

The above captioned debtors and debtors in possession (collectively, the "Debtors"), file this application (the "Application"), for authority pursuant to Bankruptcy Code sections 105(a) and 363(b): (i) to employ and retain Alvarez & Marsal Healthcare Industry, LLC ("A&M") to provide the Debtors a chief restructuring officer, an executive vice president of restructuring, and additional personnel as crisis managers, and (ii) to appoint Guy Sansone as Chief Restructuring Officer and Paul Rundell as Executive Vice President of Restructuring, all nunc pro tunc to the Petition Date. In support of this Application, the Debtors submit the Declaration of Paul Rundell (the "Rundell Application Declaration"), attached hereto as Exhibit B. In further support of this Application, the Debtors respectfully represent:

Jurisdiction

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).
2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.
3. The statutory bases for the relief requested herein are sections 363(b) and 105 of title 11 of the United States Code (the "Bankruptcy Code"), and Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

Background

4. On October 19, 2009 (the "Petition Date"), the Debtors commenced these cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code.
5. The Debtors have continued in the possession of their assets and have continued to operate and manage their business as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

6. No trustee, examiner or committee of creditors has been appointed in any of the Debtors' chapter 11 cases.

7. The factual background regarding each of the Debtors, including their current and historical business operations and the events precipitating these chapter 11 filings, is set forth in detail in the Affidavit of Paul Rundell in Support of First Day Motions, and is incorporated herein by reference.

8. Beginning on April 2, 2009, and continuing through the Petition Date, several professionals of A&M, including Mr. Sansone and Mr. Rundell, have devoted substantial amounts of time and effort working with members of the Debtors' senior management to, among other things, assist in the development of near-term projections, assist in short-term cash management activities, reduce the cost structure of the Debtors by millions of dollars, work with the various project and corporate lenders to attempt an out of court restructuring, and coordinate the Debtors' efforts to prepare for a chapter 11 filing.

9. The Debtors chose A&M as a crisis management firm, Mr. Sansone as CRO, and Mr. Rundell as Executive Vice President of Restructuring, respectively, because of A&M's extensive experience providing restructuring services in reorganization proceedings and its excellent reputation for the services it has rendered in chapter 11 cases on behalf of debtors and creditors throughout the United States. Moreover, the Debtors chose A&M and Mr. Sansone and Mr. Rundell because of the in-depth knowledge and familiarity that A&M had garnered regarding the Debtors and their business operations in the period leading up to the Petition Date in their role as restructuring consultants, and the belief that by continuing the existing relationship with A&M, rather than retaining a new advisory firm, the Debtors could minimize disruptions to their restructuring efforts that might otherwise arise from the appointment of a new CRO.

10. Accordingly, effective on April 2, 2009, the Debtors and A&M entered into an employment letter (the "Engagement Letter"), a copy of which is attached hereto as Exhibit C. As set forth in this letter, the parties have agreed that Mr. Sansone, a managing director within A&M, will serve as the Debtors' CRO. Additionally, the parties have subsequently agreed to that Mr. Rundell will serve as Executive Vice President of Restructuring. Further, A&M has agreed to provide other A&M employees ("Additional Personnel") as necessary to support Mr. Sansone, Mr. Rundell, and the Debtors' existing management team in their restructuring efforts during these chapter 11 cases.

Relief Requested

11. By this Motion, the Debtors seek authority, pursuant to Bankruptcy Code sections 363 and 105, to employ and retain A&M to provide the Debtors a CRO and Executive Vice President of Restructuring as well as Additional Personnel as crisis managers, nunc pro tunc to the Petition Date, in accordance with the terms set forth in the Engagement Letter.

