

**Pleadings Relating to CareCorps
Management Company, LLC, et al.,
Case No. 08-11728**

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JOINT MOTION OF DEBTORS, COMMITTEE AND REGIONS BANK FOR
APPROVAL OF COMPROMISE OF CLAIMS

Exhibit 1 to Joint Motion

ORDER AND NOTICE OF HEARING ON
JOINT MOTION OF DEBTORS, COMMITTEE AND REGIONS BANK
FOR APPROVAL OF COMPROMISE OF CLAIMS

2. The Committee was appointed on May 28, 2008. No request for appointment of a trustee or examiner has been made herein.

3. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these cases is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b)(2)(N) and (O). The statutory bases for the relief requested herein are § 105 of title 11 of the United States Code (11 U.S.C. § 101 *et seq.*, as amended, the “Bankruptcy Code”) and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

I. Regions’ Credit Facility and Asserted Secured Claims

4. Regions is lender to certain of the Debtors (the “Regions Debtors”) which are party to the various loan and security documents more fully described in the “Regions Cash Collateral Orders” which are, collectively, the orders entered by the Bankruptcy Court in this Case bearing Docket Nos. 31, 127 and 253 governing the Debtors’ use of Regions’ Cash Collateral (as defined in said orders).

5. Regions’ liens and security interests are asserted primarily against the assets and property of Care Center of Aberdeen, Ltd., Care Center of Louisville, Ltd., Care Center of Laurel, Ltd. (referred to collectively as the “Mississippi Facilities”), Care Center of Opelika, Inc., and Pillars of Laurel, Ltd. Regions’ secured claims are asserted in both the Regions Cash Collateral Orders and its pending *Motion for Order Requiring Disbursement to Regions of (I) All Remaining Mississippi Sale Proceeds; and (II) All Opelika Sale Proceeds* filed April 16, 2009 [Docket No. 623] (the “Regions Motion to Disburse”).

6. As provided in the Regions Cash Collateral Orders, the Debtors have continued to make regular payments to Regions, including payments of interest aggregating over \$1.1 million,

which asserts that it is and has remained an oversecured creditor under § 506(b) and is entitled to receive interest on its claims.

7. Pursuant to prior orders of the Court, the Debtors were authorized under § 363 to sell and did close transactions selling substantially all assets of (a) the Mississippi Facilities, which sale was approved pursuant to order entered December 19, 2008 and was closed effective January 1, 2009 (the “Mississippi Sale”), and (b) Care Center of Opelika, Inc., which sale was approved on February 25, 2009 and was closed effective February 28, 2009 (the “Opelika Sale”).

8. On February 5, 2009, the Court entered its *Order Approving Disbursements of Sale Proceeds from Sales of Assets Free and Clear of Liens, Claims and Interests (Mississippi Facilities)* (the “Mississippi Disbursement Order”) [Docket No. 506], which determined how the net proceeds were to be administered. Pursuant to the Mississippi Disbursement Order, the Mississippi Debtors paid \$12,766,402.70 to Regions to reduce the outstanding principal balance of the Debtors’ loans with Regions, and the following reserve accounts (collectively, the “Mississippi Reserve Accounts”) were established with remaining unpaid proceeds:

a.	Bed Tax/CMS Penalty Escrow:	\$1,268,000.00
b.	Creditor Escrowed Funds:	\$3,250,000.00
c.	Debtors’ Operating Reserve Fund:	\$ 750,000.00
d.	Regions Debt Service Reserve Fund:	\$ 375,000.00

9. The Mississippi Disbursement Order provided that Regions’ liens attached to the funds in the Mississippi Reserve Accounts in the order and priority as they existed prior to the Mississippi Sale pending further determination of the parties’ rights to these funds.

10. Upon closing of the Opelika Sale, the net proceeds in the total amount of \$4,873,537.19 in escrow from the Opelika Sale (the “Opelika Reserve Account”). The order approving the Opelika Sale provides that all liens, claims and interests asserted against all of the

assets sold remain transferred, affixed and attached to the proceeds of the Opelika Sale with the same validity, priority, force and effect as existed prior to the closing.

