Kennedy, Northrup R. Knox and Henry J. Nowak.

NINTH. The corporation is to exercise the powers conferred by Section 100 of the Banking Law.

IN WITNESS WHEREOF, We have made, signed and acknowledged this
On this 16th day of September, 1993, personally appeared before me James H. Cleave, John M. Endries, Bernard J. Kennedy, Northrup R. Knox and Henry J. Nowak, to me known to be the persons described in and who executed the foregoing certificate and severally acknowledged that they executed the same.

/s/ Helen Kujawa
Notary Public

(Attach County Clerk's certificate authenticating signature of Notary Public who takes acknowledgement)

NINTH. The corporation is to exercise the powers conferred by Section 100 of the Banking Law.

IN WITNESS WHEREOF, We have made, signed and acknowledged this certificate in duplicate, this 16th day of September, 1993.

/s/ James H. Cleave
--- ------------------

/s/ John M. Endries
--- ------------------

/s/ Bernard J. Kennedy
--- ------------------

/s/ Northrup R. Knox
--- ------------------

/s/ Henry J. Nowak
--- ------------------

I, David J. Swarts, Clerk of the County of Erie, and also Clerk of the Supreme and County Courts for said County, the same being Courts of Record, do hereby certify that HELEN KUJAWA, whose name is subscribed to the deposition certificate of acknowledgement of proof of the annexed instrument, was at the time of taking the same a NOTARY PUBLIC in and for the State of New York, duly commissioned and sworn and qualified to act as such throughout the State of New York; that pursuant to law a commission, or a certificate of his appointment and
qualifications and his autograph signature, have been filed in my office; that
as such Notary Public he was duly authorized by the laws of the State of New
York to administer oaths and affirmations to receive and certify that
acknowledgement of proof of deeds, mortgages, powers of attorney and other
written instruments for lands, tentaments and heriditaments to be read in
evidence or recorded in this State, to protect notes and to take and certify
affidavits and depositions; and that I am well acquainted with the handwriting
of such Notary Public, or have compared the signature on the annexed instrument
and with his autograph signature deposited in my office, and believe that the
signature is genuine.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal
of said County and Courts at Buffalo, this 17th day of September, 1993.

[SEAL]
N.P. No. 7502 /s/ David S. Swarts
-------------------------
Clerk

ORGANIZATION CERTIFICATE

of

"MARINE MIDLAND BANK"

Received this ___ day of ___________, 19___.

Superintendent of Banks

Filed for examination this ___ day of ___________, 19___.

Superintendent of Banks

_by the Banking Board at a meeting held on
the ___ day of ___________, 19___.

Secretary of the Banking Board

Filed in the office of __________________________ this ___ day
of ___________, 19___.

Superintendent of Banks

Recorded in the office of __________________________ this ___ day
of ___________, 19___.
KNOW ALL MEN BY THESE PRESENTS,

WHEREAS, the organization certificate of MARINE MIDLAND BANK of Buffalo, New York has heretofore been duly approved and said MARINE MIDLAND BANK has complied with the provisions of Chapter 2 of the Consolidated Laws, in respect of the conversion of MARINE MIDLAND BANK, N.A. into a State trust company under the name MARINE MIDLAND BANK,

NOW THEREFORE, I, DERICK D. CEPHAS, as Superintendent of Banks of the State of New York, do hereby authorize the said MARINE MIDLAND BANK to transact the business of a Trust Company at One Marine Midland Center, Buffalo, Erie County, within this State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Banking Department, this 31st day of December in the year one thousand nine hundred and ninety-three.

[SEAL]

/s/ Derrick D. Cephas

Superintendent

EXHIBIT T1A(ii)

STATE OF NEW YORK
BANKING DEPARTMENT

KNOW ALL MEN BY THESE PRESENTS,

WHEREAS, the organization certificate of MARINE MIDLAND BANK of Buffalo, New York has heretofore been duly approved and said MARINE MIDLAND BANK has complied with the provisions of Chapter 2 of the Consolidated Laws, in respect of the conversion of MARINE MIDLAND BANK, N.A. into a State trust company under the name MARINE MIDLAND BANK,

NOW THEREFORE, I, DERICK D. CEPHAS, as Superintendent of Banks of the State of New York, do hereby authorize the said MARINE MIDLAND BANK to transact the business of a Trust Company at One Marine Midland Center, Buffalo, Erie County, within this State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Banking Department, this 31st day of December in the year one thousand nine hundred and ninety-three.

[SEAL]

/s/ Derrick D. Cephas

Superintendent

EXHIBIT T1A (iv)

BY-LAWS

of
ARTICLE I
STOCKHOLDERS' MEETINGS

Section 1.1 ANNUAL MEETING. The annual meeting of the stockholders for the election of directors and the transaction of such other business as may properly come before the meeting shall be held in April each year at the office of the Bank, One Marine Midland Center, City of Buffalo, State of New York.

Section 1.2 SPECIAL MEETINGS. Except as otherwise specifically provided by statute, special meetings of the stockholders may be called for any purpose at any time by the Board of Directors, the Chairman of the Board, the President, the Chief Executive Officer or the Secretary at such place and time and on such day as may be designated in the notice of meeting. Business transacted at all special meetings of stockholders shall be confined to the purposes stated in the notice of meeting.

Section 1.3 QUORUM. The holders of a majority of the stock issued and outstanding, and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of stockholders, unless otherwise provided by law.

Section 1.4 VOTING.

a. At any meeting of the stockholders each stockholder may vote in person or by proxy duly authorized in writing. Each stockholder shall at every meeting of stockholders be entitled to one vote for each share of stock held by such stockholder. A majority of the votes cast shall decide every question or matter submitted to the stockholders at any meeting, unless otherwise provided by law or by the Organization Certificate.

b. Any action required to be taken at an annual or special meeting of stockholders may be taken without a meeting by written consent setting forth the action and signed by the holders of all of outstanding shares entitled to vote thereon.

Section 1.5 NOTICE OF MEETING. Written notice of each meeting of stockholders stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called and the person or persons calling the meeting, shall be delivered personally or shall be mailed postage prepaid to each stockholder entitled to vote at such meeting, directed to the stockholder at his or her address as it appears on the records of the Bank, not less than ten or more than 50 days before the date of the meeting.

ARTICLE II
DIRECTORS

Section 2.1 BOARD OF DIRECTORS. The Board of Directors (the "Board") shall have power to manage and administer the business and affairs of the Bank and, except as expressly limited by law, all corporate powers of the Bank shall be vested in and may be exercised by the Board unless such powers are required by statute, the Organization Certificate or these By-Laws to be exercised by the stockholders.

Section 2.2 NUMBER AND TERM. The Board shall consist of not less than seven or more than thirty directors, the exact number within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the entire Board or by resolution of the stockholders at any meeting of stockholders. Unless sooner removed or disqualified, each director shall hold office until the next annual meeting of the stockholders and until the director's successor has been elected and qualified.

Section 2.3 ORGANIZATION MEETING. At its first meeting after each annual meeting of stockholders, the Board shall choose a Chairman of the Board, a President and a Chief Executive Officer from its own members and otherwise organize the new Board and appoint officers of the Bank for the succeeding year.
Section 2.4 CHAIRMAN OF THE BOARD. The Chairman of the Board shall
preside at all meetings of the Board and of stockholders and perform such duties
as shall be assigned from time to time by the Board. In the absence of the
Chairman of the Executive Committee, the Chairman of the Board shall act as
Chairman of the Executive Committee. Except as may be otherwise provided by the
By-Laws or the Board, the Chairman of the Board shall be a member EX OFFICIO of
all committees authorized by these By-Laws or the Board. The Chairman of the
Board shall be kept informed by the executive officers about the affairs of the
Bank.

Section 2.5 REGULAR MEETINGS. The regular meetings of the Board
shall be held each month at the time and location designated by the Board. No
notice of a regular meeting shall be required if the meeting is held according
to a schedule of regular meetings approved by the Board.

Section 2.6 SPECIAL MEETINGS. Special meetings of the Board may be
called by the Chairman of the Board, the President, the Chief Executive Officer
or the Secretary or at the written request of any three or more directors. Each
member of the Board shall be
given notice stating the time and place of each such special meeting by
telegram, telephone or similar electronic means or in person at least one day
prior to such meeting, or by mail at least three days prior.

Section 2.7 QUORUM. One third of the entire Board shall constitute
a quorum at any meeting, except when otherwise provided by law. If a quorum is
not present at any meeting, a majority of the directors present may adjourn the
meeting, and the meeting may be held, as adjourned, without further notice
provided that a quorum is then present. The act of a majority of the directors
present at any meeting at which there is a quorum shall be the act of the Board,
unless otherwise specifically provided by statute, the Organization Certificate
or these By-Laws.

Section 2.8 VACANCIES. When any vacancy occurs among the directors,
the remaining members of the Board may appoint a director to fill each such
vacancy at any regular meeting of the Board or at a special meeting called for
that purpose. Any director so appointed shall hold office until the next annual
meeting of the stockholders and until the director's successor has been elected
and qualified, unless sooner displaced.

Section 2.9 REMOVAL OF DIRECTORS. Any director may be removed
either with or without cause, at any time, by a vote of the holders of a
majority of the shares of the Bank at any meeting of stockholders called for
that purpose. A director may be removed for cause by vote of a majority of the
entire Board.

Section 2.10 COMPENSATION OF DIRECTORS. The Board shall fix the
amounts to be paid directors for their services as directors and for their
attendance at the meetings of the Board or of committees or otherwise. No
director who receives a salary from the Bank shall receive any fee for attending
meetings of the Board or of any of its committees.

