IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In Re:	)	**Case No. 11-11083 (PJW)**
	)	**Jointly Administered**
REGEN BIOLOGICS, INC., et al.,[1]	)	
	)	**Chapter 11**
Debtors.	)	
	)	**Related Docket No. 29, 34, 39, 49, 60 & 61**

NOTICE OF ASSET PURCHASE AGREEMENT

PLEASE TAKE NOTICE of the attached Asset Purchase Agreement between ReGen Biologics, Inc. and RBio, Inc., the debtors and debtors-in-possession, and Sports Medicine Holding Company, LLC, dated as of May 11, 2011 (the "APA"). The APA is being filed in connection with that certain Order (I) Approving Bidding Procedures, Break-Up Fee and Expense Reimbursement in Connection With the Proposed Sale of Assets, (II) Scheduling A Hearing Date, Auction, and Bidding and Notice and Objection Deadlines in Connection With Such Sale, (III) Establishing Certain Notice Procedures for Determining Cure Amounts for Executory Contracts and Leases to Be Assigned; and (IV) Granting Related Relief entered by the Court on May 5, 2011 [Docket No. 61].

Dated: May 11, 2011

PHILLIPS, GOLDMAN & SPENCE, P.A.

/s/ Stephen W. Spence
Stephen W. Spence, Esquire (#2033)
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Counsel for the Debtors

[1] The Debtors in these cases are ReGen Biologics, Inc. ("ReGen") and RBio, Inc ("RBio"). The last four digits of ReGen's and RBio's EIN are 6415 and 8652, respectively. The other name used by RBio is ReGen Biologics.

PILLSBURY WINTHROP SHAW PITTMAN LLP

/s/ Jerry Hall

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EXECUTION COPY

ASSET PURCHASE AGREEMENT

Among

REGEN BIOLOGICS, INC.,

RBIO, INC.

and

SPORTS MEDICINE HOLDING COMPANY, LLC

dated as of

May 11, 2011

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "**Agreement**"), dated as of May 11, 2011, is entered into among REGEN BIOLOGICS, INC., a Delaware corporation ("**ReGen**"), RBIO, INC., a Delaware corporation ("**RBIO**" and, together with ReGen, the "**Seller**") and SPORTS MEDICINE HOLDING COMPANY, LLC, a Delaware limited liability company ("**Buyer**").

RECITALS:

WHEREAS, Seller is the Debtor in a Chapter 11 reorganization proceeding in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**") in the case captioned In re ReGen Biologics, Inc., Chapter 11 petition nos. 1—11083 and 11-11084 (the "**Bankruptcy Case**").

WHEREAS, Seller and the Subsidiary are engaged in the business of developing, manufacturing and marketing medical devices principally for use in the surgical sports medicine market (the "**Business**");

WHEREAS, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, substantially all the assets, and certain specified liabilities, of the Business, subject to the terms and conditions set forth herein; and

WHEREAS, the Parties desire to consummate the transactions contemplated by this Agreement as promptly as practicable after the Bankruptcy Court enters the Sale Order approving such transactions;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

The following terms have the meanings specified or referred to in this **Article I**:

"**Accounts Receivable**" has the meaning set forth in **Section 2.01(b)**.

"**Action**" means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity.

"**Acquisition Proposal**" has the meaning set forth in **Section 6.03(a)**.

"**Affiliate**" of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"**Agreement**" has the meaning set forth in the preamble.

"**Alternate Transaction**" means a transaction or series of related transactions pursuant to which Seller (i) accepts a Qualified Bid, other than that of Buyer, as the highest or best offer, or (ii) directly or indirectly sells, transfers, leases or otherwise disposes of, including through an asset sale, stock sale, merger, reorganization or other similar transaction (by Seller or otherwise), including pursuant to a stand-alone plan of reorganization or liquidation, all or substantially all of the Purchased Assets (or agrees to do any of the foregoing) in a transaction or series of transactions to a party or parties other than Buyer.

"**Approved Budgets**" has the meaning set forth in **Section 2.01(d)**.

"**Assigned Contracts**" has the meaning set forth in **Section 2.01(d)**.

"**Assignment and Assumption Agreement**" has the meaning set forth in **Section 3.02(a)(ii)**.

"**Assignment and Assumption of Lease**" has the meaning set forth in **Section 3.02(a)(iv)**.

"**Assumed Liabilities**" has the meaning set forth in **Section 2.03**.

"**Auction**" means the auction for the sale of Purchased Assets conducted by Seller if any other Qualified Bid is received pursuant to the Sale Scheduling and Procedures Order.

"**Bankruptcy Case**" has the meaning set forth in the recitals.

"**Bankruptcy Code**" means title 11 of the United States Code, as amended and in effect from time to time.

"**Bankruptcy Court**" has the meaning set forth in the recitals.

"**Benefit Plan**" has the meaning set forth in **Section 4.19(a)**.

"**Bill of Sale**" has the meaning set forth in **Section 3.02(a)(i)**.

"**Books and Records**" has the meaning set forth in **Section 2.01(m)**.

"**Break-up Fee**" has the meaning set forth in **Section 9.02(a)**.

"**Business**" has the meaning set forth in the recitals.

"**Business Day**" means any day except Saturday, Sunday or any other day on which commercial banks located in New York are authorized or required by Law to be closed for business.

"**Buyer**" has the meaning set forth in the preamble.

"**Buyer Closing Certificate**" has the meaning set forth in **Section 7.03(f)**.

"**Buyer Group**" has the meaning set forth in **Section 11.03**.

"**Cash Payment Amount**" means the greater of (x) $535,000 or (y) $1.0 million less (i) all Specified Expenses and (ii) all Assumed Liabilities due in respect of periods prior to the Closing.

"**CERCLA**" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.

"**Closing**" has the meaning set forth in **Section 3.01**.

"**Closing Date**" has the meaning set forth in **Section 3.01**.

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

"**Contracts**" means all contracts, leases, deeds, mortgages, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures and all other agreements, commitments and legally binding arrangements, whether written or oral.

"**Credit Bid**" means the bid by the Buyer to acquire substantially all of the assets of Seller at the Auction for the combination of the Cash Payment Amount and by crediting the remaining amount of such bid, if successful, on the Closing Date against the amount of the Seller's Secured Debt.

"**DIP Loan**" means that certain DIP Loan and Security Agreement, dated as of April 21, 2011, between Buyer and Seller.

"**Disclosure Schedules**" means the Disclosure Schedules delivered by Seller and Buyer concurrently with the execution and delivery of this Agreement.

"**Dollars or $**" means the lawful currency of the United States.

"**Employees**" means those Persons employed by Seller in connection with the Business immediately prior to the Closing.

"**Employment-related Claim**" means any claim with respect to any Employee Benefit Plan of Seller or any ERISA Affiliate or any Title IV Plan, any violation of ERISA, any breach of any employment or labor Contract or any unfair labor practice charges, grievances or complaints.

"**Encumbrance**" means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, right of way, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

"**Environmental Claim**" means any Action, Governmental Order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any Person alleging liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (a) the presence, Release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any Environmental Permit.

"**Environmental Law**" means any applicable Law, and any Governmental Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b)

concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials. The term "Environmental Law" includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq.

"**Environmental Notice**" means any written directive, notice of violation or infraction, or notice respecting any Environmental Claim relating to actual or alleged non-compliance with any Environmental Law or any term or condition of any Environmental Permit.

"**Environmental Permit**" means any Permit, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to Environmental Law.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"**Excluded Assets**" has the meaning set forth in **Section 2.02**.

"**Excluded Contracts**" has the meaning set forth in **Section 2.02(a)**.

"**Excluded Liabilities**" has the meaning set forth in **Section 2.04**.

"**Expense Reimbursement**" means the documented actual out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by Buyer and/or its Affiliates in connection with the negotiation, documentation and implementation of this Agreement and the transactions contemplated by this Agreement and participation in the Bankruptcy Case up to a maximum of $150,000.

"**FIRPTA Certificate**" has the meaning set forth in **Section 7.02(l)**.

"**GAAP**" means United States generally accepted accounting principles in effect from time to time.

"**Governmental Authority**" means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

"**Governmental Order**" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"**Hazardous Materials**" means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"**Insurance Policies**" has the meaning set forth in **Section 4.15**.

"**Intellectual Property**" means all of the following and similar intangible property and related proprietary rights, interests and protections, however arising, pursuant to the Laws of any jurisdiction throughout the world: (a) trademarks, service marks, trade names, brand names, logos, trade dress and other proprietary indicia of goods and services, whether registered, unregistered or arising by Law, and all registrations and applications for registration of such trademarks, including intent-to-use applications, and all issuances, extensions and renewals of such registrations and applications; (b) internet domain names, whether or not trademarks, registered in any generic top level domain by any authorized private registrar or Governmental Authority; (c) original works of authorship in any medium of expression, whether or not published, all copyrights (whether registered, unregistered or arising by Law), all registrations and applications for registration of such copyrights, and all issuances, extensions and renewals of such registrations and applications; (d) confidential information, formulas, designs, devices, technology, know-how, research and development, inventions, methods, processes, compositions and other trade secrets, whether or not patentable; and (e) patented and patentable designs and inventions, all design, plant and utility patents, letters patent, utility models, pending patent applications and provisional applications and all issuances, divisions, continuations, continuations-in-part, reissues, extensions, reexaminations and renewals of such patents and applications.

"**Intellectual Property Assets**" means all Intellectual Property that is owned by Seller and used in or necessary for the conduct of the Business as currently conducted.

"**Intellectual Property Assignments**" has the meaning set forth in **Section 3.02(a)(iii)**.

"**Intellectual Property Licenses**" means all licenses, sublicenses and other agreements by or through which other Persons, including Seller's Affiliates, grant Seller exclusive or non-exclusive rights or interests in or to any Intellectual Property that is used in or necessary for the conduct of the Business as currently conducted.

"**Intellectual Property Registrations**" means all Intellectual Property Assets that are subject to any issuance, registration, application or other filing by, to or with any Governmental Authority or authorized private registrar in any jurisdiction, including registered trademarks, domain names and copyrights, issued and reissued patents and pending applications for any of the foregoing.

"**Interim Balance Sheet**" has the meaning set forth in **Section 4.04**.

"**Interim Balance Sheet Date**" has the meaning set forth in **Section 4.04**.

"**Interim Financial Statements**" has the meaning set forth in **Section 4.04**.

"**Inventory**" has the meaning set forth in **Section 2.01(c)**.

"**Knowledge of Seller or Seller's Knowledge**" or any other similar knowledge qualification, means the actual or constructive knowledge of any director or officer of Seller or its Subsidiary, after due inquiry.

"**Law**" means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority.

"**Leased Real Property**" has the meaning set forth in **Section 4.10**.

"**Leases**" has the meaning set forth in **Section 4.10**.

"**Liabilities**" means liabilities, obligations or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise.

"**Material Adverse Effect**" means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, prospects, condition (financial or otherwise) or assets of the Business, (b) the value of the Purchased Assets, or (c) the ability of Seller to consummate the transactions contemplated hereby on a timely basis.

"**Material Contracts**" has the meaning set forth in **Section 4.07(a)**.

"**Material Customers**" has the meaning set forth in **Section 4.14(a)**.

"**Material Suppliers**" has the meaning set forth in **Section 4.14(b)**.

"**Motion**" has the meaning set forth in **Section 9.01**.

"**Permits**" means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Authorities.

"**Permitted Encumbrances**" has the meaning set forth in **Section 4.08(a)**.

"**Person**" means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

"**Post-Closing Tax Period**" means any taxable period beginning after the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period beginning after the Closing Date.

"**Pre-Closing Tax Period**" means any taxable period ending on or before the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period ending on and including the Closing Date.

"**Purchase Price**" means the sum of (i) the Credit Bid, (ii) the Cash Payment Amount and (iii) the Assumed Liabilities.

"**Purchased Assets**" has the meaning set forth in **Section 2.01**.

"**Qualified Benefit Plan**" has the meaning set forth in **Section 4.19(b)**.

"**Qualified Bids**" means bids for substantially all of the Seller's assets in the Auction.

"**RBIO**" has the meaning set forth in the preamble.

"**ReGen**" has the meaning set forth in the preamble.

"**Release**" means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

"**Representative**" means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

"**Sale Hearing**" means the hearing of the Bankruptcy Court to consider the entry of the Sale Order.

"**Sale Order**" means an order of the Bankruptcy Court authorizing and approving the sale of the Purchased Assets by Seller to Buyer and the sale and assignment by Seller and assumption by Buyer of the Assigned Contracts selected by Buyer, substantially in the form affixed hereto as Exhibit A (subject to such changes as the Buyer may consent to in its sole discretion).

"**Sale Scheduling and Procedures Order**" means the order of the Bankruptcy Court authorizing and approving procedures for soliciting Qualified Bids and conducting the Auction, and approving payment of the Expense Reimbursement on the terms and conditions set forth herein, substantially in the form attached hereto as Exhibit B (subject to such changes as the Buyer may consent to in its sole discretion).

"**Seller**" has the meaning set forth in the preamble.

"**Seller Closing Certificate**" has the meaning set forth in **Section 7.02(i)**.

"**Seller's Secured Debt**" means all amounts owed by Seller under (i) the Amended and Restated Subscription and Security Agreement, dated as of June 15, 2010, between the Seller and certain Bridge A Investors, as amended, (ii) the Amended and Restated Subscription and Security Agreement, dated as of December 27, 2010, between the Seller and certain Bridge B Investors, (iii) the Credit Agreements dated as of November 30, 1998 and March 14, 2000 between the Seller and Sulzer Medica USA Holding Company, the predecessor-in-interest of Zimmer Holdings, Inc, (iv) the Subscription and Security Agreement, dated as of March 11, 2011, as amended as of April 7, 2011, between the Buyer and the Seller and (v) the DIP Loan.

"**Specified Expenses**" means all administrative and other expenses incurred by Seller on and after March 25, 2011 (including, without limitation, fees of Pillsbury Winthrop Shaw Pittman LLP) through the Closing and funded from the proceeds of borrowings under Seller's Secured Debt in respect of this Agreement, the Bankruptcy Case and the transactions related thereto.

"**Subsidiary**" means ReGen's wholly-owned subsidiary ReGen Biologics AG, a company limited by shares organized under the laws of Switzerland.

"**Tangible Personal Property**" has the meaning set forth in **Section 2.01(f)**.

"**Taxes**" means all federal, state, local, foreign and other income, gross receipts, sales, use, production, ad valorem, transfer, documentary, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, social security, disability, estimated, excise, severance, environmental (including taxes under Code Section 59A), stamp, occupation, premium, property (real or personal), real property gains, value added, windfall profits, capital profits, customs, duties, alternative or add-on minimum, or other taxes, fees, assessments or charges of any kind whatsoever, whether computed on a separate or consolidated, unitary, or combined basis or in any other manner, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other person, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties.

"**Tax Return**" means any return, declaration, report, claim for refund, information return or statement or other document relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"**Transaction Documents**" means this Agreement, the Bill of Sale, the Assignment and Assumption Agreement, Intellectual Property Assignments, Assignment and Assumption of Leases, and the other agreements, instruments and documents required to be delivered at the Closing.

"**WARN Act**" means the federal Worker Adjustment and Retraining Notification Act of 1988, and similar state, local and foreign laws related to plant closings, relocations, mass layoffs and employment losses.

ARTICLE II
PURCHASE AND SALE

Section 2.01 Purchase and Sale of Assets. Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, upon the terms and conditions set forth herein, at the Closing, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller, free and clear of any Encumbrances (including, without limitation, any Environmental Claims and Employment-related Claims, to the fullest extent permitted by Law), other than Permitted Encumbrances, all of Seller's right, title and interest in, to and under all of the assets, properties and rights of every kind and nature, whether real, personal or mixed, tangible or intangible (including goodwill), wherever located, whether directly or indirectly held, and whether now existing or hereafter acquired (other than the Excluded Assets), which relate to, or are used or held for use in connection with, the Business (collectively, the "**Purchased Assets**"), including, without limitation, the following:

(a) cash and cash equivalents;

(b) all accounts or notes receivable held by Seller, and any security, claim, remedy or other right related to any of the foregoing ("**Accounts Receivable**");

(c) all inventory, finished goods, raw materials, work in progress, packaging, supplies, parts and other inventories ("**Inventory**");

(d) all Contracts, including Intellectual Property Licenses, set forth on **Section 2.01(d)** of the Disclosure Schedules (the "**Assigned Contracts**");

(e) all Intellectual Property Assets;

(f) all furniture, fixtures, equipment, machinery, tools, vehicles, office equipment, supplies, computers, telephones and other tangible personal property (the "**Tangible Personal Property**");

(g) all Leased Real Property;

(h) all Permits, including Environmental Permits, which are held by Seller and required for the conduct of the Business as currently conducted or for the ownership and use of the Purchased Assets, including, without limitation, those listed on **Section 4.17(b)** and **Section 4.18(b)** of the Disclosure Schedules;

(i) all rights to any Actions of any nature available to or being pursued by Seller to the extent related to the Business, the Purchased Assets or the Assumed Liabilities, whether arising by way of counterclaim or otherwise;

(j) all prepaid expenses, credits, advance payments, claims, security, refunds, rights of recovery, rights of set-off, rights of recoupment, deposits, charges, sums and fees (including any such item relating to the payment of Taxes);

(k) all of Seller's rights under warranties, indemnities and all similar rights against third parties to the extent related to any Purchased Assets;

(l) all insurance benefits, including rights and proceeds, arising from or relating to the Business, the Purchased Assets or the Assumed Liabilities;

(m) originals, or where not available, copies, of all books and records, including, but not limited to, books of account, ledgers and general, financial and accounting records, machinery and equipment maintenance files, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records and data (including all correspondence with any Governmental Authority), sales material and records (including pricing history, total sales, terms and conditions of sale, sales and pricing policies and practices), strategic plans, internal financial statements, marketing and promotional surveys, material and research and intellectual property files relating to the Intellectual Property Assets and the Intellectual Property Licenses ("**Books and Records**");

(n) all shares of or other ownership interests in the Subsidiary; and

(o) all goodwill and the going concern value of the Business.

Section 2.02 Excluded Assets. Notwithstanding the foregoing, the Purchased Assets shall not include the following assets (collectively, the "**Excluded Assets**"):

(a) Contracts that are not Assigned Contracts (the "**Excluded Contracts**");

(b) the corporate seals, organizational documents, minute books, stock books, Tax Returns, books of account or other records having to do with the corporate organization of Seller;

(c) the assets, properties and rights specifically set forth on **Section 2.02(c)** of the Disclosure Schedules; and

(d) the rights which accrue or will accrue to Seller under the Transaction Documents.

Section 2.03 Assumed Liabilities. Subject to the terms and conditions set forth herein, Buyer shall assume and agree to pay, perform and discharge only the following Liabilities of Seller (collectively, the "**Assumed Liabilities**"), and no other Liabilities:

(a) all Liabilities in respect of the Assigned Contracts but only to the extent that such Liabilities thereunder are required to be performed after the Closing Date, were incurred in the ordinary course of business and do not relate to any failure to perform, improper performance, warranty or other breach, default or violation by Seller on or prior to the Closing; and

(b) those Liabilities of Seller set forth in the Initial Budget Report or any Interim Budget Report (in each case, as defined in the DIP Loan agreement) (x) which reports have been approved by Buyer, in its capacity as lender under the DIP Loan (such reports the "**Approved Budgets**"), and (y) have not been paid by Seller on the Closing Date.

Section 2.04 Excluded Liabilities. Notwithstanding the provisions of **Section 2.03** or any other provision in this Agreement to the contrary, Buyer shall not assume and shall not be responsible to pay, perform or discharge any Liabilities of Seller or any of its Affiliates of any kind or nature whatsoever other than the Assumed Liabilities (the "**Excluded Liabilities**"). Seller shall, and shall cause each of its Affiliates to, pay and satisfy in due course all Excluded Liabilities which they are obligated to pay and satisfy. Without limiting the generality of the foregoing, the Excluded Liabilities shall include, but not be limited to, the following:

(a) any Liabilities of Seller arising or incurred in connection with the negotiation, preparation, investigation and performance of this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby, including, without limitation, fees and expenses of counsel, accountants, consultants, advisers and others;

(b) any Liability for (i) Taxes of Seller (or any stockholder or Affiliate of Seller) or relating to the Business, the Purchased Assets or the Assumed Liabilities for any Pre-Closing Tax Period; (ii) Taxes that arise out of the consummation of the transactions contemplated hereby or that are the responsibility of Seller pursuant to **Section 6.14**; or (iii) other Taxes of Seller (or any stockholder or Affiliate of Seller) of any kind or description (including any Liability for Taxes of Seller (or any stockholder or Affiliate of Seller) that becomes a Liability of Buyer under any common law doctrine of de facto merger or transferee or successor liability or otherwise by operation of contract or Law);

(c) any Liabilities relating to or arising out of the Excluded Assets;

(d) any Liabilities in respect of any pending or threatened Action arising out of, relating to or otherwise in respect of the operation of the Business or the Purchased Assets to the extent such Action relates to such operation on or prior to the Closing Date;

(e) any product Liability or similar claim for injury to a Person or property which arises out of or is based upon any express or implied representation, warranty, agreement or guaranty made by Seller, or by reason of the improper performance or malfunctioning of a product, improper design or manufacture, failure to adequately package, label or warn of hazards or other related product defects of any products at any time manufactured or sold or any service performed by Seller;

(f) any recall, design defect or similar claims of any products manufactured or sold or any service performed by Seller;

(g) any Liabilities of Seller arising under or in connection with any Benefit Plan providing benefits to any present or former employee of Seller;

(h) any Liabilities of Seller for any present or former employees, agents or independent contractors of Seller, including, without limitation, any Liabilities associated with any claims for wages or other benefits, workers' compensation, severance, retention, termination or other payments;

(i) any Environmental Claims, or Liabilities under Environmental Laws, to the extent arising out of or relating to facts, circumstances or conditions existing on or prior to the Closing or otherwise to the extent arising out of any actions or omissions of Seller;

(j) any trade accounts payable of Seller (i) to the extent not accounted for on the Interim Balance Sheet; (ii) which constitute intercompany payables owing to Affiliates of Seller; (iii) which constitute debt, loans or credit facilities to financial institutions; or (iv) which did not arise in the ordinary course of business;

(k) any Liabilities of the Business relating or arising from unfulfilled commitments, quotations, purchase orders, customer orders or work orders that (i) do not constitute part of the Purchased Assets issued by the Business' customers to Seller on or before the Closing; (ii) did not arise in the ordinary course of business; or (iii) are not validly and effectively assigned to Buyer pursuant to this Agreement;

(l) any Liabilities to indemnify, reimburse or advance amounts to any present or former officer, director, employee or agent of Seller (including with respect to any breach of fiduciary obligations by same);

(m) any Liabilities under the Excluded Contracts or any other Contracts (i) which are not validly and effectively assigned to Buyer pursuant to this Agreement; (ii) which do not conform to the representations and warranties with respect thereto contained in this Agreement; or (iii) to the extent such Liabilities arise out of or relate to a breach by Seller of such Contracts prior to Closing;

(n) any Liabilities associated with debt, loans or credit facilities of Seller and/or the Business owing to financial institutions; and

(o) any Liabilities arising out of, in respect of or in connection with the failure by Seller or any of its Affiliates to comply with any Law or Governmental Order.

Section 2.05 Purchase Price. Pursuant to Section 363(k) of the Bankruptcy Code, Buyer shall be permitted to Credit Bid for the Purchased Assets at the Auction up to the full amount of the Seller's Secured Debt of $14.2 million as of April 7, 2011, together with any additional amounts of Seller's Secured Debt incurred thereafter. In the event the Buyer is the successful bidder at the Auction, at the Closing the Buyer shall pay the Cash Payment Amount by wire transfer of immediately available funds and shall receive the Purchased Assets, free and clear of all Encumbrances, taxes and interests pursuant to Section 363(b) of the Bankruptcy Code. Two (2) Business Days prior to the Closing, Buyer shall send to Seller a calculation of the final Cash Payment Amount to be paid at the Closing.

Section 2.06 Assigned Contracts. Buyer may, in its sole discretion and with five (5) Business Days prior notice to the Seller, add and remove Contracts from the list of Assigned Contracts on **Schedule 2.01(d)** of the Disclosure Schedules at any time prior to the Closing.

Section 2.07 Allocation of Purchase Price. Seller and Buyer agree that the Credit Bid, the Cash Payment Amount and the Assumed Liabilities (plus other relevant items) shall be allocated among the Purchased Assets for all purposes (including Tax and financial accounting) as determined by Buyer in its sole discretion, in consultation with Seller. Buyer and Seller and their Affiliates shall report, act and file Tax Returns (including, but not limited to Internal Revenue Service Form 8594) in all respects and for all purposes consistent with such allocation prepared by Buyer. Seller shall timely and properly prepare, execute, file and deliver all such documents, forms and other information as Buyer may reasonably request to prepare such allocation. Neither Buyer nor Seller shall take any position (whether in audits, tax returns or otherwise) that is inconsistent with such allocation unless required to do so by applicable law.

Section 2.08 Withholding Tax. Buyer shall be entitled to deduct and withhold from the Cash Payment Amount all Taxes that Buyer may be required to deduct and withhold under any provision of Tax Law. All such withheld amounts shall be treated as delivered to Seller hereunder.

Section 2.09 Third Party Consents. To the extent that Seller's rights under any Contract or Permit constituting a Purchased Asset, or any other Purchased Asset, may not be assigned to Buyer without the consent of another Person which has not been obtained, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and Seller, at its expense, shall use its reasonable best efforts to obtain any such required consent(s) as promptly as possible. If any such consent shall not be obtained or if any attempted assignment would be ineffective or would impair Buyer's rights under the Purchased Asset in question so that Buyer would not in effect acquire the benefit of all such rights, Seller, to the maximum extent permitted by law and the Purchased Asset, shall act after the Closing as Buyer's agent in order to obtain for it the benefits thereunder and shall cooperate, to the maximum extent permitted by Law and the Purchased Asset, with Buyer in any other reasonable arrangement designed to provide such benefits to Buyer. Notwithstanding any provision in this **Section 2.09** to the contrary, Buyer shall not be deemed to have waived its rights under **Section 7.02(d)** hereof unless and until Buyer either provides written waivers thereof or elects to proceed to consummate the transactions contemplated by this Agreement at Closing.

Section 2.10 Treatment of Certain Administrative Expenses. Buyer and Seller shall cooperate in advance of the Closing Date to identify administrative expenses of the Seller in the Bankruptcy Case which have been incurred, but are unpaid, as of the Closing Date. Not less than two (2) Business Days prior to the Closing Date, Seller shall prepare a schedule of such expenses, which shall be subject to Buyer's approval (not to be unreasonably withheld). Notwithstanding anything to the contrary in this Agreement, (i) except as otherwise set forth in the following sentence, any administrative expenses identified on such schedule shall remain liabilities of the Seller following the Closing Date and shall not be assumed by the Buyer and (ii) Seller shall retain a portion of its cash on hand at the Closing Date equal to the lesser of (x) the amount of such identified administrative expenses included in the Approved Budgets and (y) the total amount of the Seller's cash on hand at the Closing Date. In the event that amount of the administrative expenses included in the Approved Budgets exceeds Seller's cash on hand as of the Closing Date due to the failure of Buyer to advance funds required to be advanced under the DIP Loan to pay such expenses prior to the Closing Date, Buyer shall assume the obligation to pay such expenses to the extent of such excess.

Section 2.11 Insurance and Liability Matters. In the event that Buyer assumes the Seller's general business and liability, product liability and umbrella coverage insurance policies in existence on the Closing Date, or is named as an additional insured with respect to such policies, Buyer shall cause Seller to remain an insured party or an additional insured with respect to such policies following the Closing Date, to the extent permitted under such policies. Notwithstanding the foregoing, Buyer is not assuming any liability in respect of any claims, including product liability claims as a result of this **Section 2.11**, and Seller retains all such liability.

ARTICLE III
CLOSING

Section 3.01 Closing. Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place at the offices of DLA Piper LLP (US), 1251 Avenue of the Americas, 27th Floor, New York, New York 10003, at 10:00 a.m., local time, on the second Business Day after all of the conditions to Closing set forth in **Article VII** are either satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), or at such other time, date or place as Seller and Buyer may mutually agree upon in writing. The date on which the Closing is to occur is herein referred to as the "**Closing Date**".

Section 3.02 Closing Deliverables.

(a) At the Closing, Seller shall deliver to Buyer the following:

(i) a bill of sale in form and substance satisfactory to Buyer (the "**Bill of Sale**") and duly executed by Seller, transferring the tangible personal property included in the Purchased Assets to Buyer;

(ii) an assignment and assumption agreement in form and substance satisfactory to Buyer (the "**Assignment and Assumption Agreement**") and duly executed by Seller, effecting the assignment to and assumption by Buyer of the Purchased Assets and the Assumed Liabilities;

(iii) assignments in form and substance satisfactory to Buyer (the "**Intellectual Property Assignments**") and duly executed by Seller, transferring all of Seller's right, title and interest in and to the Intellectual Property Assets and the Intellectual Property Licenses to Buyer;

(iv) with respect to each Lease, an Assignment and Assumption of Lease in form and substance satisfactory to Buyer (each, an "**Assignment and Assumption of Lease**") and duly executed by Seller;

(v) a power of attorney in form and substance satisfactory to Buyer and duly executed by Seller;

(vi) the Seller Closing Certificate;

(vii) the FIRPTA Certificate;

(viii) the certificates of a duly authorized officer of the Seller required by **Section 7.02(j)** and **Section 7.02(k)**; and

(ix) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement.

(b) At the Closing, Buyer shall deliver to Seller the following:

(i) the Cash Payment Amount.

(ii) the Assignment and Assumption Agreement duly executed by Buyer;

(iii) with respect to each Lease, an Assignment and Assumption of Lease duly executed by Buyer;

(iv) the Buyer Closing Certificate;

(v) California and New Jersey resale certificates and, if reasonably requested by Seller, any additional resale certificates relating to any Inventory included in the Purchased Assets; and

(vi) the certificates of the authorized officer of the Buyer required by **Section 7.03(g)** and **Section 7.03(h)**.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the correspondingly numbered Section of the Disclosure Schedules, each of ReGen and RBIO jointly and severally represents and warrants to Buyer that the statements contained in this **Article IV** are true and correct as of the date hereof.

Section 4.01 Organization and Qualification of Seller and Subsidiary. Except as set forth in **Section 4.01** of the Disclosure Schedules, each Seller is a corporation duly organized, validly existing and in good standing under the Laws of the state of Delaware and has full corporate power and authority as debtor-in-possession subject to the Bankruptcy Code to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted subject to the Bankruptcy Code. **Section 4.01** of the Disclosure Schedules sets forth each jurisdiction in which Seller is licensed or qualified to do business, and Seller is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of the Purchased Assets or the operation of the Business as currently conducted makes such licensing or qualification necessary. Subsidiary is a limited liability stock corporation (*Aktiengesellschaft*) duly organized, validly existing and in good standing under the Laws of Switzerland, registered with the commercial register of the canton of Zug, and has full corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted by it.

Section 4.02 Authority of Seller. Subject to the approval of the Bankruptcy Court, including the entry of the Sale Order by the Bankruptcy Court:

(a) Seller has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Seller is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

(b) The execution and delivery by Seller of this Agreement and any other Transaction Document to which Seller is a party, the performance by Seller of its obligations hereunder and thereunder and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Seller.

(c) This Agreement has been duly executed and delivered by Seller, and (assuming due authorization, execution and delivery by Buyer) this Agreement constitutes a legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, 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).

(d) When each other Transaction Document to which Seller is or will be a party has been duly executed and delivered by Seller (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document will constitute a legal and binding obligation of Seller enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, 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).

Section 4.03 No Conflicts; Consents. The execution, delivery and performance by Seller of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of incorporation, by-laws or other organizational documents of Seller or Subsidiary; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Seller, the Business or the Purchased Assets; (c) except as set forth in **Section 4.03** of the Disclosure Schedules, require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Assigned Contract or Permit to which Seller or Subsidiary is a party or by which Seller or the Business is bound or to which any of the Purchased Assets are subject; or (d) result in the creation or imposition of any Encumbrance other than Permitted Encumbrances on the Purchased Assets. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Seller or Subsidiary in connection with the execution and delivery of this Agreement or any of the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, except for such filings as may be required under the HSR Act.

Section 4.04 Financial Statements. The Seller's financial books and records have been made available to or delivered to Buyer. The Seller's unaudited financial statements consisting of the consolidated balance sheet of the Business as of March 31, 2011, the related statement of income and retained earnings for the three month period then ended and the consolidating trial balance as of March 31, 2011 and for the three month period then ended (the "**Interim Financial Statements**") have been delivered to the Buyer. The Interim Financial Statements were prepared in good faith based on the books and records of the Business and fairly present the operations and financial position of the Business as of their date or for the period then ended, as applicable. The consolidated balance sheet of the Business as of March 31, 2011 is referred to herein as the "**Interim Balance Sheet**" and the date thereof as the "**Interim Balance Sheet Date**". Set forth in **Section 4.04** of the Disclosure Schedules are (i) the Interim Balance Sheet and (ii) the statement of income included in the Interim Financial Statements.

Section 4.05 Undisclosed Secured Liabilities. Seller has no secured Liabilities with respect to the Business, except (a) those which are adequately reflected or reserved against in the Interim Balance Sheet as of the Interim Balance Sheet Date, and (b) those which are set forth in **Section 4.05** of the Disclosure Schedule and have been incurred in the ordinary course of business consistent with past practice since the Interim Balance Sheet Date and which are not, individually or in the aggregate, material in amount.

Section 4.06 Absence of Certain Changes, Events and Conditions. Except as set forth in **Section 4.06** of the Disclosure Schedules, since the Interim Balance Sheet Date, and other than in the ordinary course of business consistent with past practice, there has not been any:

(a) event, occurrence or development that has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(b) declaration or payment of any dividends or distributions on or in respect of any of Seller's capital stock or redemption, purchase or acquisition of Seller's capital stock;

(c) material change in any method of accounting or accounting practice for the Business, except as required by GAAP or as disclosed in the notes to the Interim Financial Statements;

(d) material change in cash management practices and policies, practices and procedures with respect to collection of Accounts Receivable, establishment of reserves for uncollectible Accounts Receivable, accrual of Accounts Receivable, inventory control, prepayment of expenses, payment of trade accounts payable, accrual of other expenses, deferral of revenue and acceptance of customer deposits;

(e) entry into any Contract that would constitute a Material Contract;

(f) incurrence, assumption or guarantee of any indebtedness for borrowed money in connection with the Business except unsecured current obligations and Liabilities incurred in the ordinary course of business consistent with past practice;

(g) transfer, assignment, sale or other disposition of any of the Purchased Assets shown or reflected in the Interim Balance Sheet, except for the sale of Inventory in the ordinary course of business;

(h) cancellation of any debts or claims or amendment, termination or waiver of any rights constituting Purchased Assets;

(i) transfer, assignment or grant of any license or sublicense of any material rights under or with respect to any Intellectual Property Assets or Intellectual Property Licenses;

(j) material damage, destruction or loss, or any material interruption in use, of any Purchased Assets, whether or not covered by insurance;

(k) acceleration, termination, material modification to or cancellation of any Assigned Contract or Permit;

(l) material capital expenditures which would constitute an Assumed Liability;

(m) imposition of any Encumbrance upon any of the Purchased Assets;

(n) grant of any bonuses, whether monetary or otherwise, or any general wage or salary increases in respect of any Employees, other than as provided for in any written agreements or consistent with past practice, or change in the terms of employment for any Employee;

(o) entry into or termination of any employment agreement or collective bargaining agreement covering any of the Employees, written or oral, or modification of the terms of any such existing agreement;

(p) loan to, or entry into any other transaction with, any Employees;

(q) purchase, lease or other acquisition of the right to own, use or lease any property or assets in connection with the Business for an amount in excess of $10,000, individually (in the case of a lease, per annum) or $20,000 in the aggregate (in the case of a lease, for the entire term of the lease, not

including any option term), except for purchases of Inventory or supplies in the ordinary course of business consistent with past practice;

(r) adoption, amendment, modification or termination of any bonus, profit sharing, incentive, severance, or other plan, Contract or commitment for the benefit of any Employees (or any such action taken with respect to any other Benefit Plan); or

(s) any Contract to do any of the foregoing, or any action or omission that would result in any of the foregoing.