11. Regions asserts that its secured claims encumber all of the amounts in the Mississippi Reserve Accounts determined to be assets of the estates and most, if not all, of those in the Opelika Reserve Account. Regions also asserts a secured claim against the assets of Debtor Pillars of Laurel, Ltd., which primarily consist of real property and improvements with an appraised value of \$2.9 million. Regions also asserts a super-priority administrative expense claim in an undetermined amount for diminution of the value of its account collateral at the Mississippi Facilities, which amount is estimated to be between \$1.75 million to \$2.25 million.

12. Regions also has the right to include in its claims its costs and attorneys' fees under § 506(b) if its positions are determined to be valid.

13. As of May 15, 2009, the Debtors owe Regions \$8,482,285.69.

II. Issues Disputed by Estates

14. The Debtors have waived the right to contest Regions' secured claims in the Regions Cash Collateral Orders, but the Committee's right to do so on behalf of the estates has been preserved.

15. The Committee, and the Debtors where authorized to do so, have expressed to Regions its beliefs that numerous issues exist with regard to Regions' asserted secured claims that, if litigated, could adversely affect Regions' recovery and increase the recovery to the estates.

16. Included in these disputed issues include the following:
- a. Regions' status as an oversecured creditor under § 506(b), and therefore its entitlement to retain \$1.1 million in post-petition interest payments;
 - b. The validity/proper perfection of Regions' asserted UCC security interests at the Mississippi Facilities;
 - c. The extent of Regions' liens in/to the funds in the Opelika Reserve Fund;
 - d. Valuation disputes at Opelika and Pillars of Laurel, Ltd. properties (the outcome of which impacts 16.a, above);
 - e. Whether or not some or all of the applicable Debtors' cases are substantively consolidated and the resulting affect on Regions' secured claims;
 - f. Whether or not a surcharge of Regions' collateral is proper under § 506(c); and
 - g. Whether Regions' collateral is subject to the application of the equitable principle of marshalling assets.

17. Regions contests these issues and believes that its asserted secured claims are as set forth in the Regions Cash Collateral Orders and the Regions Disbursement Motion.

18. The Committee has until June 3, 2009 to file its complaint to contest Regions' secured status and otherwise assert the claims described in Paragraph 16, above.

III. Bases for Settlement

19. In the Fifth Circuit, the standard for approval of compromises pursuant to Rule 9019 is that the settlement be "fair and equitable and in the best interest of the estate." *In re Cajun Electric Power Cooperative, Inc.*, 119 F.3d 349, 355 (5th Cir. 1997)(citing *In re Jackson Brewing Co.*, 624 F.2d 599, 602 (5th Cir. 1980)). "In deciding whether a settlement of litigation is fair and equitable, a judge in bankruptcy must make a well-informed decision, 'comparing the terms of the compromise with the likely rewards of the litigation.'" *Id.* at 356 (quoting *In re Jackson Brewing Co.*, 624 at 602).

20. The bankruptcy court is required to evaluate and set forth its findings on the following: (1) the probability of success in the litigation, with due consideration for the uncertainty in fact and law, (2) the complexity and likely duration of the litigation and any

attendant expense, inconvenience and delay, and (3) all other factors bearing on the wisdom of the compromise. *Id.*

21. With regard to the first factor referenced above, the court need not “conduct a mini-trial to determine the probable outcome of any claims waived in the settlement,” but rather “[t]he judge need only apprise himself of the relevant facts and law so that he can make an informed and intelligent decision” *Id.* (quoting *In re American Reserve Corp.*, 841 F.2d 159, 163 (7th Cir. 1987)). As to the third factor, the Fifth Circuit requires that the court consider both the best interests of creditors and “the extent to which the settlement is truly the product of arms-length bargaining, and not of fraud or collusion.” *Id.* (quoting *In re Foster Mortgage Corp.*, 68 F.3d 914, 918 (5th Cir. 1995)).