Section 2.11 ACTION BY THE BOARD. Except as otherwise provided by
law, corporate action to be taken by the Board shall mean such action at a
meeting of the Board or the Executive Committee of the Board. Any one or more
members of the Board or any committee may participate in a meeting of the Board
or committee by means of a conference telephone or similar communications
equipment allowing all persons participating in the meeting to hear each other
at the same time. Participation by such means shall constitute presence in
person at a meeting.

Section 2.12 WAIVER OF NOTICE. Notice of a meeting need not be
given to any director who submits a signed waiver of notice before or after the
meeting or who attends the meeting without protesting the lack of such notice
prior to or at the commencement of the meeting.

Section 2.13 ADVISORY AND REGIONAL BOARDS. The Board, the Chairman
of the Board, the President, the Chief Executive Officer or any Regional
President may establish Advisory Boards or Regional Boards and committees
thereof for any one or more of the Bank's regions, offices, or departments and
make or authorize appointments to be made thereto. Appointees to such boards
and committees need not be stockholders, directors or
ARTICLE III

COMMITTEES OF THE BOARD

Section 3.1 EXECUTIVE COMMITTEE.

a. There shall be an Executive Committee which shall be composed of
at least five members elected by the Board from among its members at its first
meeting following the annual meeting of stockholders to serve for the ensuing
year and shall include the Chairman of the Board, the President, the Chief
Executive Officer and the Chairman of the Executive Committee, all of which
offices may be held by one person. The Chairman of the Board may appoint one or
more directors as alternate members to serve in place of any absent members of
the Executive Committee. Any vacancy in the Executive Committee shall be filled
by the Board, but until its next regular Board meeting may be filled temporarily
by the Chairman of the Board.

b. The Executive Committee shall possess and exercise all of the
powers of the Board except (i) when the latter is in session and (ii) as
provided otherwise in the New York Banking Law.

Section 3.2 CHAIRMAN OF THE EXECUTIVE COMMITTEE. The Board shall
appoint one of its members to be Chairman of the Executive Committee. The
Chairman of the Board, the President or the Chief Executive Officer may at the
same time be appointed Chairman of the Executive Committee. The Chairman of the
Executive Committee shall preside at all meetings of the Executive Committee,
and the Chairman of the Executive Committee shall, in the absence of the
Chairman of the Board, the President and the Chief Executive Officer, preside at
all meetings of stockholders and the Board. The Chairman of the Executive
Committee shall also perform such other duties and be vested with such other
powers as may from time to time be conferred upon him or her by these By-Laws or
as shall be assigned to him or her from time to time by the Board or the Chief
Executive Officer.

Section 3.3 MEETINGS OF THE EXECUTIVE COMMITTEE. Meetings of the
Executive Committee may be called by the Chairman of the Board, the Chairman of
the Executive Committee, the President, the Chief Executive Officer or the
Secretary and may be held at any place and at any time designated in the notice
thereof. Each member of the Executive Committee shall be given notice stating
the time and place of each such meeting, by telegram, telephone or similar
electronic means or in person at least one day prior to such meeting, or by mail
at least three days prior.

Section 3.4 EXAMINING COMMITTEE. The Board shall designate an
Examining
Committee, which shall hold office until the next annual meeting of the Board
following the annual meeting of stockholders, consisting of not less than three
of its members, other than officers of the Bank, and whose duty it shall be to
make an examination at least once during each calendar year and within 15 months
of the last such examination into the affairs of the Bank including the
administration of fiduciary powers, or cause suitable examinations to be made by
auditors responsible only to the Board and to report the result of such
examination in writing to the Board. Such report shall state whether the Bank
is in a sound condition, whether adequate internal controls and procedures are
being maintained and shall recommend to the Board such changes in the manner of
conducting the affairs of the Bank as shall be deemed advisable. The Committee
shall at such time ascertain whether the Bank's fiduciary responsibilities have
been administered in accordance with law and sound fiduciary principles.

Section 3.5 OTHER COMMITTEES. The Board may appoint, from time to
time, from its own members, committees of the Board of three or more persons,
for such purposes and with such powers as the Board may determine.
ARTICLE IV

OFFICERS

Section 4.1 APPOINTMENT OF OFFICERS. At its annual meeting following the annual meeting of stockholders, the Board shall appoint from among its members a Chairman of the Board, a President, a Chief Executive Officer and a Secretary. The Chairman of the Board or the President may also be appointed as the Chief Executive Officer. At such meeting, the Board shall also appoint one or more Vice Presidents, and may at such meeting or at other meetings of the Board appoint such other officers as it may determine from time to time. The Board may also authorize a committee of the Board to appoint such officers as are not required to be appointed by the Board at a meeting.

Section 4.2 DUTIES OF PRESIDENT. In the absence of the Chairman of the Board, the President shall preside at all meetings of the Board and of stockholders and of the Executive Committee. In the absence of the Chairman of the Executive Committee and the Chairman of the Board shall preside at all meetings of the Executive Committee. Except as may be otherwise provided by the By-Laws or the Board, the President shall be a member EX OFFICIO of all committees authorized by these By-Laws or the Board. The President shall have general executive powers, shall participate actively in all major policy decisions and shall have and may exercise any and all other powers and duties pertaining by law, regulation or practice to the office of President or imposed by these By-Laws. The President shall also have and may exercise such further powers and duties as from time to time may be conferred or assigned by the Board or the Chief Executive Officer.

Section 4.3 DUTIES OF CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall exercise general supervision over the policies and business affairs of the Bank and the carrying out of the policies adopted or approved by the Board. Except as otherwise provided by these By-Laws, the Chief Executive Officer shall have the power to determine the duties of the officers of the Bank and to employ and discharge officers and employees. Except as otherwise provided by the By-Laws or the Board, the Chief Executive Officer shall be a member EX OFFICIO of all committees authorized by these By-Laws or created by the Board. In the absence of the Chairman of the Board and the President, the Chief Executive Officer shall preside at all meetings of the Board and of stockholders.

Section 4.4 DUTIES OF VICE PRESIDENTS. Each Vice President shall have such titles, seniority, powers and duties as may be assigned by the Board, a committee of the Board, the President or the Chief Executive Officer.

Section 4.5 SECRETARY. The Secretary shall be Secretary of the Board and of the Bank and shall keep accurate minutes of all meetings of stockholders and of the Board. The Secretary shall attend to the giving of all notices required to be given by these By-Laws; shall be custodian of the corporate seal, records, documents and papers of the Bank; shall provide for the keeping of proper books and records of all transactions of the Bank; shall have and may exercise any and all other powers and duties pertaining by law, regulation or practice to the office of Secretary or imposed by these By-Laws; and shall also perform such other duties as may be assigned from time to time by the Board, the president or the Chief Executive Officer.

Section 4.6 OTHER OFFICERS. The President or the Chief Executive Officer or his or her designee may appoint all officers whose appointment does not require approval by the Board or a committee of the Board and assign to them such titles as from time to time may appear to be required or desirable to transact the business of the Bank. Each such officer shall have such powers and duties as may be assigned by the Board, the president or the Chief Executive Officer.

Section 4.7 TENURE OF OFFICE. The Chairman of the Board, the President, the Chief Executive Officer, the Chairman of the Executive Committee, the Secretary and the Vice Presidents shall hold office for the current year for which the Board was elected and until their successors have been appointed and qualified, unless they shall resign, become disqualified or be removed. All other officers shall hold office until their successors have been appointed and qualified, unless they shall resign, become disqualified or be removed. The Board shall have the power to remove the Chairman of the Board, the President, the Chief Executive Officer, the Chairman of the Executive Committee and the
Secretary. The Board or the Chief Executive Officer or his or her designee shall have the power to remove all other officers and employees. Any vacancy occurring in the offices of Chairman of the Board, President or Chief Executive Officer shall be filled promptly by the Board.

Section 4.8 COMPENSATION. The Board shall by resolution determine from time to time the officers whose compensation will require approval by the Board or a committee of the Board. The Chief Executive Officer shall fix the compensation of all officers and employees whose compensation does not require approval by the Board or a committee of the Board.

Section 4.9 AUDITOR. The Board or the Chief Executive Officer shall appoint an officer to fill the position of Auditor for the Bank and assign to such officer such title as is deemed appropriate. The Auditor shall perform all duties incident to the audit of all departments and offices and of all affairs of the Bank. The Auditor shall be responsible to the Chief Executive Officer. The Auditor may at any time report to the Board any matter concerning the affairs of the Bank that, in the Auditor's judgment, should be brought to its attention.

Section 4.10 REGIONAL PRESIDENTS. The Board may appoint one or more Regional Presidents. Each Regional President shall have such powers and duties as may be assigned by the Board or the Chief Executive Officer.

ARTICLE V

FIDUCIARY POWERS

Section 5.10 FIDUCIARY RESPONSIBILITY. The Board shall appoint an officer or officers or a committee or committees of this Bank whose duties shall be to manage, supervise and direct the fiduciary activities of the Bank as assigned by the Board. Such officer or committee shall do or cause to be done all things necessary or proper in carrying on the assigned activities in accordance with provisions of law and applicable regulations and shall act pursuant to opinion of counsel where such opinion is deemed necessary. Opinions of counsel shall be retained on file in connection with all important matters pertaining to fiduciary activities. The officer or committee shall be responsible for all assets and documents held by the Bank in connection with fiduciary matters assigned by the Board.

Section 5.11 FIDUCIARY FILES. Files shall be maintained containing all fiduciary records necessary to assure that fiduciary responsibilities have been properly undertaken and discharged.

Section 5.12 FIDUCIARY INVESTMENTS. Funds held in a fiduciary capacity shall be invested in accordance with the instrument establishing the fiduciary relationship and applicable law. Where such instrument does not specify the character and class of investments to be made and does not vest in the Bank a discretion in the matter, funds held pursuant to such instrument shall be invested in investments in which corporate fiduciaries may invest under applicable law.