Section 4.07 Material Contracts.

(a) **Section 4.07(a)** of the Disclosure Schedules lists each of the following Contracts (x) by which any of the Purchased Assets are bound or affected or (y) to which Seller or Subsidiary is a party or by which it is bound in connection with the Business or the Purchased Assets (such Contracts, together with all Contracts concerning the occupancy, management or operation of any Leased Real Property (including without limitation, brokerage contracts) listed or otherwise disclosed in **Section 4.10** of the Disclosure Schedules and all Contracts relating to Intellectual Property set forth in **Section 4.11(c)** and **Section 4.11(e)** of the Disclosure Schedules, being "**Material Contracts**"):

(i) all Contracts involving aggregate consideration in excess of $10,000 and which, in each case, cannot be cancelled without penalty or without more than 90 days' notice;

(ii) all Contracts that require Seller to purchase or sell a stated portion of the requirements or outputs of the Business or that contain "take or pay" provisions;

(iii) all Contracts that provide for the indemnification of any Person or the assumption of any Tax, environmental or other Liability of any Person;

(iv) all Contracts that relate to the acquisition or disposition of any business, a material amount of stock or assets of any other Person or any real property (whether by merger, sale of stock, sale of assets or otherwise);

(v) all broker, distributor, dealer, manufacturer's representative, franchise, agency, sales promotion, market research, marketing consulting and advertising Contracts;

(vi) all employment agreements and Contracts with independent contractors or consultants (or similar arrangements) and which are not cancellable without material penalty or without more than 90 days' notice;

(vii) except for Contracts relating to trade receivables, all Contracts relating to indebtedness (including, without limitation, guarantees);

(viii) all Contracts with any Governmental Authority;

(ix) all Contracts that limit or purport to limit the ability of Seller to compete in any line of business or with any Person or in any geographic area or during any period of time;

(x) all joint venture, partnership or similar Contracts;

(xi) all Contracts for the sale of any of the Purchased Assets or for the grant to any Person of any option, right of first refusal or preferential or similar right to purchase any of the Purchased Assets;

(xii) all powers of attorney with respect to the Business or any Purchased Asset;

(xiii) all collective bargaining agreements or Contracts with any labor organization, union or association; and

(xiv) all other Contracts that are material to the Purchased Assets or the operation of the Business and not previously disclosed pursuant to this **Section 4.07**.

(b) Each Material Contract is valid and binding on Seller or Subsidiary, as applicable, in accordance with its terms and is in full force and effect, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, 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). Except as set forth in **Section 4.07** of the Disclosure Schedules, none of Seller, Subsidiary or, to Seller's Knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under) in any material respect, or has provided or received any notice of any intention to terminate, any Material Contract. Except as set forth in **Section 4.07** of the Disclosure Schedules, to Seller's Knowledge, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute an event of default under any Material Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder. Complete and correct copies of each Material Contract (including all modifications, amendments and supplements thereto and waivers thereunder) have been made available to Buyer. There are no material disputes pending or, to Seller's Knowledge, threatened under any Assigned Contract.

Section 4.08 Title to Purchased Assets. Seller has good and valid title to, or a valid leasehold interest in, all of the Purchased Assets. All such Purchased Assets (including leasehold interests) are free and clear of Encumbrances except for the following (collectively referred to as "**Permitted Encumbrances**"):

(a) those items set forth in **Section 4.07(b)** of the Disclosure Schedules;

(b) liens for Taxes not yet due and payable or being contested in good faith by appropriate procedures and for which there are adequate accruals or reserves on the Interim Balance Sheet;

(c) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business consistent with past practice or amounts that are not delinquent and which are not, individually or in the aggregate, material to the Business or the Purchased Assets;

(d) easements, rights of way, zoning ordinances and other similar encumbrances affecting Leased Real Property which are not, individually or in the aggregate, material to the Business or the Purchased Assets, which do not prohibit or interfere with the current operation of any Leased Real Property and which do not render title to any Leased Real Property unmarketable; or

(e) liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business consistent with past practice which are not, individually or in the aggregate, material to the Business or the Purchased Assets.

Section 4.09 Condition and Sufficiency of Assets. Except as set forth in **Section 4.09** of the Disclosure Schedules, the buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property included in the Purchased Assets are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put, and none of such buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The Purchased Assets are sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property and assets necessary to conduct the Business as currently conducted. None of the Excluded Assets are material to the Business.

Section 4.10 Leased Real Property.

(a) **Section 4.10** of the Disclosure Schedules sets forth each parcel of real property leased by Seller and used in or necessary for the conduct of the Business as currently conducted (together with all rights, title and interest of Seller in and to leasehold improvements relating thereto, including, but not limited to, security deposits, reserves or prepaid rents paid in connection therewith, collectively, the "**Leased Real Property**"), and a true and complete list of all leases, subleases, licenses, concessions and other agreements (whether written or oral), including all amendments, extensions renewals, guaranties and other agreements with respect thereto, pursuant to which Seller holds any Leased Real Property (collectively, the "**Leases**"). Seller has delivered to Buyer a true and complete copy of each Lease. With respect to each Lease:

(i) such Lease is valid, binding, enforceable and in full force and effect, and Seller enjoys peaceful and undisturbed possession of the Leased Real Property;

(ii) Except as set forth in **Section 4.10** of the Disclosure Schedules, Seller is not in breach or default under such Lease, and no event has occurred or circumstance exists which, with the delivery of notice, passage of time or both, would constitute such a breach or default, and Seller has paid all rent due and payable under such Lease;

(iii) Except as set forth in **Section 4.10** of the Disclosure Schedules, Seller has not received nor given any notice of any default or event that with notice or lapse of time, or both, would constitute a default by Seller under any of the Leases and, to the Knowledge of Seller, no other party is in default thereof, and no party to any Lease has exercised any termination rights with respect thereto;

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

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

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

(c) The Leased Real Property is sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitutes all of the real property necessary to conduct the Business as currently conducted.

Section 4.11 Intellectual Property.

(a) **Section 4.11(a)** of the Disclosure Schedules lists all (i) Intellectual Property Registrations and (ii) Intellectual Property Assets that are not registered but that are material to the operation of the Business. All required filings and fees related to the Intellectual Property Registrations have been timely filed with and paid to the relevant Governmental Authorities and authorized registrars, and all Intellectual Property Registrations are otherwise in good standing. Seller has provided Buyer with true and complete copies of file histories, documents, certificates, office actions, correspondence and other materials related to all Intellectual Property Registrations.

(b) Except as set forth in **Section 4.11(b)** of the Disclosure Schedules, Seller owns, exclusively or jointly with other Persons, all right, title and interest in and to the Intellectual Property Assets, free and clear of Encumbrances, other than Permitted Encumbrances. Without limiting the generality of the foregoing, Seller has entered into binding, written agreements with every current and former employee of Seller, and with every current and former independent contractor, whereby such employees and independent contractors (i) assign to Seller any ownership interest and right they may have in the Intellectual Property Assets; and (ii) acknowledge Seller's exclusive ownership of all Intellectual Property Assets. Seller has provided Buyer with true and complete copies of all such agreements. Seller is in full compliance with all legal requirements applicable to the Intellectual Property Assets and Seller's ownership and use thereof.

(c) **Section 4.11(c)** of the Disclosure Schedules lists all Intellectual Property Licenses. Seller has provided Buyer with true and complete copies of all such Intellectual Property Licenses. All such Intellectual Property Licenses are valid, binding and enforceable between Seller and the other parties thereto, and Seller and such other parties are in full compliance with the terms and conditions of such Intellectual Property Licenses.

(d) The Intellectual Property Assets and Intellectual Property Licenses as currently or formerly owned, licensed or used by Seller, and the conduct of the Business as currently and formerly conducted by Seller have not, do not and will not infringe, violate or misappropriate the Intellectual Property of any Person. Seller has not received any communication, and no Action has been instituted, settled or, to Seller's Knowledge, threatened that alleges any such infringement, violation or misappropriation, and none of the Intellectual Property are subject to any outstanding Governmental Order.

(e) **Section 4.11(e)** of the Disclosure Schedules lists all licenses, sublicenses and other agreements pursuant to which Seller grants rights or authority to any Person with respect to any Intellectual Property Assets or Intellectual Property Licenses. Seller has provided Buyer with true and complete copies of all such agreements. All such agreements are valid, binding and enforceable between Seller and the other parties thereto, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, 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 Seller and such other parties are in full compliance with the terms and conditions of such agreements. To Seller's Knowledge, no Person has infringed, violated or misappropriated, or is infringing, violating or misappropriating, any Intellectual Property Assets.

Section 4.12 Inventory. All Inventory, whether or not reflected in the Interim Balance Sheet, consists of a quality usable and salable in the ordinary course of business consistent with past practice, except for expired, obsolete, damaged, defective or slow-moving items that have been written off or written down to fair market value or for which adequate reserves have been established. All Inventory is owned by Seller free and clear of all Encumbrances other than Permitted Encumbrances, and no Inventory is held on a consignment basis. The quantities of each item of Inventory (whether raw materials, work-in-process or finished goods) are not excessive, but are reasonable in the present circumstances of Seller.

Section 4.13 Accounts Receivable. The Accounts Receivable reflected on the Interim Balance Sheet and the Accounts Receivable arising after the date thereof (a) have arisen from bona fide transactions entered into by Seller involving the sale of goods or the rendering of services in the ordinary course of business consistent with past practice; (b) constitute only valid, undisputed claims of Seller not subject to claims of set-off or other defenses or counterclaims other than normal cash discounts accrued in the ordinary course of business consistent with past practice; and (c) subject to a reserve for bad debts shown on the Interim Balance Sheet or, with respect to Accounts Receivable arising after the Interim Balance Sheet Date, on the accounting records of the Business, are collectible in full within 90 days after billing. The reserve for bad debts shown on the Interim Balance Sheet or, with respect to Accounts Receivable arising after the Interim Balance Sheet Date, on the consolidated accounting records of the Seller and Subsidiary have been estimated in good faith based on the anticipated collectibility of the accounts.

Section 4.14 Customers and Suppliers.

(a) **Section 4.14(a)** of the Disclosure Schedules sets forth with respect to the Business (i) each customer who has paid aggregate consideration to Seller or Subsidiary for goods or services rendered in an amount greater than or equal to $10,000 for each of the two most recent fiscal years (collectively, the "**Material Customers**"); and (ii) the amount of consideration paid by each Material Customer during such periods. Except as set forth in **Section 4.14(a)** of the Disclosure Schedules, neither Seller nor Subsidiary has received any notice or threat that any of the Material Customers has ceased, or intends to cease after the Closing, to use the goods or services of the Business or to otherwise terminate or materially reduce its relationship with the Business.

(b) **Section 4.14(b)** of the Disclosure Schedules sets forth with respect to the Business (i) each supplier to whom Seller or Subsidiary has paid consideration for goods or services rendered in an amount greater than or equal to $10,000 for each of the two most recent fiscal years (collectively, the "**Material Suppliers**"); and (ii) the amount of purchases from each Material Supplier during such periods. Except as set forth in **Section 4.14(b)** of the Disclosure Schedules, neither Seller nor Subsidiary has received any notice or threat that any of the Material Suppliers has ceased, or intends to cease, to supply goods or services to the Business or to otherwise terminate or materially reduce its relationship with the Business.

Section 4.15 Insurance. Section 4.15 of the Disclosure Schedules sets forth (a) a true and complete list of all current policies or binders of fire, liability, product liability, umbrella liability, real and personal property, workers' compensation, vehicular, fiduciary liability and other casualty and property insurance maintained by Seller or its Affiliates and relating to the Business, the Purchased Assets or the Assumed Liabilities (collectively, the "**Insurance Policies**"); and (b) with respect to the Business, the Purchased Assets or the Assumed Liabilities, a list of all pending insurance claims and the insurance claims history for Seller since January 1, 2009. Except as set forth on **Section 4.15** of the Disclosure Schedules, (i) there are no insurance claims related to the Business, the Purchased Assets or the Assumed Liabilities pending under any such Insurance Policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights; (ii) neither Seller nor any

of its Affiliates has received any written notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such Insurance Policies (iii) all premiums due on such Insurance Policies have either been paid or, if not yet due, accrued; (iv) all such Insurance Policies (a) are in full force and effect and enforceable in accordance with their terms; (b) are provided by carriers who are financially solvent; and (c) have not been subject to any lapse in coverage; (v) none of Seller or any of its Affiliates is in default under, or has otherwise failed to comply with, in any material respect, any provision contained in any such Insurance Policy. The Insurance Policies are of the type and in the amounts customarily carried by Persons conducting a business similar to the Business and are sufficient for compliance with all applicable Laws and Contracts to which Seller is a party or by which it is bound. True and complete copies of the Insurance Policies have been made available to Buyer.

Section 4.16 Legal Proceedings; Governmental Orders.

(a) Except as set forth in **Section 4.16(a)** of the Disclosure Schedules, there are no Actions pending or, to Seller's Knowledge, threatened against or by Seller or Subsidiary (a) relating to or affecting the Business, the Purchased Assets or the Assumed Liabilities; or (b) that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. To Seller's Knowledge, no event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

(b) Except as set forth in **Section 4.16(b)** of the Disclosure Schedules, there are no outstanding Governmental Orders and no unsatisfied judgments, penalties or awards against, relating to or affecting the Business. Seller and Subsidiary are in compliance with the terms of each Governmental Order set forth in **Section 4.16(b)** of the Disclosure Schedules. To Seller's Knowledge, no event has occurred or circumstances exist that may constitute or result in (with or without notice or lapse of time) a violation of any such Governmental Order.

Section 4.17 Compliance With Laws; Permits.

(a) Except as set forth in **Section 4.17(a)** of the Disclosure Schedules, Seller and Subsidiary have complied, and is now complying, in all material respects, with all Laws applicable to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets.

(b) All material Permits required for Seller and Subsidiary to conduct the Business as currently conducted or for the ownership and use of the Purchased Assets have been obtained by Seller or Subsidiary, as applicable, and are valid and in full force and effect. All fees and charges with respect to such Permits as of the date hereof have been paid in full. **Section 4.17(b)** of the Disclosure Schedules lists all current Permits issued to Seller which are related to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets, including the names of the Permits and their respective dates of issuance and expiration. No event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in the revocation, suspension, lapse or limitation of any Permit set forth in **Section 4.17(b)** of the Disclosure Schedules.

Section 4.18 Environmental Matters.

(a) The operations of Seller and Subsidiary with respect to the Business and the Purchased Assets are currently and have been in compliance with all Environmental Laws in all material respects. Seller and Subsidiary have not received from any Person, with respect to the Business or the Purchased Assets, any: (i) Environmental Notice or Environmental Claim; or (ii) written request for information pursuant to Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the Closing Date.

(b) Seller and Subsidiary have obtained and are in material compliance with all Environmental Permits (each of which is disclosed in **Section 4.18(b)** of the Disclosure Schedules) necessary for the conduct of the Business as currently conducted or the ownership, lease, operation or use of the Purchased Assets and all such Environmental Permits are in full force and effect and shall be maintained in full force and effect by Seller or Subsidiary, as applicable, through the Closing Date in accordance with Environmental Law, and Seller is not aware of any condition, event or circumstance that might prevent or impede, after the Closing Date, the conduct of the Business as currently conducted or the ownership, lease, operation or use of the Purchased Assets. With respect to any such Environmental Permits, Seller has undertaken, or will undertake prior to the Closing Date, all measures necessary to facilitate transferability of the same, and Seller is not aware of any condition, event or circumstance that might prevent or impede the transferability of the same, and has not received any Environmental Notice or written communication regarding any material adverse change in the status or terms and conditions of the same.

(c) None of the Business or the Purchased Assets or any real property currently or formerly owned, leased or operated by Seller in connection with the Business is listed on, or, to Seller's Knowledge, has been proposed for listing on, the National Priorities List (or CERCLIS) under CERCLA, or any similar state list.

(d) There has been no Release of Hazardous Materials in contravention of Environmental Law with respect to the Business or the Purchased Assets or any real property currently or formerly owned, leased or operated by Seller or Subsidiary in connection with the Business, and Seller has not received an Environmental Notice that any of the Business or the Purchased Assets or real property currently or formerly owned, leased or operated by Seller in connection with the Business (including soils, groundwater, surface water, buildings and other structure located thereon) has been contaminated with any Hazardous Material which could reasonably be expected to result in an Environmental Claim against, or a violation of Environmental Law or term of any Environmental Permit by, Seller.

(e) **Section 4.18(e)** of the Disclosure Schedules contains a complete and accurate list of all active or abandoned aboveground or underground storage tanks owned or operated by Seller in connection with the Business or the Purchased Assets.

(f) **Section 4.18(f)** of the Disclosure Schedules contains a complete and accurate list of all off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by Seller and any predecessors in connection with the Business or the Purchased Assets as to which Seller may retain liability, and none of these facilities or locations has been placed or proposed for placement on the National Priorities List (or CERCLIS) under CERCLA, or any similar state list, and Seller has not received any Environmental Notice regarding potential liabilities with respect to such off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by Seller.

(g) Seller has not retained or assumed, by contract or operation of Law, any liabilities or obligations of third parties under Environmental Law.

(h) Seller has provided or otherwise made available to Buyer and listed in **Section 4.18(h)** of the Disclosure Schedules: (i) any and all environmental reports, studies, audits, records, sampling data, site assessments, risk assessments, economic models and other similar documents with respect to the Business or the Purchased Assets or any real property currently or formerly owned, leased or operated by Seller in connection with the Business which are in the possession or control of Seller or Subsidiary related to compliance with Environmental Laws, Environmental Claims or an Environmental Notice or the Release of Hazardous Materials; and (ii) any and all material documents concerning planned or anticipated capital expenditures required to reduce, offset, limit or otherwise control pollution and/or

emissions, manage waste or otherwise ensure compliance with current or future Environmental Laws (including, without limitation, costs of remediation, pollution control equipment and operational changes).

(i) Seller is not aware of or reasonably anticipates, as of the Closing Date, any condition, event or circumstance concerning the Release or regulation of Hazardous Materials that might, after the Closing Date, prevent, impede or materially increase the costs associated with the ownership, lease, operation, performance or use of the Business or the Purchased Assets as currently carried out.

Section 4.19 Employee Benefit Matters.

(a) **Section 4.19(a)** of the Disclosure Schedules contains a true and complete list of each non-equity benefit, retirement, employment, compensation, incentive, change in control, severance, vacation, paid time off, fringe-benefit and other similar agreement, plan, policy, program and other arrangement (and any amendments thereto), whether or not reduced to writing, in effect and covering one or more Employees, former employees and the beneficiaries and dependents of any such Employee or former employee of the Business, and is maintained, sponsored, contributed to, or required to be contributed to by Seller, or under which Seller has or may have any liability for premiums or benefits (as listed on **Section 4.19(a)** of the Disclosure Schedules, each, a "**Benefit Plan**").

(b) With respect to each Benefit Plan, Seller has made available to Buyer, to the extent within Seller's possession, accurate, current and complete copies of each of the following: (i) where the Benefit Plan has been reduced to writing, the plan document together with all amendments; (ii) where the Benefit Plan has not been reduced to writing, a written summary of all material plan terms; (iii) where applicable, copies of any trust agreements, custodial agreements, insurance policies, administration agreements and similar agreements, and investment management or investment advisory agreements; (iv) copies of any summary plan descriptions, employee handbooks or similar employee communications relating to any Benefit Plan; and (v) in the case of any Benefit Plan that is intended to be qualified under Section 401(a) of the Code, a copy of the most recent determination letter from the Internal Revenue Service.

(c) Except as set forth in **Section 4.19(b)** of the Disclosure Schedules, each Benefit Plan that is intended to be qualified under Section 401(a) of the Code (a "**Qualified Benefit Plan**") has received a favorable and current determination letter from the Internal Revenue Service, or with respect to a prototype plan, can rely on an opinion letter from the Internal Revenue Service to the prototype plan sponsor, to the effect that such Qualified Benefit Plan is so qualified and that the plan and the trust related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, and nothing has occurred that could reasonably be expected to cause the revocation of such determination letter from the Internal Revenue Service or the unavailability of reliance on such opinion letter from the Internal Revenue Service, as applicable. Except as set forth in **Section 4.19(c)** of the Disclosure Schedules, nothing has occurred with respect to any Benefit Plan that could reasonably be expected to subject Buyer or any of its Affiliates, with respect to any period on or after the Closing Date, to a penalty under Section 502 of ERISA or to an excise tax under the Code, or subject the assets of any of the foregoing Persons to a lien under Section 412(n) of the Code.

(d) Neither Seller nor any of its Affiliates (i) has any assets subject to a lien for unpaid contributions to any Benefit Plan which would become a liability of Buyer or (ii) is engaged in any transaction which would give rise to liability under Section 4069 or Section 4212(c) of ERISA which would become a liability of Buyer.

(e) Except as set forth in **Section 4.19(e)** of the Disclosure Schedules and other than as required under Section 601 et. seq. of ERISA, no Benefit Plan provides benefits or coverage in the nature of health, life or disability insurance following retirement or other termination of employment (other than death benefits when termination occurs upon death).

(f) Except as set forth in **Section 4.19(f)** of the Disclosure Schedules, there is no pending or, to Seller's Knowledge, threatened action relating to a Benefit Plan that can reasonably be expected to result in a liability to Buyer or its Affiliates on or after the Closing Date.

(g) From January 1, 2009 to the date hereof, each Benefit Plan that is subject to Section 409A of the Code has been operated in compliance with such section and all applicable regulatory guidance (including, without limitation, proposed regulations, notices, rulings, and final regulations).

(h) Except as set forth in **Section 4.19(h)** of the Disclosure Schedules, no Benefit Plan exists that could (i) result in the payment to any Employee of any money or other property; or (ii) accelerate or provide any other rights or benefits (including funding of compensation or benefits through a trust or otherwise) to any Employee, except as a result of any partial plan termination resulting from this Agreement, in each case, as a result of the execution of this Agreement or otherwise related in any way to the transactions contemplated by this Agreement.

Section 4.20 Employment Matters.

(a) **Section 4.20(a)** of the Disclosure Schedules contains a list of all persons who are Employees or are consultants or contractors of the Business performing services that would typically be performed, in the normal course of business, by employees of a company as of the date hereof, and sets forth for each such individual the following: (i) name; (ii) title or position (including whether full or part time); (iii) hire date; (iv) current annual base compensation rate; (v) commission, bonus or other incentive-based compensation; and (vi) a description of the fringe benefits provided to each such individual as of the date hereof. Except as set forth in **Section 4.20(a)** of the Disclosure Schedules, as of the date hereof, all commissions and bonuses payable to Employees, consultants, or contractors of the Business for services performed on or prior to the date hereof have been paid in full and there are no outstanding agreements, understandings or commitments of Seller with respect to any commissions, bonuses or increases in compensation.

(b) Except as set forth in **Section 4.20(b)** of the Disclosure Schedules, neither Seller nor Subsidiary is a party to, or bound by, any collective bargaining or other Contract with a labor organization representing any of its Employees, and there are no labor organizations representing, purporting to represent or, to Seller's Knowledge, attempting to represent any Employee. Except as set forth in **Section 4.20(b)** of the Disclosure Schedules, there has never been, nor has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor activity or dispute affecting Seller, Subsidiary or any of their Employees.

(c) Seller and Subsidiary are and have been in compliance in all material respects with the terms of the collective bargaining agreements and other Contracts listed on **Section 4.20(b)** of the Disclosure Schedules and all applicable Laws pertaining to employment and employment practices to the extent they relate to the Employees, including all Laws relating to labor relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, child labor, health and safety, workers' compensation, leaves of absence and unemployment insurance. All individuals characterized and treated by Seller or Subsidiary as consultants or contractors of the Business are properly treated as independent contractors under all applicable Laws. There are no Actions against

Seller or Subsidiary pending, or to the Seller's Knowledge, threatened to be brought or filed, by or with any Governmental Authority or arbitrator in connection with the employment of any current or former employee, consultant or independent contractor of the Business, including, without limitation, any claim relating to unfair labor practices, employment discrimination, harassment, retaliation, equal pay or any other employment related matter arising under applicable Laws.

(d) Seller has complied in all material respects with the WARN Act and it has no plans to undertake any action in the future that would trigger the WARN Act.

Section 4.21 Taxes. Except as set forth in **Section 4.21** of the Disclosure Schedules:

(a) All Tax Returns of Seller and Subsidiary required to be filed for any Pre-Closing Tax Period have been, or will be, timely filed. Such Tax Returns are, or will be, true, complete and correct in all respects. All Taxes due and owing by Seller (whether or not shown on any Tax Return) and Subsidiary have been, or will be, timely paid.

(b) There are no Encumbrances for Taxes upon any of the Purchased Assets nor, to Seller's Knowledge, is any taxing authority in the process of imposing any Encumbrances for Taxes on any of the Purchased Assets (other than for current Taxes not yet due and payable).

(c) The unpaid Taxes of Subsidiary (A) did not, as of the Interim Balance Sheet Date, exceed the reserve for Tax Liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the Interim Balance Sheet (rather than in any notes thereto) and (B) do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of Subsidiary in filing its Tax Returns.

(d) Subsidiary has withheld and paid each Tax required to have been withheld and paid in connection with amounts paid or owing to any Employee, independent contractor, creditor, customer, shareholder or other party, filed all Tax Returns and reports with respect to employee Tax withholding and complied with all information reporting and backup withholding provisions of applicable Law.

(e) No (i) extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of Subsidiary; (ii) power of attorney has been granted by Subsidiary with respect to any Tax matter which is currently in force and (iii) claim has ever been made by an authority in a jurisdiction where Subsidiary does not file Tax Returns that Subsidiary is or may be subject to taxation by that jurisdiction.

(f) All deficiencies asserted, or assessments made, against Subsidiary as a result of any examinations by any taxing authority have been fully paid. Subsidiary is not a party to any Action, or any pending or threatened Action, by any taxing authority.

(g) Seller is not a “foreign person” as that term is used in Treasury Regulations Section 1.1445-2.

(h) Subsidiary is not, and has never been, a party to, or a promoter of, a “reportable transaction” within the meaning of Section 6707A(c)(1) of the Code and Treasury Regulations Section 1.6011 4(b).

Section 4.22 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Seller.

Section 4.23 Full Disclosure. No representation or warranty by Seller in this Agreement and no statement contained in the Disclosure Schedules to this Agreement or any certificate or other document furnished or to be furnished to Buyer pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that the statements contained in this **Article V** are true and correct as of the date hereof.

Section 5.01 Organization of Buyer. Buyer is a limited liability company duly organized, validly existing and in good standing under the Laws of the state of Delaware.

Section 5.02 Authority of Buyer. Buyer has full limited liability company power and authority to enter into this Agreement and the other Transaction Documents to which Buyer is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is a party, the performance by Buyer of its obligations hereunder and thereunder and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite limited liability company action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by Seller) this Agreement constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms. When each other Transaction Document to which Buyer is or will be a party has been duly executed and delivered by Buyer (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document will constitute a legal and binding obligation of Buyer enforceable against it in accordance with its terms.

Section 5.03 No Conflicts; Consents. The execution, delivery and performance by Buyer of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of formation, operating agreement or other organizational documents of Buyer; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Buyer; or (c) except as set forth in **Section 5.03** of the Disclosure Schedules, require the consent, notice or other action by any Person under any Contract to which Buyer is a party. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Buyer in connection with the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, except for such filings as may be required under the HSR Act and such consents, approvals, Permits, Governmental Orders, declarations, filings or notices which, in the aggregate, would not have a Material Adverse Effect.

Section 5.04 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Buyer.

Section 5.05 Sufficiency of Funds. Buyer has sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Cash Payment Amount and consummate the transactions contemplated by this Agreement.

Section 5.06 Legal Proceedings. There are no Actions pending or, to Buyer's knowledge, threatened against or by Buyer or any Affiliate of Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise or serve as a basis for any such Action.

ARTICLE VI
COVENANTS

Section 6.01 Conduct of Business Prior to the Closing. From the date hereof until the earlier of (i) the Closing or (ii) the termination of this Agreement pursuant to Article X, except as otherwise provided in this Agreement or consented to in writing by Buyer (which consent shall not be unreasonably withheld or delayed), Seller shall, and shall cause Subsidiary to, (x) conduct the Business in the ordinary course of business consistent with past practice; and (y) use reasonable best efforts to maintain and preserve intact its current Business organization, operations and franchise and to preserve the rights, franchises, goodwill and relationships of its Employees, customers, lenders, suppliers, regulators and others having relationships with the Business. Without limiting the foregoing, from the date hereof until the Closing Date, Seller shall, and shall cause Subsidiary to:

(a) preserve and maintain all Permits required for the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets;

(b) pay the debts, Taxes and other obligations of the Business when due, to the extent such actions are consistent with the orders of the Bankruptcy Court and the requirements of the lender under the DIP Loan;

(c) continue to collect Accounts Receivable in a manner consistent with past practice, without discounting such Accounts Receivable;

(d) maintain the properties and assets included in the Purchased Assets in the same condition as they were on the date of this Agreement, subject to reasonable wear and tear;

(e) continue in full force and effect without modification all Insurance Policies, except as required by applicable Law;

(f) defend and protect the properties and assets included in the Purchased Assets from infringement or usurpation;

(g) perform all of its obligations under all Assigned Contracts;

(h) maintain the Books and Records in accordance with past practice;

(i) comply in all material respects with all Laws applicable to the conduct of the Business or the ownership and use of the Purchased Assets; and

(j) not take or permit any action that would cause any of the changes, events or conditions described in **Section 4.06** to occur.

Section 6.02 Access to Information. From the date hereof until the earlier of (i) the Closing or (ii) the termination of this Agreement pursuant to Article X, Seller shall, at reasonable business hours and upon reasonable advance notice (a) afford Buyer and its Representatives full and free access to and the right to inspect all of the Real Property, properties, assets, premises, Books and Records, Contracts

and other documents and data related to the Business; (b) furnish Buyer and its Representatives with such financial, operating and other data and information related to the Business as Buyer or any of its Representatives may reasonably request; and (c) instruct the Representatives of Seller to cooperate with Buyer in its investigation of the Business. Any investigation pursuant to this **Section 6.02** shall be conducted in such manner as not to interfere unreasonably with the conduct of the Business or any other businesses of Seller. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Seller in this Agreement.

Section 6.03 Alternative Transaction.

Until such time as the Bankruptcy Court has approved the bidding procedures:

(a) Seller shall not, and shall not authorize or permit any of its Affiliates or any of its or their Representatives to, directly or indirectly, (i) encourage, solicit, initiate, facilitate or continue inquiries regarding an Acquisition Proposal; (ii) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal; or (iii) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal. Seller shall immediately cease and cause to be terminated, and shall cause its Affiliates and all of its and their Representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons conducted heretofore with respect to, or that could lead to, an Acquisition Proposal. For purposes hereof, "**Acquisition Proposal**" means any inquiry, proposal or offer from any Person (other than Buyer or any of its Affiliates) relating to the direct or indirect disposition, whether by sale, merger or otherwise, of all or any portion of the Business or the Purchased Assets.

(b) In addition to the other obligations under this **Section 6.03**, Seller shall promptly (and in any event within three Business Days after receipt thereof by Seller or its Representatives) advise Buyer orally and in writing of any Acquisition Proposal, any request for information with respect to any Acquisition Proposal, or any inquiry with respect to or which could reasonably be expected to result in an Acquisition Proposal, the material terms and conditions of such request, Acquisition Proposal or inquiry, and the identity of the Person making the same.

(c) Seller agrees that the rights and remedies for noncompliance with this **Section 6.03** shall include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Buyer and that money damages would not provide an adequate remedy to Buyer.

(d) Upon approval of the bidding procedures by the Bankruptcy Court, Seller may solicit and receive Acquisition Proposals in accordance with such bidding procedures.

Section 6.04 Notice of Certain Events.

(a) From the date hereof until the Closing, Seller shall promptly notify Buyer in writing of:

(i) any fact, circumstance, event or action the existence, occurrence or taking of which (A) has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (B) has resulted in, or could reasonably be expected to result in, any representation or warranty made by Seller hereunder not being true and correct or (C) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions set forth in **Section 7.02** to be satisfied;

(ii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(iii) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement; and

(iv) any Actions commenced or, to Seller's Knowledge, threatened against, relating to or involving or otherwise affecting the Business, the Purchased Assets or the Assumed Liabilities that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to **Section 4.16** or that relates to the consummation of the transactions contemplated by this Agreement.

(b) Buyer's receipt of information pursuant to this **Section 6.04** shall not operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Seller in this Agreement (and shall not be deemed to amend or supplement the Disclosure Schedules.

Section 6.05 Employees and Employee Benefits.

(a) Commencing on the Closing Date, Seller shall terminate all Employees of the Business who are actively at work on the Closing Date, and, at Buyer's sole discretion, Buyer may, but shall not be required to, offer employment, on an "at will" basis, to any or all of such Employees.

(b) Seller shall be solely responsible, and Buyer shall have no obligations whatsoever for, any compensation or other amounts payable to any Employee (or former Employee) of Seller, including, without limitation, hourly pay, commission, bonus, salary, accrued vacations, fringe, pension or profit sharing benefits, or severance pay payable to any Employee (or former Employee) of Seller for any period relating to the service with Seller at any time prior to the Closing Date and Seller shall pay all such amounts to all entitled Employees on or prior to the Closing Date.

(c) Seller shall remain solely responsible for the satisfaction of all claims for medical, dental, life insurance, health accident or disability benefits brought by or in respect of Employees (or former Employees) or agents of Seller which claims relate to events occurring prior to the Closing Date. Seller also shall remain solely responsible for all worker's compensation claims of any Employees (or former Employees) or agents of Seller which relate to events occurring prior to the Closing Date. Seller shall pay, or cause to be paid, all such amounts to the appropriate persons as and when due.

(d) Each Employee of the Business who becomes employed by Buyer in connection with the transaction may be given service credit for purpose of benefit plans offered by Buyer for his or her period of service with the Seller prior to the Closing Date; *provided, however*, that (i) such credit shall be given pursuant to payroll or plan records, at the election of Buyer, in its sole and absolute discretion; and (ii) such service crediting shall be permitted and consistent with Buyer's benefit plans.

Section 6.06 Confidentiality. From and after the Closing, Seller shall, and shall cause its Affiliates to, hold, and shall use its reasonable best efforts to cause its or their respective Representatives to hold, in confidence any and all information, whether written or oral, concerning the Business, except to the extent that Seller can show that such information (a) is generally available to and known by the public through no fault of Seller, any of its Affiliates or their respective Representatives; or (b) is lawfully acquired by Seller, any of its Affiliates or their respective Representatives from and after the Closing from sources which are not prohibited from disclosing such information by a legal, contractual or fiduciary obligation. If Seller or any of its Affiliates or their respective Representatives are compelled to disclose any information by judicial or administrative process or by other requirements of Law, Seller shall promptly notify Buyer in writing and shall disclose only that portion of such information which

Seller is advised by its counsel in writing is legally required to be disclosed, *provided that* Seller shall use reasonable best efforts to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

Section 6.07 Reserved.