22. Resolution of these issues, many of which are intertwined (the resolution of one impacts the outcome of others) and encompass essentially all of the assets that remain in the Regions Debtors’ estates, would require extensive litigation through contested matters and, likely, at least one adversary proceeding. This would result in tremendous expense to the estates where the fees and expenses of professionals for the Debtors and the Committee will be borne by the estates, as will Regions’ professional expenses if the litigation is unsuccessful.

23. Litigation of this nature and complexity will cause extended delay in the life of these cases by preventing the Debtors’ ability to formulate a plan and exit bankruptcy, thereby mandating continued administrative costs and burdens on the estates during the delay.

24. The outcome of the litigation has the potential to vary greatly due to the numerous issues that have been raised, the interrelationships between/among them and their potential impact on the results on the recoveries to the estates. Each party (Regions, the Debtors’ estates

and the Committee) is exposed to significant and severe financial and other risks if these issues are fully litigated and the result is an outcome adverse to its position.

25. The estates of the Regions Debtors could be rendered administratively insolvent if the litigation proves unsuccessful – this being in addition to the unpaid administrative liabilities to professionals and § 503(b)(9) claimants the estates are currently carrying in excess of \$1 million. Given the costs involved, even if the Debtors and Committee were successful in litigation with Regions, the attendant expense of a protracted fight and the resulting delay would severely reduce the benefit of litigating.

26. Likewise, Regions could face repayment of in excess of \$1.1 million in interest income and a significantly lower payment on its claims than originally anticipated at the outset of these cases if its claims are determined to be undersecured. The issues that would primarily impact Regions' claims, if disputed and litigated, are steeped in complicated valuation issues that would require extensive discovery, multiple experts from across the Southeast and substantial preparation and trial time with respect to multiple, complex and interrelated legal issues.

27. Also, if the Court rules unfavorably to Regions on valuation, it will then be potentially required to reconstitute Regions' secured claims – meaning possible disgorgement of all post-petition interest accrued and paid and recalculation of Regions' outstanding indebtedness. How this calculation and reconstitution is determined could vary depending on the outcome of a contest over whether any of the Debtors' estates were substantively consolidated, which if litigated would be a contested issue to be determined by the Court.

28. These are but a few of the major issues that would be involved in what would clearly be, for these estates and these cases, an all-encompassing and “bet-the-farm” affair.

29. Having taken these and other factors into account, and through extensive and hard-fought negotiations among the parties and their professionals, the Debtors, the Committee and Regions have agreed to the terms of a settlement that is embodied in the Term Sheet attached as Exhibit 1. The Term Sheet provides for disbursement of all currently held cash proceeds and determines the rights in and to the remaining property that was subject of Regions' asserted secured claims.

30. The Term Sheet fully describes and sets forth how the parties have resolved the various issues, what Regions' allowed secured claims are with regard to the estates' assets in question and how its claims will be satisfied going forward, and the amounts and assets that will remain property of the Regions Debtors' estates. This also paves the way for a plan for the Regions Debtors to be proposed and confirmed by agreement among these three major constituents.

31. The Debtors and the Committee have, respectively and jointly, exercised sound business judgment in evaluating the claims, issues, potential outcomes, costs and time incident to litigation, and balancing the same with the settlement contained in the Term Sheet and the benefits to all parties. It is the very strong belief of both the Debtors and the Committee that the Term Sheet embodies a settlement that is fair and reasonable under the circumstances and in the best interests of the estates to consummate.

32. The discussions and negotiations among the parties were conducted in good faith and at arms-length, and the result is a compromise that provides all parties with what each believes to be a fair result with the avoidance of risk and expense inherent in litigation.

33. Therefore, the parties request that the Court approve the Term Sheet as a settlement and compromise that is fair and reasonable, in the best interests of the estate and all interested parties, and authorize the parties to implement and consummate its provisions.

WHEREFORE, the Debtors, the Committee and Regions respectfully request that this Court grant this Motion and approve the Settlement in full, and that the Court grant such further relief as may be equitable and just.