A&M's Qualifications

12. A&M, together with its affiliates, comprises a turnaround management consulting firm founded in 1983 to provide specialized debtor management and advisory services to troubled companies (the "Firm"). The Firm has since grown to become a global provider of management and advisory services to companies in crisis or those in need of performance improvement in specific financial and operational areas. The Firm's core services include Turnaround Management Consulting, Interim and Crisis Management, Creditor Advisory, and Performance Improvement. The Firm has provided interim management services in a number of large and mid-size bankruptcy restructurings including In re Lehman Brothers Holdings Inc., Case No. 08-13555 (S.D.N.Y. Sept. 15, 2008) and In re Saint Vincents Catholic Medical Centers of New York, Case No. 05-14945 (S.D.N.Y. July 5, 2005).

13. Mr. Sansone is a managing director of A&M. He has worked as a turnaround consultant and financial advisor for over 17 years. Mr. Sansone has substantial knowledge and experience serving either in senior management positions or as a restructuring advisor in large companies and in assisting troubled companies with stabilizing their financial condition, analyzing their operations and developing an appropriate business plan to accomplish the necessary restructuring of their operations and finances. Specifically, Mr. Sansone has advised and/or served as a senior executive for, among others, St. Vincent's Catholic Medical Centers. Further, Mr. Sansone was interim Chief Financial Officer of HealthSouth Corporation and a member of the leadership team that facilitated the company's successful out-of-court operational and financial restructuring during a high-profile crisis period. Previously, Mr. Sansone served as Senior Vice President of Integrated Health Services, Inc., President and Co-CEO of Rotech Healthcare, Inc., and Chief Financial Officer of Telegroup, Inc. A copy of Mr. Sansone's curriculum vitae is attached hereto as Exhibit D, and is incorporated herein by reference.

14. Mr. Rundell is also a managing director of A&M and has worked as a turnaround consultant and financial advisor for over 12 years. Like Mr. Sansone, Mr. Rundell has a great breadth of financial restructuring experience as a result of having served in both senior management positions and as a restructuring advisor to large companies. Specifically, Mr. Rundell has advised and/or served as a senior executive for, among others, St. Vincent's Catholic Medical Centers, Sunwest Management Inc., and National Benevolent Association. A copy of Mr. Rundell's curriculum vitae is attached hereto as Exhibit E, and is incorporated herein by reference.

15. A&M has become thoroughly familiar with the Debtors' operations. Through the services that A&M has provided to the Debtors to date, A&M is highly qualified to serve the Debtors in these cases.

Services to be Provided

16. Under the Engagement Letter, A&M staff have assumed, or will assume, certain positions within the Debtors' businesses. Specifically, Mr. Sansone will serve as the Chief Restructuring Officer of the Debtors, and will report to the Board of Directors and direct the Debtors' reorganization with an objective of completing a restructuring of the Debtors. Mr. Sansone is responsible for assisting the Debtors' senior management team in their post petition restructuring efforts, including negotiating with parties in interest and coordinating the "working group" of professionals who are or will be assisting the Debtors in the restructuring process or who are working for the Debtors' stakeholders.

17. As members of the Debtors' senior management, Mr. Sansone, with the assistance of Mr. Rundell and additional A&M personnel, as mutually agreed upon by the Debtors and A&M (collectively, the "Additional Personnel"), will provide the senior management services that A&M and the Debtors deem appropriate and feasible in order to assist the Debtors during the Chapter 11 Cases. The Debtors believe that Mr. Sansone, Mr. Rundell, and the Additional Personnel will not duplicate the services that are being provided to the Debtors in these cases by any other professionals.

18. The duties of Mr. Sansone, Mr. Rundell, and the Additional Personnel will include, but are not limited to the following:

- (A) Develop for the Board's review possible restructuring plans or strategic alternatives for maximizing the enterprise value of the Debtors' various under development and open retirement communities and develop a sustainable capital structure for the Debtors;
- (B) Serve as the principal contact with the Debtors' creditors and consultants with respect to the Debtors' financial and operational matters;
- (C) Manage the Company's liquidity, cash flows, modeling, budgets and financial planning;

- (D) Oversee bankruptcy administrative activities including statement and schedules and monthly operating reports;
- (E) Perform such other services as requested or directed by the Board and CEO and agreed to by such officer.