Section 6.08 Governmental Approvals and Consents.

(a) Each party hereto shall, as promptly as possible, (i) make, or cause to be made, all filings and submissions (including those under the HSR Act) required under any Law applicable to such party or any of its Affiliates; and (ii) use reasonable best efforts to obtain, or cause to be obtained, all consents, authorizations, orders and approvals from all Governmental Authorities that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement and the other Transaction Documents. Each party shall cooperate fully with the other party and its Affiliates in promptly seeking to obtain all such consents, authorizations, orders and approvals. The parties hereto shall not willfully take any action that will have the effect of delaying, impairing or impeding the receipt of any required consents, authorizations, orders and approvals.

(b) Seller and Buyer shall use reasonable best efforts to give all notices to, and obtain all consents from, all third parties that are described in **Section 4.03** and **Section 5.03** of the Disclosure Schedules.

(c) Without limiting the generality of the parties' undertakings pursuant to subsections (a) and (b) above, each of the parties hereto shall use all reasonable best efforts to:

(i) respond to any inquiries by any Governmental Authority regarding antitrust or other matters with respect to the transactions contemplated by this Agreement or any other Transaction Document;

(ii) avoid the imposition of any order or the taking of any action that would restrain, alter or enjoin the transactions contemplated by this Agreement or any other Transaction Document; and

(iii) in the event any Governmental Order adversely affecting the ability of the parties to consummate the transactions contemplated by this Agreement or any other Transaction Document has been issued, to have such Governmental Order vacated or lifted.

(d) All analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of either party before any Governmental Authority or the staff or regulators of any Governmental Authority, in connection with the transactions contemplated hereunder (but, for the avoidance of doubt, not including any interactions between Seller or Buyer with Governmental Authorities in the ordinary course of business, any disclosure which is not permitted by Law or any disclosure containing confidential information) shall be disclosed to the other party hereunder in advance of any filing, submission or attendance, it being the intent that the parties will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals. Each party shall give notice to the other party with respect to any meeting, discussion, appearance or contact with any Governmental Authority or the staff or regulators of any Governmental Authority, with such notice being sufficient to provide the other party with the opportunity to attend and participate in such meeting, discussion, appearance or contact.

(e) Notwithstanding the foregoing, nothing in this **Section 6.08** shall require, or be construed to require, Buyer or any of its Affiliates to agree to (i) sell, hold, divest, discontinue or limit, before or after the Closing Date, any assets, businesses or interests of Buyer or any of its Affiliates; (ii) any conditions relating to, or changes or restrictions in, the operations of any such assets, businesses or interests which, in either case, could reasonably be expected to result in a Material Adverse Effect or materially and adversely impact the economic or business benefits to Buyer of the transactions contemplated by this Agreement and the other Transaction Documents; or (iii) any material modification or waiver of the terms and conditions of this Agreement.

Section 6.09 Books and Records.

(a) In order to facilitate the resolution of any claims made against or incurred by Seller prior to the Closing, or for any other reasonable purpose, for a period of two years after the Closing, Buyer shall:

(i) retain the Books and Records (including personnel files) relating to periods prior to the Closing in a manner reasonably consistent with the prior practices of Seller; and

(ii) upon reasonable notice, afford the Seller's Representatives reasonable access (including the right to make, at Seller's expense, photocopies), during normal business hours, to such Books and Records.

(b) In order to facilitate the resolution of any claims made by or against or incurred by Buyer after the Closing, or for any other reasonable purpose, for a period of the shorter of (i) two years following the Closing or (ii) the Seller’s corporate existence, Seller shall:

(i) retain the books and records (including personnel files) of Seller which relate to the Business and its operations for periods prior to the Closing; and

(ii) upon reasonable notice, afford the Buyer's Representatives reasonable access (including the right to make, at Buyer's expense, photocopies), during normal business hours, to such books and records.

(c) Neither Buyer nor Seller shall be obligated to provide the other party with access to any books or records (including personnel files) pursuant to this **Section 6.09** where such access would violate any Law.

Section 6.10 Closing Conditions. From the date hereof until the Closing, each party hereto shall use reasonable best efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in **Article VII** hereof.

Section 6.11 Public Announcements. Unless otherwise required by applicable Law or stock exchange requirements (based upon the reasonable advice of counsel), the Seller shall not make any public announcements in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the Buyer, and the parties shall cooperate as to the timing and contents of any such announcement.

Section 6.12 Bulk Sales Laws. The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Buyer; it being understood that any Liabilities arising out of the failure of Seller to comply with the requirements and provisions of any bulk sales, bulk

transfer or similar Laws of any jurisdiction which would not otherwise constitute Assumed Liabilities shall be treated as Excluded Liabilities.

Section 6.13 Receivables. From and after the Closing, if Seller or any of its Affiliates receives or collects any funds relating to any Accounts Receivable or any other Purchased Asset, Seller or its Affiliate shall remit such funds to Buyer within five Business Days after its receipt thereof. From and after the Closing, if Buyer or its Affiliate receives or collects any funds relating to any Excluded Asset, Buyer or its Affiliate shall remit any such funds to Seller within five Business Days after its receipt thereof.

Section 6.14 Transfer Taxes. The Buyer and the Seller shall use best efforts to avoid all transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other Transaction Documents. Seller shall, at its own expense, timely file any Tax Return or other document with respect to such Taxes or fees (and Buyer shall cooperate with respect thereto as necessary).

Section 6.15 [Reserved].

Section 6.16 Further Assurances. Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents.

ARTICLE VII
CONDITIONS TO CLOSING

Section 7.01 Conditions to Obligations of All Parties. The obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) The filings of Buyer and Seller pursuant to the HSR Act, if any, shall have been made and the applicable waiting period and any extensions thereof shall have expired or been terminated.

(b) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Governmental Order which is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

(c) Seller shall have received all consents, authorizations, orders and approvals from the Governmental Authorities referred to in **Section 4.03** and Buyer shall have received all consents, authorizations, orders and approvals from the Governmental Authorities referred to in **Section 5.03**, in each case, in form and substance reasonably satisfactory to Buyer and Seller, and no such consent, authorization, order and approval shall have been revoked.

(d) The Bankruptcy Court shall have entered the Sale Scheduling and Procedures Order and the Sale Order substantially in the forms affixed hereto as Exhibits B and A, respectively (subject to such changes as the Buyer may consent to in its sole discretion), and provided such other relief as may be necessary or appropriate to allow the consummation of the transactions contemplated by this Agreement. The Sale Order shall have become a final and nonappealable order, unless this condition has been waived in writing by Buyer in its sole discretion.

(e) There shall not be in effect, at the Closing Date, any injunction or other binding order of any court or other tribunal having jurisdiction over Seller that prohibits the sale of the Purchased Assets to Buyer. The Sale Order shall not have been reversed or vacated, and shall not be subject to a stay pending appeal. The stay provided for in Section 6004(h) of the Bankruptcy Code shall have been waived by the Bankruptcy Court.

Section 7.02 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment (or, with respect to any obligation other than Bankruptcy Court approval of the Sale Scheduling and Procedures Order and Sale Order, waiver thereof by Seller in writing), at or prior to the Closing, of each of the following conditions:

(a) Other than the representations and warranties of Seller contained in **Section 4.01**, **Section 4.02**, **Section 4.04** and **Section 4.21(a)**, the representations and warranties of Seller contained in this Agreement, the other Transaction Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects). The representations and warranties of Seller contained in **Section 4.01**, **Section 4.02**, **Section 4.04** and **Section 4.21(a)** shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

(b) Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the other Transaction Documents to be performed or complied with by it prior to or on the Closing Date; *provided, that*, with respect to agreements, covenants and conditions that are qualified by materiality, Seller shall have performed such agreements, covenants and conditions, as so qualified, in all respects.

(c) No Action shall have been commenced against Buyer or Seller, which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any transaction contemplated hereby.

(d) All approvals, consents and waivers that are listed on **Section 4.03** of the Disclosure Schedules shall have been received, and executed counterparts thereof shall have been delivered to Buyer at or prior to the Closing.

(e) From the date of this Agreement, there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect.

(f) Seller shall have delivered to Buyer duly executed counterparts to the Transaction Documents (other than this Agreement) and such other documents and deliveries set forth in **Section 3.02(a)**.

(g) Buyer shall have received all Permits that are necessary for it to conduct the Business as conducted by Seller as of the Closing Date.

(h) All Encumbrances relating to the Purchased Assets shall have been released in full, other than Permitted Encumbrances, and Seller shall have delivered to Buyer written evidence, in form satisfactory to Buyer in its sole discretion, of the release of such Encumbrances.

(i) Buyer shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Seller, that each of the conditions set forth in **Section 7.02(a)** and **Section 7.02(b)** have been satisfied (the "**Seller Closing Certificate**").

(j) Buyer shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Seller certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Seller authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby.

(k) Buyer shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Seller certifying the names and signatures of the officers of Seller authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder.

(l) Buyer shall have received a certificate dated as of the Closing Date, sworn under penalties of perjury and in the form and substance required under Treasury Regulations Section 1.1445-2(b) (the "**FIRPTA Certificate**") that Seller is not a foreign person within the meaning of Section 1445 of the Code duly executed by Seller.

(m) Seller shall have delivered to Buyer such other documents or instruments as Buyer reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 7.03 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment (or, with respect to any obligation other than Bankruptcy Court approval of the Sale Scheduling and Procedures Order and Sale Order, waiver thereof by Buyer in writing), at or prior to the Closing, of each of the following conditions:

(a) Other than the representations and warranties of Buyer contained in **Section 5.01**, **Section 5.02** and **Section 5.04**, the representations and warranties of Buyer contained in this Agreement, the other Transaction Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects). The representations and warranties of Buyer contained in **Section 5.01**, **Section 5.02** and **Section 5.04** shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date.

(b) Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the other Transaction Documents to be performed or complied with by it prior to or on the Closing Date; *provided, that*, with respect to agreements, covenants and conditions that are qualified by materiality, Buyer shall have performed such agreements, covenants and conditions, as so qualified, in all respects.

(c) No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any material transaction contemplated hereby.

(d) All approvals, consents and waivers that are listed on **Section 5.03** of the Disclosure Schedules shall have been received, and executed counterparts thereof shall have been delivered to Seller at or prior to the Closing.

(e) Buyer shall have delivered to Seller duly executed counterparts to the Transaction Documents (other than this Agreement) and such other documents and deliveries set forth in **Section 3.02(b)**.

(f) Seller shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Buyer, that each of the conditions set forth in **Section 7.03(a)** and **Section 7.03(b)** have been satisfied (the "**Buyer Closing Certificate**").

(g) Seller shall have received a certificate of an authorized officer of Buyer certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Buyer authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby.

(h) Seller shall have received a certificate of an authorized officer of Buyer certifying the names and signatures of the officers of Buyer authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder.

(i) Buyer shall have delivered to Seller such other documents or instruments as Seller reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

ARTICLE VIII
RESERVED

ARTICLE IX
BANKRUPTCY MATTERS

Section 9.01 Motion. Seller has filed with the Bankruptcy Court a motion (the "**Motion**") seeking the Bankruptcy Court's approval of the Sale Scheduling and Procedures Order and the scheduling of the sale of assets contemplated by this Agreement, and has obtained the Bankruptcy Court's approval of the procedures therefor attached as Exhibit B. Seller has sought approval of the Sale Order attached as Exhibit A to this Agreement.

Section 9.02 Reserved.

Section 9.03 Reserved.

Section 9.04 Assumption of Assigned Contracts. Pursuant to Section 365 of the Bankruptcy Code and as requested by parties to the Assigned Contracts and required by the Bankruptcy Court, Buyer shall provide adequate assurance of future performance under and with respect to the Assigned Contracts.

After the Closing Date, Seller shall be released from any further liability under the Assigned Contracts as provided for under Section 365(k) of the Bankruptcy Code.

Section 9.05 Procedure. To the extent practicable under the circumstances, Seller shall provide Buyer with drafts of any and all pleadings and proposed orders to be filed or submitted in connection with this Agreement for Buyer's prior review and comment. The Sale Scheduling and Procedures Order and Sale Order shall be in substantially the forms affixed hereto as Exhibits B and A, respectively, and any changes thereto shall be subject to Seller's and Buyer's approval, with such approval to be in the sole discretion of each Party. Seller shall seek approval of the Sale Scheduling and Procedures Order and the Sale Order. In the event the entry of the Sale Order shall be appealed, Seller (to the best of its ability) and Buyer shall each defend such appeal.

Section 9.06 Buyer Protections. Seller shall pay to Buyer the Break-up Fee or Expense Reimbursement in accordance with the terms and subject to the conditions set forth in **Section 10.02**.

ARTICLE X
TERMINATION

Section 10.01 Termination.

This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement executed by Seller and Buyer; or

(b) automatically and without any action or notice by either Seller to Buyer, or Buyer to Seller, immediately upon approval by the Bankruptcy Court of an Alternate Transaction;

(c) by Buyer, by notice to Seller:

(i) if the Auction has not concluded by June 1, 2011;

(ii) if Seller accepts an Alternate Transaction;

(iii) if Seller declares that a Person other than Buyer is the winning bidder upon completion of the Auction;

(iv) if the Bankruptcy Court has not entered the Sale Order by June 13, 2011 (or such later date as Buyer may have designated in writing to Seller);

(v) if there has been a material breach by Seller of any representation, warranty or covenant contained in this Agreement which (x) has rendered the satisfaction of any condition to the obligation of Buyer to consummate the transactions contemplated in this Agreement impossible, or is not curable or, if curable, has not been cured within ten (10) days following receipt by Seller of written notice of such violation or breach from Buyer, and (y) has not been waived by Buyer;

(vi) if an order, decree or ruling is issued, or any other action by a Governmental Entity is taken, to restrain, enjoin or otherwise prohibit the transfer of the Purchased Assets contemplated by this Agreement;

(vii) at any time after June 30, 2011, if the Closing shall not have occurred by that date;

(viii) if Seller's Bankruptcy Case shall be dismissed; or

(ix) if there shall be excluded from the Purchased Assets the Lease to the principal manufacturing center of Seller or other Contract, if such Lease or other Contract is identified by Buyer as an Assigned Contract and is not assignable pursuant to the Bankruptcy Code or otherwise without the Consent of any Person other than Seller, to the extent that such Consent shall not have been given prior to the Closing.

(d) by Seller, by notice to Buyer, if there has been a material breach by Buyer of any representation, warranty or covenant contained in this Agreement which (x) has rendered the satisfaction of any condition to the obligation of Seller to consummate the transactions contemplated in this Agreement impossible, or is not curable or, if curable, has not been cured within ten (10) days following receipt by Buyer of written notice of such breach from Seller, and (y) has not been waived by Seller;

(e) by Seller, by notice to Buyer:

(i) if Seller accepts an Alternate Transaction;

(ii) if Seller declares that a Person other than Buyer is the winning bidder upon completion of the Auction; or

(iii) if an order, decree or ruling is issued, or any other action by a Governmental Entity is taken, to restrain, enjoin or otherwise prohibit the transfer of the Purchased Assets contemplated by this Agreement.

Section 10.02 Break-up Fee; Expense Reimbursement.

(a) If this Agreement is terminated by Seller or by Buyer, other than pursuant to **Section 10.01(a)** or **10.01(d)**, and Seller accepts an Alternate Transaction on or before the 180th day following the date of termination of this Agreement, Buyer shall be entitled to payment of a break-up fee in the amount of $500,000 (the "**Break-up Fee**"), payable at Seller's closing with the successful bidder or Buyer in the Alternate Transaction, from the sale proceeds.

(b) If this Agreement is terminated by Seller or by Buyer, other than pursuant to **Section 10.01(a)** or **10.01(d)**, and Seller accepts an Alternate Transaction on or before the 180th day following the date of termination of this Agreement, Seller shall promptly upon demand by Buyer pay the Expense Reimbursement to Buyer in immediately available funds, without need for further order of or from the Bankruptcy Court, upon receipt by Seller of reasonable substantiation of the amount of the Expense Reimbursement.

(c) Seller hereby acknowledges that the obligation to pay the Break-up Fee or the Expense Reimbursement (to the extent due hereunder) shall survive the termination of this Agreement, and shall be a super-priority administrative expense priority obligation of Seller and its bankruptcy estate under Section 364(c)(1) of the Bankruptcy Code with priority over all expenses of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code, subject to any super-majority claims of Seller' post-petition lenders.

Section 10.03 Effect of Termination. In the event of termination of this Agreement in accordance with this Agreement, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except:

(a) as set forth in this **Article IX** and **Section 6.06**, **Section 10.02(a)** and **Article XI** hereof; and

(b) that nothing herein shall relieve any party hereto from liability for any wilful breach of any provision hereof.

ARTICLE XI
MISCELLANEOUS

Section 11.01 Expenses. Except as otherwise expressly provided herein, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred; *provided, however*, Buyer and Seller shall be equally responsible for all filing and other similar fees payable in connection with any filings or submissions under the HSR Act.

Section 11.02 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this **Section 11.02**):

If to Seller:	ReGen Biologics, Inc. 411 Hackensack Avenue Hackensack, NJ 07601 Attention: Gerald E. Bisbee, Jr., Ph.D. Telecopy: 201.651.5141
with a copy to:	Pillsbury Winthrop Shaw Pittman LLP 1650 Tysons Boulevard McLean, VA 22102 Attention: David C. Main, Esq. Telecopy: 703.770.7901
If to Buyer:	Sports Medicine Holding Company, LLC c/o Ivy Capital Partners, LLC One Paragon Drive, Suite 125 Montvale, NJ 07645 Attention: Robert W. Pangia Telecopy: 201.573.8403
with a copy to:	DLA Piper LLP (US) 1251 Avenue of the Americas, 27th Floor

New York, NY 10020
Attention: Jamie Knox, Esq.
Telecopy: 212.884.8692

Section 11.03 Tax Matters. Any agreement between Seller and any of its Subsidiaries regarding allocation or payment of Taxes or amounts in lieu of Taxes shall be deemed terminated at and as of the Closing. Buyer and Seller agree to utilize, or cause their respective Affiliates to utilize, the standard procedure set forth in Revenue Procedure 2004-53 with respect to wage reporting.

Section 11.04 Interpretation. For purposes of this Agreement, (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

Section 11.05 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 11.06 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 11.07 Entire Agreement. This Agreement and the other Transaction Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the other Transaction Documents, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 11.08 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns, including any trustee or estate representative appointed in the Chapter 11 case or any successor Chapter 7 case. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 11.09 No Third-party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 11.10 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 11.11 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than those of the State of New York.

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE INSTITUTED IN THE BANKRUPTCY COURT OF THE STATE OF DELAWARE, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURT AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS **SECTION 11.11(c)**.

Section 11.12 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 11.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

REGEN BIOLOGICS, INC.

By_____

Name: Gerald E. Bisbee, Jr., Ph.D.

Title: President and CEO

SPORTS MEDICINE HOLDING COMPANY, LLC

By_____

Name:

Title:

RBIO, INC.

By_____

Name: Gerald E. Bisbee, Jr., Ph.D.

Title: President and CEO

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

REGEN BIOLOGICS, INC.

By_____

Name:

Title:

SPORTS MEDICINE HOLDING COMPANY, LLC

By Robert W Parg

Name:

Title:

RBIO, INC.

By_____

Name:

Title:

Exhibit A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In Re:	)	**Case No. 11-11083 (PJW)**
REGEN BIOLOGICS, INC.,	)	**Chapter 11**
Debtor.	)	
In Re:	)	**Case No. 11-11084 (PJW)**
RBIO, INC.,	)	**Chapter 11**
Debtor.	)	**Jointly Administered Under Case No. 11-11083**

Re: Docket No. _____

ORDER (I) APPROVING ASSET PURCHASE AGREEMENT AND AUTHORIZING THE SALE OF ASSETS OF THE DEBTORS OUTSIDE THE ORDINARY COURSE OF BUSINESS; (II) APPROVING THE SALE OF ASSETS FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES; (III) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (IV) GRANTING RELATED RELIEF

Upon the motion (the "Motion")[1] of the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"), for, among other things, the entry of an order (the "Sale Order") pursuant to sections 105, 363 and 365 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code") and Rules 2002, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (1) authorizing and approving that certain Asset Purchase Agreement, dated as of **[May __, 2011]**, among Sports Medicine Holding Company, LLC, a Delaware limited liability company (the "Purchaser"), and the Debtors (the "Agreement," attached hereto as Exhibit A); (2) approving the sale of all or substantially all of the Debtors' assets free and clear of liens, claims and encumbrances; (3) authorizing the assumption and

assignment of certain executory contracts and unexpired leases; and (4) granting related relief; and the Court having reviewed the Motion and the Agreement; and the Purchaser having submitted the highest and/or best bid for the Purchased Assets; and a hearing having been held on **[June __, 2011]** (the "Sale Hearing"), to consider the relief requested in the Motion; and upon the proceedings at the Sale Hearing; and adequate and sufficient notice of the Bidding Procedures, the Auction and all sale transactions contemplated by and in the Motion and this Sale Order; and after considering objections, if any, to the Motion; and the Court having determined that the relief requested in the Motion and approval and consummation of the Sale Transaction with the Purchaser are in the best interests of the Debtors, their estates, creditors and other parties-in-interest; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:[2]

A. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, and this matter is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A), (M), (N) and (O). Venue of these cases and the Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

B. The statutory predicates for the relief sought in the Motion are sections 105(a) and 363(b), (f), (m) and (n), and 365 of the Bankruptcy Code and Rules 2002, 6004 and 9014 of the Bankruptcy Rules.

C. Due, proper, timely, adequate and sufficient notice under the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules of the Motion and the relief requested therein, the

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[1] Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Motion, the Bidding Procedures Order or the Agreement, as applicable.

[2] Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Bankruptcy Rule 7052.

Bidding Procedures, the Auction, the Sale Hearing and the Sale Transaction (including, without limitation, the sale of the Purchased Assets) has been provided and is in compliance with the Bidding Procedures and the Bidding Procedures Order; such notice was good, sufficient, and appropriate under the particular circumstances of these cases, and no further or other notice is or shall be required.

D. Cure notices of assignment (the "Cure Notices") and cure amounts (the "Cure Amounts") have been provided to all of the counterparties to executory contracts and unexpired leases of personal property (the "Contracts"), as well as to all of the counterparties to unexpired leases of non-residential real property (the "Real Property Leases"). Such Cure Notices were adequate and sufficient for the assumption and assignment of Contracts and Real Property Leases to the Purchaser all in accordance with and as provided in the Bidding Procedures Order.

E. A reasonable opportunity to object or be heard with respect to the Motion and the Sale Transaction has been afforded to all required parties and creditors.

F. Through marketing efforts and the sale process, the Debtors and their professionals afforded interested potential purchasers a full, fair, and reasonable opportunity to make a higher and/or better offer in accordance with the Bidding Procedures Order.

G. The Purchased Assets are property of the Debtors' estates and title thereto is vested in the Debtors' estates.

H. As demonstrated by (1) the testimony and/or other evidence proferred or adduced at the Sale Hearing, (2) the representations of counsel made on the record at the Sale Hearing, and (3) the record heretofore established in these cases, the Debtors and their professionals have actively marketed the Purchased Assets and conducted the sale process in compliance with the Bidding Procedures Order and the Bidding Procedures.

I. The Purchaser submitted the highest and/or best offer for the Purchased Assets. The Bidding Procedures obtained the highest value for the Purchased Assets for the Debtors and their estates.

J. The Debtors have demonstrated a sufficient basis and the existence of exigent circumstances requiring them to enter into the Agreement and sell the Purchased Assets under section 363 of the Bankruptcy Code, and such actions are appropriate exercises of the Debtors' business judgment and in the best interests of the Debtors, their estates and their creditors.

K. The Debtors (1) have full power and authority to execute any and all documents contemplated in connection with the Agreement and (2) have full power and authority necessary to consummate the Sale Transaction. Other than the consent of this Court, no consents or approvals are required for the Debtors or the Purchaser to consummate the Sale Transaction.

L. Approval of the Agreement and consummation of the Sale Transaction are in the best interests of the Debtors, their creditors, their estates, and other parties-in-interest.

M. The Debtors have demonstrated and proven good, sufficient and sound business purpose and justification for the sale contemplated by the Agreement and this Sale Order, pursuant to sections 363 and 365 of the Bankruptcy Code. The relief requested in the Motion (including, without limitation, the approval of the Agreement) at this time prior to, and outside of, a plan of reorganization is justified. The sale process has been conducted in a manner consistent with the Bidding Procedures Order and the Bidding Procedures. Accordingly, the entry of this Sale Order is necessary and appropriate to maximize the value of the assets of the Debtors' estates.

N. The Agreement was negotiated, proposed and entered into by and among the Debtors and the Purchaser without collusion, in good faith, and from arm's-length bargaining

positions. Neither the Debtors nor the Purchaser has engaged in any conduct that would cause or permit the avoidance of the Agreement or the consummation of the Sale Transaction, or the imposition of costs or damages under section 363(n) of the Bankruptcy Code.

O. The Purchaser has acted in good faith in connection with the Sale Transaction and therefore constitutes a good faith purchaser under section 363(m) of the Bankruptcy Code and, as such, is entitled to all of the protections afforded thereunder.

P. The consideration provided by the Purchaser for the Purchased Assets pursuant to the Agreement (1) is fair and reasonable, (2) is the highest and/or best offer for the Purchased Assets, (3) is in the best interests of the Debtors' creditors and estates, (4) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia, and (5) will provide a greater recovery for the Debtors' creditors and other interested parties than would be provide by any other practically available alternative.

Q. The transfer of the Purchased Assets to the Purchaser in accordance with the Agreement and the other agreements executed and delivered in connection with the Agreement (collectively, the "Purchase Documents") and this Sale Order, will be a legal, valid, enforceable, and effective transfer of the Purchased Assets, and will vest the Purchaser with all rights, title, and interests of the Debtors in and to the Purchased Assets free and clear of all liens, claims, encumbrances and other interests. The Purchaser shall have no liability for any claims against the Debtors or their estates or any liabilities or obligations of the Debtors or their estates including, without limitation, any liabilities arising under or in connection with any product liability suit or other action that might otherwise be brought against the Purchaser under the doctrine of successor or transferee liability or similar doctrine or theory.

R. Subject to the terms of the Agreement, the Purchase Documents and this Sale Order, the Debtors may sell the Purchased Assets free and clear of all liens, claims, encumbrances and other interests of any kind or nature whatsoever because, in each case, one or more of the standards set forth in section 363(f)(l)-(5) of the Bankruptcy Code has been satisfied. Each entity with a security interest in the Purchased Assets has consented to the Sale Transaction, is deemed to have consented to the Sale Transaction, or could be compelled in a legal or equitable proceeding to accept a monetary satisfaction of such interest, or the Sale Transaction otherwise satisfies the requirements of section 363(f) of the Bankruptcy Code.

S. The process for assuming and assigning the Contracts and Real Property Leases is integral to the Agreement, does not constitute unfair discrimination, and is in the best interests of the Debtors and their estates, creditors and all other parties in interest, and represents the reasonable exercise of sound and prudent business judgment by the Debtors. The Debtors have, or will have as of the assumption and assignment of any Contract (as assumed, an "Assumed Contract") or Real Property Lease (as assumed, an "Assumed Real Property Lease") to the Purchaser: (i) to the extent necessary, cured or provided adequate assurance of cure, of any default existing prior to the assumption and assignment of such Assumed Contract or Assumed Real Property Lease, within the meaning of sections 365(b)(1)(A) and 365(f)(2)(A) of the Bankruptcy Code; and (ii) to the extent necessary, provided compensation or adequate assurance of compensation to any party for any actual pecuniary loss to such party resulting from a default prior to the assumption and assignment of such Assumed Contract or Assumed Real Property Lease. The Purchaser's promise to perform the obligations under the Assumed Contracts and Assumed Real Property Leases after their assumption and assignment shall constitute adequate assurance of future performance within the meaning of sections 365(b)(1)(C) and 365(f)(2)(B) of

the Bankruptcy Code to the extent that any such assurance is required and not waived by the counterparties to such Assumed Contracts and Assumed Real Property Leases. Any objections to any Cure Amounts or defaults under any Contracts or Real Property Leases, or the assumption and assignment of any of the Assumed Contracts and Assumed Real Property Leases to the Purchaser have either been resolved, or shall be heard on such date as this Court may designate upon request by the Debtors with prior consent of the Purchaser.

T. The Debtors have demonstrated that assuming and assigning the Assumed Contracts and Assumed Real Property Leases in connection with the Sale Transaction is an exercise of their sound business judgment, and that such assumption and assignment is in the best interests of the Debtors' estates, for the reasons set forth in the Motion and on the record at the Sale Hearing, including, without limitation, because the assumption and assignment of the Assumed Contracts and Assumed Real Property Leases in connection with the Sale Transaction will maintain the ongoing business of the Debtors, limit the losses of counterparties to the Assumed Contracts and Assumed Real Property Leases, and maximize the distribution to creditors of the Debtors.

U. The Sale Transaction must be approved and consummated promptly in order to preserve the value of the Purchased Assets. Therefore, time is of the essence in consummating the Agreement and the Sale Transaction, and the Debtors and the Purchaser intend to close the Sale Transaction as soon as possible. Accordingly, there is cause to lift the stays of execution of this Sale Order contemplated by Bankruptcy Rule 6004(h).

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The relief requested in the Motion is granted.

2. The findings of fact set forth above and conclusions of law stated herein shall constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any finding of fact later shall be determined to be a conclusion of law, it shall be so deemed, and to the extent any conclusion of law later shall be determined to be a finding of fact, it shall be so deemed.

3. All objections to the Motion or the relief requested therein (other than objections to any Cure Amount or defaults under any Contracts or Real Property Leases), if any, that have not been withdrawn, waived, or settled, are hereby overruled on the merits with prejudice.

4. The Agreement, and all of the terms and conditions thereof, and the Sale Transaction, including the assumption by the Debtors of Contracts and Real Property Leases and assignment of Contracts and Real Property Leases to Purchaser, are hereby approved.

5. Pursuant to sections 363(b) and (f) of the Bankruptcy Code, the Debtors are authorized and directed to consummate the Sale Transaction, including the assumption by the Debtors of Contracts and Real Property Leases and assignment of Contracts and Real Property Leases to Purchaser, pursuant to and in accordance with the terms and conditions of the Agreement and this Sale Order, effective immediately upon the entry of this Sale Order.

6. The Debtors are authorized and directed to consummate and implement the transactions contemplated by the Agreement, together with all additional instruments and documents that may be reasonably necessary to consummate and implement the transactions contemplated by the Agreement, and to take all further actions as may be reasonably requested by the Purchaser for the purpose of assigning, transferring, granting, conveying and conferring ownership to the Purchaser, the Purchased Assets, or as may be necessary or appropriate to the performance of the obligations as contemplated by the Agreement.

7. Pursuant to sections 105(a) and 363(f) of the Bankruptcy Code, upon consummation of the Sale Transaction (the "Closing"), the Purchased Assets (and good and marketable title to such Purchased Assets) shall be transferred to the Purchaser, free and clear of all liens, claims, encumbrances and any other interests of any kind or nature whatsoever, with all such liens, claims, encumbrances or any other interests of any kind or nature whatsoever to attach to the net proceeds of the Sale Transaction in the order of their priority, with the same validity, force and effect which they now have as against the respective Purchased Assets.

8. Except as expressly provided in the Agreement and the Purchase Documents or this Sale Order, all persons and entities (and their respective successors and assigns), including, but not limited to, all debt security holders, equity security holders, governmental, tax, and regulatory authorities, lenders, trade and other creditors, licensors and lessors, holding liens, claims and/or encumbrances of any kind or nature whatsoever (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, senior or subordinated) against, in or with respect to the Debtors and/or the Purchased Assets arising under or out of, in connection with, or in any way relating to, the Debtors, the Purchased Assets, the operation of the Debtors' business prior to the Closing, or the transfer of the Purchased Assets to the Purchaser, shall be forever barred, estopped, and permanently enjoined from asserting such persons' or entities' liens, claims or encumbrances against the Purchaser or the Purchased Assets, effective upon the Closing, to the extent that such liens, claims or encumbrances relate to the Purchased Assets.

9. As of the Closing, this Sale Order shall be construed and shall constitute for any and all purposes a full and complete general assignment, conveyance, and transfer of the Purchased Assets and/or a bill of sale or assignment transferring indefeasible title and interest in

the Purchased Assets, including the Assumed Contracts and Assumed Real Property Leases, to the Purchaser.

10. Pursuant to sections 105(a), 363 and 365 of the Bankruptcy Code, and subject to and conditioned upon the Closing, the Debtors' assumption and assignment to the Purchaser of those Contracts and Real Property Leases designated by the Purchaser on or prior to Closing as Assumed Contracts and Assumed Real Property Leases and the Purchaser's acceptance of such assignment on the terms set forth in the Agreement, the Motion and the Bidding Procedures Order, are hereby approved subject to the terms set forth herein. The Assumed Contracts and Assumed Real Property Leases shall remain in full force and effect for the benefit of the Purchaser in accordance with their respective terms, notwithstanding any provision in any such Assumed Contracts and Assumed Real Property Leases of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code that prohibits, restricts, or conditions such assignment, transfer or sublease. Pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall be relieved from any further liability with respect to the Assumed Contracts and Assumed Real Property Leases arising after assignment to the Purchaser. The Debtors are hereby authorized to execute and deliver to the Purchaser such documents or other instruments as may be necessary to assign or transfer the Assumed Contracts or Assumed Real Property Leases to the Purchaser. On or prior to the Closing, the Purchaser may designate, by written notice to the Debtors, which of the Contracts or Real Property Leases are to be treated as Assumed Contracts or Assumed Real Property Leases (such notice, the "Assumption Notice").

11. Following entry of the Bidding Procedures Order, the Debtors served the Cure Notice by first class mail on all non-debtor counterparties to Contracts and Real Property Leases. The Cure Notice informed each recipient that its respective Contract and/or Real Property Lease

may be designated by the Purchaser as assumed, and the timing and procedures related to such designation, and, to the extent applicable (i) the title of the Contract or Real Property Lease, (ii) the name of the counterparty to the Contract or Real Property Lease, (iii) the Cure Amounts, (iv) the identity of the Purchaser, and (v) the deadline by which any such Contract or Real Property Lease counterparty need to file an objection to the proposed assumption and assignment and/or cure, and the procedures relating thereto.

12. With respect to the Assumed Contracts and Assumed Real Property Leases, to the extent there are any Cure Amounts unpaid as of the Closing, the Purchaser is and shall be obligated, and is hereby directed, to pay or cause to be paid such Cure Amounts in accordance with the Agreement. The Purchaser's obligation to pay the Cure Amounts and the Purchaser's performance of its obligations under the Assumed Contracts and Assumed Real Property Leases after the Closing shall constitute adequate assurance of future performance within the meaning of sections 365(b)(1) and 365(f)(2)(B) of the Bankruptcy Code.

13. Upon the Debtors' assignment of the Assumed Contracts and Assumed Real Property Leases to the Purchaser under the provisions of this Sale Order and Purchaser's payment of the Cure Amounts in accordance with this Sale Order and the Agreement, no default shall exist under any Assumed Contract or Assumed Real Property Lease and no counterparty to any such Assumed Contract or Assumed Real Property Lease shall be permitted to declare or enforce a default by the Debtors or the Purchaser thereunder or otherwise take action against the Purchaser as a result of any Debtor's financial condition, change in control, bankruptcy, or failure to perform any of its obligations under the relevant Contract or Real Property Lease. Any provision in an Assumed Contract or Assumed Real Property Lease that prohibits or conditions the assignment or sublease of such Assumed Contract or Assumed Real Property Lease

(including without limitation, the grant of a lien therein) or allows the counterparty thereto to terminate, recapture, impose any penalty, condition on renewal or extension, or modify any term or condition upon such assignment or sublease, constitutes an unenforceable anti-assignment provision that is void and of no force and effect. The failure of the Debtors or the Purchaser to enforce at any time one or more terms or conditions of any Assumed Contract or Assumed Real Property Lease shall not be a waiver of such terms or conditions, or of the Debtors' and the Purchaser's rights to enforce every term and condition of the Assumed Contract or Assumed Real Property Lease.