THIS the 18th day of May, 2009.

Respectfully submitted,

**CARECORPS MANAGEMENT
COMPANY, LLC, *et al.***

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CERTIFICATE OF SERVICE

I do hereby certify that the foregoing pleading was filed electronically through the Court's ECF system and served electronically on all parties enlisted to receive service electronically and was separately served by e-mail on the following:

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SO CERTIFIED, this the 18th day of May, 2009.

/s/ Douglas C. Noble _____

SETTLEMENT TERM SHEET
May 15, 2009

Regions Bank (“**Regions**”), the Debtors¹ in the pending jointly administered bankruptcy case, Case No. 08-11728 (the “**Bankruptcy Case**”)(Care Center of Aberdeen, Ltd., Care Center of Louisville, Ltd., Care Center of Laurel, Ltd., Pillars of Laurel, Ltd., and Care Center of Opelika, Inc. are collectively hereunder the “**Regions Debtors**”), and the Official Committee of Unsecured Creditors (the “**Committee**”) have outlined this Settlement Term Sheet (the “**Term Sheet**”) in connection with the settlement of various outstanding matters in the Bankruptcy Case. Terms not otherwise defined herein shall have the meaning given in the loan documents evidencing, referring or relating to Debtors’ loan obligations to Regions (collectively, the “**Loan Documents**”).

I. Status of Assets Remaining in Debtors’ Bankruptcy Case

- A. On December 19, 2008, the United States Bankruptcy Court for the Northern District of Mississippi (the “**Bankruptcy Court**”) entered its order approving the sale of substantially all of the assets of Care Center of Aberdeen, Ltd., Care Center of Louisville, Ltd. and Care Center of Laurel, Ltd. (the “**Mississippi Facilities**”). Regions held a first priority lien in all assets constituting the Mississippi Facilities. On February 5, 2009, the Bankruptcy Court entered an order approving the disbursement of certain proceeds from the sale of the Mississippi Facilities (the “**Mississippi Disbursement Order**”). Under the Mississippi Disbursement Order, Regions was paid \$12,766,402.70 to reduce the outstanding principal balance of the Debtors’ loans with Regions.
- B. Under the Mississippi Disbursement Order, the Debtors created the following reserve accounts with additional proceeds of the sale of the Mississippi Facilities (collectively, the “**Mississippi Reserve Accounts**”):
1. Bed Tax/CMS Penalty Escrow - \$1,268,000.00
 2. Creditor Escrowed Funds - \$3,275,791.88
 3. Debtors’ Operating Reserve Fund - \$750,000.00
 4. Regions Debt Service Reserve Fund - \$375,000.00
- C. Regions’ liens attach to each of the Mississippi Reserve Accounts in the order and priority as they existed prior to the sale. As contemplated, some of the funds in the Debt Service Reserve Fund were used to pay debt service to Regions. Furthermore, the Debtors used the Debtors’ Operating Reserve Fund

¹ The Debtors are the following: Care Center of Aberdeen, Ltd.; Pillars of Aberdeen, LLC; Care Center of Louisville, Ltd.; Pillars of Louisville, LLC; Care Center of Laurel, Ltd; Pillars of Laurel, Ltd.; Clinton Care Center, LLC; Care Center of Opelika, Inc.; Red Bay Care Center, Inc.; Vernon Care Center, Inc.; AirCorps Travel and Transportation, LLC; CareCorps Management Corporation; CareCorps Management Company, LLC.

for operating expenses, but the Debtors have repaid Regions from the sales proceeds of the Opelika facility all amounts previously set aside in the Debtors' Operating Reserve Fund. As of May 7, 2009, the balance remaining in the Mississippi Reserve Accounts is as follows:

1. Bed Tax/CMS Penalty Escrow - \$1,268,000.00
2. Creditor Escrowed Funds - \$3,275,791.88
3. Regions Debt Service Reserve Fund - \$173,641.02