Terms of Compensation

19. The Debtors have agreed to compensate A&M \$65,000 per every 20 hours of services that Mr. Sansone provides as the CRO. The Debtors and A&M agree further that the Debtors will compensate A&M monthly for the hourly services rendered by Mr. Rundell, as the Executive Vice President of Restructuring, and the Additional Personnel, to the extent necessary to assist Mr. Sansone in his role as CRO. As of the date hereof, the Debtors agree to compensate A&M for the services of Mr. Rundell, as the Executive Vice President of Restructuring, and the Additional Personnel at the following hourly rates:

Executive Vice President of Restructuring	\$600
Managing Directors	\$600-\$700
Senior Directors	\$475-\$550
Directors	\$400-\$500
Associates	\$325-\$400
Analysts	\$200-\$275

Such rates are subject to adjustment annually.

20. In addition, the Debtors will pay A&M on a monthly basis for A&M's reasonable, out-of-pocket expenses (including travel, telephone and facsimile, courier and copy expenses) incurred in connection with the engagement.

21. Aside from the hourly compensation, A&M will be entitled to incentive compensation in the amount of (a) \$350,000 with respect to each Landowner (the "Incentive Fee") upon (i) the earlier of (x) the consummation of any out-of-court Restructuring Transaction (as defined in the Engagement Letter) or pre-arranged Chapter 11 Restructuring Transaction or

(y) the effective date of a confirmed plan of reorganization under Chapter 11 of the Bankruptcy Code, which constitutes a Restructuring Transaction and (b) the close of any Sale Transaction (as defined below) and (2) with respect to each Land Owner, upon the completion of each Amendment Transaction (as defined in the Engagement Letter), \$100,000 for each such Amendment Transaction ("Amendment Transaction Fee"), provided (x) if multiple Amendment Transactions are consummated contemporaneously with multiple lenders (and no individual Amendment Transaction involves the extension of maturities), then the maximum aggregate fee for such contemporaneous Amendment Transactions shall be \$500,000 (i.e., 5.0 x the Amendment Transaction Fee); and (b) if multiple Amendment Transactions are consummated contemporaneously with multiple lenders (and any one or more of those Amendment Transactions involve the extension of maturities), then the maximum aggregate fee for such contemporaneous Amendment Transactions shall be \$1,000,000 (i.e., 10.0 x the Amendment Transaction Fee). Notwithstanding the foregoing, in no event shall the aggregate incentive fees earned here under exceed \$2,500,000.

22. Because A&M is not being employed as a professional under Bankruptcy Code section 327, it will not be submitting monthly fee applications pursuant to Bankruptcy Code sections 330 and 331. However, A&M will submit quarterly reports of compensation paid. Parties in interest shall have the right to object to fees paid within twenty days of when such quarterly reports of compensation are filed with this Court. A&M's compensation and reimbursement of expenses shall be paid by the Debtors as specified above and in the Engagement Letter.

Prior Payments to A&M

23. In connection with A&M's retention as restructuring consultants in the period leading up to the Petition Date under the Engagement Letter, the Debtors paid a retainer of

\$350,000 to A&M. In addition, the Debtors paid approximately \$4,063,556.15 to A&M in the period prior to the Petition Date for monthly prepetition fees and expenses excluding the retainer. As of the Petition Date, A&M continued to hold the \$350,000 retainer, and intends to apply that retainer against the final fees and expenses specific to the engagement as finally allowed by this Court.

Indemnification & Insurance

24. Under the terms of the Engagement Letter, the Debtors have agreed to indemnify the CRO and Executive Vice President of Restructuring in the same fashion provided to the Debtors' other officers and directors and certain related parties pursuant to the Indemnification Agreement attached to and incorporated by reference in the Engagement Letter. The Debtors have agreed further that the CRO and Executive Vice President of Restructuring will be covered as officers under the Company's existing director and officer liability insurance policies.