14. The aggregate consideration provided by the Purchaser for the Purchased Assets pursuant to the Agreement (including the assignment of the Assigned Contracts thereunder) (a) is fair and reasonable and (b) shall be deemed to constitute reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia. The terms and conditions of the Agreement are fair and reasonable, and may not be avoided under section 363(n) of the Bankruptcy Code.

15. Prior to or upon the Closing of the Sale Transaction, the Debtors' creditors are authorized and directed to execute such documents and take all other actions as may be necessary to release their interests, including, without limitation, all liens, claims and encumbrances, if any, in the Purchased Assets as such interests may have been recorded or may otherwise exist.

16. This Sale Order (a) shall be effective as a determination that, upon the Closing, all liens, claims or encumbrances of any kind or nature whatsoever existing with respect to the Debtors and/or the Purchased Assets prior to the Closing have been unconditionally released, discharged and terminated, and that the conveyances described herein have been effected, and

(b) shall be binding upon all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Purchased Assets.

17. Each and every federal, state, and local governmental agency or department or office is hereby directed to accept this Sale Order and any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Agreement.

18. If any person or entity that has filed financing statements, mortgages, mechanic's liens or other documents or agreements evidencing interests with respect to the Debtors and/or the Purchased Assets shall not have delivered to the Debtors prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all interests which the person or entity has with respect to the Debtors, the Purchased Assets or otherwise, then (a) the Debtors and the Purchaser are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Purchased Assets and (b) the Purchaser and the Debtors are hereby authorized to file, register, or otherwise record a certified copy of this Sale Order, which, once filed, registered, or otherwise recorded, shall constitute conclusive evidence of the release of all liens, claims and/or encumbrances in, against or with respect to the Debtors and/or the Purchased Assets. This Sale Order is deemed to be in recordable form sufficient to be placed in the filing or recording system of each and every federal, state, and local governmental agency, department, or office.

19. The Purchaser shall have no liability for any claims against the Debtors or their estates or any liabilities or obligations of the Debtors or their estates including, without limitation, any liabilities arising under or in connection with any product liability suit or other action that might otherwise be brought against the Purchaser under the doctrine of successor or transferee liability or similar doctrine or theory.

20. The Debtors and the Purchaser are hereby authorized and directed to execute and deliver such closing and other confirmatory documents and to take all actions necessary, desirable and/or appropriate to implement and effectuate the provisions of this Sale Order and the transactions approved hereby, without further order of the Court.

21. This Court hereby retains jurisdiction to enforce and implement the terms and provisions of the Agreement, all amendments thereto, any and all waivers and consents thereunder, and each of the agreements executed in connection therewith in all respects including, but not limited to, retaining jurisdiction to (a) compel the transfer and delivery of the Purchased Assets to the Purchaser, (b) resolve any controversy, dispute or claim arising under or relating to the Agreement or any breach thereof, except as otherwise provided therein, and (c) interpret, implement, and enforce the provisions of this Sale Order and resolve any disputes related hereto. To the extent there are inconsistencies between the terms of this Sale Order and the Agreement, the terms of this Sale Order shall control.

22. Neither the Debtors nor the Purchaser has engaged in any conduct that would cause or permit the Agreement or any part of the Sale Transaction to be avoided under section 363(n) of the Bankruptcy Code. The Purchaser is a purchaser in good faith of the Purchased Assets and is entitled to all of the protections afforded by section 363(m) of the Bankruptcy Code.

23. The terms and provisions of the Agreement and this Sale Order shall be binding in all respects upon, and shall inure to the benefit of, the Debtors, their estates, its creditors, its shareholders, the Purchaser, and any of such parties' respective affiliates, designees, successors, and assigns, and shall be binding in all respects upon any affected third parties including, but not limited to, all persons asserting any liens, claims and/or encumbrances in, on or with respect to the Purchased Assets to be sold (including, without limitation, the Assigned Contracts to be assigned) to the Purchaser pursuant to the Agreement, notwithstanding any subsequent appointment of any trustee(s), examiner(s), or receiver(s) under any Chapter of the Bankruptcy Code or any other law, and all such provisions and terms shall likewise be binding on such trustee(s), examiner(s), or receiver(s), and shall not be subject to rejection. Nothing contained in any Chapter 11 plan confirmed in this case, or the order confirming such plan, shall conflict with or derogate from the provisions of the Agreement or this Sale Order.

24. The failure specifically to include any particular provision of the Agreement in this Sale Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Agreement be authorized and approved in its entirety.

25. The Agreement and the Purchase Documents may be modified, amended, or supplemented by the parties thereto, in a writing signed by both parties, and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates.

26. No bulk sales law or any similar law of any state or other jurisdiction shall apply in any way to the Sale Transaction.

27. Neither the Debtors nor the Purchaser shall be required to pay any commissions to any brokers in connection with the Sale Transaction.

28. The provisions of this Sale Order are non-severable and mutually dependent.

29. Time is of the essence in the occurrence of the Closing of the Sale Transaction and the Debtors and the Purchaser intend to close the Sale Transaction as soon as possible. Accordingly, as provided by Bankruptcy Rule 7062, and notwithstanding Bankruptcy Rule 6004(h), this Sale Order shall not be automatically stayed, but shall be effective and enforceable immediately upon the signing of this Sale Order.

Dated: _____, 2011
Wilmington, Delaware

HONORABLE PETER J. WALSH
UNITED STATES BANKRUPTCY JUDGE

Exhibit B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In Re:	**Case No. 11-11083 (PJW)** **Jointly Administered**
REGEN BIOLOGICS, INC., et al.,[1]	**Chapter 11**
Debtors.	Re: Docket No. 29, 34, 39, 49 & 60

ORDER (I) APPROVING BIDDING PROCEDURES, BREAK-UP FEE AND EXPENSE REIMBURSEMENT IN CONNECTION WITH THE PROPOSED SALE OF ASSETS, (II) SCHEDULING A HEARING DATE, AUCTION, AND BIDDING AND NOTICE AND OBJECTION DEADLINES IN CONNECTION WITH SUCH SALE, (III) ESTABLISHING CERTAIN NOTICE PROCEDURES FOR DETERMINING CURE AMOUNTS FOR EXECUTORY CONTRACTS AND LEASES TO BE ASSIGNED; AND (IV) GRANTING RELATED RELIEF

Upon the motion (the "Motion")[2] of Regen Biologics, Inc. ("ReGen") and RBio, Inc. ("RBio"), as debtors and debtors-in-possession (collectively, the "Debtors") for, among other things, the entry of an order (the "Bidding Procedures Order") pursuant to sections 105 and 363 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code") and Rule 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (A) approving the (i) proposed bidding procedures and protections (collectively, the "Bidding Procedures") and (ii) break-up fee and expense reimbursement arrangements in connection with the proposed sale by the Debtors pursuant to that certain Asset Purchase Agreement dated as of **[May __, 2011]** (the "Purchase Agreement"),[3] among ReGen and RBio (collectively, the

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1 The Debtors in these cases are ReGen Biologics, Inc. ("ReGen") and RBio, Inc ("RBio"). The last four digits of ReGen's and RBio's EIN are 6415 and 8652, respectively. The other name used by RBio is ReGen Biologics.

2 Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Motion or the Bidding Procedures, as applicable.

3 The Purchase Agreement will be filed on or before May 11, 2011.

"Sellers"), as sellers, and Sports Medicine Holding Company, LLC or its designee, as buyer (the "Proposed Buyer"), of the Purchased Assets, (B) scheduling a date for the Auction (the "Auction Date"), and bidding and objection deadlines and procedures in connection with the sale of the Purchased Assets, as set forth in the Purchase Agreement (collectively, the "Sale Transaction"), (C) approving the form and manner of notice thereof, (D) establishing certain notice procedures for determining cure amounts (the "Cure Amounts") for executory contracts (the "Executory Contracts") and unexpired nonresidential real property leases (the "Real Property Leases") that may be assigned (the "Cure Procedures"), and (E) granting such other relief as may be appropriate; and after consideration of the relief requested in the Motion (the "Bidding Procedures Hearing"); and upon the proceedings at the Bidding Procedures Hearing; and after considering objections, if any, to the Motion (the "Objections"); and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, creditors, and other parties-in-interest herein; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:[4]

A. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(a) and 1334 and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N), and (C). Venue of this case and the Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

B. Good and sufficient notice of the relief sought in the Motion has been given and no further notice is required. A reasonable opportunity to object or be heard regarding the relief requested in the Motion (including, without limitation, with respect to the proposed Bidding

[4] Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Bankruptcy Rule 7052.

Procedures, the Cure Procedures, the Break-Up Fee and the Expense Reimbursement) has been afforded to all interested persons and entities.

C. The proposed notice of the Auction, the Sale Transaction (including, without limitation, the sale of the Purchased Assets), the assumption and assignment of Executory Contracts and Real Property Leases, the Cure Procedures, and the Bidding Procedures, as set forth in the Motion and the Purchase Agreement, is good, appropriate, adequate, and sufficient, and is reasonably calculated to provide all interested parties with timely and proper notice of the Auction, the Sale Transaction (including the sale of the Purchased Assets), the assumption and assignment of Executory Contracts and Real Property Leases, the Cure Procedures, and the Bidding Procedures, and no other or further notice of the Auction, the Sale Transaction (including the sale of the Purchased Assets), the assumption and assignment of Executory Contracts and Real Property Leases, the Cure Procedures, and the Bidding Procedures as set forth herein and in the Motion is required.

D. The Bidding Procedures substantially in the form attached hereto as **Exhibit A** and the Cure Procedures substantially in the form attached hereto as **Exhibit B** are fair, reasonable, and appropriate.

E. The Debtors have demonstrated a compelling and sound business justification for authorizing the payment of the Break-Up Fee and Expense Reimbursement to the Proposed Buyer. The Expense Reimbursement will be limited to the reasonable actual out-of-pocket expenses (including professionals' and attorneys' fees), incurred by the Proposed Buyer in connection with the Sale Transaction and in no event will exceed $150,000.

F. The entry of this Bidding Procedures Order is in the best interests of the Debtors, their estates, creditors, and interest holders and all other parties-in-interest herein.

NOW THEREFORE, IT IS HEREBY, ORDERED, ADJUDGED, AND DECREED THAT:

1. The relief requested in the Motion is granted, as set forth herein.

2. All Objections to the entry of this Bidding Procedures Order or to the relief provided herein and requested in the Motion that have not been withdrawn, waived, resolved or settled are hereby denied and overruled in their entirety.

3. The Bidding Procedures substantially in the form attached hereto as **Exhibit A** and the Cure Procedures substantially in the form attached hereto as **Exhibit B** are hereby approved in their entirety.

4. The Proposed Buyer shall constitute a Qualified Bidder for all purposes and in all respects with regard to the Auction, the Bidding Procedures and the overall Sale Transaction process.

5. The Notice of Auction, Sale, and Sale Hearing substantially in the form attached hereto as **Exhibit C** (the "Notice of Auction and Sale Hearing") is hereby approved.

6. The Break-Up Fee of $500,000 and Expense Reimbursement (up to $150,000) and the procedures associated therewith are hereby approved.

7. Upon Sellers executing and delivering a definitive agreement with respect to, or the consummation of, any Alternative Transaction, Sellers are authorized to pay to the Proposed Buyer in cash in immediately available funds the Break-Up Fee and Expense Reimbursement, in accordance with the terms of the Purchase Agreement.

8. In the event the Debtors become obligated to pay the Break-Up Fee or the Expense Reimbursement, then such obligations shall constitute a super-priority administrative expense priority obligation under section 364(c)(l) of the Bankruptcy Code with priority over all

expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, subject to any super-priority claims of the Debtors' post-petition lenders under that certain DIP Loan and Security Agreement, dated as of April 21, 2011 by and among ReGen and RBio and the Proposed Buyer.

9. A Qualified Bidder, other than the Proposed Buyer, who desires to make a bid shall deliver its original bid, one copy thereof, and email a copy of its bid to Debtors' attorneys and local counsel, not later than **May 27, 2011** at **12:00 noon** (prevailing Eastern time) (the "Bid Deadline").

10. The Debtors shall have the right to reject any and all bids that they believe in their reasonable discretion, in consultation with any official committee appointed in these cases, do not comply with the Bidding Procedures.

11. The Auction shall commence on **June 1, 2011** at **10:00 a.m.** (prevailing Eastern time) at the offices of Pillsbury Winthrop Shaw Pittman LLP, 1540 Broadway, New York, NY 10036, or such later time or other place as agreed by the Proposed Buyer and the Debtors, and the Debtors shall notify all Qualified Bidders who have submitted Qualified Competing Bids of such later time or place; provided, however, that in the event that no Qualified Bids are received by the Bid Deadline, the Debtors shall not be required to conduct an Auction and, in such event, the Debtors shall proceed with the approval of the Purchase Agreement with the Proposed Buyer at the Sale Hearing.

12. In the event the date, time or place of the Auction is changed, the Debtors will provide written notice of such change to all Qualified Bidders and the parties listed in paragraph 17 below.

13. The Auction shall be governed by the following procedures:

A. Each Qualified Bidder participating in the Auction will be required to confirm that it has not engaged in any collusion with respect to the bidding or the sale.

B. Each Qualified Bidder shall appear at the Auction in person or through a duly authorized representative.

C. The Auction shall continue until there is only one offer that the Debtors determine, in their business judgment and subject to Court approval, is the highest and otherwise best offer from among the bids submitted at the Auction (the "Successful Bid"). In making this decision, the Debtors may consider, among other things, the amount of the purchase price, the net benefit to the Debtors' estates, the form of consideration being offered, the likelihood of the bidder's ability to close a transaction and the timing thereof and the number, type and nature of any changes to the Purchase Agreement requested by each bidder. The Qualified Bidder submitting the Successful Bid (who may be the Proposed Buyer) shall become the "Successful Bidder."

D. Absent irregularities in the conduct of the Auction, or reasonable and material confusion during the bidding in the business judgment of the Debtors, bids made after the close of the Auction shall not be considered by the Court.

E. The Auction proceeding shall be recorded by stenographer or other means as determined by the Debtors.

F. The Debtors may modify the bidding and conduct of the Auction in consultation with the appointed committee (if any) without further order of the Court, provided there modifications are intended to maximize the value of the Debtor estate.

14. The requirement of Local Rule 6004-1(c)(ii)(C) that the Auction will be conducted openly and all creditors will be permitted to attend is expressly waived.

15. To the extent that the Proposed Buyer's bid embodied in the Purchase Agreement is not the Successful Bid, the Debtors shall file with this Court a supplement (the "Supplement") that will inform the Court of the results of the Auction and identify the Successful Bidder and the party submitting the next highest and the best bid (the "Back-Up Bid"), if any. The Supplement shall contain the following information: (a) the identity of the Successful Bidder; (b) the

consideration to be paid by the Successful Bidder; (c) the proposed form of asset purchase agreement with respect to the Successful Bid; and (d) the proposed form of order approving the asset purchase agreement among the Debtors and the Successful Bidder (the "Sale Order"). The Debtors shall file the Supplement as promptly as is reasonably practicable prior to the Sale Hearing (as hereinafter defined).

16. By **May 6, 2011**, the Debtors will file a notice identifying all Executory Contracts and Real Property Leases that may be assumed and assigned in connection with the Sale Transaction (the "Cure Notice") with this Court and will serve the Cure Notice on all non-debtor parties to any Executory Contracts and Real Property Leases (the "Contract Notice Parties") that may be assumed by the Debtors and assigned to the Successful Bidder; provided, however, that the presence of an Executory Contract or Real Property Lease listed on the Cure Notice does not constitute an admission that such Executory Contract or Real Property Lease is an executory contract or unexpired lease. The Debtors reserve all of their rights, claims and causes of action with respect to the Executory Contracts and Real Property Leases listed on the Cure Notice.

17. All objections by non-debtor parties to the Cure Amount or the Adequate Protection Information must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware, 3rd Floor, 824 Market Street, Wilmington, Delaware 19801, by **June 1, 2011** (the "Cure Objection Deadline"); and (d) be served so as to be received no later than 4:00 p.m. (prevailing Eastern time) on the same day, upon (i) ReGen Biologics, Inc. and RBio, Inc., 411 Hackensack Avenue, Hackensack, NJ 07601, Attn: Gerald E. Bisbee, Jr., Ph.D.; (ii) counsel for the Debtors, Pillsbury Winthrop Shaw Pittman LLP, 2300 N Street, NW, Washington, DC 20037, Attn: Patrick Potter and Phillips, Goldman & Spence, P.A., 12a North

Broom Street, Wilmington, DE 19806, and (iii) counsel for Sports Medicine Holding Company, LLC, DLA Piper LLP (US), 1251 Avenue of the Americas, 27th Floor, New York, NY 10020, Attn: William Goldman and Vincent Roldan (the "Cure Objection Notice Parties"). In the event the Successful Bidder is not the Proposed Buyer, objections regarding adequate assurance of future performance may be raised at the Sale Hearing.

18. Unless a non-debtor party to any Executory Contract or Real Property Lease files an objection to the Cure Amount by the Cure Objection Deadline, then such counterparty shall be (i) forever barred from objecting to the Cure Amount; and (ii) forever barred and estopped from asserting or claiming any Cure Amount against the Debtors, any Successful Bidder or any other assignee of the relevant Executory Contract or Real Property Lease.

19. All timely filed objections to any Cure Amount must set forth (i) the basis for the objection, (ii) the exact amount the party asserts as the Cure Amount, and (iii) sufficient documentation to support the Cure Amount alleged.

20. In the event a party objects to the Cure Amount and is party to an Executory Contract or Real Property Lease to be assumed, such cure objection shall not prevent or delay the Sale Transaction, nor shall it prevent the Court from entering a final Sale Order. Instead, the Cure Amount alleged by the objecting party must be placed in escrow by the Successful Bidder, pending ruling by the Court on the cure objection or by agreement by the parties.

21. Hearings on objections to any Cure Amount may be held on such date as this Court may designate upon request by the Debtors with prior consent of the Successful Bidder.

22. As soon as possible after the Closing Date, the Debtors shall file with this Court a post-closing notice that identifies the Executory Contracts and Real Property Leases that were assumed and assigned to the Successful Bidder as of the Closing Date.

23. Objections, if any, to the Sale Motion or the relief requested therein (the "Sale Objections") must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware, 3rd Floor, 824 Market Street, Wilmington, Delaware 19801, on or before **4:00 p.m.** (prevailing Eastern time) on **June 1, 2011** and (d) be served so as to be received no later than **4:00 p.m.** (prevailing Eastern time) on the same day, upon (i) ReGen Biologics, Inc. and RBio, Inc., 411 Hackensack Avenue, Hackensack, NJ 07601, Attn: Gerald E. Bisbee, Jr., Ph.D.; (ii) counsel for the Debtors, Pillsbury Winthrop Shaw Pittman LLP, 2300 N Street, NW, Washington, DC 20037, Attn: Patrick Potter and Phillips, Goldman & Spence, P.A., 12a North Broom Street, Wilmington, DE 19806; (iii) counsel for Sports Medicine Holding Company, LLC, DLA Piper LLP (US), 1251 Avenue of the Americas, 27th Floor, New York, NY 10020, Attn: William Goldman and Vincent Roldan; (iv) the Office of the United States Trustee, District of Delaware, 844 King Street, Wilmington, DE 19801, Attn: Mark Kenney; and (iv) counsel for any official committee of unsecured creditors appointed in this case. Only timely filed and served responses, objections, or other pleadings will be considered by the Court at the Sale Hearing.

24. A hearing with respect to the Sale Transaction and the entry of the proposed Sale Order (the "Sale Hearing") shall be held on **June 8, 2011** at **9:30 a.m.** (prevailing Eastern time) before the Honorable Peter J. Walsh, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware.

25. Notice of the Auction and Sale Hearing as described in the Motion is hereby deemed to be good and sufficient notice thereof in the following form:

> Not later than three (3) days after the entry of an Order approving this Motion, the Debtors will cause the Notice of Auction and Sale Hearing attached to the Proposed Order to be sent by first-class mail postage prepaid to all of its creditors and all entities known to have

> expressed a *bona fide* interest in acquiring any or all of the Debtors' assets (including the Purchased Assets), all taxing authorities or recording offices which have a reasonably known interest in the relief requested, the Office of the United States Trustee, counsel for any committee formed in this case, all insurers, all non-debtor parties to contracts or leases (executory or other), and any entities who filed a notice of appearance in these cases.

26. The Sale Hearing may be adjourned from time to time, without further notice to creditors or parties-in-interest other than by announcement of said adjournment in Court or on the Court's calendar on the date scheduled for said hearing.

27. The Debtors are hereby authorized and empowered to take such steps, expend such sums of money and do such other things as may be necessary to implement and effect the terms and requirements established by this Bidding Procedures Order and the Sale Order.

28. To the extent any of the terms of this Bidding Procedures Order conflict with the Purchase Agreement, the Bidding Procedures or the Notice of Auction and Sale Hearing, the terms of the Purchase Agreement shall govern.

29. Subject to the terms of the Bidding Procedures attached hereto as **Exhibit A**, the Debtors may (a) identify, in their business judgment, which Qualified Competing Bid is the highest and best offer and (b) reject, at any time before entry of an order of the Court approving a Qualified Competing Bid, any bid other than the proposed Buyer's bid that the Debtors determine is not in conformity with the requirements of the Bidding Procedures, the Bankruptcy Code or the Bankruptcy Rules or is contrary to the best interests of the Debtors and their estates.

30. This Bidding Procedures Order shall be binding upon, and inure to the benefit of the Debtors, the Proposed Buyer, any Successful Bidder, and each of their respective successors and assigns, including any Chapter 7 or 11 trustee or other fiduciary appointed for the estates of

the Debtors, whether in the above-captioned cases, any subsequent bankruptcy cases, or upon dismissal of these cases.

31. This Bidding Procedures Order shall constitute findings of fact and conclusions of law and shall take effect immediately upon execution hereof.

32. As provided by Bankruptcy Rule 6004(h), this Bidding Procedures Order shall not be stayed for 10 days after its entry and shall be effective and enforceable immediately upon its entry.

33. All time periods set forth in this Bidding Procedures Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

34. This Court shall retain jurisdiction over any matters related to or arising from the implementation of this Bidding Procedures Order including, but not limited to, the right to amend this Bidding Procedures Order.

Dated: May 5, 2011
Wilmington, Delaware

HONORABLE PETER J. WALSH
UNITED STATES BANKRUPTCY JUDGE

Exhibit A

Bidding Procedures

Set forth below are the bidding procedures (the "Bidding Procedures")[1] to be employed with respect to an auction (the "Auction") in connection with the sale (the "Sale Transaction") of the Purchased Assets, as defined in the Asset Purchase Agreement (the "Purchase Agreement"), between ReGen Biologics, Inc. ("ReGen") and RBio, Inc. ("RBio," and collectively with ReGen, the "Debtors") and Sports Medicine Holding Company, LLC, or its designee, as buyer (the "Proposed Buyer"). The Purchase Agreement provides that Proposed Buyer will purchase the Purchased Assets by means of a Credit Bid in the amount of at least $15,646,751 (the "Purchase Price"). The Purchase Price consists of the known amount of the Proposed Buyer's pre-petition secured claims, plus the projected outstanding amount under that certain DIP Loan and Security Agreement, dated as of April 21, 2011 by and among ReGen and RBio and the Proposed Buyer, plus a cash component that will be disclosed prior to the Bid Deadline (as hereinafter defined). After the Auction, the Debtors will seek entry of an order from the Bankruptcy Court authorizing and approving the Sale Transaction to the Qualified Bidder (as hereinafter defined) that the Debtors determines has made the highest or best offer (the "Successful Bidder").

The Bidding Process

The Debtors shall (i) determine whether any person is a Qualified Bidder, (ii) coordinate the efforts of Qualified Bidders in conducting their due diligence investigations, (iii) receive offers from Qualified Bidders, and (iv) negotiate any offers made to purchase the Purchased Assets (collectively, the "Bidding Process").

Any person who wishes to participate in the Bidding Process must be a "Qualified Bidder" (defined below).

Participation Requirements

In order to participate in the Bidding Process, each potential bidder (a "Potential Bidder"), other than the Proposed Buyer, must deliver (unless previously delivered) to the Debtors:

(i) An executed confidentiality agreement in form and substance satisfactory to the Debtors; and

(ii) Current audited financial statements of the Potential Bidder, or, if the Potential Bidder is an entity formed for the purpose of acquiring the Purchased Assets, current audited financial statements of the equity holder(s) of the Potential Bidder, or such other form of financial disclosure acceptable to the Debtors and their advisors in their sole discretion.

A "Qualified Bidder" is a Potential Bidder that timely delivers the documents described in subparagraphs (i) and (ii), whose financial information demonstrates the financial capability of the Potential Bidder to consummate the Sale Transaction, and that the Debtors determine is

[1] All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Purchase Agreement or the Motion as applicable.

reasonably likely (based on availability of financing, experience and other considerations) to submit a bona fide offer and to be able to consummate the Sale Transaction if selected as the Successful Bidder.

As soon as reasonably practicable after a Potential Bidder delivers all of the materials required by subparagraphs (i) and (ii) above, the Debtors shall determine, and shall notify the Potential Bidder, if such Potential Bidder is a Qualified Bidder. For avoidance of doubt, the Debtors have already determined that the Proposed Buyer is a Qualified Bidder.

Due Diligence

The Debtors shall afford any Qualified Bidder the opportunity to conduct a reasonable due diligence review. The Debtors shall not be obligated to furnish any due diligence information after the Bid Deadline.

Bid Deadline

A Qualified Bidder who desires to make a bid shall deliver its original bid, one copy thereof, and an email a copy to Debtors' attorneys and local counsel, not later than **May 27, 2011 at 12:00 p.m.** (Eastern time) (the "Bid Deadline"). The Debtors shall promptly distribute copies of the bids to counsel for the Proposed Buyer.

Bid Requirements

All bids must include the following documents (the "Required Bid Documents"):

A. A letter stating that the Potential Bidder's offer is irrevocable until the Sale Hearing; provided, however, that the Successful Bid(s) and the Second Place Bid(s) shall remain open and shall be irrevocable until the earlier of (i) 15 days after the Sale Hearing or (ii) consummation of the Sale Transaction contemplated by the Purchase Agreement with the Successful Bidder or the Second Place Bidder, as the case may be.

B. An executed copy of the asset purchase agreement proposed by such bidder marked to show those amendments and modifications from the Purchase Agreement. The Debtors will consider proposals for less than the Purchased Assets or for assets of the Debtors other than the Purchased Assets, provided that the Debtors may evaluate all Bids in their sole discretion to determine whether such Bid maximizes the value of the Debtors' estate.

C. A good faith deposit (the "Good Faith Deposit") in the form of a certified check (or other form acceptable to the Debtors) payable to the order of the Debtors (or such other party as the Debtors may determine) in the amount of $500,000 (the "Minimum Required Deposit").

D. Written evidence of a commitment for financing or other evidence of the Potential Bidder's ability to consummate the Sale Transaction satisfactory to the Debtors and its advisors.

A bid from a Potential Bidder other than the Proposed Buyer will be considered to be a qualified competing bid (a "Qualified Competing Bid") only if the bid includes all of the Required Bid Documents and (i) is not conditioned upon obtaining financing or upon the outcome of unperformed due diligence by the Potential Bidder, board approval or similar contingencies or conditions, (ii) offers consideration of a value at least the sum of the Purchase Price, plus the first bidding increment of $700,000 in cash, (iii) is not conditioned upon the Bankruptcy Court's approval of any bid protections, such as a break-up fee, termination fee, expense reimbursement, or similar type of payment, (iv) acknowledges and represents that the Potential Bidder (X) has had an opportunity to conduct any and all due diligence regarding the Purchased Assets prior to making its bid, (Y) has relied solely upon its own independent review, investigation, and/or inspection of any documents and/or the Purchased Assets in making its bid, and (Z) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Purchased Assets, or the completeness of any information provided in connection therewith or the Auction, and (v) is received by the Bid Deadline.

Bid Protection

Recognizing the Proposed Buyer's expenditure of time, energy, and resources, the Debtors have agreed to provide, and the Bankruptcy Court has approved, certain bidding protections to the Proposed Buyer. Specifically, the Debtors have agreed that if the Proposed Buyer is not the Successful Bidder, they shall pay to the Proposed Buyer (i) a break up fee of $500,000 (the "Break-Up Fee"), plus (ii) the actual, reasonable out-of-pocket fees and expenses incurred by the Proposed Buyer in connection with the Sale Transaction contemplated by the Purchase Agreement of up to a maximum of $150,000 or as otherwise approved by the Court (the "Expense Reimbursement").

Sale Free and Clear

All of the Debtors' right, title and interest in and to the Purchased Assets shall be sold free and clear of all agreements, obligations, disabilities, claims, security interests, liens, pledges, restrictions, tenancies, mortgages and encumbrances of any nature whatsoever (other than obligations with respect to the Assumed Contracts and Assumed Liabilities, if any) in accordance with Section 363 of the Bankruptcy Code.

Auction

After all Qualified Competing Bids have been received, the Debtors shall conduct the Auction with respect to the Purchased Assets. At the Auction, the Debtors will announce what they believe to be the highest and best Qualified Competing Bid received.

The Auction shall commence at **10:00 a.m.** (prevailing Eastern time) on **June 1, 2011** at the offices of Pillsbury Winthrop Shaw Pittman LLP, 1540 Broadway, New York, NY 10036, or such later time or other place as agreed to by the Proposed Buyer and the Debtors. Only a

Qualified Bidder who has submitted a Qualified Competing Bid is eligible to participate at the Auction. The Auction will be conducted in the presence of all Qualified Bidders and all Qualified Bidders will bid in the presence of each other. During the Auction, bidding shall begin initially with the highest Qualified Competing Bid, and subsequently continue in minimum increments of at least Fifty Thousand Dollars ($50,000) higher than the previous bid. The Auction shall conclude after each participating bidder has had an opportunity to submit an additional subsequent bid, after being advised of the then highest bid and shall run continuously until completed, as determined by the Debtors.

Any overbid (including any subsequent overbids) submitted by the Proposed Buyer during the course of the Auction shall be credited with an amount equal to the sum of the Break-Up Fee and the Expense Reimbursement.

The Auction shall be governed by the following procedures:

(i) Each Qualified Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the sale.

(ii) Each Qualified Bidder shall appear at the Auction in person or through a duly authorized representative.

(iii) The Auction shall continue until there is only one offer that the Debtors determines in their business judgment and subject to Court approval, is the highest and otherwise best offer from among the bids submitted at the Auction (the "Successful Bid"). In making this decision, the Debtors may consider, among other things, the amount of the purchase price, the net benefit to the Debtors' estate, the form of consideration being offered, the likelihood of the bidder's ability to close a transaction and the timing thereof and the number, type and nature of any changes to the Purchase Agreement requested by each bidder. The bidder submitting the Successful Bid (who may be the Proposed Buyer) shall become the "Successful Bidder."

(iv) Absent irregularities in the conduct of the Auction, or reasonable and material confusion during the bidding in the business judgment of the Debtors, bids made after the close of the Auction shall not be considered by the Court.

(v) The Auction proceeding shall be recorded by stenographer or other means as determined by the Debtors.

(vi) The Debtors may modify procedures regarding bidding and to conduct of the Auction, in consultation with an appointed Committee, without further order of the Court, provided the modifications are intended to maximize the value of the Debtors' estates.

In the event no Qualified Competing Bids are received by the Bid Deadline, the Debtors shall not be required to conduct an Auction and in such event, the Debtors shall proceed with the approval of the Purchase Agreement with the Proposed Buyer at the Sale Hearing.

Sale Hearing

The Sale Hearing will be held before the Honorable Peter J. Walsh on **June 8, 2011, at 9:30 a.m.** (prevailing Eastern time) at the United States Bankruptcy Court for the District of Delaware, but may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Hearing or as directed by the Bankruptcy Court. At the Sale Hearing, the Debtors shall seek entry of an order, inter alia, authorizing and approving the Sale Transaction (i) if no other Qualified Competing Bid is received, to the Proposed Buyer pursuant to the terms and conditions set forth in the Purchase Agreement or (ii) if a Qualified Bidder other than the Proposed Buyer submits the Successful Bid, to the Successful Bidder.

Following the Sale Hearing, in the event that the approved sale is not consummated, within five (5) days thereof the Debtors may seek to consummate a sale with respect to the next highest and best Qualified Bid (the "Second Place Bid") with such Qualified Bidder (the "Second Place Bidder"), as disclosed at the Sale Hearing, and, in such event, the Second Place Bidder shall be deemed to be the Successful Bid. The Debtors shall be authorized, but not required, to consummate the sale with the Second Place Bidder without further notice or order of the Bankruptcy Court.

Return of Good Faith Deposit

The Debtors shall refund to those Qualified Bidders who are neither the Successful Bidder nor the Second Place Bidder the Good Faith Deposit received from such bidders within ten (10) business days after the entry of the Sale Order. The Good Faith Deposits of the bidders who have submitted the Successful Bid and the Second Place Bid shall be held until the later of (i) 15 days after the Sale Hearing or (ii) consummation of a sale with the Successful Bidder or the Second Place Bidder, as the case may be. The Debtors is under no obligation to earn interest on any Good Faith Deposit.

Forfeiture of Good Faith Deposit

If a Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Debtors shall have no obligation to return the Good Faith Deposit to such Successful Bidder, and such Good Faith Deposit shall irrevocably become property of the Debtors (subject to existing applicable liens), notwithstanding the consummation of any sale transaction with any other Qualified Bidder.

Exhibit B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In Re:	)	**Case No. 11-11083 (PJW)**
	)	**Jointly Administered**
REGEN BIOLOGICS, INC., et al.,[1]	)	
	)	**Chapter 11**
Debtors.	)	

NOTICE OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES THAT MAY BE ASSUMED AND ASSIGNED, PURSUANT TO SECTION 365 OF THE BANKRUPTCY CODE, IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS AND PROPOSED CURE AMOUNTS WITH RESPECT THERETO

PLEASE TAKE NOTICE THAT:

1. On April 22, 2011, the above-captioned debtors and debtors-in-possession (the "Debtors"), filed their Motion for an Order (I) Approving Bid Procedures Relating to Sale of Certain of the Assets of the Debtors; (II) Scheduling a Hearing to Consider the Sale and Approving the Form and Manner of Notices; (III) Approving Break-Up Fee Provision; (IV) Establishing Certain Notice Procedures for Determining Cure Amounts for Executory Contracts and Leases to be Assigned; and (V) Granting Certain Related Relief (the "Bidding Procedures Motion")[2] with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Pursuant to the Bidding Procedures Motion, the Debtors sought and obtained an order (the "Procedures Order") (a) approving bidding procedures (the "Bidding Procedures") relating to a sale of certain assets (the "Sale Transaction") of the Debtors as set forth below and in that certain Asset Purchase Agreement (the "Purchase Agreement") by and among the Debtors and Sports Medicine Holding Company, LLC, a Delaware limited liability

[1] The Debtors in these cases are ReGen Biologics, Inc. ("ReGen") and RBio, Inc ("RBio"). The last four digits of ReGen's and RBio's EIN are 6415 and 8652, respectively. The other name used by RBio is ReGen Biologics.

company ("Sports Medicine" or the "Purchaser"); and (b) scheduling a hearing (the "Sale Hearing") to consider the sale and, *inter alia*, establishing procedures for noticing and determining cure amounts for executory contracts ("Executory Contracts") and unexpired nonresidential real property leases ("Real Property Leases") to be assigned in connection with the Sale Transaction ("Cure Procedures").