- D. The Debtors anticipate that the actual bed tax may be less than the amount of the escrow, although as of the date hereof, that issue has not been resolved.
- E. On February 25, 2009, the Bankruptcy Court entered its order (the "Opelika Sale Order") approving the sale of substantially all of the assets of Care Center of Opelika, Inc. (the "Opelika Facility"). Under the Opelika Sale Order, all sale proceeds from the sale of the Opelika Facility, net of closing adjustments, payment of a broker fee and repayment of the Regions Operating Fund loan, are required to be held by the Debtors in escrow. Regions contends that it held a first priority lien in substantially all of the assets constituting the Opelika Facility. The amount of the net sale proceeds from the Opelika Facility that the Debtors currently hold in the Opelika Reserve Account is \$4,891,797.54.
- F. The Regions' appraisal on the Opelika Facility dated February 27, 2008 values the Opelika Facility at \$6,500,000.00 (The purchase price in February 2009 was \$6,000,000.00). The appraisal allocates values as follows: land and improvements - \$4,370,000; FF&E - \$330,000; and Business Value - \$1,800,000).
- G. One of the Regions Debtors, Pillars of Laurel, Ltd., continues to own and lease its long-term assisted living facility (the "Pillars Facility"). Regions holds a first priority security interest in all of the assets of the Pillars Facility. The Regions' appraisal of the Pillars Facility dated February 26, 2008, indicates that the value of the Pillars Facility is \$2,900,000.00.
- H. As of May 15, 2009, the outstanding principal balance of the Debtors' loan obligations to Regions is \$8,482,285.69 (the "Remaining Regions Loan Obligations").
- I. Regions contends that the total value of potential collateral available to satisfy Regions' loan in the Carecorps bankruptcy case is at least \$10,382,942.90, comprised of the following (the "Remaining Regions Collateral"):

1. Creditor Escrowed Funds (Mississippi) - \$3,275,791.88
2. Regions Debt Service Reserve Fund - \$173,641.02
3. Opelika Sale Proceeds (using 92.3% of appraised value for land and improvements as a basis for purposes of settlement based on the reduced purchase price from appraised value) - \$4,033,510.00
4. Pillars Facility - \$2,900,000.00
5. Excess Bed Tax/CMS Penalty Escrow
6. Additional A/R collections from Mississippi Facilities
7. Additional Healthcare Receivables collected from Opelika

J. The Debtors and the Committee have disputed the values stated above for some of the Remaining Regions' Collateral.

K. The Committee: (1) has disputed that Regions holds perfected liens and security interests in all of the Remaining Regions Collateral; (2) has asserted the right to surcharge the proceeds of the sale of the Mississippi Facilities and the Opelika Facility; and (3) has asserted its right to seek marshalling of assets against Regions and its collateral.

L. In the event this settlement agreement is not approved by the Court, all parties reserve all rights with respect to their respective positions, and no statements made in this Term Sheet may be used by any party or otherwise as an admission against interest.

M. The Committee currently has until June 3, 2009 by which to contest the extent, priority and perfection of Regions' Collateral or Regions being a secured creditor in the Bankruptcy Case. Regions consents to an extension of the June 3, 2009 deadline until July 6, 2009, and agrees to enter into an Agreed Order with the Committee for the approval of such extension even prior to the Court's consideration of this Settlement (as hereinafter defined).

II. Proposed Settlement. Regions, the Debtors and the Committee (collectively, the "Parties") propose to resolve all matters relating to the Remaining Regions Loan Obligations, any and all claims by and between Regions and the Debtors and Regions and the Committee consensually on the following terms:

A. The Parties will file a joint motion for approval of the terms outlined in this Term Sheet pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Settlement"). Once approved by the Bankruptcy Court, the Debtors shall incorporate the terms of the Settlement in a plan of reorganization (the "Plan"). The Plan shall not modify or change any terms of the approved Settlement.