Disinterestedness

25. Even though A&M is not being retained as a professional under Bankruptcy Code section 327(a), A&M performed a conflicts check in connection with its initial engagement under the Engagement Letter. A&M has informed the Debtors that, except as may be set forth in the Rundell Application Declaration attached hereto, A&M does not represent any interest materially adverse to the Debtors, their creditors, the United States Trustee for the Northern District of Texas, any person employed by the United States Trustee for the Northern District of Texas, or any other party in interest.

26. If any new material facts or relationships are discovered or arise, A&M will provide the Court with a supplemental declaration. A&M has agreed not to share with any person or firm the compensation to be paid for professional services rendered in connection with these Chapter 11 Cases.

Dispute Resolution Procedures

27. The Debtors and A&M have agreed, subject to the Court's approval of this Application, that notwithstanding the Engagement Letter: (a) any controversy or claim with respect to, in connection with, arising out of, or in any way related to this Application or the services provided by A&M to the Debtors as outlined in this Application, including any matter involving a successor in interest or agent of any of the Debtors or of A&M, shall be brought in this Court or the United States District Court for the Northern District of Texas (the "District Court") (if the reference is withdrawn); (b) A&M and the Debtors and any and all successors and assigns thereof, consent to the jurisdiction and venue of such court as the sole and exclusive forum (unless such courts do not have or retain jurisdiction over such claims or controversies) for the resolution of such claims, causes of actions, or lawsuits; (c) A&M and the Debtors, and any and all successors and assigns thereof, waive trial by jury, such waiver being informed and freely made; (d) if this Court, or the District Court (if the reference is withdrawn), does not have or retain jurisdiction over the foregoing claims and controversies, A&M and the Debtors, and any and all successors and assigns thereof, will submit first to non-binding mediation; and, if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures (as set forth in Exhibit "F" attached hereto); and (e) judgment on any arbitration award may be entered in any court having proper jurisdiction. By this Application, the Debtors seek approval of this agreement by the Court. Further, A&M has agreed not to raise or assert any defense based upon jurisdiction, venue, abstention or otherwise to the jurisdiction and venue of this Court or the District Court (if the reference is withdrawn) to hear or determine any controversy or claims with respect to, in connection with, arising out of, or in any way related to this Application or the services provided hereunder.

Basis for Relief

28. The Debtors seek to employ and retain A&M and appoint Mr. Sansone as CRO and Mr. Rundell as Executive Vice President of Restructuring pursuant to section 363 of the Bankruptcy Code. Bankruptcy Code section 363(b) provides, in relevant part, that a debtor in possession "after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363. In reviewing a debtor's decision to use estate property pursuant to Bankruptcy Code section 363, courts have routinely held that transactions should be approved when they are supported by the sound business judgment of management. See, e.g., Comm. of Equity Security Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063 (2d. Cir. 1983) (outlining requirements for the sale of assets under section 363(b)).

29. Bankruptcy courts in this and other districts have analyzed the propriety of a debtor-in-possession's employment of a corporate officer under section 363 of the Bankruptcy Code on numerous occasions and have determined that it is an appropriate exercise of business judgment to employ a corporate officer in such manner. See, e.g., In re Pilgrims' Pride Corp., Case No. 08-45664 (DML) (Bankr. N.D. Tex. Dec. 30, 2008); In re Calpine Corp., Case No. 05-60200 (BRL) (Bankr. S.D.N.Y. Jan. 17, 2007); In re Mirant Corp., Case No. 03-46590 (DML) (Bankr. N.D. Tex. Sept. 29, 2003); In re Fleming Cos., Inc., Case No. 03-10945 (MFW) (Bankr. D. Del. June 25, 2003); In re LJM2 Co-Inv., L.P., Case No. 02-38335 (SAF) (Bankr. N.D. Tex. Dec. 13, 2002); In re Kmart Corp., No. 02-02474 (SPS) (Bankr. N.D. Ill. May 22, 2002); In re Exide Techs., Inc., Case No. 02-11125 (JCA) (Bankr. D. Del. May 10, 2002).