2. On April 22, 2011, the Debtors filed the Motion of Debtors for an Order Pursuant to Sections 105(a) and 363 of the Bankruptcy Code and Rules 2002, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (I) Authorizing the Sale of Certain of their Assets; (II) Approving an Asset Purchase Agreement, Subject to Higher and Better Offers, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (IV) Granting Related Relief (the "Sale Motion"). By the Sale Motion, the Debtors request that at the Sale Hearing, subject to the results of an auction (the "Auction"), the Court enter a sale order (a) authorizing the sale of substantially all of their assets (collectively, the "Purchased Assets"), free and clear of liens, claims, encumbrances, and interests subject to higher or better offers for all or portions of the Purchased Assets; (b) approving the Purchase Agreement by and among the Debtors and Purchaser, subject to higher and better offers; (c) authorizing the assumption and assignment of Executory Contracts and Real Property Leases; and (d) granting related relief.

3. In accordance with the Cure Procedures approved in the Procedures Order, the Debtors hereby file this notice (the "Cure Notice") identifying (i) those Executory Contracts and Real Property Leases that may be assumed and assigned to the Purchaser or such other Successful Bidder on the Closing Date in connection with the Sale Transaction and in

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[2] Capitalized terms not otherwise defined herein shall have the meanings given to them in the

accordance with the procedures proposed in the Bidding Procedures Motion; and (ii) the proposed cure amount (the "Cure Amount") for each Executory Contract and Real Property Lease identified on the Cure Notice.

4. The Purchaser has the committed capital to complete the Sale Transaction and fund the Debtors' expenses through the Closing of the Sale Transaction through its controlling member, Ivy Healthcare Capital II, L.P. The Purchaser also has sufficient funding to perform its obligations under those contracts and leases that are to be assumed and assigned in connection with the Sale Transaction. Further adequate assurance information for the Purchaser (the "Adequate Assurance Information") is available by contacting counsel to the Purchaser, DLA Piper LLP (US), 1251 Avenue of the Americas, 27th Floor, New York, NY 10020, Attn: William M. Goldman and Vincent Roldan and 919 North Market Street, Suite 1500, Wilmington, DE 19801, Attn: Michelle Marino.

5. You have been identified as a party to an Executory Contract or Real Property Lease that the Debtors may seek to assume and/or assign. The Executory Contract or Real Property Lease with respect to which you have been identified as a non-debtor counterparty, and the corresponding proposed Cure Amount for such Executory Contract or Real Property Lease has been set forth on Exhibit 1 attached hereto. The Debtors' records reflect that all postpetition amounts owing under your Executory Contract or Real Property Lease have been paid and will continue to be paid until the assumption and assignment or rejection of the Executory Contract or Real Property Lease, and that other than the Cure Amount, there are no other defaults under the Executory Contract or Real Property Lease.

Bidding Procedures Motion or the Sale Motion (as defined below), as applicable.

6. Objections, if any, to the proposed Cure Amount or the Adequate Assurance Information[3] (the "Cure Objections") must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the clerk of the Bankruptcy Court for the District of Delaware, 3rd Floor, 824 Market Street, Wilmington, Delaware 19801, on or before 4:00 p.m. (prevailing Eastern Time) on **June 1, 2011** (the "Cure Objection Deadline"), and (d) be served so as to be received no later than **4:00 p.m.** (prevailing Eastern Time) on the same day, upon (i) ReGen Biologics, Inc. and RBio, Inc., 411 Hackensack Avenue, Hackensack, NJ 07601, Attn: Gerald E. Bisbee, Jr., Ph.D.; (ii) counsel for the Debtors, Pillsbury Winthrop Shaw Pittman LLP, 2300 N Street, NW, Washington, DC 20037, Attn: Patrick Potter, Jerry Hall and Dania Slim and Phillips, Goldman & Spence, P.A., 1200 North Broom Street, Wilmington, DE 19806, Attn: Stephen W. Spence and Stephen A. Spence; and (iii) counsel for Sports Medicine Holding Company, LLC, DLA Piper LLP (US), 1251 Avenue of the Americas, 27th Floor, New York, NY 10020, Attn: William M. Goldman and Vincent Roldan and 919 North Market Street, Suite 1500, Wilmington, DE 19801, Attn: Michelle Marino. The Cure Objection must set forth (i) the basis for the objection, (ii) the exact amount the party asserts as the Cure Amount, and (iii) sufficient documentation to support the Cure Amount alleged. Only timely filed and served responses, objections, or other pleadings will be considered by the Bankruptcy Court.

7. If a Cure Objection is timely filed, a hearing with respect to the Cure Objection will be held before the Honorable Peter J. Walsh, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 6th Floor, Courtroom 2, Wilmington, DE 19801 as determined by the Debtors in consultation with

[3] In the event that the Successful Bidder is not the Stalking Horse Bidder, objections regarding adequate assurance of future performance may be raised at the Sale Hearing.

the Bankruptcy Court. A hearing regarding the Cure Amount, if any, may be continued at the sole discretion of the Debtors.

8. UNLESS YOU FILE A CURE OBJECTION TO THE PROPOSED CURE AMOUNT SET FORTH ON EXHIBIT 1 HERETO AND SERVE SUCH CURE OBJECTION IN ACCORDANCE WITH THE INSTRUCTIONS AND DEADLINES SET FORTH HEREIN, YOU SHALL BE FOREVER BARRED FROM OBJECTING TO THE CURE AMOUNT SET FORTH ON EXHIBIT 1 AND FOREVER BARRED AND ESTOPPED FROM ASSERTING OR CLAIMING ANY CURE AMOUNT AGAINST THE DEBTORS, ANY SUCCESSFUL BIDDER OR ANY OTHER ASSIGNEE OF THE RELEVANT EXECUTORY CONTRACT OR REAL PROPERTY LEASE.

9. The presence of a contract or agreement listed on Exhibit 1 attached hereto does not constitute an admission that such contract or agreement is an executory contract or unexpired lease or that such contract will be assumed by the Debtors and assigned to any Successful Bidder. The Debtors reserve all of their rights, claims, and causes of action with respect to the contracts listed on Exhibit 1 attached hereto.

Dated: May ___, 2011

PHILLIPS, GOLDMAN & SPENCE, P.A.

By: /s/ Stephen W. Spence
Stephen W. Spence, Esquire (#2033)
Stephen A. Spence, Esquire (#5392)
1200 North Broom Street
Wilmington, DE 19806
(302) 655-4200
(302) 655-4210

Proposed Counsel for the Debtors

PILLSBURY WINTHROP SHAW PITTMAN LLP

Patrick J. Potter (admitted *pro hac vice*)
Jerry Hall (admitted *pro hac vice*)
Dania Slim (admitted *pro hac vice*)
2300 N Street, NW
Washington, DC 20037-1128
Tel: (202) 663-8000
Fax: (202) 663-8007

Proposed Counsel for the Debtors

Exhibit 1

Schedule of Executory Contract and Real Property Lease Cure Amounts

Exhibit C

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In Re:	)	**Case No. 11-11083 (PJW)**
	)	**Jointly Administered**
REGEN BIOLOGICS, INC., et al.,[1]	)	
	)	**Chapter 11**
Debtors.	)	

NOTICE OF AUCTION, SALE AND SALE HEARING

PLEASE TAKE NOTICE that on April 22, 2011, the above-captioned debtors and debtors-in-possession (the "Debtors"), filed their Motion for an Order (I) Approving Bid Procedures Relating to Sale of Certain of the Assets of the Debtors; (II) Scheduling a Hearing to Consider the Sale and Approving the Form and Manner of Notices; (III) Approving Break-Up Fee Provision; (IV) Establishing Certain Notice Procedures for Determining Cure Amounts for Executory Contracts and Leases to be Assigned; and (V) Granting Certain Related Relief (the "Bidding Procedures Motion") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Debtors are selling all or substantially all of their assets related to the Debtors' business free and clear of all liens, claims and encumbrances and interests to the fullest extent allowable under the Bankruptcy Code and assuming and assigning certain executory contracts and unexpired leases. The Debtors have received a Qualified Bid from Sports Medicine Holding Company, LLC, a Delaware limited liability company ("Sports Medicine"). All parties that may be interested in submitting a bid for the Purchased Assets[2] or any other assets of the Debtors or taking part in an Auction (as defined below) must read carefully the Bidding Procedures as outlined in the Bidding Procedures Order (as defined below).

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[1] The Debtors in these cases are ReGen Biologics, Inc. ("ReGen") and RBio, Inc ("RBio"). The last four digits of ReGen's and RBio's EIN are 6415 and 8652, respectively. The other name used by RBio is ReGen Biologics.

PLEASE TAKE FURTHER NOTICE that the Bankruptcy Court approved the Bidding Procedures Motion and scheduled a hearing to consider the Motion of Debtors for an Order Pursuant to Sections 105(a) and 363 of the Bankruptcy Code and Rules 2002, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (I) Authorizing the Sale of Certain of their Assets; (II) Approving an Asset Purchase Agreement, Subject to Higher and Better Offers, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (IV) Granting Related Relief (the "Sale Motion"), for **June 8, 2011 at 9:30 a.m.** (prevailing Eastern time). You may obtain a copy of the Purchase Agreement by making a written request to the undersigned counsel.

PLEASE TAKE FURTHER NOTICE that only those parties that submit Qualified Bids may participate in the Auction (as defined below); if you are interested in determining how to submit such a Qualified Bid, you must comply with the terms of the Bidding Procedures as referenced in the Order granting the Bidding Procedures Motion (the "Bidding Procedures Order"). Any party in interest wishing to receive a complete set of the Purchase Agreement, the Bidding Procedures Motion and the Bidding Procedures Order may do so free of charge upon request of Debtors' counsel (Pillsbury Winthrop Shaw Pittman LLP, 2300 N Street, NW, Washington, DC 20037, Attn: Patrick Potter, Jerry Hall and Dania Slim and Phillips, Goldman & Spence, P.A., 1200 North Broom Street, Wilmington, DE 19806, Attn: Stephen W. Spence and Stephen A. Spence).

PLEASE TAKE FURTHER NOTICE that any party that wishes to take part in this process and submit a bid for the Purchased Assets or any portion thereof must deliver their competing bid, a copy thereof, and email a copy of its bid prior to **May 27, 2011 at 12:00 p.m.**

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[2] Unless otherwise defined herein, all capitalized terms shall have the same meaning ascribed to them in the Bidding Procedures Motion.

(prevailing Eastern time) (the "Bid Deadline") to counsel for the Debtors, Pillsbury Winthrop Shaw Pittman LLP, 2300 N Street, NW, Washington, DC 20037, Attn: Patrick Potter, Jerry Hall and Dania Slim and Phillips, Goldman & Spence, P.A., 1200 North Broom Street, Wilmington, DE 19806, Attn: Stephen W. Spence and Stephen A. Spence.

PLEASE TAKE FURTHER NOTICE that if a Qualified Bid (other than Sports Medicine's Qualified Bid) is received by the Bid Deadline, an auction (the "Auction") with respect to a contemplated transaction shall take place on **June 1, 2011 at 10:00 a.m.** (prevailing Eastern time) at the offices of Pillsbury Winthrop Shaw Pittman LLP, 1540 Broadway, New York, NY 10036, or such other place and time as the Debtors shall notify all parties who have submitted Qualified Bids and expressed their intent to participate in the Auction as set forth above. If, however, no such Qualified Bid is received by the Bid Deadline, then the Auction will not be held, Sports Medicine will be deemed the Successful Bidder, the Purchase Agreement will be the Successful Bid, and, at the Sale Hearing scheduled for **June 8, 2011 at 9:30 a.m.** (prevailing Eastern time), the Debtors will seek approval of and authority to consummate the transaction contemplated by the Purchase Agreement. The Sale Hearing will be held before the Honorable Peter J. Walsh, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 6th Floor, Courtroom 2, Wilmington, DE 19801.

PLEASE TAKE FURTHER NOTICE that only a Qualified Bidder who has submitted a Qualified Bid will be eligible to participate at the Auction. Only the authorized representatives of each of the Qualified Bidders, any official committee formed in the Debtors' cases, and the Debtors shall be permitted to attend the Auction. At the Auction, Qualified Bidders will be permitted to increase their bids. The bidding at the Auction shall begin initially with the highest Qualified Competing Bid and subsequently continue in minimum increments of

at least $50,000.00. The highest or otherwise best Qualified Bid shall be determined by the Debtors in their discretion or as determined by the Bankruptcy Court in the event of a dispute.

PLEASE TAKE FURTHER NOTICE that at the Sale Hearing, the Debtors will present the Successful Bid to the Bankruptcy Court for approval. The Debtors will sell the Purchased Assets or any portion thereof to the Successful Bidder, or to Sports Medicine in accordance with the Purchase Agreement if a higher or otherwise better Qualified Competing Bid is not received and accepted as the Successful Bid. If the Successful Bidder fails to consummate an approved Sale because of a breach or a failure to perform on the part of such Successful Bidder, the next highest or otherwise best Qualified Bid, as approved at the Sale Hearing, shall be deemed to be the Successful Bid and the Debtors shall be authorized to effect such Sale without further order of the Bankruptcy Court.

Objections, if any, to the Sale Motion or the relief requested therein (the "Sale Objections") must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the clerk of the Bankruptcy Court for the District of Delaware, 3rd Floor, 824 Market Street, Wilmington, Delaware 19801, on or before **4:00 p.m.** (prevailing Eastern time) on **June 1, 2011**, and (d) be served so as to be received no later than **4:00 p.m.** (prevailing Eastern time) on the same day, upon (i) ReGen Biologics, Inc. and RBio, Inc., 411 Hackensack Avenue, Hackensack, NJ 07601, Attn: Gerald E. Bisbee, Jr., Ph.D.; (ii) counsel for the Debtors, Pillsbury Winthrop Shaw Pittman LLP, 2300 N Street, NW, Washington, DC 20037, Attn: Patrick Potter, Jerry Hall and Dania Slim and Phillips, Goldman & Spence, P.A., 1200 North Broom Street, Wilmington, DE 19806, Attn: Stephen W. Spence and Stephen A. Spence; (iii) counsel for Sports Medicine Holding Company, LLC, DLA Piper LLP (US), 1251 Avenue of the Americas, 27th Floor, New York, NY 10020, Attn: William M. Goldman and Vincent Roldan and 919 North Market Street, Suite 1500, Wilmington, DE 19801, Attn:

Michelle Marino; (iv) the Office of the United States Trustee, District of Delaware, 844 King Street, Wilmington, DE 19801, Attn: Mark Kenney; and (iv) counsel for any official committee of unsecured creditors appointed in this case. Only timely filed and served responses, objections, or other pleadings will be considered by the Bankruptcy Court at the Sale Hearing.

Dated: May ___, 2011

PHILLIPS, GOLDMAN & SPENCE, P.A.

By: /s/ Stephen W. Spence
Stephen W. Spence, Esquire (#2033)
Stephen A. Spence, Esquire (#5392)
1200 North Broom Street
Wilmington, DE 19806
(302) 655-4200
(302) 655-4210

Proposed Counsel for the Debtors

PILLSBURY WINTHROP SHAW PITTMAN LLP

Patrick J. Potter (admitted *pro hac vice*)
Jerry Hall (admitted *pro hac vice*)
Dania Slim (admitted *pro hac vice*)
2300 N Street, NW
Washington, DC 20037-1128
Tel: (202) 663-8000
Fax: (202) 663-8007

Proposed Counsel for the Debtors

DISCLOSURE SCHEDULES

TO THE

ASSET PURCHASE AGREEMENT

BY AND AMONG

REGEN BIOLOGICS, INC., RBIO, INC.

AND

SPORTS MEDICINE HOLDING COMPANY, LLC

DATED AS OF MAY 11, 2011

These Disclosure Schedules are an integral part of the above-referenced Asset Purchase Agreement (the "Agreement"), are incorporated therein by reference and are not intended to be an independent document. Section numbers herein correspond to the sections of the Agreement. Disclosure of any item on any of the attached Sections shall not constitute an admission that such item is required to be so disclosed. Any disclosure set forth in any particular Section shall be deemed set forth in each other Section of these Disclosure Schedules, as applicable. The information contained herein is disclosed solely for the purposes of the Agreement, and no information contained herein shall be deemed to be an admission by any party hereto to any third party of any matter whatsoever, including without limitation, any violation of law or breach of any agreement.

Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Agreement.

Section 2.01(d)
Assigned Contracts

List of Assigned Contracts pursuant to Section 2.01(d)

Factory, CRO for Medical Devices Prof. Bronkhorstlaan 10 3732 MB Biltoven The Netherlands Attn: Dr. Joris Bannenberg	Contract to manage European clinical study, dated March 3, 2006 ReGen appears to be in breach for past due payments and bankruptcy
Thomas L. Smestad 1023 Emerson Street Palo Alto, CA 94301	Independent contractor agreement to provide services to in connections with quality assurance and regulatory matters dated 4/10/2011
Sterigenics International, Inc. 2015 Spring Road, Suite 650 Oak Brook, IL 60523 Attn: VP Sales & Marketing Attn: General Counsel	Product sterilization services agreement, dated 2/19/2007 automatic annual renewals In breach for bankruptcy filing, agreement may be terminated by Sterigenics
Intermedia.NET, Inc. 800 California Ave, Suite 200 Mountain View, CA 94041	Exchange hosting service agreement; contract #100307910, dated May 2005; appears to be beyond the initial and renewal terms
TÜV SÜD Product Service GmbH Branch Munich Ridlerstraße 65 D-80339 Munich Germany	Services agreement to recertify debtor's manufacturing facility, most recent order confirmation dated 4/11/2011. Testing & Certification Regulations published at www.tuev-sued.com/PS_Regulations
Shu-Tung Li 1 Kiowa Terrace Oakland, NJ 07436	License agreement related to resorbable vascular wound dressing and soft tissue closure systems dated 8/24/1995
J Richard Steadman 5200 Sedona Drive Parker, CO 80134 Attn: F. Lyon Steadman	Assignment and royalty agreement for SharpShooter device, dated 4/9/1997
William R. Dubrol PO Box 369 60 Ogilvie Drive Jefferson City MT 59638	Assignment and royalty agreement for SharpShooter device, dated 4/9/1997. Original agreement with Modified Polymer Components, Inc. who assigned their rights to William Dubrol [assignment agreement not located

Section 2.01(d)
Assigned Contracts (continued)

Lifecore Biomedical, LLC 3515 Lyman Boulevard Chaska, MN 55318	Manufacturing agreement to provide specified raw materials, dated 2/28/2009; automatic annual renewals May be terminated due to bankruptcy
Peridot Corporation 1072 Serpentine Lane, Suite E Pleasanton, CA 94566-4731	Supply agreement for cannulae, dated March 1, 2008; automatic annual renewals
Clairson Plastics 2811 NE 14th St Ocala, FL 34470	Supply agreement for SharpShooter, dated January 1, 2008. One year term with automatic annual renewals for additional one-year terms, unless prior notification given by either party at least sixty days prior to end of then current period. Can be terminated by either party with 60 days prior written notice.
METROPOLITAN LIFE INSURANCE COMPANY 400 South El Camino Real, Suite 800 San Mateo, CA 94402 Attention: EIM Manager, Real Estate Investments Attention: Associate General Counsel	Real estate lease Redwood City, CA production facility dated 1996 as amended In default for past due payments and bankruptcy
Linvatec Corporation 11311 Concept Boulevard Largo, FL 33773	License Agreement granting Linvatec a worldwide, royalty bearing license under U.S. Patent 5,928,252, to sell the SharpShooter® Repair System, dated April 7, 2000 as amended
Biocare Therapeutics Sp. Z.o.o. U1. Gronowa 22/305 60-655 Poznan Poland	Distributor agreement granting Biocare rights to sell the Company's products in the Republic of Poland, dated 10/1/2007 Expired 12/31/2010
Grucox Medical (Pty) Ltd Sports Science Institute Boundary Road Newlands 7700 Cape Town RSA	Distributor agreement granting Grucox the rights to sell Company's products in the democratic Republic of South Africa, dated 8/15/2007 Expired 12/31/2010

Section 2.01(d)
Assigned Contracts (continued)

Hoscenter, S.L. C/. Baños de Montemayor, 1 28005 Madrid Spain	Distributor agreement granting Hoscenter the rights to sell Company's products in specified areas of Spain, dated 10/1/2005, renewed 1/1/2008 Expired 12/31/2008
Hospital Innovations Ltd. 19 Willowbrook Technology Park Llandogo Rd St. Mellons Cardiff, U.K. CF3 0EF	Distributor agreement, as amended, granting Hospital Innovations the rights to sell Company's products in the United Kingdom, Germany, Austria, Switzerland, Belgium, Turkey, France, Israel, South Africa, and other markets, dated 2/10/2008 Amendment to allow distribution outside UK, dated 2/25/2010 Expired 12/31/2010
MEDC Ltd Libra House 2°, Nr. 205 21, P. Katelari Street CY-1097 Nicosia, Cyprus-Greece	Distributor agreement granting MEDC the rights to sell Company's products in the Republic of Greece, the Republic of Cyprus (except the geographical territory occupied by Turkish forces), dated 4/1/2009 Expires 12/31/2011 unless renewed by Seller
POLYMEDIC 2000, S/A Padilla, 3008-310 08025 Barcelona Spain	Distributor agreement granting POLYMEDIC the rights to sell debtor's products in Barcelona, Tarragona, Lleida, Gerona, Andorra, Islas Baleares, dated 11/1/2005, renewed 1/1/2008 and 1/1/2009; could not locate original signed agreement Expired 12/31/2009
Xmedica S.r.l. Via Archimede, 76 I-20041 Agrate Brianza (MI) Italy	Distributor agreement granting Xmedica rights to sell the Company's products in Italy, dated October 24, 2005, renewed and amended June 5, 2008 Expired June 30, 2009
Computer Patent Annuities Limited Liberation House Castle Street St. Helgier Jersey JE1 1BL Channel Islands	Agreement to provide patent maintenance services, dated 3/24/2008

Section 2.01(d)
Assigned Contracts (continued)

NEWLINE INSURANCE COMPANY LTD SUITE 5/4 THE LONDON UNDERWRITING CENTRE 3 MINSTER COURT MINCING LANE LONDON EC3R 7DD	UK PRODUCTS LIABILITY INSURANCE POLICY #110200244 (required under distributor agreement with Hospital Innovations Ltd)
Imperial Credit Corporation 101 Husdson Street Jersey City, NJ 07302 1001 Winstead Drive, Suite 500; Cary, NC 27513 45 East River Park Place West, Suite 308; Fresno, CA 93720	Premium finance agreements for various insurance policies; broker checking on assignability
Columbia Casualty CNA 555 Mission Street, 2nd floor San Fransisco, CA 94105	product liability #2054997991
Continental Insurance Co CNA 555 Mission Street, 2nd floor San Fransisco, CA 94105	Business package policy #2054996288
American Casualty Company of Reading, PA CNA 555 Mission Street, 2nd floor	Auto #1064370691 Umbrella policy #2057224529
Phil Palin 6490 Calle Esperanza Pleasanton, CA 94566	Independent Contractor services agreement dated 4/13/2011
Surgical Specialties Corporation	SharpShooter suture quality and supply agreement dated 5/5/1999
Employee Proprietary Information and Inventions Agreements	Reference agreements listed under Material Contracts
Pitney Bowes 2225 American Drive Neenah, WI 54956-1005	Equipment leases for postage meter machines; acct #7090005 (at Redwood City facility) and acct # 4527454 (at NJ office)

Section 2.01(d)
Assigned Contracts (continued)

Emergo Europe Molenstraat 15 2531 BH The Hague The Netherlands	Authorized representative agreement for medical devices, dated June 10, 2010. Designated products are CMI/Menaflex and SharpShooter system. For EU, Liechtenstein, Norway, Iceland, and Switzerland. Automatically renews on each anniversary unless terminated by prior written notice 90 days prior to renewal. May be terminated immediately upon written notice for cause, include filing of bankruptcy.
Seikagaku Corporation 1-5 Nihonbashi-honcho 2-chome Shuo-ku, Tokyo 103, Japan	Supplier agreement to provide chondroitin sulfate, dated November 8, 1999. No specified term. Proposed new agreements in 2008 & 2010 were never finalized
Clinical Investigators See Exhibit 2.01(d)	Clinical Investigator Agreement associated with Seller's IDE (see schedule 4.17(b))
Gibbons P.C. One Gateway Center Newark, NJ 07102-5310	Engagement to provide legal services in connection with ReGen v FDA (510(k) clearance dispute)
Clinical Investigators for EU lateral trial See Exhibit 2.01(d)	Clinical Investigator Agreement associated with Seller's European Post Market Surveillance for the lateral CMI

Section 2.02 (c)
Excluded Assets

List of Excluded Assets pursuant to Section 2.02(c)

The following office furniture and equipment:

1 laptop computer and software (in possession of Gary Bisbee)

Section 4.01
Organization and Qualification of Seller and Subsidiary

ReGen Biologics, Inc. is licensed to do business and is in good standing, except as otherwise noted, in the following jurisdictions:

- California
- Delaware (not in good standing due to failure to file 2010 franchise tax return)
- New Jersey

RBio, Inc. is licensed to do business and is in good standing in the following jurisdictions:

- California
- Delaware
- New Jersey

Section 4.03
No Conflicts; Consents

Disclosures related to Section 4.03(c), required consents, notices, or actions

The following contracts listed in Section 2.01(d) include assignment provisions:

- Factory, CRO for Medical Devices, contract to manage European clinical study, assignment not to be unreasonably withheld
- Sterigenics International, Inc., product sterilization services agreement, assignment requires written approval, not to be unreasonably withheld
- Shu-Tung Li, license agreement, assignable by Seller to successor
- J. Richard Steadman, assignment and royalty agreement, assignable by Seller to successor (pre-petition royalty payments are due)
- William R. Dubrol, assignment and royalty agreement, assignable by Seller to successor (pre-petition royalty payments are due)
- Lifecore Biomedical, LLC, manufacturing agreement, assignable by Seller to successor (if not otherwise terminated due to filing of bankruptcy petition)
- Metropolitan Life Insurance Company, real estate lease for Redwood City, CA production facility, assignment per bankruptcy regulations
- Livatec Corporation, license agreement, assignable by Seller to successor
- following expired distributor agreements may be transferred to Subsidiary by Seller, with notice to distributor:
    - Biocare Therapeutics Sp. Z.o.o.,
    - Grucox Medical (Pty) Ltd
    - Hoscenter, S.L.
    - POLYMEDIC 2000, S/A
    - Xmedica S.r.l.
- Hospital Innovations Ltd., expired distributor agreement, assignable by Seller with notice to distributor
- MEDC distributor agreement, assignable by Seller with notice to distributor
- Computer Patent Annuities Limited, agreement for patent maintenance services, assignable with prior written consent (would require payment of outstanding, pre-petition balance due)
- CNA has indicated that it would add buyer as named insured to all property and casualty policies, including:
    - Domestic package
    - International package
    - Auto liability
    - Umbrella liability
    - Products liability
- Newline Insurance Company Ltd, UK products liability insurance, has agreed to endorse policy to reflect the new company name, provided that the operations and products remain the same.

Section 4.03
No Conflicts; Consents (continued)

Disclosures related to Section 4.03(c), required consents, notices, or actions (continued)

Continuation of contracts listed in Section 2.01(d) that include assignment provisions:

- Imperial Credit Corporation, premium finance agreements for various insurance policies; broker is checking on assignability
- Employee Proprietary Information and Inventions agreements may be assigned by Seller
- Emergo Europe, authorized representative agreement, may be assigned by Seller to an affiliated company with written notice to Emergo, and provided both assignee and Seller are both primarily (jointly and severally) responsible for performance

The following contracts listed in Section 2.01(d) do not include assignment provisions:

- Independent contractor agreements with the following:
  - Thomas L. Smestad
  - Phil Palin
- Netsuite, software license
- Intermedi.NET, Inc., exchange hosting service agreement
- TÜV SÜD Product Service GmbH, services agreement
- Peridot Corporation, supply agreement for cannulae
- Clairson Plastics, supply agreement for SharpShooter
- Surgical Specialties Corporation, SharpShooter suture quality and supply agreement
- Toshiba-America Business Solutions, Inc, equipment lease agreement
- Oce Financial Services, Inc. equipment lease and maintenance agreement
- Pitney Bowes, equipment leases
- Seikagaku Corporation, supplier agreement for chondroitin sulfate
- Medical Device Consultans International Ltd, clinical data management agreement
- Clinical investigator agreements
- Gibbons P.C. engagement for legal services

Following is assignment information with respect to the material permits listed in Section 4.1(b):

- Seller's Permit—not transferrable. Buyer would need to obtain its own permit
- Device Manufacturing License— not transferrable. Buyer would need to apply for new license ($1,600 fee) with the California Department of Public Health, Food and Drug Branch, which will trigger an audit of the. Application can be accessed online at http://www.cdph.ca.gov/pubsforms/forms/CtrldForms/cdph72n.pdf
- Fire Permit—not transferrable. Buyer will require a new, local business license that can be obtained from Redwood City Hall, which will also include the steps necessary to obtain a new fire permit.
- FDA Establishment Registration & Device Listing—A change of ownership notice should be filed with the FDA on Form 2891 within 30 days of the change.

Section 4.03
No Conflicts; Consents (continued)

Disclosures related to Section 4.03(c), required consents, notices, or actions (continued)

With respect to the following certificates listed in Section 4.17(b), as long as the official manufacturer remains at the same address, with the same quality systems, the transfer of the certification requires a notification of change (within 30 days) of ownership to the Seller's notified body, TÜV SÜD Product Service GmbH (Munich). This notification will require an assessment of the impact of the change on all relevant aspects of the Quality System.

- Certificate No. Q1N 08 11 34834 017
- Certificate No. S 951 00 1514
- EC Certificate Full Quality Assurance System, No.G1 10 11 34834 022
- EC Certificate EC Design-Examination, No. G7A 10 11 34834 021
- EC Certificate Production Quality Assurance, No. G2S 10 11 34834 023

FDA IDE G920211—Buyer and Seller should notify the FDA of asset purchase transaction and that it is Buyer's intention to take control of the IDE and to execute Seller's continuation responsibility in closing out the IDE.

All of the environmental permits and registrations listed in section 4.18(b) should be reviewed by an independent Environmental Health and Safety consultant to determine that all requirements are being met and the best way to transfer or reapply for each. Seller has used Green Environment, Inc. in the past and they provided an estimate of approximately $1,400 to provide such an assessment.

Following is assignment information with respect to intellectual property listed in Section 4.11(a): assignment documents to be drafted and executed by the Seller and in certain cases the Seller and Buyer, assigning rights to all patent and trademarks; assignments of U.S. patents and trademarks to be filed with the Patent and Trademark Office.

Section 4.04
Financial Statements

See Exhibit 4.04

Section 4.05
Undisclosed Secured Liabilities

The following operating leases and related assets are not reflected on the Seller's Interim Balance Sheet as of March 31, 2011:

- Océ Financial Services, Inc., equipment lease and maintenance agreement; security limited to value of copier/fax machine located in Redwood City, CA facility; FX3000-6081114; value unknown; amount due under the lease is $2,770.00
- Pitney Bowes Global Financial Svc LLC, equipment lease, security limited to value of postage meter machine located in Redwood City, CA facility; value unknown; amount due under the lease is $582.00
- Pitney Bowes Global Financial Svc LLC, equipment lease, security limited to value of postage meter machine located in Hackensack, NJ office; value unknown; amount due under the lease is $173.00
- Toshiba America Business Solutions, Inc., equipment lease; security limited to value of ES2830 color copier, SN SCXE810960, located in Hackensack, NJ office; value unknown; amount due under the lease is $2,488.68

See also Schedule 4.06 for changes after the Interim Balance Sheet Date.

Section 4.06
Absence of Certain Changes, Events and Conditions

Disclosures related to Section 4.06(a), Material Adverse Events

Since March 31, 2011, date of Seller's Interim Balance Sheet, the following events have occurred

- ReGen Biologics, Inc. filed a voluntary petition of bankruptcy, Case No. 11-11083, under Chapter 11 of the Bankruptcy Code on April 8, 2011
- RBio, Inc. filed a voluntary petition of bankruptcy, Case No. 11-11084, under Chapter 11 of the Bankruptcy Code on April 8, 2011

Disclosures related to Section 4.06(d), Material change in cash management practices

As a result of the bankruptcy filings disclosed in foregoing section 4.06(a) Seller is not permitted to make payments on prepetition accounts payable (balances due for services or purchases prior to April 8, 2011). In addition Seller has entered into services agreements with certain vendors, pursuant to which Seller pays vendors a retainer in advance for services to be provided:

- Pillsbury Winthrop Shaw Pittman, legal services agreement for bankruptcy representation
- Phillips, Goldmant & Spense, P.A., legal services agreement for bankruptcy representation
- Umidi + Company, independent contractor agreement for corporate financial and administrative services, including financial services in connection with bankruptcy filings
- Brian J. Swinkin, independent contractor agreement for financial services in connection with bankruptcy filings
- Diana V. Petro, independent contractor agreement for financial services in connection with bankruptcy filings

Disclosures related to Section 4.06(e), Material Contracts

Since March 31, 2011, date of Seller's Interim Balance Sheet, the Seller has entered into the following contracts:

- DIP Loan and Security Agreement, dated as of April 21, 2011 by and among ReGen Biologics, Inc. and RBio, Inc. and Sports Medicine Holding Company, LLC
- Additional notes were issued under the SMHC Bridge financing aggregating approximately $813,000
- Exchange agreement, dated March 30, 2011, among Buyer, ReGen Biologics, Inc., and Zimmer Holdings, Inc., contingent upon events that had not occurred as of March 31, 2011
- Exchange agreement, dated March 30, 2011, among Buyer, ReGen Biologics, Inc. and investors named in Schedule 1 to the agreement, contingent upon events that had not occurred as of March 31, 2011
- Seller's engagement on April 8, 2011 of Phillips, Goldman & Spence, P.A. to provide representation in Chapter 11 bankruptcy proceedings.

Section 4.06
Absence of Certain Changes, Events and Conditions (continued)

Disclosures related to Section 4.06(e), Material Contracts (continued)

Continuation of list of material contracts entered into since Interim Balance Sheet Date of March 31, 2011

- Independent contractor services agreement between ReGen Biologics, Inc. and Phil Palin, effective April 12, 2011 to December 31, 2012, to provide consulting service to manage and assist in production, quality control, order fulfillment, product development and administration of the Seller's Redwood City manufacturing facility.
- Independent contractor services agreement between ReGen Biologics, Inc. and Smestad & Associates, effective April 12, 2011 to December 31, 2012, to provide consulting service in the areas of Quality Assurance, Quality Control, Regulatory, Product Development and Manufacturing Operations in connection with operation of the Seller's Redwood City manufacturing facility.
- Offer extended April 13, 2011 to Lourdes Miranda for employment by Seller as Senior Quality Control Analyst in the Seller's Redwood City manufacturing facility. Employment to begin April 18, 2011, at an annual compensation of $68,345.

Disclosures related to Section 4.06(h), cancellation of any debts or claims or amendment, termination or waiver of any rights constituting Purchased Assets

Seller has negotiated a settlement of judgment in favor of Off Madison Avenue and release of the related lien against certain of the Seller's patents and trademarks. Proposed settlement is pending court approval.