ARTICLE VI

STOCK AND STOCK CERTIFICATES

Section 6.1 TRANSFERS. Shares of the stock of the Bank shall be transferable on the books of the Bank, only by the person named in the certificate or by an attorney, lawfully constituted in writing, and upon surrender of the certificate therefor. Every person becoming a stockholder by such transfer shall, in proportion to his or her shares, succeed to all rights of the prior holder of such shares.

Section 6.2 STOCK CERTIFICATES. The certificates of stock of the Bank shall be numbered and shall be entered in the books of the Bank as they are issued. They shall exhibit the holder's name and number of shares and shall be
signed by the Chairman of the Board, the President, the Chief Executive Officer or any Vice President and by the Secretary or an Assistant Secretary.

ARTICLE VII

CORPORATE SEAL

Section 7.1 CORPORATE SEAL. The Chairman of the Board, the President, the Chief Executive Officer, the Secretary or any Assistant Secretary, a Vice President or Assistant Vice President or other officer designated by the Board or the Chief Executive Officer or his or her designee shall have authority to affix the corporate seal to any document requiring such seal and to attest the same. Such seal shall be substantially in the following form:

    (impression)
    (    of    )
    (    seal    )

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1 FISCAL YEAR. The fiscal year of the Bank shall be the calendar year.

Section 8.2 EXECUTION OF INSTRUMENTS.

a. All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, proxies and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted in behalf of the Bank or in connection with the exercise of the fiduciary powers of the Bank, by the Chairman of the Board, the President, the Chief Executive Officer, the Secretary or any other officer or employee (other than the Auditor) designated by the Board or the Chief Executive Officer or his or her designee. Any such instruments may also be executed, acknowledged, verified, delivered or accepted in behalf of the Bank in such other manner and by such other officers as the Board may from time to time direct. The provisions of this Section 8.2 are supplementary to any other provision of these By-Laws.

b. When required, the Secretary or any officer or agent designated by the Board or the Chief Executive Officer or his designee shall countersign and certify all bonds or certificates issued by the Bank as trustee, transfer agent, registrar or depository. The Chief Executive Officer or any officer designated by the Board or the Chief Executive Officer or his or her designee shall have the power to accept in behalf of the Bank any guardianship, receivership, executorship or other special or general trust permitted by law. Each of the foregoing authorizations shall be at the pleasure of the Board, and each such authorization by the Chief Executive Officer or his or her designee also shall be at the pleasure of the Chief Executive Officer.

Section 8.3 RECORDS. The By-Laws and the proceedings of all meetings of the stockholders, the Board and standing committees of the Board shall be recorded in appropriate minute books provided for the purpose. The minutes of each meeting shall be signed by the Secretary or other officer appointed to act as secretary of the meeting.

Section 8.4 EMERGENCY OPERATIONS. In the event of war or warlike damage or disaster of sufficient severity to prevent the conduct and management of the affairs, business and property of the Bank by its directors and officers as contemplated by these By-Laws, any two or more available members of the then-incumbent Executive Committee shall constitute a quorum of that committee for the full conduct and management of the affairs, business and property of the Bank. In the event of the unavailability at such time of a minimum of two members of the then-incumbent Executive Committee, any three available directors shall constitute the Executive Committee for the full conduct and management of the affairs, business and property of the Bank. This by-law shall be subject to implementation by resolutions of the Board passed from time to time for that
Section 8.5 INDEMNIFICATION.

a. The Bank shall indemnify each person made or threatened to be made a party to any action or proceeding, whether civil or criminal, by reason of the fact that such person or such person's testator or intestate is or was a director or officer of the Bank, or, while a director or officer, serves or served, at the request of the Bank, any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorney's fees, incurred in connection with such action or proceeding, or any appeal therein, provided that no such indemnification shall be made if a judgment or other final adjudication adverse to such director or officer establishes that his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled, and provided further that no such indemnification shall be required with respect to any settlement or other nonjudicated disposition of any threatened or pending action or proceeding unless the Bank has given its prior consent to such settlement or other disposition.

b. The Bank shall advance or promptly reimburse upon request any director or officer seeking indemnification hereunder for all expenses, including attorneys' fees, reasonably incurred in defending any action or proceeding in advance or the final disposition thereof upon receipt of an undertaking by or on behalf of such person to repay such amount if such person is ultimately found not to be entitled to indemnification or, where indemnification is granted, to the extent the expenses so advanced or reimbursed exceed the amount to which such person is entitled.

c. This Section 8.5 shall be given retroactive effect, and the full benefits hereof shall be available in respect of any alleged or actual occurrences, acts or failures to act prior to the date of the adoption of this Section 8.5. The right to indemnification of advancement of expenses under this Section 8.5 shall be a contract right.

Section 8.6 AMENDMENTS. These By-Laws may be added to, amended, altered or repealed at any regular meeting of the Board by a vote of a majority of the total number of the directors, or at any meeting or stockholders, duly called and held, by a majority of the stock represented at such meeting.

I, __________________, CERTIFY that I am the duly appointed Secretary of Marine Midland Bank and, as such officer, have access to its official records and the foregoing By-Laws are the By-Laws of the Bank, and all of them are now lawfully in force and effect.

IN TESTIMONY WHEREOF, I have hereunto affixed my official signature and the seal of the Bank, in New York, on __________________________.

Secretary
Dear Sirs:

Pursuant to Section 321(b) of the Trust Indenture Act of 1939 and subject to the qualifications and limitation of 321(b) and the other provisions of the Trust Indenture Act of 1939, the undersigned Marine Midland Bank consents that reports of examination by Federal, State, Territorial or District authorities may be furnished by such authorities to the Commission upon request therefor.

Yours very truly,

MARINE MIDLAND BANK

By:

Metin Caner
Assistant Vice President

Attest:

By:

Eileen M. Hughes
Corporate Trust Officer

Exhibit TIA(vii)

REPORT OF CONDITION

Consolidated Report of Condition of Marine Midland Bank of Buffalo, New York and Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business on December 31, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

(Dollar Amounts in Thousands)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
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<tbody>
<tr>
<td>Cash and balances due from depositary institutions:</td>
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<tr>
<td>Noninterest-bearing balances and currency and coin</td>
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<tr>
<td>Interest-bearing balances</td>
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<td>Securities</td>
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<tr>
<td>Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's Federal funds sold</td>
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</tr>
<tr>
<td>Securities purchased under agreements to resell</td>
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<tr>
<td>Loans and lease financing receivables:</td>
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</tr>
<tr>
<td>Loans and leases, net of unearned income</td>
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<tr>
<td>Assets held in trading accounts</td>
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<tr>
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<tr>
<td>Customers' liability to this bank on acceptances outstanding</td>
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<td>Intangible assets</td>
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<td>Other assets</td>
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<tr>
<td>Total assets</td>
<td>$17,485,229</td>
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<table>
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<tr>
<th>LIABILITIES</th>
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<tbody>
<tr>
<td>Deposits:</td>
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<tr>
<td>In domestic offices</td>
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<tr>
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<tr>
<td>In foreign offices, Edge and Agreement Subsidiaries, and IBF's</td>
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<tr>
<td>Noninterest-bearing</td>
<td>$0</td>
</tr>
<tr>
<td>Interest-bearing</td>
<td>$1,002,884</td>
</tr>
<tr>
<td>Federal funds purchased securities sold un-</td>
<td></td>
</tr>
</tbody>
</table>
I, Gerald A Ronning, Executive Vice President & Controller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

GERALD A RONNING

We the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

James H. Cleave
Director

Bernard J. Kennedy
Director

Northrup R. Knox
Director
FORM OF
LETTER OF TRANSMITTAL
CHARTER MEDICAL CORPORATION

OFFER TO EXCHANGE ITS 11 1/4% SERIES A SENIOR SUBORDINATED NOTES DUE 2004
FOR ANY AND ALL OF ITS OUTSTANDING
11 1/4% SENIOR SUBORDINATED NOTES DUE 2004

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT
5:00 P.M., NEW YORK CITY TIME, ON           , 1994,
UNLESS THE OFFER IS EXTENDED.

To Marine Midland Bank
(the "Exchange Agent")

BY REGISTERED OR CERTIFIED MAIL:
Marine Midland Bank
Corporate Trust Operations
140 Broadway
"A" Level
New York, New York, 10005-1180

BY FACSIMILE TRANSMISSION:
Marine Midland Bank
Corporate Trust Operations
(212) 658-6425

BY HAND:
Marine Midland Bank
Corporate Trust Operations
140 Broadway
"A" Level
New York, New York, 10005-1180

BY OVERNIGHT COURIER:
Marine Midland Bank
Corporate Trust Operations
140 Broadway
"A" Level
New York, New York, 10005-1180

TELEPHONE NUMBER:
(212) 658-6433

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR
TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN THE ONE LISTED
ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS
LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL
IS COMPLETED.

The undersigned hereby acknowledges receipt of the Prospectus dated       ,
1994 (the "Prospectus") of Charter Medical Corporation (the "Company") and this
Letter of Transmittal (the "Letter of Transmittal"), which together constitute
the Company's offer (the "Exchange Offer") to exchange $1,000 principal amount
of its 11 1/4% Series A Senior Subordinated Notes due 2004 (the "New Notes")
which have been registered under the Securities Act of 1933, as amended (the
"Securities Act"), pursuant to a Registration Statement of which the Prospectus
is a part, for each $1,000 principal amount of its outstanding 11 1/4% Senior
Subordinated Notes due 2004 (the "Old Notes"). The term "Expiration Date" shall
mean 5:00 p.m., New York City time, on           , 1994, unless the Company, in
its sole discretion, extends the Exchange Offer, in which case the term shall
mean the latest date and time to which the Exchange Offer is extended.
Capitalized terms used but not defined herein have the meaning given to them in
the Prospectus.