30. Here, the decision to employ A&M and retain Mr. Sansone as CRO and Mr. Rundell as Executive Vice President of Restructuring should be authorized because it is based on the sound exercise of the business judgment of the Debtors' senior management. First, Mr. Sansone and Mr. Rundell are well qualified to serve in their respective positions. They both

have extensive experience either in senior management roles or as restructuring advisors for several large companies, and are seasoned turnaround and restructuring experts in the healthcare industry (including specialized senior housing experience). In addition, A&M has extensive experience in providing restructuring consulting services in reorganization proceedings and has an excellent reputation for the services it has rendered in chapter 11 cases on behalf of debtors and creditors throughout the United States. The assistance of these experts cannot be questioned.

31. Second, Mr. Sansone, Mr. Rundell and the A&M team, working in conjunction with the Debtors' senior management, have already proven to be of invaluable assistance in the Debtors' efforts in the development of long term-term projections, assisting in short-term cash management activities, reduction of millions of dollars of costs, and coordinating the Debtors' efforts to prepare for a possible chapter 11 filing. The Debtors believe that A&M, in conjunction with Mr. Sansone in his capacity as CRO, and Mr. Rundell in his capacity as an Executive Vice President of Restructuring, will be able to continue to provide services that benefit the Debtors' estates and creditors. Moreover, the preexisting relationship that A&M, Mr. Sansone, and Mr. Rundell have with the Debtors ensures that the appointment of a CRO and Executive Vice President of Restructuring at this juncture will not disrupt the administration of the Chapter 11 Cases.

32. Third, through negotiations, the Debtors have been able to secure the services of A&M, Mr. Sansone, and Mr. Rundell during the Chapter 11 Cases on economic terms that are fair and reasonable and beneficial to the estates. Moreover, the compensation arrangement provided for in the Engagement Letter is consistent with and typical of arrangements entered into by A&M and other restructuring consulting firms with respect to rendering similar services for clients such as the Debtors.

33. In view of the foregoing, the Debtors believe that the retention of A&M, Mr. Sansone, and Mr. Rundell is a sound exercise of the Debtors' business judgment and is in the best interests of all parties in interest in the Chapter 11 Cases. The Debtors believe that A&M is well qualified and able to represent the Debtors in a cost effective, efficient, and timely manner. A&M has indicated a willingness to act on behalf of the Debtors and to subject itself to the jurisdiction and supervision of the Court. For the reasons set forth above, the Debtors respectfully request that the Court authorize the retention and employment of A&M, Mr. Sansone and Mr. Rundell pursuant to section 363 of the Bankruptcy Code.

Notice

34. Notice of this Application has been provided to (a) the Office of the United States Trustee; (b) the Debtors' thirty largest unsecured creditors on a consolidated basis; and (c) the Debtors' prepetition secured lenders. The Debtors submit that, in light of the nature of the relief requested, no other or further notice is necessary or required.

WHEREFORE, based upon the foregoing, the Debtors respectfully request that the Court enter an order substantially in the form annexed hereto (a) granting the relief requested herein and (b) granting such other relief as may be deemed just and proper.

Dated: October 20, 2009
Dallas, Texas

DLA PIPER LLP (US)

By: /s/ Vincent P. Slusher
Vincent P. Slusher
State Bar No. 00785480
vincent.slusher@dlapiper.com
DLA Piper LLP (US)
1717 Main Street, Suite 4600
Dallas, Texas 75201
Telephone: (214) 743-4572
Facsimile: (972) 813-6267

Thomas R. Califano
New York State Bar No. 2286144
thomas.califano@dlapiper.com
Jeremy R. Johnson
New York State Bar No. 4307617
jeremy.johnson@dlapiper.com
DLA Piper LLP (US)
1251 Avenue of the Americas
New York, New York 10020-1104
Tel: (212) 835-6000
Fax: (212) 835-6001