Section 4.07
Material Contracts

Disclosures related to Section 4.07(a), List of material contracts

See Exhibit 4.07(a)

Disclosures related to Section 4.07(b), Breaches and defaults

Filing of bankruptcy petitions and Seller's and Subsidiary's failure to pay vendors and suppliers has resulted in contractual breaches with respect to many contracts. Note: FDA rescission notice may have caused default of unexpired distributor agreements.

Section 4.08
Title to Purchased Assets

Following are "Permitted Encumbrances" pursuant to Section 4.08 of the Asset Purchase Agreement

1. The following debt agreements are secured by substantially all of the Seller's assets:
   - 2009 Bridge
   - 2010 Bridge
   - SMHC Bridge
   - DIP Loan and Security Agreement
2. Certain of the Zimmer Notes are secured by specified patents
3. Off Madison Avenue has a judgment lien against certain of the Seller's patents and trademarks. Seller has negotiated a settlement and release of lien with Off Madison Avenue, which is pending court approval.

Section 4.09
Condition and Sufficiency of Assets

Since September 2009, Seller has not had sufficient resources to continue production of its Menaflex product and the related facility, assets and processes were not maintained. Further the Seller has not been able to invest in office and general business equipment or software.

The following inventory items have expiration dates within 1 year from the Interim Balance Sheet Date of March 31, 2011:

			QTY	CARRYING VALUE	
PN	**DESCRIPTION**	**UNITS**	**@ 3/31/11**		**EXPIRATION**
4601	CMI 11M	ea	41	8,566.13	4/30/2011
3201	CMI 11M	ea	100	20,893.00	7/31/2011
1115	Isopropyl alcohol USP	L	28	808.85	Oct-11
1120	Lactic acid USP	ml	102	16.28	6/30/2011
1125	Sodium chloride, USP	g	3,256.50	196.33	Mar-12
5900	Radiation label indicator, chemical	ea	881	26.43	2/11/2012

The following patents have lapsed, but can be reinstated by dates indicated below:

Country	**No.**	**Issue Date or Filing Date**	**Expiration Date or Status**	**Title**
Canada	2223427	5/20/1996	Lapsed (can be reinstated by 6/11/2011)	Collagen-Based Delivery Matrix
Canada	2571803	6/28/2005	Lapsed (can be reinstated by 6/28/2011)	Resorbable Implant with Lubricious Coating
Canada	2595630	2/7/2006	Lapsed (can be reinstated by 2/7/2012)	System and Method for All-Inside Suture Fixation for Implant Attachment and Soft Tissue Repair

Section 4.10
Leased Real Property

Disclosures related to Section 4. 10(a)

Lease dated, April 10, 1996, as amended May 3, 2003, April 13, 2006, February 22, 2010, and October 1, 2010 (fourth amendment not signed by Metropolitan Life) between Seller and Metropolitan Life Insurance Company for manufacturing facility located at Suite 545 of Seaport Centre, located at Penobscot Drive, Redwood City, CA.

- The net book value of leasehold improvements at the above location was $47,581 as of March 31, 2011
- The security deposit at March 31, 2011, $57,470, and the Seller owes the landlord a default amount of $42,530

License agreement dated July 19, 2007, as amended May 23, 2005, July 31, 2009, March 22, 2010, and September 2010 between Seller and MSNW Continental Plaza Associates, LLC, for office at 411 Hackensack Ave; Hackensack, NJ 07601. Effective August 31, 2010, lease is on month-to-month basis and terminates upon 30 days advance written notice. Security deposit has been applied to rent. Rent due at March 31, 2010 was $6,217.

Lease agreements between Subsidiary and Dr. Guido M. Renggli for office and three parking spaces at Zugerstrasse 72; 6340 Baar. Dated June 15, 2006 and June 15, 2009, as both amended March 10, 2010. Each lease can be terminated with six months notice on March 31, June 30 or September 30 of each year. Aggregate security deposit is CHF 6,199.

Disclosures related to Section 4. 10(a)(ii)

Seller is in default of Redwood City facility lease described in foregoing disclosure (Section 4.10(a)) for nonpayment of rent, for failure to replenish required security deposit, and for filing a bankruptcy petition. Unpaid rent at March 31, 2011 was $258,371

Disclosures related to Section 4. 10(a)(iii)

Third amendment to the lease, dated February 2010, acknowledges default amount of security deposit.

Section 4.11
Intellectual Property

Disclosures related to Section 4.11(a), Intellectual property registrations

Following is a list of patent assets

Country	No.	Issue Date or Filing Date	Expiration Date or Status	Title
Australia	684183	12/4/1997	5/23/2015	Meniscal Augmentation Device
Austria	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Belgium	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Canada	2191330	2/13/2007	5/23/2015	Meniscal Augmentation Device
Denmark	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
France	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Germany	69533285.6	7/21/2004	5/23/2015	Meniscal Augmentation Device
Greece	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Ireland	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Italy	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Liechtenstein	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Luxembourg	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Monaco	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Netherlands	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Portugal	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device

Section 4.11
Intellectual Property (continued)

Disclosures related to Section 4.11(a), Intellectual property registrations (continued)

Continuation of patent list

Country	No.	Issue Date or Filing Date	Expiration Date or Status	Title
Spain	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Sweden	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
Switzerland	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
UK	0760598	7/21/2004	5/23/2015	Meniscal Augmentation Device
USA	5735903	4/7/1998	4/7/2015	Meniscal Augmentation Device
Austria	1014865	4/30/2008	1/21/2018	Device and Method for Driving a Needle and Meniscal Repair
France	1014865	4/30/2008	1/21/2018	Device and Method for Driving a Needle and Meniscal Repair
Germany	1014865	4/30/2008	1/21/2018	Device and Method for Driving a Needle and Meniscal Repair
Hong Kong	1029726	12/12/2008	1/21/2018	Device and Method for Driving a Needle and Meniscal Repair
Italy	1014865	4/30/2008	1/21/2018	Device and Method for Driving a Needle and Meniscal Repair
Spain	1014865	4/30/2008	1/21/2018	Device and Method for Driving a Needle and Meniscal Repair
Switzerland	1014865	4/30/2008	1/21/2018	Device and Method for Driving a Needle and Meniscal Repair
UK	1014865	4/30/2008	1/21/2018	Device and Method for Driving a Needle and Meniscal Repair
USA[1]	5928252	6/27/1999	1/21/2017	Device and Method for Driving a Needle and Meniscal Repair

Section 4.11
Intellectual Property (continued)

Disclosures related to Section 4.11(a), Intellectual property registrations (continued)

Continuation of patent list

Country	No.	Issue Date or Filing Date	Expiration Date or Status	Title
Australia	712098	2/10/2000	5/20/2016	Collagen-Based Delivery Matrix
Canada	2223427	5/20/1996	Lapsed (can be reinstated by 6/11/2011)	Collagen-Based Delivery Matrix
France	0831867	3/26/2003	5/20/2016	Collagen-Based Delivery Matrix
Germany	69626979.1	3/26/2003	5/20/2016	Collagen-Based Delivery Matrix
UK	0831867	3/26/2003	5/20/2016	Collagen-Based Delivery Matrix
USA[1]	5677284	10/14/1997	6/6/2015	Charged Collagen Particle-Based Delivery Matrix
USA	5674290	10/7/1997	4/5/2015	Water-Stabilized Biopolymeric Implants
USA	5800542	9/1/1998	4/5/2015	Sterilization by Gamma Irradiation
Australia	676832	7/17/1997	4/7/2013	Prosthetic Ligaments
Canada	2134111	8/3/2004	4/7/2013	Prosthetic Ligaments
Denmark	0639959	7/3/2002	4/7/2013	Prosthetic Ligaments
France	0639959	7/3/2002	4/7/2013	Prosthetic Ligaments
Germany	69332079.6	7/3/2002	4/7/2013	Prosthetic Ligaments
Italy	0639959	7/3/2002	4/7/2013	Prosthetic Ligaments

Section 4.11
Intellectual Property (continued)

Disclosures related to Section 4.11(a), Intellectual property registrations (continued)

Continuation of patent list

Country	No.	Issue Date or Filing Date	Expiration Date or Status	Title
Japan	3653275	3/4/2005	4/7/2013	Prosthetic Ligaments
Netherlands	0639959	7/3/2002	4/7/2013	Prosthetic Ligaments
Spain	217484713	7/3/2002	4/7/2013	Prosthetic Ligaments
Sweden	0639959	7/3/2002	4/7/2013	Prosthetic Ligaments
UK	0639959	7/3/2002	4/7/2013	Prosthetic Ligaments
Australia	669686	10/9/1996	11/30/2012	Prosthetic Articular Cartilage
Australia	647144	6/30/1994	5/6/2011	Prosthetic Intervertebral Disc
Canada	2082427	10/31/2000	5/6/2011	Prosthetic Intervertebral Disc
France	0527936	7/23/1997	5/6/2011	Prosthetic Intervertebral Disc
Germany	69126971.8	7/23/1997	5/6/2011	Prosthetic Intervertebral Disc
Italy	0527936	7/23/1997	5/6/2011	Prosthetic Intervertebral Disc
Japan	3162375	2/23/2001	5/6/2011	Prosthetic Intervertebral Disc
UK	0527936	7/23/1997	5/6/2011	Prosthetic Intervertebral Disc
USA	RE36370	11/2/1999	1/13/2012	Resorbable Vascular Wound Dressings
USA	5512291	4/30/1996	4/30/2013	Resorbable Vascular Wound Dressings

Section 4.11
Intellectual Property (continued)

Disclosures related to Section 4.11(a), Intellectual property registrations (continued)

Continuation of patent list

Country	No.	Issue Date or Filing Date	Expiration Date or Status	Title
Canada	2185789	2/15/2005	3/18/2014	Soft Tissue Closure Systems
Japan	3622972	12/3/2004	3/18/2014	Soft Tissue Closure Systems
Japan	4225960	12/5/2008	3/18/2014	Soft Tissue Closure Systems
USA	5326350	7/5/1994	5/11/2012	Soft Tissue Closure Systems
USA[1]	6350274	2/26/2002	5/11/2012	Soft Tissue Closure Systems
USA	5571181	11/5/1996	5/11/2012	Soft Tissue Closure Systems
Canada	2571803	6/28/2005	Lapsed (can be reinstated by 6/28/2011)	Resorbable Implant with Lubricious Coating
Canada	2595630	2/7/2006	Lapsed (can be reinstated by 2/7/2012)	System and Method for All-Inside Suture Fixation for Implant Attachment and Soft Tissue Repair
Europe	06720310.9	2/7/2006	Pending	System and Method for All-Inside Suture Fixation for Implant Attachment and Soft Tissue Repair
Hong Kong	08101912.5	2/7/2006	Pending	System and Method for All-Inside Suture Fixation for Implant Attachment and Soft Tissue Repair
Japan	2007-554285	2/7/2006	Pending	System and Method for All-Inside Suture Fixation for Implant Attachment and Soft Tissue Repair
Australia	2007284219	7/27/2007	Pending	System and Method for All-Inside Suture Fixation for Implant Attachment and Soft Tissue Repair

Section 4.11
Intellectual Property (continued)

Disclosures related to Section 4.11(a), Intellectual property registrations (continued)

Continuation of patent list

Country	No.	Issue Date or Filing Date	Expiration Date or Status	Title
Canada	2660285	7/28/2007	Pending	System and Method for All-Inside Suture Fixation for Implant Attachment and Soft Tissue Repair
Europe	07799856.5	7/29/2007	Pending	System and Method for All-Inside Suture Fixation for Implant Attachment and Soft Tissue Repair
USA	11/348467	2/7/2006	Pending	System and Method for All-Inside Suture Fixation for Implant Attachment and Soft Tissue Repair
USA	11/501235	8/9/2006	Pending	System and Method for All-Inside Suture Fixation for Implant Attachment and Soft Tissue Repair

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[1]Indicated patents currently assigned to Off Madison Avenue, with reversion back to Seller when lien against highlighted patents is satisfied. Settlement agreement with Off Madison Avenue and related release of lien pending court approval.

Section 4.11
Intellectual Property (continued)

Disclosures related to Section 4.11(a), Intellectual property registrations (continued)

Following is a list of trademark assets

Country	Mark	No.	Goods	Status
Australia	REGEN	1098705	Medical products for soft tissue growth and repair including implants Medical devices and medical apparatus and instruments	Registered 2/14/06; renewal due 2/14/16
Australia	SHARPSHOOTER	755095	Surgical, medical, dental and veterinary apparatus and instruments including soft tissue repair devices; artificial limbs, eyes and teeth; orthopedic articles; suture materials	Registered 2/16/98; renewal due 2/16/18
Canada	SHARPSHOOTER	550388	Soft tissue repair devices for use in suturing in orthopedic surgery	Registered 9/7/01; renewal due 9/7/16
E.U.	CMI	4795787	Medical and surgical implants but not including artificial teeth Surgical, medical, dental and veterinary apparatus and instruments; orthopedic articles; suture materials; medical and surgical implants; but not including artificial teeth	Registered 2/7/07; renewal due 12/21/15
E.U.	MENAFLEX	8163057	Surgical implants comprising living tissue, used to repair, reinforce, and restore human meniscus tissue Surgical implants composed of artificial materials, used to repair, reinforce, and restore human meniscus tissue	Registered 10/7/09; renewal due 3/18/19
E.U.	REGEN	4796165	Veterinary preparations; medical products for soft tissue growth and repair Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopedic articles; suture materials; medical products for soft tissue growth and repair; medical devices; not including dermatological and hair care products	Registered 9/3/07; renewal due 12/21/15

Section 4.11
Intellectual Property (continued)

Disclosures related to Section 4.11(a), Intellectual property registrations (continued)

Continuation of trademark list

Country	Mark	No.	Goods	Status
E.U.	REGEN BIOLOGICS	4796231	Veterinary preparations; medical products for soft tissue growth and repair Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopedic articles; suture materials; medical devices	Registered 8/24/07; renewal due 12/21/15
E.U.	SHARPSHOOTER	755504	Surgical, medical, dental and veterinary apparatus, instruments and devices; soft tissue repair devices	Registered 5/18/99; renewal due 2/17/18
South Africa	MENAFLEX	2009/04808	Surgical implants comprising living tissue, used to repair, reinforce, and restore human meniscus tissue	Filed 3/18/09; pending
South Africa	MENAFLEX	2009/04809	Surgical implants composed of artificial materials, used to repair, reinforce, and restore human meniscus tissue	Filed 3/18/09; pending
Switzerland	CMI	544399	Implants used to facilitate the growth of new tissue	Registered 3/31/06; renewal due 2/20/16
Switzerland	REGEN	544400	Medical devices	Registered 3/31/06; renewal due 2/20/16
United States[1]		3674026	Medical products, namely, biocompatible implants comprised of living tissue for soft tissue growth and repair Medical devices and instruments used in implant procedures and for the surgical repair of tissue; Medical products, namely, biocompatible implants comprised of synthetic tissue for soft tissue growth and repair	Registered 8/25/09; renewal due 8/25/15
United States[1]	CMI	3308864	Surgical implants comprising a porous matrix of processed biocompatible and bioresorbable collagen fibers used to facilitate the growth of tissue in the human knee	Registered 10/9/07; renewal due 10/9/13
United States[1]	REGEN	2032386	Medical devices, namely, implantable scaffolds for regeneration of natural tissue for prosthetic menisci	Registered 1/21/97; renewal due 1/21/17

Section 4.11
Intellectual Property (continued)

Disclosures related to Section 4.11(a), Intellectual property registrations (continued)

Continuation of trademark list

Country	Mark	No.	Goods	Status
United States[1]	REGEN BIOLOGICS	3345499	Medical products, namely, biocompatible implants for soft tissue growth and repair Medical devices and instruments used in implant procedures and for the surgical repair of tissue	Registered 11/27/07; renewal due 11/27/13
United States[1]	SHARPSHOOTER	2300495	Soft tissue repair devices for use in orthopedic surgery	Registered 12/14/99; renewal due 12/14/19

[1]All U.S. Trademarks currently assigned to Off Madison Avenue with reversion back to Seller when lien against indicated trademarks is satisfied. Settlement agreement and release of lien currently pending court approval.

Disclosures related to Section 4.11(a), Intellectual property not registered

Following is a list of intellectual property that is not registered

- Trade secrets, including manufacturing processes
- In-process development projects, for which patents have not been sought
- Copyrightable training, surgical technique, and marketing materials

Following is a list of domain names:

- Regenbio.biz
- Regenbiologics.biz
- Menaplasty.com
- Meniplasty.com
- Sharpshooterai.com
- Sharpshooterallinside.com
- Regenbio.info
- Regenbiologics.info
- Regenbio.net

Section 4.11
Intellectual Property (continued)

Disclosures related to Section 4.11(a), Intellectual property not registered (continued)

Continuation of domain names list:

- Regenbiologics.net
- Regenbiologics.org
- Regenbio.us
- Regenbiologics.us
- Regenbio.com

Section 4.11
Intellectual Property (continued)

Disclosures related to Section 4. 11(b), IP Encumbrances

See Schedule 408 disclosure of Permitted Encumbrances

Disclosures related to Section 4. 11(c), Intellectual Property Licenses

Assignment and royalty agreement dated April 9, 1997 between Seller and Modified Polymer Components, Inc. and Dr. J. Richard Steadman assign specified device and patent rights, subject to royalty payments. Modified Polymer Components, Inc. subsequently assigned its right to receive royalties under the agreement to a third party. Seller's obligation to pay royalty expired in the April 2010; however, Seller is in default of royalty payments. Unpaid royalties due under the agreement were $13,105 at March 31, 2011

Disclosures related to Section 4. 11(e)

A license agreement dated, April 7, 2000, as amended April 7, 2000 and August 2, 2000, between the Seller and Linvatec Corporation, grants Linvatec a worldwide, royalty bearing license to sell the SharpShooter® Repair System.

The Seller has entered into distributor agreements with the following companies which grant each of the distributors the right to market, distribute, sell and supply the Seller's products in the indicated territories. In addition, the Seller has granted the distributors a limited license to use the marks "ReGen Biologics," "CMI," "Collagen Meniscus Implant," and "SharpShooter," as well as the Seller's designs, advertising materials and other copyrightable works. All of the following agreements, except for MEDC Ltd, have expired.

- Biocare Therapeutics Sp. Z.o.o., Republic of Poland
- Grucox Medical (Pty) Ltd, Republic of South Africa
- Hoscenter, S.L., specified areas of Spain
- Hospital Innovations Ltd, UK, Germany, Austria, Switzerland, Belgium, Turkey, France, Israel, South Africa and other markets.
- MEDC Ltd, Republic of Greece & the Republic of Cyprus, except the geographical territory occupied by Turkish forces [EXPIRES END OF 2011]
- POLYMEDIC 2000, S/A , Barcelona, Tarragona, Lleida, Gerona, Andorra, Islas Baleares
- Xmedica S.r.l., Italy

This disclosure excludes a listing of US distributor agreements given FDA rescission of its 510k clearance on March 30, 2011. Such contracts are included in Schedule 4.07, Material Contract

Section 4.14
Customers and Suppliers

Disclosures related to Section 4.14(a), Material customers

See Exhibit 4.14(a)

Pursuant to U.S. Food and Drug Administration order issued March 30, 2011, rescinding Seller's clearance to market the Menaflex in the U.S. sales to U.S customers included in Exhibit 4.14(a), other than Linvatec, have ceased.

Disclosures related to Section 4.14(b), Material suppliers

See Exhibit 4.14(b)

Section 4.15
Insurance

Disclosures related to Section 4.15(a), Current policies or binders

Following is a list of current policies or binders:

- **Employment practices liability**, #4976305, Carolina Casualty Insurance Company, March 7, 2011 to March 7, 2012.
- **Generic pharmaceutical and allied trades liability** (Great Britain, Northern Ireland, the Channel Islands or the Isle of Man)**,** #110200244, Newline Insurance Company Ltd, February 19, 2011 to February 18, 2012.
- **Workers compensation,** #HJUB5987L52110, Travelers Property Casualty Company of America, September 1, 2010 to September 1, 2011.
- **Primary D&O coverage,** #1913631, Berkley Insurance Company; January 15, 2011 to January 15, 2012.
- **Broad form D&O coverage,** #ELU12023211, XL Specialty Insurance Company; January 15, 2011 to January 15, 2012.
- **Product liability**, #2054997991, Columbia Casualty; January 15, 2011 to January 15, 2012
- **Auto,** #1064370691, American Casualty Company of Reading, PA; January 15, 2011 to January 15, 2012.
- **Foreign business package,** #PST 29 589 0025, Continental Insurance Company; January 15, 2011 to January 15, 2012.
- **Domestic business package**, #A2054996288, Continental Insurance Co.; January 15, 2011 to January 15, 2012.
- **Umbrella,** #2057224529, American Casualty Company of Reading, PA; January 15 ,2011 to January 15, 2012.

Disclosures related to Section 4.15(b), Pending insurance claims, and claims history since January 1, 2009.

NONE

Seller has not renewed its environmental liability coverage for period 2010 to 2011. Seller is in the process of applying to reinstate such coverage.

Section 4.16
Legal Proceedings; Governmental Orders

Disclosures related to Section 4.16(a), Pending actions

Following is a list of pending or threatened legal actions:

- **Off Madison Ave, Inc, v ReGen Biologics, Inc**., CV2010-009079, Superior Court of Arizona, Maricopa County, filed March 10, 2010. Assignment of specified patents and trademarks until satisfaction of judgment lien of $26,862.22 plus interest awarded June 24, 2010. Agreed upon settlement is pending court approval.
- **Argenta Reimbursement Advisors LLC v ReGen Biologics, Inc. t/a ReGen,** L 10294 10, Superior Court of New Jersey, Law Division, Bergen County, filed October 25, 2010. Claim and request for judgment for balance due for services rendered of $88,479.43, plus interest and legal costs. Summons served November 8, 2010. Final judgment entered February 15, 2011 for $88,479.43 plus pre-judgment interest of $4,165.91.
- **Strategic Reimbursement Consulting, Inc**. **v ReGen Biologics, Inc. t/a ReGen**, L 659 11, Superior Court of New Jersey, Law Division, Bergen County, filed January 18, 2011. Claim and request judgment for balance due for services rendered of $40,000, plus interest and legal costs. Summons served March 8, 2011.
- **ReGen Biologics, Inc**. **v U.S. Food and Drug Administration**, 11-1123, US Court of Appeals for District of Columbia, filed April 29, 2011. Petition for review of the order of U.S. Food and Drug Administration entered March 30, 2011 [order rescinds clearance of CS (Menaflex) device]. ReGen also plans to file similar suit in DC District Court, sometime during the week of May 2.

See also disclosures under Section 4.21(a) regarding IRS notice related to Seller's 2010 Form 1120.

Disclosures related to Section 4.16(b), Outstanding governmental orders, unsatisfied judgments, etc.

See disclosure above under Section 4.16(a) regarding unsatisfied judgments

On March 30, 2011, the U.S .Food and Drug Administration issued a rescission letter with respect to the Seller's Menaflex product.

Section 4.17
Compliance With Laws; Permits

Disclosures related to Section 4.17(a), Compliance with laws

Seller has not complied with SEC reporting requirements since June 30, 2009. See also disclosure under Section 4.21 regarding 2010 tax returns not filed or extended.

Disclosures related to Section 4.17(b), Material permits

In addition to the environmental permits and certificates listed in Section 4.18, the Seller has the following business permits and certifications:

- **Seller's Permit**— Form: CA BOE-442-R-LZ Rev. 12 (6/95)
  For ReGen Biologics, Inc, 545 Penobscot Drive, Redwood City, CA 94063.
  California State Board of Equalization
  Account: 2/8/1999 SR BHA 97505663
- **Device Manufacturing License**
  For ReGen Biologics, Inc, 545 Penobscot Drive, Redwood City, CA 94063.
  California Dept of Public Health, Food & Drug Branch, 1500 Capitol Ave, MS7602, POB 997435, Sacramento, CA 95899-7435, Ph 916-650-6500.
  License No.: 62629, issued 12/31/2009, expires 9/8/2011
- **Business Tax Certificate**, Class 32.152, Type: 5047 – Medical, Dental, Hospital Equipment & Supplies.
  For ReGen Biologics, Inc, 545 Penobscot Drive, Redwood City, CA 94063.
  City of Redwood City, 1017 Middlefield Rd, POB 3355, Redwood City, CA 94064, Ph. 650-780-7214.
  Business Tax No: 27069, Annual, expires 06/30/11, Paid $383.00
- **Fire Permit**, Class 32.152, Type: 5047 – Medical, Dental, Hospital Equipment & Supplies.
  For ReGen Biologics, Inc, 545 Penobscot Drive, Redwood City, CA 94063.
  City of Redwood City, Fire Department, 755 Marshall St, Redwood City, CA 94063, Ph. 650-780-7400.
  CA Fire Code Permits: 15 (UFC 7901.3.1), 09 (UFC 1101.3), 20 (UFC 8001.3.1)
  Annual Permit, expires 06/30/11, Permit Fee $250.00
- **FDA Establishment Registration & Device Listing,** ReGen Biologics, Inc., registration number 2956141; for facility at 545 Penobscot Dr; Redwood City, CA 94063. Valid through December 31, 2011. Renewal period is October 1—December 31, 2011. Device listings:
  - D027105—suture, nonabsorbable, synthetic, polyester; specification developer
  - D027093—accessories, arthroscopic; manufacturer, specification developer
  - D073824—scaffold, partial medial meniscal defects extending into the red/white zone, resorbable bovine collagen; manufacture medical device
  - D027129—suture, nonabsorbable, synthetic, polyester; specification developer
- FDA Investigational Device Exemption, IDE G920211, related to Seller's two Feasibility Clinical trials of the Medial CMI and the U.S. Multicenter Clinical Trial

Section 4.17
Compliance With Laws; Permits (continued)

Disclosures related to Section 4.17(b), Material permits (continued)

Continuation of permits and certifications:

- **Certificate No. Q1N 08 11 34834 017** issued to ReGen Biologics, Inc, for facility at 545 Penobscot Drive; Redwood City, CA 94063. Issued under EN ISO 13485 2003/AC:2007 for Medical Devices-Quality Management Systems-Requirements for regulatory purposes. For design and development, production and distribution of Collagen Meniscus Implants, SharpShooter Suture Passers, Surgical Sutures, and related Accessories. Issued December 1, 2008; valid until November 30, 2011.
- **Certificate No. S 951 00 1514**, issued to ReGen Biologics, Inc, for facility at 545 Penobscot Drive; Redwood City, CA 94063 for Quality Management System in accordance with ISO 13485:2003. Includes design and development, production and distribution of Collagen Meniscus Implants, SharpShooter suture passers, surgical sutures and accessories. Effective February 9, 2009. Expires July 31, 2011.
- **EC Certificate Full Quality Assurance System**, No.G1 10 11 34834 022 for ReGen Biologics, Inc; facility at 545 Penobscot Drive, Redwood City, CA 94063; for Collagen Meniscus Implants, surgical instruments and surgical sutures. Issued January 19, 2011. Valid until November 7, 2014.
- **EC Certificate EC Design-Examination**, No. G7A 10 11 34834 021 for ReGen Biologics, Inc; facility at 545 Penobscot Drive, Redwood City, CA 94063; for Collagen Meniscus Implants:
    - PN 4600, medial 7.5mm
    - PN 4601, medial 9.0mm
    - PN 4607, lateral 9.5mm

  Issued January 19, 2011. Valid until February 14, 2015.

- **EC Certificate Production Quality Assurance**, No. G2S 10 11 34834 023 for ReGen Biologics, Inc; facility at 545 Penobscot Drive, Redwood City, CA 94063; for SharpShooter Suture Passers. Issued January 19, 2011. Valid until November 7, 2014

Seller markets surgical sutures under the following Surgical Specialties 510(k) Premarket Notification Numbers (see Surgical Specialties SharpShooter suture quality and supply agreement in Schedule 2.01(d):

- NDA 80-950, September 24, 1973
- K904054, October 3, 1990
- N80950, November 1, 1990
- K926167, December 17, 1993

The Subsidiary is registered in the Commercial Registry in Baar Switzerland

Section 4.17
Compliance With Laws; Permits (continued)

Disclosures related to Section 4.17(b), Material permits (continued)

See Exhibit 4.17(b) for lists of CE marked devices and related certificates. CE marks do not have expiration dates. Instead, the marks are associated with the facility, personnel, and Quality System at the Seller's facility at 545 Penobscot Drive, Redwood City, CA 94063. The CE marks will continue to be effective, provided that the foregoing certifications for the facility and Quality System are maintained

Section 4.18
Environmental Matters

Disclosures related to Section 4.18(b), Environmental permits

Following is a list of the Seller's current environmental permits

- **Annual Certifications**, Environmental Health (San Mateo County CA)
- **Hazardous Waste Generator**, Number: PR0028870, date 02/10/2009
- **Hazardous Materials Business Plan**, Number: PR0030392, date 02/10/2009
- **Water Pollution Prevention Program**, Number: PR0041004, date 02/10/2009
  For ReGen Biologics, Inc, 545 Penobscot Drive, Redwood City, CA 94063.
  San Mateo County, Environmental Health Services Div., 455 County Center, EHS126, Redwood City, CA 94063, Ph. 650-363-4305, www.smhealth.org/environ
  San Mateo County, Environmental Health, 2000 Alameda de las Pulgas, Ste 100, San Mateo, CA 94403-1269, Ph. (HazMat) 650-372-6219.
  Account No.: 0026411, Total Annual Fees: $1,540.00, dated 03/01/2011.
- **Permit to Operate,** Hazardous Materials Program (CUPA), Facility ID No.: FA0024305
  Facility: ReGen Biologics Inc, 545 Penobscot Drive, Redwood City, CA 94063.
  Owner: ReGen Biologics Inc, 411 Hackensack Ave, Hackensack, NJ 07601.
  San Mateo County, Environmental Health, 2000 Alameda de las Pulgas, Ste 100, San Mateo, CA 94403-1269, Ph. (HazMat) 650-372-6219.
  Permit 09-0471, Facility ID FA0024305, issued 4/1/2009, expires 4/1/2014.
- **Hazardous Waste Generator**,
  For ReGen Biologics Inc, 545 Penobscot Drive, Redwood City, CA 94063.
  California Environmental Protection Agency, Dept. of Toxic Substances Control (DTSC), POB 1288, Sacramento, CA ID Number: CAR000014803, last Annual verification 06/30/2010.95812-1288, Ph 916-255-4439, www.dtsc.ca.gov
- **Hazardous Waste Generator**, RCRA, Small Quantity Generator.
  For ReGen Biologics Inc, 545 Penobscot Drive, Redwood City, CA 94063.
  U.S. Environmental Protection Agency, Region 9, H-2-1, 75 Hawthorne St, San Francisco, CA 94105
  ID Number: CAR000014803.

Disclosures related to Section 4.18(e), Active or abandoned aboveground or underground storage tanks

NONE

Disclosures related to Section 4.18(f), Off-site hazardous materials treatment, storage, or disposal facilities

NONE

Section 4.18
Environmental Matters (continued)

Disclosures related to Section 4.18(h), Environmental reports and other material documents concerning planned or anticipated capital expenditures related to environmental matters

NONE

Section 4.19
Employee Benefit Matters

Disclosures related to Section 4.19(a), Description of employee benefit arrangements

In addition to statutory benefits such as workers' compensation, unemployment, Social Security, etc., US employees of the Seller are entitled to receive the benefits described in the Seller's Employee Handbook (see Exhibit 4.19(b), which is a copy of the Seller's Employee Handbook), including:

- Health coverage
- COBRA coverage
- Life insurance
- Disability coverage
- Dental coverage
- Accident
- Tax-deferred retirement plan

The health, life, disability and accident coverages were discontinued between July 31 and September 30, 2010. The tax-deferred retirement plan was discontinued December 31, 2010. Accrued but unpaid vacation as of March 31, 2011 is reflected in the table included with Schedule 4.20(a)

Many of the benefits provided to the Subsidiary's employee are governed by local statutes and include:

- Health benefits
- Accident insurance
- Pension
- Social Security
- Vacation

The Subsidiary's employment and independent contractor agreements with the following individuals provide for the indicated severance payments:

- Evelyne Hasler, 3 months
- Verena Schönenberger, 2 months
- Daniela Cassol, 3 months
- Marcel Kyburz, 6 months
- Lutz Wiske, 4 months
- Michael Wolf, 4 months

The Subsidiary's employment and independent contractor agreements with the following individuals provide for continued salary payments for six months in the event of change in control:

- Marcel Kyburz
- Lutz Wiske
- Michael Wolf

Section 4.19
Employee Benefit Matters (continued)

Disclosures related to Section 4.19(b), Written agreements and employee handbooks

See Exhibit 4.19(b) for copy of Seller's Employee Handbook, which is also used by the Subsidiary

Disclosures related to Section 4.19(c), Qualified benefit plans

NONE

Disclosures related to Section 4.19(e), Benefits following retirement or other termination of employment

The Seller has an employment agreement with Gerald E. Bisbee, Jr., that provides for the continuation of company-paid health and other welfare benefits for twelve months the following termination in the case of termination without cause, material change in responsibility, or termination due to change in control.

Disclosures related to Section 4.19(e), Benefits following retirement or other termination of employment (continued)

The Subsidiary has employment or independent contractor agreements with the following individuals that provide for the indicated benefit continuations following termination:

- Evelyne Hasler—three months
- Daniela Cassol—three months
- Marcel Kyburz—six months
- Lutz Wiske—four months
- Michael Wolf—four months

Disclosures related to Section 4.19(f), Pending or threatened actions relating to benefit plans

NONE

Disclosures related to Section 4.19(h), Other benefit payments or acceleration of benefits

NONE

Section 4.20
Employment Matters

Disclosures related to Section 4.20(a)

Following is a list of employees of the Seller or Subsidiary or independent contractors performing services that would typically be performed by employees:

NAME	TITLE/ POSITION	(F)ULL/ (P)ART TIME	HIRE DATE	COMPENSATION RATE		MONTHLY ALLOWANCES (CAR, HOME OFFICE CHILDREN)	INCENTIVE COMPENSATION	ACCRUED VACATION @ 3/31/11
Gerald E Bisbee, Jr[2]	President, Chairman, and CEO	F	9/22/1998	$ 354,152.00 [1]	annual	N/A	N/A	$ -
Joan Warner	Staff Accountant	P	9/6/1995	$ 48.46	hourly	N/A	N/A	$ 605.75
Doug Fairchild	QC Manager	F	4/26/1994	$ 122,722.00	annual	N/A	N/A	$ 944.02
Koreen Keith	Prod Supervisor	F	10/25/1994	$ 83,669.00	annual	N/A	N/A	$ 563.16
Falguni Pandya	Prod Assistant	F	6/4/1997	$ 61,045.00	annual	N/A	N/A	$ 410.88
Doug Ford	Assoc Dir QA	F	10/17/1995	$ 116,038.00	annual	N/A	N/A	$ 557.88
John Dichiara	Sr VP CA/RA/QA	F	6/27/1995	$ 220,991.00	annual	N/A	N/A	$ -
Lourdes Miranda	Sr QC Analyst	F	4/18/2011	$ 68,345.00	annual	N/A	N/A	$ -
Evelyne Hasler[2]	Int. Marketing Mgr	P	3/31/2001	CHF 85,257.60	annual	CHF 800.00	N/A	
Verena Schonenberger[2]	Office Assistant	P	7/31/2001	CHF 32.50	hourly	N/A	N/A	
Daniela Cassol[2]	Office Manager	F	6/30/2001	CHF 74,327.40	annual	CHF 1,000.00	N/A	
Marcel Kyburz[2]	General Manager	F	6/30/2002	CHF 199,320.00	annual	CHF 1,850.00	N/A	
Lutz Wiske	Independent contractor: Sales & Bsn Dev Mgr	F	3/15/2002	€ 95,373.60	annual	€ 1,600.00	€ 20,000.00	
Michael Wolf	Independent contractor Sales & Bsn Dev Mgr	F	4/30/2002	€ 97,516.80	annual	€ 1,600.00	€ 23,000.00	
Brion Umidi	Independent contractor: finance	P	3/1/2011[3]	$ 175.00	hourly	N/A	N/A	N/A

Section 4.20
Employment Matters (continued)

Disclosures related to Section 4.20(a) (continued)

Continuation of employee and independent contractor list

NAME	TITLE/ POSITION	(F)ULL/ (P)ART TIME	HIRE DATE	COMPENSATION RATE		MONTHLY ALLOWANCES (CAR, HOME OFFICE CHILDREN)	INCENTIVE COMPENSATION	ACCRUED VACATION @ 3/31/11
Brian Swinkin	Independent contractor: finance	P	3/1/2011[3]	$ 80.00	hourly	N/A	N/A	N/A
Phil Palin	Independent contractor: production, QC, fulfillment, development & administration	P	4/12/2011[3]	$ 150.00	hourly	N/A	N/A	N/A
Tom Smestad	Independent contractor: QA, QC, regulatory, development & manufacturing	P	4/10/2011[3]	$ 175.00	hourly	N/A	N/A	N/A
Diana Petro	Independent contractor: finance	P	3/1/2011[3]	$ 150.00	hourly	N/A	N/A	N/A

_____

[1] Indicates authorized pay rate of CEO whom Seller has not paid since August 2010.