B. Upon entry of the order of the Bankruptcy Court approving the Settlement (the "Settlement Order"), the Debtors shall distribute the funds in the Creditor Escrowed Funds and Opelika Sale Proceeds totaling \$8,167,589.42 (the

“Initial Settlement Distribution”) to Regions and to an interest-bearing “Creditors Fund Escrow” account to be established by the Regions Debtors from which funds will be disbursed only pursuant to order of the Bankruptcy Court as follows:

<u>PAYMENT AMOUNT</u>	<u>PAYEE</u>
\$6,100,000.00	Regions
Balance of Creditor Escrowed Funds and Opelika Sale Proceeds	Creditor Fund Escrow for benefit of Regions Debtors’ estates

C. The Debtors will retain the Regions Debt Service Reserve Fund in place to continue making monthly payments to Regions in accordance with the following terms:

1. Until the Settlement is approved by the Bankruptcy Court, the Debtors shall continue making monthly debt service payments from the Regions Debt Service Reserve Fund in accordance with the terms of the Cash Collateral Orders entered in the Bankruptcy Case, which provide for monthly debt service payments equal to (collectively, the “Current Debt Service Payment”): (i) all accrued interest due under the Note (the “Note Interest Rate”); and (ii) a monthly principal payment of \$30,000.00.
2. Upon entry of the Settlement Order and payment of the Initial Settlement Distribution, the Debtors shall make monthly debt service payments from the Regions Debt Service Reserve Fund pending closing of the Pillars Sale (as defined below) in an amount equal to (collectively, the “Post-Settlement Debt Service Payment”): (i) all accrued interest at the Note Interest Rate on the outstanding principal balance of the Remaining Regions Loan Obligations following the Initial Settlement Distribution to Regions (the “Post-Settlement Remaining Regions Loan Obligations”); and (ii) a monthly principal payment of \$8,400.00 (the “Post-Settlement Monthly Principal Payment”).
3. Upon the Pillars Closing (as defined below) and payment of all Net Pillars Proceeds (as defined below) to Regions to reduce the outstanding principal balance of the Post-Settlement Remaining Regions Loan Obligations, Regions shall provide an accounting to the Parties of the remaining unpaid principal balance of the Post-Settlement Remaining Regions Loan Obligations, if any, after application of the Net Pillars Proceeds (the “Post-Pillars Closing Remaining Regions Loan Obligations”).

4. If the Net Pillars Proceeds pays the Post-Settlement Remaining Loan Obligations in full, the remaining amounts held by Debtors in the Regions Debt Service Reserve Fund shall be paid to the Creditor Fund Escrow for the benefit of the Regions Debtors' estates.
5. If after the application of the Net Pillars Proceeds there exist any Post-Pillars Closing Remaining Regions Loan Obligations, the Debtors shall retain in the Regions Debt Service Reserve Fund the following (the "Post-Pillars Closing Debt Service Reserve Fund"):
 - (i) An amount equal to accrued interest at the Note Interest Rate on the Post-Pillars Closing Remaining Regions Loan Obligations for a period of 300 days; and
 - (ii) An amount equal to ten monthly payments of the Post-Pillars Closing Monthly Principal Payment. For purposes of determining the Post-Pillars Monthly Principal Payment, the Parties shall determine the ratio of the Post-Pillars Closing Remaining Loan Obligations to the Post-Settlement Remaining Regions Loan Obligations. The Parties shall then apply that percentage ratio to the Post-Settlement Principal Payment to arrive at the Post-Pillars Closing Monthly Principal Payment. By way of example, and not in any way by limitation, if the Post-Pillars Closing Remaining Loan Obligations are equal to twenty-five percent (25%) of the Post-Settlement Remaining Regions Loan Obligations, the Parties will multiply 25% times the Post-Settlement Monthly Principal Payment to arrive at the Post-Pillars Closing Monthly Principal Payment of \$2,062.50 ($\$8,400 \times 25\%$). For purposes of this example, this Section II.C.5(ii) monthly payment of principal for ten months in the Post-Pillars Closing Debt Service Reserve Fund would include \$20,625 ($\$2,062.50 \times 10$).
6. Upon the Pillars Closing, all amounts held by Debtors in the Regions Debt Service Reserve Fund that exceed the Post-Pillars Closing Debt Service Reserve Fund (collectively, the "Reserve Fund Excess") shall be paid to the Creditor Fund Escrow for the benefit of the Regions Debtors' estates.
7. The Debtors shall continue making monthly debt service payments to Regions from the Post-Pillars Closing Debt Service Reserve Fund for a period of ten months following the Pillars Closing, or until such Post-Pillars Closing Debt Service Reserve has no more funds.