Proposed Attorneys for the Debtors
and Debtors in Possession

Exhibit A

Proposed Order

363(b), (i) to employ and retain Alvarez & Marsal Healthcare Industry, LLC ("A&M") to provide the Debtors a chief restructuring officer, an executive vice president of restructuring, and additional personnel as Crisis Managers, and (ii) to appoint Guy Sansone as Chief Restructuring Officer and Paul Rundell as Executive Vice President of Restructuring, all nunc pro tunc to the Petition Date, and all as more fully set forth in the Application; and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Application and the relief requested therein being a core proceeding pursuant to 28 U.S.C. §157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409, and due and proper notice of the Application having been provided to the necessary parties, and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Application (the "Hearing"); and the appearances of all interested parties having been noted in the record of the Hearing; and upon the record of the Hearing, and all of the proceedings had before the Court; and the Court having determined that the relief sought in the Application is in the best interests of the Debtors, their creditors, and all parties in interest; and the Court having determined that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED that the Application is GRANTED; and it is further

ORDERED that in accordance with Bankruptcy Code section 363(b), the Debtors are authorized to employ and retain A&M, nunc pro tunc to the Petition Date, pursuant to the terms and conditions of the Engagement Letter; and it is further

ORDERED that the Debtors are authorized to designate Guy Sansone as the CRO and Paul Rundell as the Executive Vice President of Restructuring, nunc pro tunc to the Petition Date; and it is further

ORDERED that the terms of the Engagement Letter, including without limitation, the fee provisions and the indemnification provisions, are reasonable terms and conditions of employment and are approved; and it is further

ORDERED that, notwithstanding anything to the contrary in the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, orders of this Court, or the United States Trustee Guidelines or any other guidelines regarding submission and approval of fee applications, in light of the services to be provided by A&M and the structure of A&M's compensation pursuant to the Engagement Letter, A&M and its professionals shall be excused from any requirement to maintain time records, as set forth in the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, or such other orders or guidelines, in connection with the services to be rendered pursuant to the Engagement Letter or to submit fee applications pursuant to Sections 330 or 331 of the Bankruptcy Code; provided, however, that A&M shall file quarterly reports of compensation earned, and parties-in-interest in these Chapter 11 cases shall the right to object to fees paid and expenses reimburse to A&M within 20 days after A&M files such reports

ORDERED that the Debtors are authorized to pay A&M in such amounts and at such times as is provided in the Engagement Letter without further order of this Court; and it is further

ORDERED that this Court hereby retains jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this Order.

###End of Order###

Exhibit B

Rundell Application Declaration

**PAUL RUNDSELL AS THE EXECUTIVE VICE PRESIDENT OF RESTRUCTURING
FOR THE DEBTORS NUNC PRO TUNC TO THE COMMENCEMENT DATE**

I, Paul Rundell, state the following under penalty of perjury:

1. I am a Managing Director with Alvarez & Marsal Healthcare Industry, LLC ("A&M"),² a financial advisory services firm with numerous offices throughout the country. I submit this declaration on behalf of A&M (the "Declaration") in support of the application (the "Application"), for authority pursuant to 105(a) and 363(b): (i) to employ and retain Alvarez & Marsal Healthcare Industry, LLC (together with its affiliates, each of which is wholly-owned by Alvarez & Marsal Healthcare Industry, LLC's parent company and employees, "A&M") to provide the Debtors a chief restructuring officer, an executive vice president of restructuring, and additional personnel as Crisis Managers, and (ii) to Appoint Guy Sansone as Chief Restructuring Officer and Paul Rundell as Executive Vice President of Restructuring, all nunc pro tunc to the Petition Date. Except as otherwise noted,³ I have personal knowledge of the matters set forth herein.

A&M's Qualifications

2. A&M is a turnaround management consulting firm founded in 1983 to provide specialized debtor management and advisory services to troubled companies. A&M has since grown to become a global provider of management and advisory services to companies in crisis or those in need of performance improvement in specific financial and operational areas.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Application.

³ Certain of the disclosures herein relate to matters within the personal knowledge of other professionals at A&M and are based on information provided by them.