[2] Indicated employees and all independent contractors have agreements with the Seller or Subsidiary

[3] Individual has a relationship with the Seller that predates current contract

Section 4.20
Employment Matters (continued)

For a description of fringe benefits see disclosure under Section 4.19

Disclosure related to Section 4.20(b), Collective bargaining or other labor organization agreements

NONE

Section 4.21
Taxes

Disclosures related to Section 4.21(a), Tax returns for Pre-Closing tax periods have been timely filed and are complete and correct

The following 2009 tax returns were filed on an estimated basis, as disclosed in the respective returns

- Federal Form 1120 for ReGen Biologics, Inc. and subsidiaries
- Arizona corporation income tax return for ReGen Biologics, Inc. and subsidiaries
- California corporation franchise or income tax return for ReGen Biologics, Inc. and subsidiaries
- Colorado State C corporation income tax return for RBio, Inc. dba ReGen Biologics
- Maryland corporation income tax returns for ReGen Biologics, Inc. and RBio, Inc. dba ReGen Biologics
- New Jersey corporation business tax returns for ReGen Biologics, Inc. and RBio, Inc., dba ReGen Biologics
- North Carolina C corporation tax return (income tax and franchise tax) for RBio, Inc., dba ReGen Biologics (final return)

2010 tax returns for the following jurisdictions have not been filed or timely extended

- Federal Form 1120 for ReGen Biologics, Inc. and subsidiaries
- Federal Form TD F 90-22.1 for ReGen Biologics, Inc. (due June 30, 2011, cannot be extended)
- Arizona corporation income tax return for ReGen Biologics, Inc. and subsidiaries
- California corporation franchise or income tax return for ReGen Biologics, Inc. and subsidiaries
- Colorado C corporation income tax return for RBio, Inc. dba ReGen Biologics
- Delaware franchise tax return for ReGen Biologics, Inc.
- Maryland corporation income tax returns for ReGen Biologics, Inc. and RBio, Inc. dba ReGen Biologics
- New Jersey corporation business tax returns for ReGen Biologics, Inc. and RBio, Inc., dba ReGen Biologics

ReGen Biologics, Inc. has received a notice from the IRS, dated April 19, 2011, for failure to file 2010 Form 1120. According to notice, failure to file federal tax returns or failure to provide the IRS with an explanation of why taxpayer is not required to file the return may result in a motion to convert or to dismiss the taxpayer's bankruptcy. A response to the notice was made on May 2, 2011, with commitment to file required extension within 10 days. Extension was filed on May 11, 2011.

Exhibit 2.01(d)
Clinical Investigator List

Investigators associated with IDE

Investigator Name	Business Address
Dr. Bernard Bach Dr. Bush-Joseph Dr. Brian Cole	Mid West Orthopaedics 1725 West Harrison, Suite 1063 Chicago, IL 60612
Dr. Kenneth DeHaven Dr. Robert Bronstein Dr. Michael Maloney	University Sports Medicine 601 Elmwood Ave. Box 665 Rochester, N.Y. 14642
Dr. Scott Hormel Dr. Richard Zorn Dr. James Smith	Orthopedic Physicians Assoc. Jefferson Office: 1600 East Jefferson, Suite 600 Seattle, WA 98122 Madison Street Office: 1229 Madison St, Suite 1600 Seattle, WA 98104
Dr. Peter Indelicato	University of Florida Hampton Oaks Sports Medicine Center Box 100241 JHMHC Gainesville, FL 32610
Dr. Thomas Rosenberg Dr. Charles Beck	Orthopedics Specialty Hospital 5848 South 300 East Salt Lake City, Utah 84107
Dr. J. Richard Steadman	Steadman-Hawkins Clinic 181 West Meadow Drive, Suite 400 Vail, CO 81657
Dr. Marc Friedman*	Southern CA Orthopedic Hosp 6815 Noble Ave. Van Nuys, CA 91405-3730
Dr. James Williams Dr. Jack Andrish	Department of Orthopedics Cleveland Clinic Foundation 9500 Euclid Ave. Cleveland, OH 44195-5027 Westlake Office: Cleveland Clinic Foundation at Westlake 30033 Clemens Road Westlake, OH 44145

Exhibit 2.01(d)
Clinical Investigator List (continued)

Continuation of Investigators associated with IDE

Investigator Name	Business Address
Dr. Warren King	Fremont Surgery Center 2675 Stevenson Blvd. Fremont, CA 94538-1797 Recovery Inn 570 Willow Road Menlo Park, CA 94025
Dr. Wm. Montgomery	San Francisco Orthopaedic Surgeons Medical Group, Inc One Shrader Street, Suite 650 San Francisco, CA 94117
Dr. Champ Baker Dr. Kurt Jacobson	Hughston Clinic 6262 Veterans Parkway Columbus, GA 31909
Dr. Stephen O'Brien*	Hospital For Special Surgery 535 East 70th Street New York, N.Y. 10021
Dr. Jerald Cooper	Fort Wayne Orthopaedics 7601 West Jefferson Blvd. Fort Wayne, IN 46801-2526
Dr. Keith Hechtman Dr. John Uribe	UHZ Sports Medicine Inst. 1150 Campo Sano Ave, 2nd fl Coral Gables, FL 33146
Dr. David Schmidt	Orthopaedic Surgery Assoc. of San Antonio 9150 Huebner Road, Suite 250 San Antonio, TX 78240-1501
Dr. John Garrett	Resurgens Orthopedics 5671 Peachtree Dunwoody Road, NE, Suite 900 Atlanta, GA 30342

Exhibit 2.01(d)
Clinical Investigator List (continued)

Investigators associated with European lateral CMI study

Investigator Name	Business Address
Dr Roger Berbig, MD	SportClinic Zürich, Sportchirurgie Klinik Hirslanden Witellikerstrasse 40 8032 Zürich Switzerland
Paolo Bulgheroni, MD	Ospedale di Circolo Dept. of Orthopedics and Traumatology Viale Borri, 57 Varese, 21100 Italy
Ricardo Crespo Romero, MD	Hospital LaMancha Centro Dept. of Orthopedic and Trauma Surgery Avda. De la Constitución S/N 13600 Alcázar de San Juan (Ciudad Real) Spain
Dirk Holsten, MD	Klinik für Arthroskopische Chirurgie u. Sportorthopädie Zentrum für Orthopädie/Unfallchirurgie Katholisches Klinikum Brüderhaus Koblenz Kardinal-Krementz-Straße 1-5 56073 Koblenz Germany
Koen Lagae, MD	Eeuwfeestkliniek Orthopedic Department Harmoniestraat 68 B-2018 Antwerpen Belgium
Prof. Maurilio Marcacci, MD, PhD	Istituti Ortopedici Rizzoli Laboratorio di Biomeccanica Via di Barbiano 1/10 40136 Bologna Italy
Juan Carlos Monllau Garcia, MD, PhD	IMAS - Hospital de l'Esperança Knee Unit Avgda Sant Josep de la Muntanya, 12 08024 Barcelona Spain
Stefano Zaffagnini, MD	Istituti Ortopedici Rizzoli Laboratorio di Biomeccanica Via di Barbiano 1/10 40136 Bologna Italy

Exhibit 4.04

Financial Statements

ReGen Biologics, Inc.
Consolidated Balance Sheet
As of March 31, 2011

ASSETS	
Current Assets	
Cash	109,503
Trade Receivable	121,890
Inventory	206,552
Prepaid Expense & Other Current Asset	439,871
Total - Current Assets	**877,816**
Fixed Assets	210,393
Other Assets	57,470
Total - ASSETS	**1,145,679**
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	2,470,382
Other Current Liability	
Accrueds	410,320
Convertible Debt	4,723,146
Customer Deposits	302,904
Zimmer Debt	6,042,600
Interest Payable-Zimmer Debt	2,887,428
Other Current Liability	-
Total - Current Liabilities	**16,836,779**
Long Term Liabilities	
Other Liabilities-Noncurrent	-
Deferred Rent	152,501
Total - Long Term Liabilities	**152,501**
Series A Preferred Stock	891,598
Series C Preferred Stock	600,913
Equity	
Common Stock	97,883
Additional Paid-in Capital	107,405,499
Retained Earnings	(124,839,495)
Total - Equity	**(15,843,601)**
Total - LIABILITIES & EQUITY	**1,145,679**

Updated: May 10, 2011 5:38 PM ET

Exhibit 4.04

Financial Statements

ReGen Biologics, Inc.
Income Statement
January 1, 2011 - March 31, 2011

Income		
Royalty Income		13,815
Sales Income		170,837
Total - Income	$	184,652
Cost Of Sales		
Cost of Goods Sold		79,660
Cost of Sales-Shipping, Handling, Customs		5,523
Total - Cost Of Sales	$	85,183
Gross Profit	**$**	**99,469**
Expense		
Salaries and Benefits		245,346
Professional Services		1,442
Accounting Services		4,685
Legal		82,170
Shareholder Services		5,560
Consultants and Advisors		51,325
Commissions		7,263
Bad Debt Expense		12,430
Office and Other Expense		26,974
Insurance Expense		54,988
Equipment and Related		10,124
Travel and Entertainment		34,307
Facilities		176,675
Advertising and Promotions		2,474
Inventory Write-off		152,839
Manufacturing Supplies		9,243
Depreciation and Amortization		11,315
Total - Operating Expense	**$**	**889,160**
Other Income and Expenses		
Other Income		
Interest Income		8
Total - Other Income		8
Other Expense		
Interest Expense		154,769
Income Taxes State		37,845
Foreign Exchange (Gain) Loss		(3,031)
Total - Other Expense		189,583
Net Other Income (loss)		(189,575)
Net Income	**$**	**(979,266)**

Updated: May 10, 2011 5:38 PM ET

Exhibit 4.07(a)
Seller's Material Contracts

Name and Address	Description
MedWork AG Feldstrasse 11 CH-9050 Appenzell Switzerland	Independent contractor agreement to provide general management assistance for Subsidiary, as well as other marketing and business development services
Cannaccord Adams Inc. 99 High Street Boston, MA 02110	agreement to provide financial advisory services in connection with private placement
Alpine Group 660 Pennsylvania Ave., SE Suite 201 Washington, DC 20003	Independent contractor agreement to provide lobbying services
Argenta Advisors, LLC 3070 Arden Place Woodbury, MN 55129	Independent contractor agreement to provide medical reimbursement advisory services
Computer Patent Annuities Limited Liberation House Castle Street St. Helgier Jersey JE1 1BL Channel Islands	agreement to provide patent maintenance services
Frank G. Blundo, Jr Wells Fargo Building 15760 Ventura Boulevard, Suite 700 Encino CA 91436	attorney-client fee contract
Conewago Consulting LLC c/o Michael Hutton 20 Royal Dominion Ct Bethesda, MD 20817	agreement to provide services in connection with representation before the US Senate and House of Rpresentatives; US Department of Health and Human Services and US Food and Drug Administration
Daniel M. Kowalski 1400 NW Irving St., #721 Portland, OR 97209	Independent contractor agreement to provide sales and clinical education support services

Exhibit 4.07(a)
Seller's Material Contracts (continued)

Name and Address	Description
David E. Watts 1070 Leslie Dr. San Jose, CA 95117	Independent contractor agreement to provide consulting services related to debtor's manufacturing facility and equipment
Lucchesi Business Consulting LLC 14328 East Thoroughbred Trail Scottdale, AZ 85259	Independent contractor agreement to provide consulting services related to marketing activities
James P. Tasto, MD c/o TORI Orthopedic Research, Inc. 6058 Ridgemoore Drive San Diego, CA 92120	agreement to provide clinical and business advisory services
Factory, CRO for Medical Devices Prof. Bronkhorstlaan 10 3732 MB Biltoven The Neterhaldns Attn: Dr. Joris Bannenberg	project contract to manage European clinical study
Heinz Hoenecke, MD 12852 via Nestore Del Mar, CA 92014	Independent contractor agreement to provide clinical advisory and training program development services
Information Systems Conculting, LLC PO Box 4153 Annapolis, MD 21043	Independent contractor agreement to provide information technology consulting services
Medical Device Consultants International Ltd International Busienss Centre Spindle Way Crawley West Sussex RH10 1TG United Kingdom	Data management agreement. Expired September 30, 2008
NDA Partners LLC 312 Grove Avenue Falls Church, VA 22046 Attn: Earle Martin	Independent contractor agreement to provide medical product development and regulatory advisory services
Phillips Consulting Group, LLC PO Box 39 McHenry, MD 21541	Independent contractor agreement to provide regulatory advisory services

Exhibit 4.07(a)
Seller's Material Contracts (continued)

Name and Address	Description
Diana V. Petro 1543 Bollinger Road Westminster, MD	Independent contractor agreement to provide corporate financial and project supervision services to debtor, including services in connection with bankruptcy filing
Phillips, Goldman & Spence, P.A. Pennsylvania Ave. and Broom St 1200 N. Broom St Wilmington, DE 19808	legal services agreement in connection with Chapter 11 proceedings
Pillsbury Winthrop Shaw Pittman LLP 1650 tysons Boulevard McLean, VA 22102-4859	legal services agreement in connection with Chapter 11 proceedings
Matthew M. Burgener 2114 Cantata Court Matthews, NC 28105	Independent contractor agreement to provide website maintenance and consumer marketing services
Strategic Reimbursement Consulting 4342 Rangeview Dr Billings, MT 59106	Independent contractor agreement to provide medical reimbursement advisory services
Umidi + Company, Inc. 989 Bayberry Drive Arnold, MD 21012-1610	Independent contractor agreement to provide corporate financial and administrative services, including financial services in connection with bankruptcy filing
RSM McGladrey 100 International Drive, Suite 1400 Baltimore, Maryland 21202	Engagements to provide tax services and consulting and support services in connections with Sarbanes-Oxley documentation and testing
Thomas L. Smestad 1023 Emerson Street Palo Alto, CA 94301	Independent contractor agreement to provide services in connections with quality assuance and regulatory matters
Sterigenics International, Inc. 2015 Spring Road, Suite 650 Oak Brook, IL 60523 Attn: VP Sales & Marketing Attn: General Counsel	radiation & EtO processing services agreement

Exhibit 4.07(a)
Seller's Material Contracts (continued)

Name and Address	Description
NETSUITE 2955 Campus Drive Suite 100 San Mateo CA 94403-2511	Software license for online accounting system; account #057329
Intermedia.NET, Inc. 800 California Ave, Stuite 200 Mountain View, CA 94041	Exchange hosting service agreement; contract #100307910
TÜV SÜD Product Service GmbH Branch Munich Ridlerstraße 65 D-80339 Munich Germany	Services agreement to recertify manufacturing facility
Smith & Nephew, Inc. 150 Minuteman Rd Andover, MA 01810	Material transfer agreement granting Smith & Nephew a revocable royalty-free limited license to use transferred materials for the agreed-upon purpose
Shu-Tung Li 1 Kiowa Terrace Oakland, NJ 07436	License agreement granting an exclusive, worldwide, royalty-bearing right to develop, manufacture, and sell licensed products.
Thomson Financial Corporate Group 22 Thomson Place Boston, MA 02210	corporate communications and investor relations services
J Richard Steadman 5200 Sedona Drive Parker, CO 80134 Attn: F. Lyon Steadman	Assignment and royalty agreement for rights to the specified device in exchange for royalty payment. Royalty requirement expired April 2010. Unpaid balance at 3/31/11
William R. Dubrol PO Box 369 60 Ogilvie Drive Jefferson City MT 59638	Assignment and royalty agreement for rights to the specified device in exchange for royalty payment. Royalty requirement expired April 2010. Unpaid balance at 3/31/11
Gibbons P.C. One Gateway Center Newark, NJ 07102-5310	Engagement to provide legal services in connection with ReGen v FDA (510(k) clearance dispute)

Exhibit 4.07(a)
Seller's Material Contracts (continued)

Name and Address	Description
Computershare Trust Company N.A c/o Computershare Shareholder Services, Inc. 250 Royall Street Canton, MA 02021 Attn: Reorganization Department	exchange agent agreement for 2008 reverse split of Seller's common stock
Capital Publishing, Inc PO Box 3138 Spring Hill, FL 34611-3138	print media insertion order to advertise Seller's product
Lifecore Biomedical, LLC 3515 Lyman Boulevard Chaska, MN 55318	Manufacturing agreement to provide specified raw materials
Peridot Corporation 1072 Serpentine Lane, Suite E Pleasanton, CA 94566-4731	Supply agreement for cannulae
Clairson Plastics 2811 NE 14th St Ocala, FL 34470	Supply agreement for SharpShooter®
REGEN BIOLOGICS, INC. (TENANT) METROPOLITAN LIFE INSURANCE COMPANY c/o Seaport Centre Property Manager 701 Chesapeake Drive Redwood City, CA 94063	Lease for Redwood City manufacturing facility
Dr Guido M. Renggli c/o Renggli Immobilien AG Baarerstrasse 79 6300 Zug Switzerland	Leases for ReGen Biologics AG office
MSNW CONTINENTAL PLAZA ASSOCIATES, LLC CB Richard Ellis, Inc, Rent Receiver c/o Newmark Knight Frank 125 Park Avenue New York, NY 10017	Lease for Hackensack, NJ office
Toshiba America Business solutions, Inc. PO Box 3083 Cedar Rapids IA 52406-3083	equipment lease agreement; ES2830 Color copier located in NJ office; serial #SCXE810960; account #6813475-005

Exhibit 4.07(a)
Seller's Material Contracts (continued)

Name and Address	Description
Oce Finacial Services, Inc. 5600 Broken Sound Blvd Boca Raton, FL 33487-3599	equipment lease & maintenance agreement FX3000-6081114 lease contract number 200-5008670-000
Pitney Bowes 2225 American Drive Neenah, WI 54956-1005	equipment lease acct #4527454
Pitney Bowes 2225 American Drive Neenah, WI 54956-1005	equipment lease acct #7090005
Linvatec Corporation 11311 Concept Boulevard Largo, FL 33773	License Agreement granting Linvatec a worldwide, royalty bearing license under U.S. Patent 5,928,252, to sell the SharpShooter® Repair System.
Biocare Therapeutics Sp. Z.o.o. U1. Gronowa 22/305 60-655 Poznan Poland	Distributor agreement granting Biocare rights to sell products in the Republic of Poland
Clippert Medical 41 W 206 Bridle Creek Drive St. Charles, IL 60175	Distributor agreement granting Clippert rights to sell products in specified territories in Illinois and Indiana
Grucox Medical (Pty) Ltd Sports Science Institute Boundary Road Newlands 7700 Cape Town RSA	Distributor agreement granting Grucox the rights to sell products in the democratic Republic of South Africa
Hoscenter, S.L. C/. Baños de Montemayor, 1 28005 Madrid Spain	Distributor agreement granting Hoscenter the rights to sell products in specified areas of Spain

Exhibit 4.07(a)
Seller's Material Contracts (continued)

Name and Address	Description
Hospital Innovations Ltd. 19 Willowbrook Technology Park Llandogo Rd St. Mellons Cardiff, U.K. CF3 0EF	Distributor agreement, as amended, granting Hospital Innovations the rights to sell products in the United Kingdom, Germany, Austria, Switzerland, Belgium, Turkey, France, Israel, South Africa, and other markets
LTS Medical 7300 Hudson Blvd, Suite 175 Oakdale, MN 55128	Distributor agreement granting LTS MEDICAL the rights to sell products in specified areas of Minnesota, Wisconsin, Iowa, Nebraska, North Dakota, South Dakota, and the upper pennisula of Michigan
MEDC Ltd Libra House 2°, Nr. 205 21, P. Katelari Street CY-1097 Nicosia, Cyprus-Greece	Distributor agreement granting MEDC the rights to sell products in the Repulic of Greece, the Repulic of Cyprus (except the geographical territory occupied by Turkish forces)
Med Rep Corporation 3940 Springfield Road, Suite B Glen Allen, VA 23060	Distributor agreement granting Med Rep the rights to sell products in specified areas of Maryland, Virginia, and the District of Columbia
POLYMEDIC 2000, S/A Padilla, 3008-310 08025 Barcelona Spain	Distributor agreement granting POLYMEDIC the rights to sell products in Barcelona, Tarragona, Lleida, Gerona, Andorra, Islas Baleares
SEC Medical, LLC 737 Maindencane Drive Lexington, KY 40509	Distributor agreement granting SEC the rights to sell products in specified areas of Kentucky
SportsTek Medical, Inc. 26323 Jefferson Ave, Suite B Murrieta, CA 92562	Distributor agreement granting SportsTek the rights to sell products in specified areas of Southern California
Summit Innovations 8796 N. Cove Drive Park City, UT 84098	Distributor agreement granting Summit the rights to sell products in specified areas of Colorado, New Mexico, Utah, and Wyoming

Exhibit 4.07(a)
Seller's Material Contracts (continued)

Name and Address	Description
Xmedica S.r.l. Via Archimede, 76 I-20041 Agrate Brianza (MI) Italy	Distributor agreement granting Xmedica rights to sell products in Italy
CAROLINA CASUALTY INSURANCE COMPANY 4600 TOUCHTON ROAD EAST BUILDING 100, SUITE 400 JACKSONVILLE, FL 32246	EPL POLICY #4976305
NEWLINE INSURANCE COMPANY LTD SUITE 5/4 THE LONDON UNDERWRITING CENTRE 3 MINSTER COURT MINCING LANE LONDON EC3R 7DD	UK PRODUCTS LIABILITY INSURANCE POLICY #110200244
Imperial Credit Corporation 101 Husdson Street Jersey City, NJ 07302	Premium finance agreements for insurance coverage
Travelers Property Casualty Co. of America One Tower Square Hartford, CT 06183	WC policy #HJUB5987L52110
Berkley Insurance Company 475 Steamboat Rd Greenwich, CT 06830	Primary D&O policy #1913631
XL Specialty Insurance Company 70 Seaview Avenue Seaview House Stamford, IL 06902-6040	broad form D&O policy #ELU12023211
Columbia Casualty CNA 555 Mission Street, 2nd floor San Francisco, CA 94105	product liability policy #2054997991
American Casualty Company of Reading, PA CNA 555 Mission Street, 2nd floor San Francisco, CA 94105	auto policy #1064370691

Exhibit 4.07(a)
Seller's Material Contracts (continued)

Name and Address	Description
Continental Insurance Co CNA 555 Mission Street, 2nd floor San Francisco, CA 94105	Business package policy #2054996288
American Casualty Company of Reading, PA CNA 555 Mission Street, 2nd floor San Francisco, CA 94105	Umbrella policy #2057224529
Gerald Bisbee 110 Wellesley Drive New Canaan, CT 06840-3530	employment agreement, dated 9/22/98, as amended 3/23/2004 and 11/28/08 proprietary information agreement D&O indemnification agreement
Emergo Europe Molenstraat 15 2531 BH The Hague The Netherlands	Authorized representative agreement for medical devices, dated June 10, 2010. Designated products are CMI/Menaflex and SharpShooter system. For EU, Liechtenstien, Norway, Iceland, and Switzerland.
Seikagaku Corporation 1-5 Nihonbashi-honcho 2-chome Shuo-ku, Tokyo 103, Japan	Supplier agreement to provide chondroitin sulfate, dated November 8, 1999. No specified term.
Surgical Specialties Corporation 340 Morgantown Road Reading, PA 19611	Quality and supply agreement dated May 5, 1999, for SharpShooter sutures
Joan Warner 95 Waldron Ave Glen Rock, NJ 07452	proprietary information and inventions agreement
Doug Fairchild 590 Skypark Dr Scotts Valley, CA 95066	proprietary information and inventions agreement

Exhibit 4.07(a)
Seller's Material Contracts (continued)

Name and Address	Description
Doug Ford 620 Almeda de las Pulgas Belmont, CA 94002	proprietary information and inventions agreement
Koreen Keith 1856 Nash Dr San Mateo, CA 944401	proprietary information and inventions agreement
Falguni Pandya 3237 Gateland Court San Jose, CA 95148	proprietary information and inventions agreement
Lourdes Miranda 268 LaHonda Drive Milipitas, CA 95035	proprietary information and inventions agreement
John Dichiara 501 East 79th St. #2E New York, NY 10021	proprietary information and inventions agreement D&O indemnification agreement
Alan Baldwin 4N737 Crane Road St. Charles, IL 60175	D&O indemnification agreement
J Richard Steadman 5200 Sedona Drive Parker, CO 80134 Attn: F Lyon Steadman	D&O indemnification agreement
William Timken 3828 Happy Valley Road Lafayette, CA 94549	D&O indemnification agreement
VARIOUS (see Exhibit 2.01(d))	Clinical investigator agreement associated with Seller's IDE (see schedule 4.17(b))
VARIOUS (see Exhibit 2.01(d))	Clinical investigator agreement associated with Seller's European Lateral CMI study

Exhibit 4.07(a)
Subsidiary's Material Contracts

Name and Address	Description
Dr. med. Koen Lagae kclagae@knee.be	Agreement with Subsidiary to provide trainer services
Dr. med. Paolo Bulgheroni pbulghe@tin.it	Agreement with Subsidiary to provide consulting, trainer, speaker, and other services
PD Dr. Stefan Hinterwimmer stefan.hinterwimmer@lrz.tum.de	Agreement with Subsidiary to provide trainer services
Dr. med Alexander Richter a.richter@gelenk-therapie.eu	Agreement with Subsidiary to provide trainer services
Dr. med. Roger Berbig a.richter@gelenk-therapie.eu	Agreement with Subsidiary to provide consulting, trainer, speaker, and other services
Dr. med. Ricardo Crespo Rcrespo@sescam.jccm.es	Agreement with Subsidiary to provide consulting, trainer, speaker, and other services
PD Dr. Karl-Heinz Frosch k.frosch@asklepios.com	Agreement with Subsidiary to provide trainer and speaker services
Prof. Dr. med. Christian Fink christian.fink@sportsclinicaustria.com	Agreement with Subsidiary to provide consulting, trainer, speaker, and other services
Dr. med. Dirk Holsten d.holsten@kk-koblenz.de	Agreement with Subsidiary to provide consulting, trainer, speaker, and other services
Dr. med. Erhan Basad erhan.basad@ortho.med.uni-giessen.de	Agreement with Subsidiary to provide trainer and speaker services
Dr. med. Heiko Spank spank@uni-greifswald.de	Agreement with Subsidiary to provide trainer services
Dr. med. Volker Laute praxis@dr-laute.de / privat@dr-laute.de	Agreement with Subsidiary to provide trainer services
Dr. med. Jörg Richter j.richter@okm.de	Agreement with Subsidiary to provide trainer services
Dr. med. Thomas Schmickal thomas.schmickal@klinikum.neumarkt.de	Agreement with Subsidiary to provide trainer services
Dr. med. Willi Attmanspacher willi.attmanspacher@t-online.de	Agreement with Subsidiary to provide trainer services
Dr. med. Johannes Mortier JAMortier@aol.com	Agreement with Subsidiary to provide trainer services

Exhibit 4.07(a)
Subsidiary's Material Contracts (continued)

Name and Address	Description
Verena Schoenenberger Alpsteinstrasse 4b CH-9240 Uzwil	employment agreement with Subsidiary, dated 8/15/2005, as amended 9/1/2006 and 7/11/2010
Daniela Cassol c/o Luciano Cassol Wiesenstrasse 5 CH-8867 Niederurnen	employment agreement with Subsidiary, dated 7/2/2006
Dr. Evelyne M. Hasler Höfnerstr. 29 CH-6314 Unterägeri	employment agreement with Subsidiary, dated 4/1/2005
Marcel Kyburz Landvogt Waser Strasse 28 Winterthur	employment agreement with Subsidiary, dated 7/1/2006
Dr Lutz Wiske Neumühlweg 123 90449 Nürnberg, Deutschland	Independent contractor agreement with Subsidiary, dated 1/26/2006
Dr. Michael Wolf Auf dem Hainspiel 6 61138 Niederdorfelden, Deutschland	Independent contractor agreement with Subsidiary, dated 3/13/2006
Dr. Guido M. Renggli Renggli Immobilien AG Baarerstrasse 79 CH-6300 Zug Switzerland	Lease agreements for office and parking spaces, dated June 15, 2006 and June 15, 2009, both as amended March 10, 2010

Exhibit 4.14(a) Material Customers

Following is a list of US customers with aggregate sales greater than or equal to $10,000 for January 1, 2009 to March 31, 2011

	Amount		
Customer	2011	2010	2009
Linvatec Corporation	$ 19,205	$ 281,932	$ 313,604
Vail Valley Medical Center	-	-	23,090
Jewish Hospital St.Mary's Healthcare	-	21,255	29,910
Jordan Valley Medical Center	-	-	23,305
Southeast Surgery Center, LLC	-	9,750	16,570
Provena ST. Joseph	-	9,750	3,250
San Francisco Surgery Center, L.P.	-	12,400	580
Yale New Haven Hospital	-	3,178	7,160
University of Iowa	-	5,850	9,750
Norton Pavillion	-	6,258	12,979

Following is a list, by country, of customer outside the US customers with aggregate amounts billed (including VAT) greater than or equal to $10,000 for January 1, 2009 to December 31, 2010

		Amount	
Country	**Customer**	2010	2009
Italy	Smith and Nephew	$ 50,664	$ 117,742
Spain	Hoscenter	11,588	2,122
South Africa	Grucox Medical	8,222	49,063
Poland	Biocare Therapeutics	23,131	15,428
UK	Hospital Innovations	12,788	91,092
Greece	Medco	22,686	34,563
Switzerland	Hirslanden Klinik	28,987	45,141
Belgium	AZ Monica	9,922	5,122
Austria	Klinikum Wels-Grieskirchen	3,635	28,097
Austria	Landesklinikum	10,348	10,348
Austria	LKM Waidhofen	6,092	7,883
Austria	Privatklinik Hochrum	1,091	15,589
Austria	Sanatorium Hansa	7,243	8,055
Germany	Aesculap AG	20,014	-
Germany	Ameos Klinikum	17,595	-
Germany	Asklepios Klinik	16,763	-
Germany	Asklepios Klinik Lindenlohe	-	30,861
Germany	BGU Duisburg	12,549	-
Germany	Bundeswehrkrankenhaus	10,868	36,971
Germany	Bundeswehrzentralkrankenhaus	13,852	12,655
Germany	Charité	49,393	-
Germany	Ev. Krankenhaus	-	11,031
Germany	Facharztklinik	10,869	-
Germany	Franziskushospital	-	14,718
Germany	Gemeinschaftskrankenhaus	-	17,812

Exhibit 4.14(a) Material Customers (continued)

Continuation of material customers outside the US

		Amount	
Country	**Customer**	2010	2009
Germany	Henriettenstiftung	9,001	4,913
Germany	Katholisches Klinikum	34,953	36,515
Germany	Klinikum Aschaffenburg	-	11,470
Germany	Klinikum Neumarkt	11,721	16,196
Germany	Klinikum rechts der Isar	17,928	33,238
Germany	Krankenhaus Norderney	33,295	37,124
Germany	Kreiskrankenhaus	-	15,523
Germany	Lutrina Klinik	13,982	-
Germany	Main-Kinzig-Kliniken	-	-
Germany	Marienkrankenhaus	-	-
Germany	Medizinisches Zentrum	-	21,519
Germany	Ortho-Klinik Rhein Main	-	-
Germany	Orthopädische Klinik	-	21,615
Germany	Orthopädische Universitätsklinik	18,121	-
Germany	PAN Klinik	-	12,350
Germany	Parkklinik Manhagen	13,488	29,636
Germany	Park-Krankenhaus	10,897	-
Germany	Praxis Hoffmann	11,391	-
Germany	St. Gertrauden Krankenhaus	-	-
Germany	St. Josef Zentrum	-	-
Germany	St. Sixtus Hospital	22,524	-
Germany	Ubbe-Emmius-Klinik	15,456	12,503
Germany	Universitätsklinikum; Greifswald	16,859	45,082
Germany	Universitätsklinikum; Gottingen	-	42,865
Germany	Universitätsklinikum; Giessen	-	14,698
Germany	Universitätsklinikum; Freiburg	11,365	10,138
Germany	Universitätsklinikum; Rostcok	-	-
Germany	Zentrum für Gelenkchirurgie	-	12,404

Exhibit 4.14(b)
Material Suppliers

Following is a list of vendors who have billed the Seller an aggregate amount greater than or equal to $10,000 for 2009 and 2010. Disclosure includes amounts billed instead of amounts paid since Seller has not been current on payments.