This Letter of Transmittal is to be used by holders of Old Notes if (i)
certificates representing the Old Notes are to be physically delivered to the
Exchange Agent herewith, (ii) tender of the Old Notes is to be made by book-
entry transfer to the Exchange Agent's account at The Depository Trust Company
(the "Book-Entry Transfer Facility") pursuant to the procedures set forth in the
Prospectus under the caption "The Exchange Offer -- Procedures for Tendering" by
any financial institution that is a participant in the Book-Entry Transfer Facility and whose name appears on a security position listing as the owner of
Old Notes (such participants, acting on behalf of holders, are referred to
herein, together with such holders, as "Acting Holders") or (iii) tender of the
Old Notes is to be made according to the guaranteed delivery procedures
described in the Prospectus under the caption "The Exchange Offer -- Guaranteed
Delivery Procedures." See Instruction 2. Delivery of documents to the Book-Entry
Transfer Facility does not constitute delivery to the Exchange Agent.

The term "Holder" with respect to the Exchange Offer means any person in
whose name Old Notes are registered on the books of the Company or any other person who has obtained a properly completed bond power from the registered holder. The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer. Holders who wish to tender their Old Notes must complete this letter in its entirety.

// CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: ________________________________________________
Account Number: _____________________________________________________________
Transaction Code Number: _____________________________________________________
Principal Amount of Tendered Old Notes: ____________________________

If Holders desire to tender Old Notes pursuant to the Exchange Offer and (i) time will not permit this Letter of Transmittal, certificates representing Old Notes or other required documents to reach the Exchange Agent prior to the Expiration Date, or (ii) the procedures for book-entry transfer cannot be completed prior to the Expiration Date, such Holders may effect a tender of such Old Notes in accordance with the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer -- Guaranteed Delivery Procedures." See Instruction 2 below.

// CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY DELIVERED TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING (SEE INSTRUCTION 2):

Name of Registered or Acting Holder(s): _________________________________________
Window Ticket No. (if any): ____________________________________________________
Date of Execution of Notice of Guaranteed Delivery: _____________________________
Name of Eligible Institution that Guaranteed Delivery: ____________________________
If Delivered by Book-Entry Transfer, the Account Number: _______________________
Transaction Code Number: ________________________________

// CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: _______________________________________________________________________
Address: ____________________________________________________________________
____________________________________________________________________________
Attention: ___________________________________________________________________

List below the Old Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, the certificate numbers and principal amount of Old Notes should be listed on a separate signed schedule affixed hereto.

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL CAREFULLY BEFORE COMPLETING THE BOXES

---

<table>
<thead>
<tr>
<th>BOX 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>DESCRIPTION OF 11 1/4% SENIOR SUBORDINATED NOTES DUE 2004*</td>
</tr>
</tbody>
</table>

| NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK) | CERTIFICATE NUMBER(S) | AGGREGATE PRINCIPAL AMOUNT REPRESENTED BY CERTIFICATE(S) | PRINCIPAL AMOUNT TENDERED (MUST BE IN INTEGRAL MULTIPLE OF $1,000)** |
**SPECIAL REGISTRATION INSTRUCTIONS**

(See Instructions 4, 5 and 6)

To be completed ONLY if certificates for Old Notes in a principal amount not tendered, or New Notes issued in exchange for Old Notes accepted for exchange, are to be issued in the name of someone other than the undersigned.

Issue certificate(s) to:

Name ________________________________

(Please Print)

Address ________________________________

(Include Zip Code)

(Tax Identification or Social Security Number)

**SPECIAL DELIVERY INSTRUCTIONS**

(See Instructions 4, 5 and 6)

To be completed ONLY if certificates for Old Notes in a principal amount not tendered, or New Notes issued in exchange for Old Notes accepted for exchange, are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Deliver certificate(s) to:

Name ________________________________

(Please Print)

Address ________________________________

(Include Zip Code)

(Tax Identification or Social Security Number)

NOTE: SIGNATURES MUST BE PROVIDED BELOW

PLEASE READ ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Subject to the terms and conditions of the Exchange Offer, the undersigned hereby tenders to the Company, the principal amount of Old Notes indicated in Box 1 above.

Subject to and effective upon the acceptance for exchange of the principal
amount of Old Notes tendered in accordance with this Letter of Transmittal, the undersigned sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to the Old Notes tendered hereby. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as its agent and attorney-in-fact (with full knowledge that the Exchange Agent also acts as the agent of the Company) with respect to the tendered Old Notes with full power of substitution to (i) present such Old Notes and all evidences of transfer and authenticity to, or transfer ownership of, such Old Notes on the account books maintained by the Book-Entry Transfer Facility to, or upon the order of, the Company, (ii) deliver certificates for such Old Notes to the Company and deliver all accompanying evidences of transfer and authenticity to, or upon the order of, the Company and (iii) present such Old Notes for transfer on the books of the Company and receive all benefits and otherwise exercise all rights of beneficial ownership of such Old Notes, all in accordance with the terms of the Exchange Offer.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Old Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claims, when the same are acquired by the Company. The undersigned hereby further represents that any New Notes acquired in exchange for Old Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such New Notes, whether or not such person is the undersigned, that neither the undersigned nor any such other person is participating, intends to participate or has an arrangement or understanding with any person to participate in the distribution of such New Notes and that neither the undersigned nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act, of the Company, or if it is such an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable to it. In addition, the undersigned and any such person acknowledge that (a) any person participating in the Exchange Offer for the purpose of making a public distribution of the New Notes must, in the absence of an exemption therefrom, comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale of the New Notes and cannot rely on the position of the staff of the Securities and Exchange Commission enunciated in EXXON CAPITAL HOLDINGS CORPORATION (available April 13, 1989) or similar no-action letters and (b) failure to comply with such requirements in such instance could result in the undersigned or such person incurring liability under the Securities Act for which the undersigned or such person is not indemnified by the Company. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the assignment, transfer and purchase of the Old Notes tendered hereby. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a public distribution of New Notes. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such New Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For purposes of the Exchange Offer, the Company shall be deemed to have accepted validly tendered Old Notes when, as and if the Company has given oral or written notice thereof to the Exchange Agent.

If any Old Notes tendered herewith are not accepted for exchange pursuant to the Exchange Offer for any reason, certificates for any such unaccepted Old Notes will be returned, without expense, to the undersigned at the address shown below or to a different address as may be indicated herein in Box 3 under "Special Delivery Instructions" as promptly as practicable after the Expiration Date.

All authority conferred or agreed to be conferred by this Letter of Transmittal shall survive the death, incapacity or dissolution of the undersigned, and every obligation of the undersigned under this Letter of Transmittal shall be binding upon the undersigned's heirs, personal representatives, successors and assigns.

The undersigned understands that tenders of Old Notes pursuant to the procedures described under the caption "The Exchange Offer -- Procedures for Tendering" in the Prospectus and in the instructions hereto will constitute a binding agreement between the undersigned and the Company upon the terms and
subject to the conditions of the Exchange Offer, subject only to withdrawal of such tenders on the terms set forth in the Prospectus under the caption "The Exchange Offer -- Withdrawal of Tenders."

Unless otherwise indicated in Box 2 under "Special Registration Instructions," please issue the certificates (or electronic transfers) representing the New Notes issued in exchange for the Old Notes accepted for exchange and any certificates (or electronic transfers) for Old Notes not tendered or not exchanged, in the name(s) of the undersigned. Similarly, unless otherwise indicated in Box 3 under "Special Delivery Instructions," please send the certificates representing the New Notes issued in exchange for the Old Notes accepted for exchange and any certificates for Old Notes not tendered or not exchanged (and accompanying documents, as appropriate) to the undersigned at the address shown below. In the event that both "Special Registration Instructions" and "Special Delivery Instructions" are completed, please issue the certificates representing the New Notes issued in exchange for the Old Notes accepted for exchange in the name(s) of, and return any certificates for Old Notes not tendered or not exchanged to, the person(s) so indicated. The undersigned understands that the Company has no obligation pursuant to the "Special Registration Instructions" and "Special Delivery Instructions" to transfer any Old Notes from the name of the registered holder(s) thereof if the Company does not accept for exchange any of the Old Notes so tendered.

Holders who wish to tender their Old Notes but (i) whose Old Notes are not immediately available or (ii) who cannot deliver the Old Notes, this Letter of Transmittal or any other documents required hereby to the Exchange Agent prior to the Expiration Date, may tender their Old Notes according to the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer -- Guaranteed Delivery Procedures." See Instruction 2 regarding the completion of this Letter of Transmittal printed below.

PLEASE SIGN HERE WHETHER OR NOT OLD NOTES ARE BEING PHYSICALLY TENDERED HEREBY

X _____________________________________________     _________________________
Date

X _____________________________________________     _________________________
Date

Area Code and Telephone Number: ______________________

The above lines must be signed by the registered holder(s) exactly as their name(s) appear(s) on the Old Notes or by a participant in the Book-Entry Transfer Facility, exactly as such participant’s name appears on a security position listing as the owner of the Old Notes, or by person(s) authorized to become registered holder(s) by a properly completed bond power from the registered holder(s), a copy of which must be transmitted with this Letter of Transmittal. If Old Notes to which this Letter of Transmittal relate are held of record by two or more joint holders, then all such holders must sign this Letter of Transmittal. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, then such person must (i) set forth his or her full title below and (ii) unless waived by the Company, submit evidence satisfactory to the Company of such person’s authority so to act. See Instruction 5 regarding the completion of this Letter of Transmittal printed below.