A&M's core services include Turnaround Management Consulting, Interim and Crisis Management, Creditor Advisory, and Performance Improvement. A&M has provided interim management services in a number of large and mid-size bankruptcy restructurings including In re Lehman Brothers Holdings Inc., Case No. 08-13555 (S.D.N.Y. Sept. 15, 2008) and In re Saint Vincents Catholic Medical Centers of New York, Case No. 05-14945(S.D.N.Y. July 5, 2005).

3. I am a managing director of A&M. I have worked as a turnaround consultant and financial advisor for over 12 years. I have substantial knowledge and experience serving in either senior management positions or as a restructuring advisor in large companies and in assisting troubled companies with stabilizing their financial condition, analyzing their operations and developing an appropriate business plan to accomplish the necessary restructuring of their operations and finances. Specifically, I have advised and/or served as a senior executive for, among others, St. Vincent's Catholic Medical Centers, National Benevolent Association and Sunwest Management Inc. Further, I have served in senior management positions and as a restructuring advisor for a number of companies in a variety of industries, specializing in the Healthcare industry. A copy of my curriculum vitae is attached to the Motion as Exhibit D, and is incorporated herein by reference.

4. A&M has been involved in the Debtors' Chapter 11 Cases since April 2, 2009, when the Debtors initially selected A&M as a restructuring consultant to assist the Debtors in their restructuring process, including addressing certain financial and operational difficulties in the period prior to the Petition Date that had resulted in the occurrence of defaults under certain of the Debtors' credit and other arrangements. A&M was selected by the Debtors after a thorough interview process and, on April 2, 2009, the Debtors and A&M entered into an engagement letter (the "Engagement Letter").

5. Beginning in April and continuing through the Petition Date, several professionals of A&M, including myself, have devoted substantial amounts of time and effort working with members of the Debtors' senior management to, among other things, assist in the development of long-term projections, assist in short-term cash management activities, remove millions of dollars of costs assist in short-term cash management activities and coordinate the Debtors' efforts to prepare for a chapter 11 filing.

6. A&M has become thoroughly familiar with the Debtors' operations. Through the services that A&M has provided to the Debtors to date, A&M is highly qualified to serve the Debtors in these Chapter 11 Cases.

Terms of Compensation

7. Guy Sansone, acting as Chief Restructuring Officer, will be paid on a fixed-fee basis as more fully discussed in the application. All other A&M employees will seek payment for compensation on an hourly basis, plus reimbursement of actual and necessary expenses incurred by A&M. A&M's customary hourly rates as charged in bankruptcy and non-bankruptcy matters of this type by the professionals assigned to this engagement are outlined in the Application. These hourly rates are adjusted annually. In addition, A&M will seek compensation for the achievement of certain "milestones" as discussed in detail in the Application.

8. According to A&M's books and records, during the ninety day period prior to the Petition Date, A&M received approximately \$4,063,556.15 from the Debtors for professional services performed and expenses incurred. Further, A&M's current estimate is that it has received unapplied advance payments from the Debtors in excess of prepetition billings in the amount of \$350,000. The Debtors and A&M have agreed that any portion of the advance

payments not used to compensate A&M for its prepetition services and expenses will be held and applied against its final postpetition billing and will not be placed in a separate account.

9. To the best of my knowledge, (a) no commitments have been made or received by A&M with respect to compensation or payment in connection with these cases other than in accordance with applicable provisions of the Bankruptcy Code and the Bankruptcy Rules, and (b) A&M has no agreement with any other entity to share with such entity any compensation received by A&M in connection with these chapter 11 cases.

10. Because A&M is not being employed as a professional under section 327 of the Bankruptcy Code, it will not be submitting quarterly fee applications pursuant to sections 330 and 331 of the Bankruptcy Code. However, A&M will submit quarterly reports of compensation paid. Parties in interest shall have the right to object to fees paid when quarterly reports of compensation are filed with this Court. In addition, A&M will seek compensation and reimbursement of expenses, as specified above and in the Engagement Letter, with the payment of such fees and expenses to be approved in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules, and any orders of this Court.