8. In its sole discretion, Regions can request that the Debtors distribute the Post-Pillars Closing Debt Service Reserve Fund to Regions in one lump sum payment for Regions to apply against and reduce the Post-Pillars Closing Remaining Loan Obligations.
- D. The Debtors will retain Marcus & Millichap, or such other broker selected by Debtors with Regions' consent (the "Broker"), to commence the immediate marketing and sale the Debtors' interest in the Pillars Facility (the "Pillars Sale"). Upon the closing of the Pillars Sale (the "Pillars Closing"), the Broker shall receive a commission from the proceeds of the Pillars Sale on terms consistent with those used for sale of the Opelika Facility (the "Broker's Commission"). Upon the Pillars Closing, the bankruptcy estates of the Debtors shall be paid from the proceeds of the Pillars Sale an amount equal to all legal fees and expenses incurred on the Pillars Sale up to an amount up to \$20,000.00 (the "Pillars Professional Fees"). All proceeds from the Pillars Sale after payment of the Broker's Commission and the Pillars Professional Fees (collectively, the "Net Pillars Proceeds") shall be paid to Regions up to the full amount of the Post-Settlement Remaining Regions Loan Obligations. Any Net Pillars Proceeds in excess of the Post-Settlement Remaining Regions Loan Obligations will be paid to the Creditor Fund Escrow for the benefit of the Regions Debtors' estates.
 - E. The Regions Debtors' estates will retain all Excess Bed Tax/CMS Penalty funds, additional A/R collections from Mississippi Facilities or additional Healthcare Receivables collected from Opelika, Chapter 5 avoidance recoveries, and any other assets of the Regions Debtors' estates (collectively, the "Future Collected Assets").
 - F. Regions will waive the right to recover from the Debtors' estates any fees, costs or expenses under the Loan Documents as an oversecured creditor. Regions will retain all prior payments of principal and interest as previously paid and applied.
 - G. Upon approval of this Settlement and payment to Regions of the Regions Initial Settlement Distribution, Regions shall waive any further claims against the Debtors' estates, if any, as well as any liens, security interests, charges or encumbrances against the Future Collected Assets, provided however, that Regions shall be entitled to (i) all payments required herein from the Regions Debt Service Reserve Fund and the Post-Pillars Closing Debt Service Reserve Fund, and (ii) the Net Pillars Proceeds, all in accordance with the terms set forth herein, and provided, further, that nothing herein or in any Order approving the Settlement or confirming the Plan shall constitute a waiver, release or relinquishment of any claims held by Regions against John W. Jamison, III (the "Guarantor") pursuant to that certain Payment and Performance Guaranty dated February 28, 2006 (the "Guaranty") or any

collateral securing the Guaranty, which such claim and collateral Regions expressly preserves and reserves.

- H. The five bankruptcy estates of the Regions Debtors (Care Center of Aberdeen, Ltd., Care Center of Louisville, Ltd., Care Center of Laurel, Ltd., Pillars of Laurel, Ltd., and Care Center of Opelika, Inc.) will be substantively consolidated instead of treated as individual cases.
- I. Upon entry by the Bankruptcy Court of an order approving the Settlement, all claims by and between the Debtors, the Debtors' estates and Regions in the Bankruptcy Case shall be settled, and the Debtors and Regions shall release and waive any and all claims, causes of action or other action by and between each other or against any professional for the Debtors, Regions or the Committee.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI**

In re:)	
)	
CARECORPS MANAGEMENT)	Case No. 08-11728 DWH
COMPANY, LLC, <i>et al.</i> ¹)	Chapter 11
)	Jointly Administered
Debtors.)	
)	