Name(s): ______________________________________________________________________
(Please Print)

Capacity: _____________________________________________________________________

Address: ______________________________________________________________________
(Include Zip Code)

___________________________________________
Signature(s) Guaranteed by an Eligible Institution:
(Authorized Signature)
INSTRUCTIONS FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. DELIVERY OF THIS LETTER OF TRANSMITTAL AND CERTIFICATES FOR OLD NOTES OR BOOK-ENTRY CONFIRMATIONS. Certificates representing the tendered Old Notes (or a confirmation of book-entry transfer into the Exchange Agent's account with the Book-Entry Transfer Facility for tendered Old Notes transferred electronically), as well as a properly completed and duly executed copy of this Letter of Transmittal (or facsimile thereof), a Substitute Form W-9 (or facsimile thereof) and any other documents required by this Letter of Transmittal must be received by the Exchange Agent at its address set forth herein prior to the Expiration Date. The method of delivery of certificates for Old Notes and all other required documents is at the election and risk of the tendering holder and delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. Instead of delivery by mail, it is recommended that the holder use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery. Neither the Company nor the Exchange Agent is under an obligation to notify any tendering holder of the Company's acceptance of tendered Old Notes prior to the Closing of the Exchange Offer.

2. GUARANTEED DELIVERY PROCEDURES. Holders who wish to tender their Old Notes but whose Old Notes are not immediately available and who cannot deliver their certificates for Old Notes (or comply with the procedures for book-entry transfer prior to the Expiration Date), the Letter of Transmittal and any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date must tender their Old Notes according to the guaranteed delivery procedures set forth below. Pursuant to such procedures:

(i) such tender must be made by or through a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or is a commercial bank or trust company having an office or correspondent in the United States (an "Eligible Institution");

(ii) prior to the Expiration Date, the Exchange Agent must have received from the holder and the Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the holder, the certificate number or numbers of the tendered Old Notes and the principal amount of tendered Old Notes, and stating that the tender is being made thereby and guaranteeing that, within five New York Stock Exchange trading days after the Expiration Date, the Letter of Transmittal (or facsimile thereof), together with the tendered Old Notes (or a confirmation of book-entry transfer into the Exchange Agent's account with the Book-Entry Transfer Facility for Old Notes transferred electronically) and any other required documents will be deposited by the Eligible Institution with the Exchange Agent; and

(iii) such properly completed and executed Letter of Transmittal (or facsimile thereof) and certificates representing the tendered Old Notes in proper form for transfer (or a confirmation of book-entry transfer into the Exchange Agent's account with the Book-Entry Transfer Facility for Old Notes transferred electronically) and all other documents required by the Letter of Transmittal must be received by the Exchange Agent within five New York Stock Exchange trading days after the Expiration Date.

Any holder who wishes to tender Old Notes pursuant to the guaranteed delivery procedures described above must ensure that the Exchange Agent receives the Notice of Guaranteed Delivery relating to such Old Notes prior to the
Expiration Date. Failure to complete the guaranteed delivery procedures outlined above will not, of itself, affect the validity or effect a revocation of any Letter of Transmittal form properly completed and executed by a Holder who attempted to use the guaranteed delivery process.

3. TENDER BY HOLDER. Only a holder of Old Notes may tender such Old Notes in the Exchange Offer. Any beneficial owner of Old Notes who is not the registered holder and who wishes to tender should arrange with such holder to execute and deliver this Letter of Transmittal on such owner's behalf or must, prior to completing and executing this Letter of Transmittal and delivering such Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such owner's name or obtain a properly completed bond power from the registered holder.

4. PARTIAL TENDERS. Tenders of Old Notes will be accepted only in integral multiples of $1,000 in principal amount. If less than the entire principal amount of Old Notes is tendered, the tendering holder should fill in the principal amount tendered in the column labeled "Aggregate Principal Amount Tendered" of the box entitled "Description of Old Notes" (Box 1) above. The entire principal amount of Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated. If the entire principal amount of all Old Notes is not tendered, Old Notes for the principal amount of Old Notes not tendered and New Notes exchanged for any Old Notes tendered will be sent to the holder at his or her registered address (or transferred to the account of the Book-Entry Facility designated above), unless a different address (or account) is provided in the appropriate box on this Letter of Transmittal, as soon as practicable following the Expiration Date.

5. SIGNATURES ON THE LETTER OF TRANSMITTAL; BOND POWERS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES. If this Letter of Transmittal is signed by the registered holder of the Old Notes tendered herewith, the signature must correspond with the name as written on the face of the tendered Old Notes without alteration, enlargement or any change whatsoever. If this Letter of Transmittal is signed by a participant in the Book-Entry Transfer Facility, the signature must correspond with the name as it appears on the security position listing as the owner of the Old Notes.

If any of the tendered Old Notes are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal. If any tendered Old Notes are held in different names on several Old Notes, it will be necessary to complete, sign and submit as many separate copies of the Letter of Transmittal documents as there are names in which tendered Old Notes are held.

If this Letter of Transmittal is signed by the registered holder or Acting Holder, and New Notes are to be issued and any untendered or unaccepted principal amount of Old Notes are to be reissued or returned to the registered holder or Acting Holder, then the registered holder or Acting Holder need not and should not endorse any tendered Old Notes nor provide a separate bond power. In any other case (including if this Letter of Transmittal is not signed by the Acting Holder), the registered holder or Acting Holder must either properly endorse the Old Notes tendered or transmit a properly completed separate bond power with this Letter of Transmittal (in either case, executed exactly as the name of the registered holder appears on such Old Notes, and, with respect to a participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Old Notes, exactly as the name of the participant appears on such security position listings), with the signature on the endorsement or bond power guaranteed by an Eligible Institution unless such certificates or bond powers are signed by an Eligible Institution.

If this Letter of Transmittal or any Old Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by the Company, evidence satisfactory to the Company of their authority to so act must be submitted with this Letter of Transmittal.

No signature guarantee is required if (i) this Letter of Transmittal is signed by the registered holder of the Old Notes tendered herewith (or by a participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of the tendered Old Notes) and the issuance of New Notes (and any Old Notes not tendered or not accepted) are to be issued directly to such registered holder (or, if signed by a participant in the Book-Entry Transfer Facility, any New Notes or Old Notes not tendered or not accepted are to be deposited to such participant's account at such Book-Entry Transfer
6. SPECIAL REGISTRATION AND DELIVERY INSTRUCTIONS. Tendering holders should indicate, in the applicable box, the name and address (or account at the Book-Entry Transfer Facility) to which the New Notes and/or Substitute Old Notes for principal amounts not tendered or not accepted for exchange are to be sent (or deposited) if different from the name and address or account of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification number or social security number of the person named must also be indicated and the tendering holders should complete the applicable box.

If no such instructions are given, the New Notes (and any Old Notes not tendered or not accepted) will be issued in the name of and sent to the Acting Holder of the Old Notes or deposited at such Acting Holder's account at the Book-Entry Transfer Facility.

7. TRANSFER TAXES. The Company will pay all transfer taxes, if any, applicable to the sale and transfer of Old Notes to it or its order pursuant to the Exchange Offer. If, however, a transfer tax is imposed for any reason other than the transfer and sale of Old Notes to the Company or its order pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or on any other person) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption from taxes therefrom is not submitted with this Letter of Transmittal, the amount of transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 7, it will not be necessary for transfer tax stamps to be affixed to the Old Notes listed in this Letter of Transmittal.

8. TAX IDENTIFICATION NUMBER. Federal income tax law requires that a holder of any Old Notes which are accepted for exchange must provide the Company (as payor) with its correct taxpayer identification number ("TIN"), which, in the case of a holder who is an individual, is his or her social security number. If the Company is not provided with the correct TIN, the holder may be subject to a $50 penalty imposed by Internal Revenue Service. (If withholding results in an over-payment of taxes, a refund may be obtained.) Certain holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

To prevent backup withholding, each tendering holder must provide such holder's correct TIN by completing the Substitute Form W-9 set forth herein, certifying that the TIN provided is correct (or that such holder is awaiting a TIN), and that (i) the holder has not been notified by the Internal Revenue Service that such holder is subject to backup withholding as a result of failure to report all interest or dividends or (ii) the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding. If the Old Notes are registered in more than one name or are not in the name of the actual owner, see the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for information on which TIN to report.

The Company reserves the right in its sole discretion to take whatever steps are necessary to comply with the Company's obligation regarding backup withholding.

9. VALIDITY OF TENDERS. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of tendered Old Notes will be determined by the Company, in its sole discretion, which determination will be final and binding. The Company reserves the right to reject any and all Old Notes not properly tendered or any Old Notes, the Company's acceptance of which would, in the opinion of the Company or its counsel, be unlawful. The Company also reserves the right to waive any defects or irregularities in or conditions of tenders of Old Notes. The interpretation of the terms and conditions of the Exchange Offer (including this Letter of Transmittal and the instructions hereto) by the Company shall be final and binding on all parties.
Unless waived, any defects or irregularities in connection with tenders of Old Notes must be cured within such time as the Company shall determine. The Company will use reasonable efforts to give notification of defects or irregularities with respect to tenders of Old Notes, but shall not incur any liability for failure to give such notification.

10. WAIVER OF CONDITIONS. The Company reserves the absolute right to amend, waive or modify specified conditions in the Exchange Offer in the case of any tendered Old Notes.

11. NO CONDITIONAL TENDER. No alternative, conditional, irregular or contingent tender of Old Notes on transmittal of this Letter of Transmittal will be accepted.

12. MUTILATED, LOST, STOLEN OR DESTROYED OLD NOTES. Any tendering holder whose Old Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instruction.

13. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions and requests for assistance and requests for additional copies of the Prospectus may be directed to the Exchange Agent at the address specified in the Prospectus. Holders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer.

14. ACCEPTANCES OF TENDERED OLD NOTES AND ISSUANCE OF NEW NOTES; RETURN OF OLD NOTES. Subject to the terms and conditions of the Exchange Offer, the Company will accept for exchange all validly tendered Old Notes as soon as practicable after the Expiration Date and will issue New Notes therefor as soon as practicable thereafter. For purposes of the Exchange Offer, the Company shall be deemed to have accepted tendered Old Notes when, as and if the Company has given written or oral notice thereof to the Exchange Agent. If any tendered Old Notes are not exchanged pursuant to the Exchange Offer for any reason, such unexchanged Old Notes will be returned, without expense, to the undersigned at the address shown above (or credited to the undersigned's account at the Book-Entry Transfer Facility designated above) or at a different address as may be indicated under "Special Delivery Instructions."

15. WITHDRAWAL. Tenders may be withdrawn only pursuant to the limited withdrawal rights set forth in the Prospectus under the caption "The Exchange Offer -- Withdrawal of Tenders."

- ----------------------------------------------------------------------------------------------------
- PAYOR'S NAME: CHARTER MEDICAL CORPORATION
- ----------------------------------------------------------------------------------------------------
- SUBSTITUTE
- Name (if joint names, list first and circle the name of the person or entity whose number you enter in Part 1 below. See instructions if your name has changed.)
- NAME
- SUBTIRE
- FORM W-9
- Address
- DEPARTMENT OF THE TREASURY
- City, State and ZIP Code
- List account number(s) here (optional)
- INTERNAL REVENUE SERVICE
- Part 1 -- PLEASE PROVIDE YOUR Social Security TAXPAYER IDENTIFICATION NUMBER Number or TIN ("TIN") IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW
- Part 2 -- Check the box if you are NOT subject to backup withholding under the provisions of Section 3408(a)(1)(C) of the Internal Revenue Code because (1) you have not been notified that you are subject to backup withholding as a result of failure to report all interest or dividends or (2) the Internal Revenue Service has notified you that you are no longer subject to backup withholding. / /
- PAYOR'S REQUEST FOR TIN
- CERTIFICATION -- UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT THE AWAITING TIN INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT AND COMPLETE.
GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9
PAGE 1 OF 2

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a), or an individual retirement plan.
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency, or instrumentality thereof.
- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a).
- An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- An entity registered at all times under the Investment Company Act of 1940.
- A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals.

Note: You may be subject to backup withholding if this interest is $600 or
more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payor.

- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations
- Payments made to a nominee.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYOR, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYOR. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

PRIVACY ACT NOTICE -- Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payors who must report the payments to the IRS. The IRS uses the number for identification purposes. Payors must be given the numbers whether or not recipients are required to file tax returns. Payors must generally withhold 20% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payor. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER -- If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) FAILURE TO REPORT CERTAIN DIVIDEND AND INTEREST PAYMENTS -- If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income, such failure will be treated as being due to negligence and will be subject to a penalty of 5% on any portion of an under-payment attributable to that failure unless there is clear and convincing evidence to the contrary.

(3) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING -- If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(4) CRIMINAL PENALTY FOR FALSIFYING INFORMATION -- Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

PAGE 2 OF 2

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYOR. Social Security numbers have nine digits separated by two hyphens: e.g. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: 00-0000000. The table below will help determine the number to give the Payor.
<table>
<thead>
<tr>
<th>FOR THIS TYPE OF ACCOUNT:</th>
<th>EMPLOYER IDENTIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NUMBER OF:</td>
</tr>
<tr>
<td>1. An individual account</td>
<td>The individual</td>
</tr>
<tr>
<td>2. Two or more individuals (joint account)</td>
<td>The actual owner of the account or, if combined funds, any one of the individuals (1)</td>
</tr>
<tr>
<td>3. Husband and wife (joint account)</td>
<td>The actual owner of the account or, if joint funds, either person (1)</td>
</tr>
<tr>
<td>4. Custodian account of a minor (Uniform Gift to Minors Act)</td>
<td>The minor (2)</td>
</tr>
<tr>
<td>5. Adult and minor (joint account)</td>
<td>The adult or, if the minor is the only contributor, the minor (1)</td>
</tr>
<tr>
<td>6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person</td>
<td>The ward, minor, or incompetent person (3)</td>
</tr>
<tr>
<td>7. a. The usual revocable savings trust account (grantor is also trustee)</td>
<td>The grantor-trustee (1)</td>
</tr>
<tr>
<td>b. So-called trust account that is not a legal or valid trust under State law</td>
<td>The actual owner (1)</td>
</tr>
<tr>
<td>8. Sole proprietorship account</td>
<td>The owner (4)</td>
</tr>
<tr>
<td>9. A valid trust, estate, or pension trust</td>
<td>The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title) (5)</td>
</tr>
<tr>
<td>10. Corporate account</td>
<td>The corporation</td>
</tr>
<tr>
<td>11. Religious, charitable, or educational organization account</td>
<td>The organization</td>
</tr>
<tr>
<td>12. Partnership account held in the name of the business</td>
<td>The partnership</td>
</tr>
<tr>
<td>13. Association, club, or other tax-exempt organization</td>
<td>The organization</td>
</tr>
<tr>
<td>14. A broker or registered nominee</td>
<td>The broker or nominee</td>
</tr>
<tr>
<td>15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments</td>
<td>The public safety</td>
</tr>
</tbody>
</table>

<FN>

(1) List first and circle the name of the person whose number you furnish.
(2) Circle the minor's name and furnish the minor's social security number.
(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
(4) Show the name of the owner.
(5) List first and circle the name of the legal trust, estate, or pension trust.

Note: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.
NOTICE OF GUARANTEED DELIVERY
WITH RESPECT TO
CHARTER MEDICAL CORPORATION
11 1/4% SENIOR SUBORDINATED NOTES DUE 2004

This form must be used by a holder of the 11 1/4% Senior Subordinated Notes due 2004 (the "Old Notes") of Charter Medical Corporation (the "Company") who wishes to tender Old Notes to the Exchange Agent pursuant to the guaranteed delivery procedures described in "The Exchange Offer -- Guaranteed Delivery Procedures" of the Prospectus dated , 1994 (the "Prospectus") and in Instruction 2 to the Letter of Transmittal. Any holder who wishes to tender Old Notes pursuant to such guaranteed delivery procedures must ensure that the Exchange Agent receives this Notice of Guaranteed Delivery prior to the Expiration Date of the Exchange Offer. Capitalized terms not defined herein have the meanings ascribed to them in the Prospectus or the Letter of Transmittal.

To: Marine Midland Bank, Exchange Agent

BY REGISTERED OR CERTIFIED MAIL:
Marine Midland Bank
Corporate Trust Operations
140 Broadway
"A" Level
New York, New York 10005-1180

BY FACSIMILE TRANSMISSION:
Marine Midland Bank
Corporate Trust Operations
(212) 658-6425

BY OVERNIGHT COURIER:
Marine Midland Bank
Corporate Trust Operations
140 Broadway
"A" Level
New York, New York 10005-1180

TELEPHONE NUMBER:
(212) 658-6433

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA A FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to the Company, upon the terms and subject to the conditions set forth in the Prospectus and the related Letter of Transmittal, receipt of which is hereby acknowledged, the principal amount of Old Notes specified below pursuant to the guaranteed delivery procedures set forth in the Prospectus and in Instruction 2 of the Letter of Transmittal. The undersigned hereby tenders the Old Notes listed below:

<table>
<thead>
<tr>
<th>CERTIFICATE NUMBER(S) (IF KNOWN)</th>
<th>AGGREGATE PRINCIPAL AMOUNT REPRESENTED</th>
<th>AGGREGATE PRINCIPAL AMOUNT TENDERED</th>
</tr>
</thead>
<tbody>
<tr>
<td>OR ACCOUNT NUMBER AT THE BOOK-ENTRY FACILITY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td></td>
<td></td>
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<td>-</td>
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<td></td>
</tr>
<tr>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SIGN HERE
Name of Registered or Acting Holder: ___________________________________________
Signature(s): __________________________________________________________________
GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or is a commercial bank or trust company having an office or correspondent in the United States, or is otherwise an "eligible guaranteed institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, guarantees deposit with the Exchange Agent of the Letter of Transmittal (or facsimile thereof), together with the Old Notes tendered hereby in proper form for transfer (or confirmation of the book-entry transfer of such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility described in the Prospectus under the caption "The Exchange Offer -- Guaranteed Delivery Procedures" and in the Letter of Transmittal) and any other required documents, all by 5:00 p.m., New York City time, on the fifth New York Stock Exchange trading day following the Expiration Date.

SIGN HERE

Name of firm: __________________________________________________________
Authorized signature: ____________________________________________________
Name (please print): _______________________________________________________
Address: __________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
Telephone number: _________________________________________________________
Date: _____________________________________________________________________

DO NOT SEND OLD NOTES WITH THIS FORM. ACTUAL SURRENDER OF OLD NOTES MUST BE MADE PURSUANT TO, AND BE ACCOMPANIED BY, AN EXECUTED LETTER OF TRANSMITTAL.

INSTRUCTIONS FOR NOTICE OF GUARANTEED DELIVERY

1. DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY. A properly completed and duly executed copy of this Notice of Guaranteed Delivery and any other documents required by this Notice of Guaranteed Delivery must be received by the Exchange Agent at its address set forth herein prior to the Expiration Date. The method of delivery of this Notice of Guaranteed Delivery and any other required documents to the Exchange Agent is at the election and risk of the holder, and the delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. Instead of delivery by mail, it is recommended that the holders use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery. For a description of the guaranteed delivery procedures, see Instruction 2 of the Letter of Transmittal.