Disinterestedness

11. Even though A&M is not being retained as a professional under section 327(a) of the Bankruptcy Code, in connection with the preparation of this Declaration, A&M conducted an analysis to determine whether it holds or represents any interests adverse to the Debtors. Such analysis consisted of a review of its contacts with the Debtors, their non-debtor affiliates, and certain entities holding large claims against or interests in the Debtors that were made reasonably known to A&M by the Debtors. A listing of the parties reviewed is reflected in Schedule A to this Declaration. A&M's review included providing a list of such parties to all A&M employees worldwide and conducting a query of such parties in a database containing names of individuals

and entities that are represented by A&M. A summary of such relationships that A&M identified during this process is also set forth in Schedule B.

12. Based on the results of its review, to the best of my knowledge, except as otherwise discussed herein A&M does not have a relationship with any of the parties listed in Schedule A in matters related to these proceedings. A&M has provided and could reasonably be expected to continue to provide services unrelated to the Debtors' cases for the various entities shown on Schedule B. A&M's assistance to these parties has been related to providing various financial restructuring, litigation support, business consulting and / or tax services. To the best of my knowledge, A&M's involvement in these cases does not compromise its ability to continue such consulting services.

13. Further, as part of its diverse practice, A&M appears in numerous cases and proceedings, and participates in transactions that involve many different professionals, including attorneys, accountants, and financial consultants, who represent claimants and parties-in-interest in the Debtors' Chapter 11 Cases. These professionals have represented clients in matters where A&M was also an advisor (or provided crisis management) to the same client. In certain cases, these professionals may have engaged A&M on behalf of such client. Specifically, Alston & Bird, DLA Piper LLP⁴, FTI Consulting, Houlihan Lokey, Jackson Lewis, Mintz Levin, Pricewaterhouse Coopers LLP, Sills Cummis & Gross PC, Squire Sanders & Dempsey LLP, Whiteford Taylor And Preston, Winston & Strawn.

14. Additionally, A&M has performed in the past, and may perform in the future, advisory consulting services for various attorneys and law firms, and has been represented by several attorneys and law firms, some of whom may be involved in these proceedings. Based on

⁴ These professionals represent A&M and/or an affiliate on wholly unrelated matters.

our current knowledge of the professionals involved, and to the best of my knowledge, none of these relationships create interests materially adverse to the Debtors in matters upon which A&M is to be employed, and none are in connection with these Chapter 11 Cases.

15. In the course of preparing this Declaration, it has come to A&M's attention that:

a) Managing Director of A&M serves on the Board of Directors of Maxim Healthcare ("Maxim") and A&M also provides certain advisory services to Maxim. Maxim's affiliate is a potential bidder for the Debtors' assets. To the best of my knowledge, Maxim (and specifically A&M's and the aforementioned Board member's role with respect to Maxim) has no connection to the Debtors other than that an affiliated entity under common control may seek to purchase some of the Debtors' assets.

16. A&M does not believe it is a "creditor" of any of the Debtors within the meaning of section 101(10) of the Bankruptcy Code. Further, neither I nor any member of the A&M engagement team serving the Debtors, to the best of my knowledge, is a holder of any of Debtors' outstanding debt instruments or shares of the Debtors' stock.

17. A&M has not reviewed the relationship that the members of the A&M engagement team may have against a comprehensive list of employees within the U.S. Trustee's office in this District, but will do so upon being provided with a list of such persons by the office of the U.S. Trustee.

18. Therefore, to the best of my knowledge and based upon the results of the relationship search described above and except as otherwise disclosed herein, A&M neither holds nor represents an interest adverse to the Debtors.

19. If any new material relevant facts or relationships are discovered or arise, A&M will promptly file a supplemental declaration pursuant to Rule 2014(a) of Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

October 20, 2009

By: /s/ Paul Rundell
Paul Rundell
Managing Director
**Alvarez & Marsal Healthcare Industry
Group, LLC**

Exhibit C

Engagement Letter