**ORDER AND NOTICE OF HEARING ON
JOINT MOTION OF DEBTORS, COMMITTEE AND REGIONS BANK
FOR APPROVAL OF COMPROMISE OF CLAIMS**

THIS CAUSE came before the Court on the *ore tenus* motion of the debtors and debtors-in-possession CareCorps Management Company, LLC, *et al.* (the “Debtors”) to limit noticing of the *Joint Motion of Debtors, Committee and Regions Bank for Approval of Compromise of Claims* [Docket No. 653] (the “Settlement Motion”) filed herein on May 20, 2009. The Court has considered the *ore tenus* motion, finds that the same should be granted, and declares that it is hereby

ORDERED that the Debtors shall serve copies of this *Order and Notice of Hearing* along with copies of the Settlement Motion and exhibits on the all persons listed on the most recent Shortened Service List filed herein. It is further

ORDERED that the Debtors shall serve all other persons listed on the Consolidated Court Matrix of all Debtors with a copy of this *Order and Notice of Hearing* only, via U.S. Mail, First Class. Copies of the Settlement Motion and exhibits may be obtained (i) electronically via the internet by special posting at <http://www.phelpsdunbar.com/CareCorps>, the firm website of undersigned counsel for the Debtors, or (ii) by written request made to undersigned counsel for the Debtors. It is further

ORDERED that service pursuant to this *Order and Notice of Hearing* shall constitute good and proper notice of the Settlement Motion and hearing thereon under the Bankruptcy Rules.

¹ The Debtors are the following: Care Center of Aberdeen, Ltd.; Pillars of Aberdeen, LLC; Care Center of Louisville, Ltd.; Pillars of Louisville, LLC; Care Center of Laurel, Ltd; Pillars of Laurel, Ltd.; Care Center of Clinton, LLC; Care Center of Opelika, Inc.; Red Bay Care Center, Inc.; Vernon Care Center, Inc.; AirCorps Travel and Transportation, LLC; CareCorps Management Corporation; CareCorps Management Company, LLC.

ALL PARTIES SHALL FURTHER TAKE NOTICE that any objection to the Settlement Motion shall be made in writing and filed with the Clerk of Court (703 Highway 145 North, Aberdeen, MS 39730) so as to be received on **Monday, June 15, 2009** (the "**Objection Deadline**"), and served on the following persons by such Objection Deadline:

- (a) Counsel for Debtors: Douglas C. Noble
Post Office Box 23066
Jackson, Mississippi 39225-3066
doug.noble@phelps.com

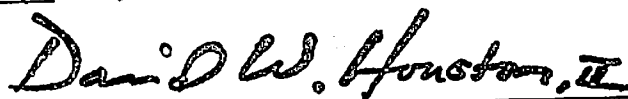
- (b) Counsel for Regions: Timothy M. Lupinacci
Wachovia Tower
420 20th Street North, Suite 1600
Birmingham, Alabama 35203
tlupinacci@bakerdonelson.com

- (c) Counsel for Committee: Stephen W. Rosenblatt
Post Office Box 22567
Jackson, Mississippi 39225-2567
steve.rosenblatt@butlersnow.com

- (d) Office of US Trustee: Sammye S. Tharp, Trial Attorney
100 W. Capitol Street, Suite 706
Jackson, Mississippi 39269
sammye.s.tharp@usdoj.gov

If any timely objection to the Settlement Motion is filed and not withdrawn, a **final hearing** on the Settlement Motion shall take place on **Thursday, June 18, 2009, at 10:00 a.m.**, in **Courtroom 1, Cochran Federal Bankruptcy Courthouse, Highway 145 N, Aberdeen, Mississippi**. If no objections are timely filed thereto, the Court may consider and enter an order granting the Settlement Motion and the relief requested therein *ex parte* and without a hearing.

SO ORDERED ON THIS the 24th day of May, 2009.



DAVID W. HOUSTON, III
United States Bankruptcy Judge