2. SIGNATURES ON THIS NOTICE OF GUARANTEED DELIVERY. If this notice of Guaranteed Delivery is signed by the registered holder of the Old Notes referred to herein, the signature must correspond with the name written on the face of the Old Notes without alteration, enlargement, or any change whatsoever. If this Notice of Guaranteed Delivery is signed by a participant of the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Old Notes, the signature must correspond with the name shown on the security position listing as the owner of the Old Notes.

If this Notice of Guaranteed Delivery is signed by a person other than the registered holder of any Old Notes listed or a participant of the Book-Entry Transfer Facility, this Notice of Guaranteed Delivery must be accompanied by appropriate bond powers, signed as the name of the registered holder appears on the Old Notes or signed as the name of the participant shown on the Book-Entry Transfer Facility's security position listing.

If this Notice of Guaranteed Delivery is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in fiduciary or representative capacity, such person should so indicate when signing, and unless waived by the Company, submit with the Letter of Transmittal evidence satisfactory to the Company of such person's authority to so act.
3. REQUESTS FOR ASSISTANCE OF ADDITIONAL COPIES. Questions and requests for assistance and requests for additional copies of the Prospectus may be directed to the Exchange Agent at the address specified in the Prospectus. Holders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer.
INSTRUCTION TO REGISTERED HOLDER AND/OR
BOOK-ENTRY TRANSFER FACILITY PARTICIPANT FROM OWNER
OF
CHARTER MEDICAL CORPORATION
11 1/4% SENIOR SUBORDINATED NOTES DUE 2004

To Registered Holder and/or Participant of the Book-Entry Transfer Facility:

The undersigned hereby acknowledges receipt of the Prospectus, dated , 1994 (the "Prospectus") of Charter Medical Corporation, a Delaware corporation (the "Company"), and the accompanying Letter of Transmittal (the "Letter of Transmittal"), that together constitute the Company's offer (the "Exchange Offer"). Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectus.

This will instruct you, the registered holder and/or book-entry transfer facility participant, as to the action to be taken by you relating to the Exchange Offer with respect to the 11 1/4% Senior Subordinated Notes due 2004 (the "Old Notes") held by you for the account of the undersigned.

The aggregate face amount of the Old Notes held by you for the account of the undersigned is (fill in amount): $ of the 11 1/4% Senior Subordinated Notes due 2004.

With respect to the Exchange Offer, the undersigned hereby instructs you (CHECK APPROPRIATE BOX):

/ / TO TENDER the following Old Notes held by you for the account of the undersigned (INSERT PRINCIPAL AMOUNT OF OLD NOTES TO BE TENDERED, IF ANY):

$ of the 11 1/4% Senior Subordinated Notes due 2004.

/ / NOT TO TENDER any Old Notes held by you for the account of the undersigned.

If the undersigned instructs you to tender the Old Notes held by you for the account of the undersigned, it is understood that you are authorized (a) to make, on behalf of the undersigned (and the undersigned, by its signature below, hereby makes to you), the representation and warranties contained in the Letter of Transmittal that are to be made with respect to the undersigned as a beneficial owner, including but not limited to the representations that (i) the undersigned's principal residence is in the state of (FILL IN STATE) , (ii) the undersigned is acquiring the Company's 11 1/4% Series A Senior Subordinated Notes due 2004 (the "New Notes") in the ordinary course of business of the undersigned, (iii) the undersigned is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate in a public distribution (within the meaning of the Securities Act) of the New Notes, (iv) the undersigned acknowledges that any person participating in the Exchange Offer for the purpose of making a public distribution of the New Notes must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction of the New Notes acquired by such person and cannot rely on the position of the Staff of the Securities and Exchange Commission set forth in no-action letters that are discussed in the section of the Prospectus entitled "The Exchange Offer -- Resales of the New Notes" and (v) the undersigned is not an "affiliate," as defined in Rule 405 of the Securities Act of the Company, or if it is such an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable to it; (b) to agree, on behalf of the undersigned, as set forth in the Letter of Transmittal, including, without limitation, to agree that if the undersigned is a broker or dealer registered as such pursuant to Section 15 of the Exchange Act that it will deliver a copy of the Prospectus in connection with any resale by it of such New Notes; and (c) to take such other action as necessary under the Prospectus or the Letter of Transmittal to effect the valid tender of such Old Notes.

SIGN HERE

Name of beneficial owner(s): ____________________________

SIGN HERE
May ___, 1994

Marine Midland Bank
Corporate Trust Department
140 Broadway
New York, New York  10015

Ladies and Gentlemen:

Charter Medical Corporation, a Delaware corporation (the "Company"), is offering to issue, upon the terms and subject to the conditions set forth in the Prospectus dated May ___, 1994 (the "Prospectus"), and the related Letter of Transmittal (which together constitute the "Offer"), $1,000 principal amount of the Company’s 11 1/4% Series A Senior Subordinated Notes due 2004 which have been registered under the Securities Act of 1933, as amended (the "New Notes"), in exchange for each outstanding $1,000 principal amount of its unregistered 11 1/4% Senior Subordinated Notes due 2004, (the "Old Notes"). The New Notes will be issued only in minimum denominations of $1,000 and integral multiples thereof to each tendering holder of Old Notes whose Old Notes are accepted by the Company for exchange in the Offer.

You are hereby appointed and authorized to act as agent for the Company (the "Exchange Agent") to effectuate the exchange of Old Notes for New Notes, on the terms and subject to the conditions of this agreement (the "Agreement"). In that connection, you acknowledge receipt of the following documents:

(i)  the Prospectus;
(ii) the Letter of Transmittal to be used by the registered holders of the Old Notes;
(iii) Instruction to Registered Holder and/or Book-Entry Transfer Facility Participant from Owner or the Company; and
(iv) Notice of Guaranteed Delivery, to be used by any registered holder of the Old Notes when the Old Notes are not immediately available for delivery to you or time will not permit a Letter of Transmittal and the accompanying documents to reach you prior to the expiration of the Offer.

The Offer shall expire at the time and on the date specified in the Prospectus (the "Initial Expiration Date") or at any subsequent time and date to which the Company may extend the Offer. The later of the Initial Expiration Date and the latest time and date to which the Offer is so extended is referred to herein as "Expiration Date."

You are hereby requested, and you hereby agree, to act as follows:

1. You are to accept, subject to any withdrawal rights as described in the Prospectus, Old Notes that are accompanied by the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed in accordance with the instructions thereon and any requisite collateral documents and all other instruments and communications submitted to you in connection with the Offer and to hold the same upon the terms and conditions set forth in this Agreement.
2. You are to examine the Letters of Transmittal, the Old Notes, and the other documents delivered or mailed to you by or on behalf of the holders of the Old Notes as soon as practicable after receipt by you to ascertain whether (i) the Letters of Transmittal are properly completed and duly executed in accordance with the instructions set forth therein, (ii) the Old Notes have otherwise been properly tendered and (iii), if applicable, the other documents are properly completed and duly executed. You need not pass on the legal sufficiency of any signature or verify any signature guarantee.

3. In the event any Letter of Transmittal or other document has been improperly executed or completed or any of the Old Notes are not in proper form or have been improperly tendered, or if some other irregularity in connection with the delivery of Old Notes by a registered holder thereof exists, you shall promptly report such information to the Company and you are authorized, upon consultation with the Company and its counsel, to endeavor to take such lawful action as may be necessary to cause such irregularity to be corrected. You are authorized to request from any person tendering Old Notes such additional documents or undertakings as you may deem appropriate. All questions as to the form of all documents and the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Old Notes will be determined by the Company, in its sole discretion, whose determinations will be final and binding. The Company reserves the absolute right to reject any or all tenders that are not in proper form or the acceptance of any particular Old Notes that would, in the opinion of the Company's counsel, be unlawful. Subject to applicable law, the Company also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in the tender of any Old Notes, and the Company's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions set forth therein) will be final and binding. No tender of Old Notes will be deemed to have been properly made until all defects and irregularities have been cured or waived as determined by the Company in its sole discretion.

4. Tenders of Old Notes shall be made only as set forth in the Prospectus and the Letter of Transmittal, and Old Notes shall be considered properly tendered to you only when:

(a) a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), with any required signature guarantee and any other required documents, are received by you at one of your addresses set forth in the Prospectus or in the Letter of Transmittal and Old Notes are received by you at one of such addresses; or a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Company, with an appropriate guarantee of signature and delivery from an Eligible Guarantor Institution within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is received by you at or prior to the Expiration Date. For purposes of this Agreement, an "Eligible Guarantor Institution" within the meaning of Rule 17Ad-15 under the Exchange Act shall mean a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States. The Notice of Guaranteed Delivery may be delivered to you by hand or transmitted by telegram, facsimile transmission or letter;

(b) Old Notes (in respect of which there has been delivered to you prior to the Expiration Date a properly completed and duly executed Notice of Guaranteed Delivery) in proper form for transfer together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), and any other required documents, are received by you within five (5) trading days of The New York Stock Exchange, Inc. after the date of execution of such Notice of Guaranteed Delivery; and

(c) the adequacy of the items relating to Old Notes, and the Letters of Transmittal therefor and any Notice of Guaranteed Delivery has been favorably passed upon by the Company as above provided.
Notwithstanding the provisions of the preceding paragraph, Old Notes that the Company otherwise shall approve as having been properly tendered shall be considered to be properly tendered for all purposes of the Offer.

5. (a) A tendering holder of Old Notes may withdraw tendered Old Notes in accordance with the procedures set forth in the Prospectus at any time on or prior to a 5:00 p.m. New York City time on the Expiration Date, in which event, except as may be otherwise specified in the holder's notice of withdrawal, all items in your possession that shall have been received from such holder with respect to those Old Notes shall be promptly returned to or upon the order of the holder and the Old Notes covered by those items shall no longer be considered to be properly tendered.

(b) A withdrawal of tender of Old Notes may not be rescinded and any Old Notes withdrawn will thereafter be deemed not validly tendered for purposes of the Offer, provided, however, that withdrawn Old Notes may be retendered by again following one of the procedures therefor described in the Prospectus at any time on or prior to the Expiration Date.

(c) All questions as to the validity (including time of receipt) of notices of withdrawal will be determined by the Company, whose determination will be final and binding.

6. You are to record and to hold all tenders received by you and to promptly notify by telephone (with confirmation by facsimile transmission) Ms. Charlotte A. Sanford of the Company (phone: 912/751-2395; fax: 912/751-2375), on a weekly basis during any week that you receive any new tenders, or more frequently if so requested by the Company, in the total number of Old Notes tendered during such week or other period and the cumulative numbers with respect to the Old Notes tendered and not withdrawn through the time of such notice. Each weekly report should indicate separately the number of Old Notes represented by (i) certificates and (ii) Notices of Guaranteed Delivery actually received by you through the time of the report. The foregoing information should also be sent to the Company in a weekly written report. Each report should also indicate the number of Old Notes tendered in good form. In addition, you will also provide, and cooperate in making available to the Company, such other information as it may reasonably request upon oral request made from time to time. Your cooperation shall include, without limitation, the granting by you to the Company, and such other persons as it may reasonably request, of access to those persons on your staff who are responsible for receiving tenders of Old Notes in order to insure that immediately prior to the Expiration Date, the Company shall have received information in sufficient detail to enable it to decide whether to extend the Expiration Date of the Offer.

7. Each Letter of Transmittal, Old Note, Notice of Guaranteed Delivery and any other documents received by you in connection with the Offer shall be stamped by you to show the date and time of receipt and if defective, the date and time the last defect was waived by the Company or cured. Each Letter of Transmittal and Old Note that is accepted by the Company shall be retained in your possession until the Expiration Date. As promptly as practicable thereafter, you will deliver by registered mail with proper insurance those items, together with all properly tendered and cancelled Old Notes, to Charter Medical Corporation, Attention: Ms. Charlotte A. Sanford, Senior Director - Debt and Analysis.

8. You are to satisfy requests of brokers, dealers, commercial banks, trust companies and other persons for copies of the documents and other materials specified in items (i) through (iv) of the introduction to this Agreement. You are not authorized to offer any concessions or to pay any commissions to any brokers, banks or other persons or to engage or to utilize any persons to solicit tenders.

9. You are to follow up and to act upon all amendments, modifications or supplements to these instructions, and upon any further information in connection with the terms of the Offer, which may be given to you by the Company, including instructions with respect to any extension or of the
modification of the Offer and the cancellation of the Offer.

10. No exchange shall be made as to any Old Notes until you physically receive a certificate or certificates representing those Old Notes, a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other required documents.

11. For performing your services hereunder, you shall be entitled to receive from the Company a fee in accordance with EXHIBIT A attached hereto. You shall also be reimbursed by the Company for all reasonable counsel fees, if any, that you may incur in connection with the performance of your duties hereunder.

12. As Exchange Agent hereunder, you:

   (a) shall not have duties or obligations other than those specifically set forth herein or as may subsequently be agreed to by you and the Company;

   (b) shall not be obligated to take any legal action hereunder that might in your reasonable judgment involve any expense or liability unless you have been furnished with reasonable indemnification;

   (c) may rely on and shall be protected in acting upon any certificate, instrument, opinion, notice, letter, facsimile transmission, telex, telegram or other document or any security delivered to you and reasonably believed by you to be genuine and to have been signed by the proper party or parties;

   (d) may rely on and shall be protected in acting upon the terms and conditions of (i) this Agreement, (ii) the documents relating to the Offer, (iii) any instructions given to you orally or in writing by the Company by Ms. Charlotte A. Sanford, Senior Director - Debt and Analysis of the Company with respect to any matter relating to your activities as Exchange Agent covered by this Agreement; and (iv) as to any matter not covered by any of the foregoing, your usual and customary practice when acting as an exchange agent; and

   (e) may consult with counsel satisfactory to you (including counsel to the Company), and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by you hereunder in good faith and in accordance with the opinion of such counsel.

13. You undertake the duties and obligations imposed herein upon the following additional terms and conditions:

   (a) you shall perform your duties and obligations hereunder as a fiduciary of the Company acting with due care; and

   (b) except as set forth in paragraph 3 of the introduction to this Agreement, you shall not be under any responsibility in respect of the validity or sufficiency of any Letter of Transmittal, certificate for Old Notes or Notice of Guaranteed Delivery.

14. You are not authorized to make any recommendation on behalf of the Company as to whether a holder of Old Notes of the Company should or should not tender his securities.

15. All New Notes shall be forwarded by you to the persons at the addresses so indicated in the Letter of Transmittal by (i) first-class mail under a blanket surety bond protecting you and the Company from loss or liability arising out of the non-receipt or non-delivery of such certificate, or (ii) registered mail, insured separately for the replacement value of such certificates.

16. The Company covenants and agrees to reimburse, indemnify and hold you harmless against any costs, expenses (including reasonable expenses of your legal counsel), losses or damages which, without negligence, willful misconduct
or bad faith on your part or arising out of or attributable thereto, may be
paid, incurred or suffered by you or to which you may become subject by reason
of or as a result of the administration of your
duties hereunder or by reason of or as a result of your compliance with the
instructions set forth herein or with any written or oral instructions delivered
to you pursuant hereto, or liability resulting from your actions as Exchange
Agent pursuant hereto, including any claims against you by any holder tendering
Old Notes for exchange. The Company shall be entitled to participate at its own
expense in the defense, and if the Company so elects at any time after receipt
of such notice, the Company shall assume the defense of any suit brought to
enforce any such claim. In the event that the Company assumes the defense of
any such suit, the Company shall not be liable for the fees and expenses of any
additional counsel thereafter retained by you, unless in the reasonable judgment
of the Company's counsel it is advisable for you to be represented by separate
counsel. In no case shall the Company be liable under this indemnity with
respect to any claim or action against you, unless the Company shall be notified
by you, by letter or by cable or telex confirmed by letter, of the written
assertion of a claim against you or of any action commenced against you,
promptly after you shall have received any such written assertion of a claim or
shall have been served with a summons or other first legal process giving
information as to the nature and basis of an action, but failure so to notify
the Company shall not relieve the Company from any liability which it may have
otherwise than on account of this indemnity, except to the extent the Company is
materially prejudiced or forfeits substantial rights and defenses by reason of
such failure.

17. You hereby acknowledge receipt of each of the documents listed in
items (i) through (iv) of the introduction to this Agreement and further
acknowledge that you have examined the same. Any inconsistency between this
Agreement on the one hand and the Prospectus and Letter of Transmittal, as they
may from time to time be amended, on the other, shall be resolved in favor of
and governed by the latter, except with respect to the duties, liabilities and
indemnification of you as Exchange Agent.

18. In the event that any of the terms of the Offer are amended, the
Company shall give you prompt written notice thereof describing such amendment.
The parties shall amend this Agreement to the extent necessary to reflect any
material changes to the terms hereof caused by any amendment of the Offer.

19. You may resign at any time on 30 days' prior written notice
thereof delivered to the Company. Promptly after receipt of your written
notice, the Company shall take such action as may be necessary to appoint a
successor Exchange Agent. If within 30 days of such written notice no successor
Exchange Agent has been appointed, you or any party to this Agreement may
petition any court having jurisdiction for the appointment of a successor
Exchange Agent. Your resignation shall not be effective until a successor
Exchange Agent has been appointed. Upon the effectiveness of your resignation,
you shall turn over to the successor all property held by you as Exchange Agent
hereunder

-7-

upon presentation to you of evidence of appointment of such successor and its
acceptance thereof.

20. Upon the later of A. the completion of your duties pursuant to
this Agreement, or B. September 1, 1994 (as such date may be extended by written
agreement between you and the Company) your designation as Exchange Agent and
your obligations hereunder will terminate provided that your rights under
Paragraphs 11, 12 and 16 above and your liabilities under this Agreement for
acts or omissions theretofore occurring shall survive the termination of your
appointment. Notwithstanding the foregoing, it is understood that if, during
the period of thirty (30) days following the termination of your obligations
hereunder pursuant to this paragraph 20, you receive any Letters of Transmittal
(or functional equivalent thereof), you shall return the same together with all enclosures to the party from whom such documents were received and shall be reimbursed by the Company for your fees and expenses in connection therewith. In addition, notwithstanding the termination of this Agreement, you shall preserve, and shall provide the Company access to, all records pertaining to the Offer and shall permit it to make reproductions of same, at its expense during normal business hours, for a period of five (5) years following the termination of this Agreement.

21. This Agreement is effective as of May ____, 1994, and is binding upon and inures to the benefit of the parties' respective successors. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law principles of such State.

22. These instructions may be reasonably modified or supplemented by the Company or by any officer thereof authorized to give notice, approval or waiver on its behalf.

23. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same document.

If the foregoing is acceptable to you, please countersign below to acknowledge receipt of this letter and to confirm your agreement to the arrangements herein provided.

Very truly yours,

CHARTER MEDICAL CORPORATION

By:____________________________
Name: James R. Bedenbaugh
Title: Treasurer

ACCEPTED AS OF

May ____, 1994

MARINE MIDLAND BANK,
 as Exchange Agent

By:____________________________
Name:___________________________
Title:__________________________

Enclosures