	Amount	
Vendor	**2010**	**2009**
Aetna	$71,782	$251,685
AICCO-SUB	98,295	36,864
Ajilon	10,699	7,000
Alpine Group	55,000	130,000
American Express	35	551,596
AppTec Laboratory Services	1,060	33,407
Argenta Reimbursement Advisors	-	249,782
Avaya	8,395	16,418
Avaya Inc BPCC	5,534	5,534
Bayside Solutions	-	14,280
Becker & Associates	-	62,143
Brian Swinkin	30,745	79,150
Buffington	-	17,568
Business Wire	-	14,500
Calculated	-	14,486
Canaccord Adams	1,000	34,422
City of Redwood	21,933	20,306
Clairson Plastics	136,070	105,350
Clippert Medical SalesINC	4,550	10,460
Computer Patent Annuities Ltd	78,345	97,366
Conewago Consulting LLC	30,000	152,500
CSC	13,195	3,807
Customized Performance, Inc	-	16,264
Daniel Kowalski	-	103,132
David N. Caborn MD	-	10,000
David Watts	-	11,994
Diana V Petro	43,913	9,366
Dodd Marketing Communications	-	18,281
E&E Exhibit	279	27,417
EDGARfilings, Ltd.	1,985	19,485
Epiphany Partners	-	17,000
EquiServe LP-Computershare	18,287	36,987
Ernst & Young LLP	-	266,979
Express Services, Inc.	-	50,501
Factory	1,119	118,908
FedEx	7,976	45,082
Goodwin Proctor LLP	221,870	631,571
Guardian	8,278	29,179
Gulati	4,800	7,950

Exhibit 4.14(b)
Material Suppliers (continued)

Continuation of amounts billed to Seller

	Amount	
Vendor	**2010**	**2009**
Heinz Hoenecke MD	19,990	18,950
Humana	-	31,667
Independent Quality Systems Associates, Inc.	-	21,775
Information Systems	-	103,108
Intermedia.net	11,879	13,369
James C. Flounlacker	-	13,375
James P. Tasto, MD	-	-
John Rizzo	-	54,568
Kershaw Mackie	7,500	15,000
Lucchesi	-	183,296
Magnifi Group	-	45,873
Majer Clinical Research & Consultants, Inc.	2,145	29,290
Marc E. Levenston, Ph.D.	14,435	-
Matthew Burgener	-	38,286
MDCI	80,724	33,441
Mediplus Instrumente GmbH & Co. KG	-	27,547
MedWork	70,934	306,392
Mergis Group	-	22,920
Microshop	1,407	11,929
Millipore	-	24,833
Modified	-	15,962
Montgomery MD	8,351	28,304
Mountain Medical Designs, LLC	-	53,096
MSNW Continental Associates, LLC	70,996	72,309
National Orthopedic Education Society	-	10,000
NDA Partners LLC	58,895	67,147
NetSuite, Inc.	8,664	36,328
newsPROs	20,336	22,071
Nicholas Sgaglione, MD	-	15,675
North Shore LIJ Health System	-	16,864
Oce Financial	8,745	11,318
Off Madison Ave	-	40,846
Orthopedic Academy Inc.	-	20,029
PAETEC Communications	10,044	15,302
Paragon	-	34,659
Peridot Corp	29,581	109,593
PG&E	52,237	61,223
Phillips Consulting Group LLC	77,304	19,311
PRP Consulting	3,000	18,315
Rapoport	5,638	18,955
RHS	-	77,507
Royal Paper	-	20,974
RS Calibration	534	13,164
RSL	5,178	18,479

Exhibit 4.14(b)
Material Suppliers (continued)

Continuation of amounts billed to Seller

Vendor	Amount 2010	2009
RSM McGladrey	3,950	115,806
San Mateo County	19,226	-
Sawbones	-	14,112
SCI-DO AG	-	44,351
Seaport	412,550	437,043
SEC Medical	1,346	7,232
Shaw	231,917	942,078
Smestad	16,238	149,025
Smith & Nephew	-	10,105
Steadman	2,267	15,263
Steadman Hawk	-	23,727
Sterigenics	-	46,211
Strategic Reimbursement	-	154,457
Summit Innovations, LLC	1,300	15,779
Surgical	152,605	133,035
T.O.R.I Orthopaedic Research	-	216,308
The De Angelis Group	-	10,000
The Sharadin Group, LLC	-	28,000
Toshiba	7,310	7,220
TUV	15,847	14,704
Umidi + Company, Inc.	159,700	51,106
Verizon Wireless	5,957	4,160
Vern Clark	-	20,323
Vista Labs	-	22,218
VWR	-	20,236
Western-Allied	-	20,056
Windsor Partners	7,976	7,509
Woodruff	36,652	61,241
XO Communications	10,269	11,689
YOH Services LLC	-	66,596

Following is a list of vendors who have billed the Subsidiary an aggregate amount greater than or equal to $10,000 for 2009 and 2010 . Disclosure includes amounts billed instead of amounts paid because Subsidiary has not been current on payments

Vendor	Amount 2010	2009
Accion Medica	$ -	$ 10,460
AHV	48,438	34,562
AXA Winterthur	94,603	6,291
Copytrend	4,111	7,285
Dr. Dirk Holsten	18,274	33,902
Dr. Jörg Richter	10,884	11,795

Exhibit 4.14(b)
Material Suppliers (continued)

Continuation of amounts billed to Subsidiary

	Amount	
Vendor	**2010**	**2009**
Dr. Ricardo Crespo	3,192	14,541
Fäh Treuhand AG	20,835	17,931
FedEx	106,824	109,343
Finanzamt Konstanz	9,422	11,546
First Reisebüro	25,472	72,038
Hotel Bloementaal	-	10,147
ICRS	11,422	11,996
Intercongress	26,916	16,153
Iten Informatik	2,581	7,990
Medalliance GmbH	-	13,859
medconnect	11,948	-
OSM Research Foundation	71,055	-
P&R Kongresse	12,044	15,809
Prof. Christian Fink	-	11,324
Quint AG	730	29,189
Renggli Immobilien	40,639	37,636
Swisscom (1)	10,260	11,448
SwissLife	15,703	59,699
Synbone	-	28,002
The Orthopedic Academy	-	58,963
TNT	10,531	6,553

REGEN BIOLOGICS, INC.

Listing of ReGen Biologics CE Marked Devices

Product Name	Product Code	Annex IX Classification	Classification Rule	Conformity Assessment Path	CE Mark	Batch/Date First Affixed
ReGen® CMI® Distributed by ReGen Biologics AG Medial 7.5 mm Size Medial 9.0 mm Size Lateral 9.5 mm Size	 PN 4600 PN 4601 PN 4607	III	Rules 8 and 17	Annex II	CE 0123	03/2000
CMI® Measuring Rod	PN 4603	IIa	Rule 6, Single Use Only	Annex II.3	CE 0123	04/2000
CMI® Delivery Device Push Rod	PN 4609	IIa	Rule 6, Single Use Only	Annex II.3	CE 0123	08/2002
CMI® Delivery Device Cannula	PN 4604	I	Rule 6, Surgical Invasive Reusable	Annex VII	CE	07/2005
CMI® Measuring Device Cannula	PN 4608	I	Rule 6, Surgical Invasive Reusable	Annex VII	CE	07/2005
CMI® Delivery Clamp	PN 4610	I	Rule 6, Surgical Invasive Reusable	Annex VII	CE	08/2007
Contract Manufactured Product						
SharpShooter® Handle Distributed by Linvatec Distributed by ReGen Biologics AG	 PN 4200 PN 4700	I (sterile)	Rule 1	Annex V and VII	CE 0123	04/2000
SharpShooter® Cannula Distributed by Linvatec Distributed by ReGen Biologics AG	 PN 4250 to 4255 PN 4750 to 4755	I	Rule 6, Surgical Invasive Reusable	Annex VII	CE	04/2000
Instrument Tray Distributed by Linvatec Distributed by ReGen Biologics AG	 PN 4258 PN 4758	I	Rule 6, Surgical Invasive Reusable	Annex VII	CE	04/2000
SharpShooter® Suture Distributed by Linvatec Distributed by ReGen Biologics AG	 PN 4202 PN 4701	IIb	Rule 8	Annex II.3	CE 0123	04/2000

The Authorized Representative for the products in the EEC is:

Emergo Europe, Molenstraat 15, 2513 BH, The Hague, The Netherlands

REGEN BIOLOGICS, INC.

Listing of ReGen Biologics CE Marked Devices and Certificates

Product Name	Product Code	Quality System Certificates	Product Certificates	CE Mark
Collagen Meniscus Implant (CMI®) Distributed by ReGen Biologics AG Medial 7.5 mm Size Medial 9.0 mm Size Lateral 9.5 mm Size	 PN 4600 PN 4601 PN 4607	U.S. FDA Establishment Registration No. 2956141 AND EN ISO 13485:2003 Cert. No. Q1N 08 11 34834 017 AND ISO 13485:2003 CMDCAS (Canada) Cert. No. S 951 00 1514	EC Design Examination Certificate No. G7A 10 11 34834 026 AND EC Certificate No. G1 10 11 34834 022	CE 0123
CMI® Measuring Rod	PN 4603		EC Certificate No. G1 10 11 34834 022	CE 0123
CMI® Delivery Device Push Rod	PN 4609		EC Certificate No. G1 10 11 34834 022	CE 0123
CMI® Delivery Device Cannula	PN 4604		EC Certificate No. G1 10 11 34834 022	CE
CMI® Measuring Device Cannula	PN 4608		EC Certificate No. G1 10 11 34834 022	CE
CMI® Delivery Clamp	PN 4610		EC Certificate No. G1 10 11 34834 022	CE
Contract Manufactured Product				
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The Authorized Representative for the products in the EEC is:

Emergo Europe, Molenstraat 15, 2513 BH, The Hague, The Netherlands

EXHIBIT 4.19(b)
Employment Handbook

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EMPLOYEE HANDBOOK

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WELCOME!

This handbook tells you about our Company. We tried in these pages to give specific answers to most of the questions from new employees. You will no doubt have other questions which are not answered here. Do not hesitate to ask them! All of us were new once; we are aware of the uncertainties of a new job and are glad to help you get a good start.

We hope that you will succeed in your new position at ReGen. Good luck!

James T. McKinley
President and Chief Executive Officer

INTRODUCTION TO HANDBOOK

This handbook contains the Company's human resources policies. These policies guide the relationship between you and the Company. It is your responsibility to yourself, your family, and the Company to know what the policies provide.

The policies in this handbook are not a contract of employment. They are guidelines only. Exceptions or changes to a policy may be made whenever appropriate in the opinion of management. The Company reserves the right to revise these policies at any time.

Enclosed is an acknowledgment form showing that you have received a copy of this handbook. Please complete and return it to the Executive Assistant to the CEO. The handbook should answer most of your questions, but please do not hesitate to ask your supervisor or the Executive Assistant to the CEO about anything that is not clear to you.

I. GETTING STARTED

A. Equal Employment Opportunity Policy

ReGen Biologics seeks to employ the best qualified individuals. The Company promotes equal employment opportunity to all employees and applicants regardless of race, color, religion, sex, sexual orientation, national origin, age, marital or veteran status, medical condition, or mental or physical disability.

B. Harassment Policy

ReGen Biologics is committed to providing a work environment that is free of discrimination. In keeping with that commitment, **ReGen Biologics** maintains a strict policy prohibiting unlawful harassment, including religious, ethnic, racist or sexist sexual harassment. Harassment is the abuse of anyone through religious, ethnic, racist or sexist slurs or through derogatory or objectionable conduct which may create an offensive working environment. Harassment can be verbal (epithets, derogatory comments, slurs), visual (derogatory posters, cartoons or gestures), physical (assault, blocking, interference), sexual (unwelcome sexual advances, requests for sexual favors, or offensive sexual jokes), threats and demands, or retaliation for having reported the harassment.

ReGen Biologics wants to ensure that its employees are not subjected to harassment during Company business or Company sponsored activities. Violators are subject to corrective action that may include dismissal from employment. False accusation and breach of confidentiality can result in corrective action up to and including dismissal.

If you believe you are being harassed, you should let the other person know that their behavior is unwelcome. You are free to try to resolve the problem with the other person or persons. Otherwise you should immediately notify your supervisor or the Executive Assistant to the CEO, who will work promptly and discreetly to investigate and resolve the complaint. Retaliation against anyone for bringing a complaint, or participating in an investigation, is also prohibited by Company policy. Possible retaliation will be investigated and if found, will subject the retaliating employee to disciplinary action.

Supervisors who learn of possible harassment of any employee, whether created by employees or non-employees, must immediately notify the President or Controller of the Company. Failure to do so will subject the supervisor to corrective action, including release from employment.

C. Employment At Will

All employment at **ReGen Biologics** is "at will." That means the employee and the

Company each have the right to terminate employment at will, with or without advance notice and with or without cause. Moreover, the Company has the sole responsibility to manage its worksites, to select its customers, to determine the schedule of work, to determine the size of its workforce, to select and hire employees, to assign work, to direct the work of its employees, to direct the method of work, to reclassify, transfer, promote or demote employees, to determine job content and create new job classifications, to establish and enforce rules and regulations, to administer discipline including suspension or discharge, and to reduce the size of the workforce including layoffs. Only the Company president has the authority to change this agreement, to agree to employment for a specific period of time, or to make any agreement contrary to this policy. Any such agreement must be in writing and must be signed by the president.

D. Open Door Policy

If you have any questions, concerns or complaints about your job or the Company, we encourage you to discuss them with your supervisor, any manager, or the Executive Assistant to the CEO. You should try to provide constructive criticism if possible. While there is no guarantee that the Company will make changes you request or suggest, we encourage you to voice your opinion to improve the Company.

E. Employment Categories

The Company has several employment categories:

Regular Full-time employees are those who are regularly scheduled to work at least 40 hours per week. Full-time employees receive Company benefits on a prorated basis.

Regular Part-time employees are those who are regularly scheduled to work fewer than 40 hours per week. Part-time employees are not eligible for Company benefits.

Temporary employees work in jobs established for a specific period of time or for the duration of a specific project or group of assignments. Temporary employees are not eligible for Company benefits.

Nonexempt employees include all employees who are covered by the overtime provisions of the federal and state wage and hour laws. **ReGen Biologics** pays employees in this category premium pay for work in excess of 40 hours in a workweek or 8 hours in a workday. Nonexempt employees must fill out weekly timesheets on a daily basis to record their time.

Exempt employees include all employees who are classified as exempt from the overtime provisions of the federal and state wage and hour laws. Such employees include those who qualify as exempt executive, administrative, or professional employees.

F. Employment of Relatives

The Company does not maintain a strict policy that prohibits employment of relatives in all circumstances. However, there are restrictions on the employment of relatives under some circumstances. For example, the Company may refuse to place a relative under the direct supervision of another relative, for business reasons of supervision, safety, security, morale, conflict of interest, etc.

G. Personnel Records

Information in an employee's personnel file is permanent and confidential. If you want to read your file, please make an appointment with the Executive Assistant to the CEO. You are entitled to a copy of any document you have signed at Company request. Personnel files are the property of the Company and may not be removed from the Company's premises.

It is your responsibility to keep personal information up-to-date. You should inform the Executive Assistant to the CEO immediately whenever you change your address, telephone number, marital status, number of dependents, and persons to notify in case of emergency.

H. Job Postings

If you have been in your current job for at least 6 months, you may apply for posted open positions. All jobs may not be posted, and external candidates will be considered at the same time. To apply, submit a job interest form to the Executive Assistant to the CEO within 5 working days of the posting date.

II. HOURS AND PAY

A. General

The Company's rules and regulations regarding work hours, timekeeping and overtime compensation are summarized below.

B. Work Hours

The Company's basic business hours range anywhere from 6:30 a.m. to 6:30 p.m., Monday through Friday. Your supervisor will tell you what hours you will be expected to

work. Your duties may require variations in your work schedule. In addition, employees may be required to work overtime or hours other than those normally scheduled when necessary. **ReGen Biologics** considers overtime of up to twenty hours per week to be reasonable when required to meet the needs of the Company. Exempt employees should expect to work past business hours and on weekends to complete their job duties.

C. Lunch Breaks And Coffee Breaks

Nonexempt employees are entitled to an hour unpaid lunch break at a time to be coordinated with their supervisors. In addition, nonexempt employees are entitled to two fifteen-minute paid breaks per day, one in the morning and one in the afternoon, and an additional break for at least four hours of overtime. Rest periods may not be accumulated, added to lunch breaks, or used to leave work early.

D. Overtime

Employees shall be paid for their hours worked in accordance with all legal requirements. Employees who qualify as administrative, executive, or professional employees within the meaning of the state and federal wage and hour laws are exempt from overtime pay and are not subject to this policy. All non-exempt employees qualify for overtime pay.

All overtime work by a non-exempt employee must be approved in advance by an employee's supervisor. Because unauthorized overtime is against Company policy, employees who work unauthorized overtime are subject to discipline, possibly including termination.

1. **Time worked** - Employees shall record all time worked, including time worked over their normal schedule, on the time sheet or time card at the time it actually occurs. Time is rounded to the nearest quarter of an hour.

2. **Overtime** - Overtime pay is calculated at one and one-half times the employee's regular rate for all hours over eight hours in one workday or 40 hours in one workweek. Overtime is computed on the basis of a non-exempt employee's total hours worked in a workday and a workweek. Hours paid for that are not worked, e.g., holidays, sick days, and vacations, do not count as hours worked for overtime purposes.

3. **Double-Time** - Overtime hours in excess of twelve in one workday are paid at double-time.

4. **Weekends** - Weekend work does not automatically qualify for compensation at a premium rate of pay. Hours worked on Saturdays and/or Sundays qualify for premium pay only if they qualify as overtime hours under the standards noted above.

5. **Holidays Worked** - Non-exempt employees who work on a Company-recognized holiday shall be paid their straight-time rate of pay for hours actually worked on the holiday, plus the regular holiday pay for the day.

E. Payroll

1. **Pay Periods** The Company's formal work week begins at 12:01 a.m. Saturday and ends at midnight Friday. **ReGen Biologics** pays on a biweekly schedule, with payroll distributed on a set day in alternating weeks. A list of paydays is posted with other employment related posters.

2. **Payroll Deductions** All employees are subject to taxes on earnings as follows: (1) Federal and State income tax withholding; (2) Social Security tax (FICA); and (3) State Disability Insurance.

F. Expense Reimbursement

ReGen Biologics will reimburse employee's authorized personal expenditures related to the conduct of the Company's business. The Company will reimburse actual expenses incurred; the Company does not pay "per diem." You should submit receipts for all expenses, and you must submit them for expenses of $25.00 or more. Expense reports must be filed within two weeks of the date of the expense. The expense report is to include detail dates, places, item descriptions and costs for all charges incurred.

1. Reimbursable expenses include:

Air Travel – lowest possible fare for coach or economy tickets for all domestic and international travel. Whenever practical, travel arrangements should be made as far in advance as possible to take advantage of the airlines' discount fares and be arranged through the Company designated travel agency.

Lodging -- business-class guest room. Accommodations are expected to be in the moderate cost range. Luxury accommodations are not necessary and will not be approved. Accommodation requests should be made through the Company travel agency to ensure accommodations are received at the corporate discount rate. Specific hotels may be requested, provided the rates are moderate. Room charges, business telephone calls, a safe arrival call and meals (including gratuities not exceeding 20%) are reimbursable. Laundry charges are reimbursable if length of absence from the employee's home area is more than seven days.

No reimbursements will be made for hotel charges within 50 miles of the employee's home area unless prior approval is obtained from the employee's supervisor. Expenses incurred during a personal side trip in conjunction with Company business travel are

not reimbursable. Expenses incurred by a spouse accompanying an employee are also not reimbursable. If attendance at a function requires the spouse to be present, the employee will be reimbursed provided prior approval was obtained from the employee's supervisor. Any charges incurred as a result of an employee failing to cancel a guaranteed hotel or motel reservation will be the responsibility of the employee, unless approval is obtained from a superior.

Rental Car -- whenever other transportation would be impractical, a rental car should be obtained. Car rental should be arranged through the Company travel agent in the name of ReGen Biologics for a vehicle reasonable for that trip's business purposes. The rental agreement must be signed in the name of ReGen Biologics, Inc. and yourself to assure that the Company's automobile insurance policy will be in force. For a domestic rental, decline the liability coverage and physical damage waiver offered by the car rental company. Ensure your personal vehicle coverage follows you with respect to rented vehicles, for your own liability in the event of an accident. When renting a car abroad, obtain an International Driving Permit as required and accept the liability coverage and physical damage waiver offered by the car rental company.

Mileage for personal vehicle usage -- actual business mileage times the reimbursement rate allowed by U.S. Department of Treasury Internal Revenue Service Regulations. Commute from home will not be reimbursed. In the event of an accident, you are responsible for your own liability and/or damage to your vehicle. Also, your insurance is primary for your loss.

Miscellaneous Expenses -- telephone, tolls, parking, taxi, airport transportation, and tips and gratuities. Other miscellaneous expenses directly or indirectly related to Company business (such as freight, office supplies, postage) require a separate purchase order with receipts.

III. BENEFITS

A. Holiday Schedule

The Company grants the following paid holidays each year to employees regularly scheduled to work at least 30 hours per week:

New Year's Day
Presidents' Day
Memorial Day
Independence Day
Labor Day
Thanksgiving Day

Day after Thanksgiving Day
Christmas Day
Day after Christmas Day

For those employees who observe other religious holidays (i.e., Hanukkah, Rosh Hashanah), please advise your supervisor or the Executive Assistant to the CEO so that we may accommodate those requirements.

Holidays are not an accrued benefit. Holidays not already taken at time of separation will not be paid upon separation. To be paid for the holiday, you must work your last scheduled day before the holiday and your first scheduled day after the holiday. Employees on vacation when a legal holiday occurs may extend their vacation by one paid day for each holiday.

If you work on a holiday, nonexempt employees are paid 1½ times their straight time hourly rate; exempt employees are given another day off with pay when mutually agreed upon by employee and supervisor.

B. Vacation

1. Accrual

Full-time eligible employees accrue paid vacation at the rate of 15 days per year.

Part-time eligible employees accrue vacation time pro rata based on their actual number of hours worked.

Officers of the Company receive unlimited vacation time. Upon termination, officers will not receive payment for accrued vacation time.

2. Vacation Payment

All vacation hours taken must be fully earned before they are taken. Vacation pay will be calculated at an employee's rate of base pay at time vacation is taken. Vacation hours are not calculated on overtime.

Employees are encouraged to use all accrued vacation time each year. You must schedule your vacation at least two weeks in advance with your supervisor. The supervisor will approve vacation according to business needs, the order in which requests are received, and the employee's accrued hours.

Eligible employees who have a change of classification affecting their vacation accrual rate will begin accruing vacation at the new rate at the time of the change. The amount of vacation accrued at the time of the classification change would be preserved.

Nonexempt employees may accrue up to a maximum of 200 hours of vacation, at which point further accrual stops until accrued vacation is used. Exempt employees may accrue up to a maximum of 25 days of vacation, at which point further accrual stops until accrued vacation is used.

C. Paid Sick Days

The Company's sick days program allows eligible employees to take time off without losing pay. When you need to miss work due to illness, you must call your supervisor as soon as possible before your scheduled time to be at work. If your supervisor determines that the continued use of sick leave is unreasonable, he or she may request a doctor's note, deny sick leave and/or evaluate the need for disciplinary action, possibly including termination.

D. Unpaid Time Off

No advances of sick leave, vacation or Paid Time Off will be made, nor can you request a "negative balance." Absence not covered by accrued sick leave, vacation or Paid Time Off will be unpaid. Unpaid absence must be approved in advance by your supervisor.

E. ReGen Biologics Tax-Deferred Retirement Plan

ReGen Biologics has established a tax-deferred plan for your retirement planning. Details of the Plan, including eligibility, contribution limits and other features are provided for you in the Summary Plan Description you will receive.

F. Stock Option Plan

All full-time employees receive options to purchase Company stock, under the provisions of the **ReGen Biologics** Employee Incentive Stock Option Plan. Details about all features of the Plan, including eligibility, are contained in the Plan documents available from the Executive Assistant to the CEO. (See appendices A and B.)

G. Tuition Reimbursement

ReGen Biologics will reimburse tuition and laboratory fees for approved education courses you complete with a grade of B- or better. The subject studied must be related to your **ReGen Biologics** job. To apply for this benefit, please complete a Tuition Reimbursement Request available from your supervisor.

H. New Employee Referral Program

For any new hire referred to **ReGen Biologics** by you while you are an employee, you will receive $100.00 on the day the new employee starts.

I. Health Coverage

The Company offers health, dental and prescription insurance coverage for employees and their dependents. The Company currently pays the total premium for coverage. The Summary Plan Descriptions for this benefit contain information on coverage, exclusions, and deductibles. Contact the Executive Assistant to the CEO for your copy of the Summary Plan Descriptions.

J. COBRA Continuation

If your employment terminates, or for some other reason you or your dependent becomes ineligible for paid coverage, you may be eligible to continue group health insurance coverage under the federal COBRA law. If eligible, you can continue coverage for some time by paying the premiums yourself, if no other health insurance is available to you. The Executive Assistant to the CEO will provide you with detailed information regarding your continuation rights. If you do not receive this information, it is your responsibility to notify the Executive Assistant to the CEO immediately.

K. Life Insurance

The Company offers and pays the total premium for life insurance for eligible employees equal to your salary if you are below Director level, and twice your salary at or above a Director level position.

L. California State Disability Insurance

Under the California Unemployment Insurance Code, State Disability Insurance (SDI) benefits are payable when you are disabled from work because of non-occupational illness or injury. You pay for this insurance through payroll deductions. If you are eligible for SDI, you must complete a claim form which you can get from your doctor's office.

M. Long Term Disability

Long Term Disability is provided for all full-time active employees working 30 hours or more per week, except any person working on a temporary or seasonal basis. For complete coverage details, see the Executive Assistant to the CEO.

N. Workers' Compensation Insurance

If you are injured on the job or become ill as a result of work, you may be eligible to receive Workers' Compensation insurance benefits. **ReGen Biologics** pays for this insurance for your protection. The Workers' Compensation insurance plan will pay all authorized medical expenses resulting from industrial injury or occupational illness, together with income benefits if you lose time from work.

You must report every industrial injury to your supervisor within twenty-four hours. The Company will refer you to a physician for examination and will provide you with the necessary paperwork to document your injury.

IV. LEAVE OF ABSENCE POLICIES

The purpose of these policies is to establish guidelines governing leaves of absence and to ensure that leaves are granted on a fair and equitable basis to eligible employees. The policies will be administered in a manner that conforms to applicable state and federal laws. Unless the law requires a departure from the policies contained herein, the policies will be administered strictly as described below.

A. Policy

Leaves of absence for all eligible employees will be considered in cases of medical disabilities and in cases of personal emergency, military duty, jury duty, witness duty, or bereavement. Unless specifically provided otherwise, all leaves of absence are available only on an unpaid basis.

All employees are eligible for a leave of absence once they have completed a 90-day introductory period. In addition, all employees are eligible for a leave of absence before completing their introductory period where required by state or federal law. For example, unpaid leaves of absence may be granted to introductory employees for work-related disabilities, pregnancy, jury duty, witness duty, or military duty. If an employee is out for an extended period during the first 90 days of employment, the introductory period will be extended by the number of days that the employee is out.

Subject to any applicable legal restrictions, requests for leaves of absence will be considered on the basis of the employee's length of service, performance, responsibility level, the reason for the request, and the Company's ability to obtain a satisfactory replacement during the time the employee would be away from work. If an employee accepts other employment or fails to return to work on the next regularly scheduled work day following the expiration of a leave, the employee will be considered to have voluntarily terminated his or her employment.

B. Medical Leave of Absence

1. Eligibility for Commencement and Duration of Leave. Any regular employee who, as a result of a medical disability, including pregnancy, becomes unable to perform the duties of his or her position, may be eligible for placement on medical leave. The leave of absence shall be extended to the employee for the duration of the non-work-related disability, up to a maximum of four months, measured from the onset of the disability.

2. Accrual of Benefits. Employees will continue to accrue all benefits, e.g., vacation, etc., during the first 30 days of an approved leave of absence. However, no benefits will accrue after such 30 days if the employee is still on leave of absence.

Employees returning from a leave of absence will generally be reinstated without loss of seniority earned prior to the commencement of their leave. Employees returning from a leave of absence will be given credit for the introductory period or any portion thereof completed prior to the commencement of the leave of absence.

3. Coordination of Benefits. A leave of absence for a work-related disability will be coordinated with workers' compensation, short-term and long-term disability if available, and any other benefits provided to the employee in an effort to minimize the impact of the leave of absence for both the employee and the Company.

Health and insurance benefits ordinarily provided by the employer, and for which the employee is otherwise eligible, will be continued during the period of the leave only if the employee elects to pay the full cost of such coverage, unless otherwise provided by Company policy. The cost of dependent coverage normally borne by the employee will also remain the sole responsibility of the employee. The employee should make arrangements with the Human Resources Department to pay the cost of such coverage before the leave begins.

4. Notification Requirements. An employee requesting a leave must give the Company reasonable advance notification. If the event necessitating the leave is known to the employee more that thirty (30) calendar days beforehand, the employee shall provide notice to the Company as soon as she or he becomes aware of the need for a leave and, at a minimum, shall provide thirty (30) days written advance notice to the Company.

In the event necessitating the leave becomes known to the employee less than thirty (30) days prior to the need for a leave, the employee shall provide the Company with as much advance notice as possible.

It is the employee's responsibility to provide the Human Resources Representative with all of the following information in writing as soon as he or she becomes aware of the need for a leave of absence:

(a) The reason the absence is being requested;

(b) The anticipated dates of the leave of absence; and

(c) A physician's certificate or other medical proof acceptable to the Company verifying the existence of the disability.

Periodic updates shall be provided to the employee's supervisor and/or department head at least every 30 days during the leave concerning the employee's status, expected date of return, and continued intent to return to work upon expiration of the leave. The employee may be required to provide further physician's certificates or other medical proof acceptable to the Company verifying the continued existence of the disability. The employee shall provide immediate notification to the employee's supervisor or department head of a need to change the duration of the leave of absence.

5. **Verification of Ability to Return.** The Company reserves the right to require written verification from a licensed physician that an employee's disability does not impair the employee's ability to perform the essential functions of his or her job before permitting the employee to return to work.

C. Personal Leaves of Absence

1. **General.** A personal leave of absence without pay may be granted to a regular full-time employee for a reasonable period of time of up to 30 days. The leave may be extended for a reasonable period of time due to special circumstances, as determined on an individual basis by the president of the Company.

2. **Requests.** Requests must be submitted in writing and must be approved in writing by the employee's department head before the leave begins. Requests for extensions of leaves must be submitted in writing and approved in writing by the administrative officer before the extended period of leave begins. It is the employee's responsibility to report to work at the end of the approved leave. An employee who fails to report to work on the work day after the leave expires will be considered to have voluntarily terminated employment.

3. **Status of Employee Benefits During Personal Leaves.** Health and life insurance benefits ordinarily provided by the employer, and for which the employee is otherwise eligible, will be continued during the period of the leave only if the employee elects to pay the full cost of such coverage. The cost of dependent coverage normally borne by the employee will also remain the sole responsibility of the employee. The employee should make arrangements with the Human Resources Representative to pay the cost of such coverage before the leave begins.

D. Military Leaves of Absence

1. **General.** Military leaves of absence are granted without pay. In order to be eligible, employees must submit written verification from the appropriate military authority. The Company will reinstate those employees returning from military leave to the same position or one of comparable seniority, status, and pay if they:

(a) have a certificate of satisfactory completion of service;

(b) apply within 90 days after release from active duty or within such extended period, if any, as their rights are protected by law; and

(c) are qualified to fill their former position.

Health and life insurance benefits ordinarily provided by the employer, and for which the employee is otherwise eligible, will be continued during the period of leave only if the employee elects to pay the full cost of such coverage. The cost of dependent coverage normally borne by the employee will also remain the sole responsibility of the employee. The employee should make arrangements with the Human Resources Representative to pay the cost of such coverage before the leave begins.

2. **Compliance With Legal Requirements.** Exceptions to this policy will occur wherever necessary to comply with applicable laws.

E. Bereavement Leave

In the event of a death in the immediate family of an employee who has completed the introductory period, he or she will be allowed up to three paid days off immediately following the death. "Immediate family" is defined as: current spouse, mother, father, sister, brother, child, current mother-in-law, current father-in-law, grandparents and grandchildren. The employee will be paid his/her regular daily rate and may be required to furnish satisfactory evidence to support the leave. If circumstances demand that additional time be taken, unpaid leave may be granted by the Human Resources Department. Additional paid days beyond three may be used from accrued vacation time with the approval of the employee's supervisor.

Notwithstanding anything in this policy to the contrary, an introductory period employee shall be eligible for unpaid bereavement leave of up to three days (or such longer period as may be necessary) with the prior written approval of his or her department head.

F. Returning From Leave of Absence.

When an employee is placed on leave of absence, an effort will be made to hold his or her position for the period of the approved leave. However, due to business needs, there will be times when positions cannot be held open. Accordingly, it is not possible to guarantee reinstatement, except where required by law.

If an employee's former position is unavailable when he or she is ready to return from an approved leave, a reasonable effort will be made to place the employee in a comparable position for which he or she is qualified. If such a position is not available, the employee will be offered the next suitable position for which he or she is qualified that becomes available. In addition, the Company will attempt to reasonably accommodate any work restrictions of employees who are released for partial or modified duty.

An employee who does not accept the position offered will be considered to have voluntarily terminated his or her employment, effective the day such refusal is made.

G. Family Care Leave

Employees with at least one year of continuous service with the Company and at least 1,250 hours service in the prior 12 months may be entitled to family care leave in connection with the birth or adoption of a child, the serious illness of a relative, as further defined below, or the serious medical condition of the employee.

Requests for family care leave should be made as soon as the employee is able to anticipate the need for such leave. Each family care leave request will be reviewed in accordance with the policies set forth below.

1. Conditions for Granting Family Care Leave

Family care leave may be requested in connection with the birth of an employee's child, the adoption or foster care of a child, or the serious medical condition of the employee or employee's child, spouse, or parent. If the employee can control when the leave may be required, *e.g.*, leave for a planned medical treatment, the employee may be requested to schedule the leave in a manner that will minimize its disruption to the Company to the extent that is medically acceptable.

2. Amount of Leave

Employees may be granted up to 12 weeks leave during any 12-month period. If the leave is requested in connection with the birth of a child and the employee is disabled due to the pregnancy or childbirth, the employee may additionally receive disability leave.

In the event family care leave is requested in connection with the birth, adoption or foster care of a child, and both parents are employed by the Company and independently entitled to family care leave, the Company may limit leave so that the employees' combined total leave does not exceed 12 weeks between them in any 12-month period.

3. Relation to Other Benefits

Vacation Benefits and Other Accrued Leave. Employees may be required to first use accrued vacation and any other available leave before being granted unpaid family care leave. The total amount of permissible family care leave will be reduced by the amount of any other leave used as a substitute for family care leave. Except to the extent that paid leave is substituted for family care leave, an employee is not entitled to any compensation during the family care leave period.

Health Care Benefits. Group health insurance benefits, including dependent coverage benefits, ordinarily provided by the Company, and for which the employee is otherwise eligible, will be continued during the first 12 weeks of a leave. The Company may recover from the employee the premium that the Company paid for the employee's health insurance benefits if:

(a) the employee fails to return to work after the expiration of the leave; and

(b) the failure to return is for a reason other than the continuation recurrence or other serious health condition that entitles the employee to a family leave, or other circumstances beyond the employee's control.

Group health benefits, including dependent coverage benefits, will be continued after the 12th week of the leave only if the employee elects to pay the full cost of such coverage.

Other Benefits. Employees are not entitled to any Company-paid contributions to employee benefit plans during the leave period. Employees may, however, elect to continue such benefits by paying the costs ordinarily paid by the employer. If the employee does not make such payments, the employee will not be covered by the employee benefit plans during the leave period. Employees will suffer no break in service or seniority when granted family care leave.

4. Notification Requirements

An employee requesting a leave must give the Company reasonable advance notification. If the event necessitating the leave is known to the employee more than thirty (30) calendar days beforehand, the employee shall provide notice to the Company as soon as he or she becomes aware of the need for a leave and, at a minimum, shall provide thirty (30) days written advance notice to the Company.

If the event necessitating the leave becomes known to the employee less than thirty (30) days prior to the need for a leave, the employee shall provide the Company with as much advance notice as possible.

It is the employee's responsibility to provide the Human Resources Department with all the following information in writing by letter as soon as he or she becomes aware of the need for a leave of absence:

(a) The reason the absence is being requested;

(b) The anticipated dates of the leave of absence; and

(c) A physician's certificate or other medical proof acceptable to the Company verifying the existence of the serious illness or medical condition necessitating a family leave.

In the case of the employee's own medical condition, the Company may at its own expense seek additional medical opinions and deny leave accordingly.

Periodic updates shall be provided to the employee's supervisor and/or department head at least every 30 days during the leave, concerning the employee's status, expected date of return, and continued intent to work upon expiration of the leave. The employee may be required to provide physician's certificates or other medical proof acceptable to the Company

verifying the continued existence of the disability. The employee shall provide immediate notification to the employee's supervisor or department head of a need to change the duration of the leave of absence.

5. Returning from Family Leave of Absence

With the exception of certain highly compensated executives, an employee who has made a reasonable request for and been granted a family leave will be guaranteed reinstatement to the same or an equivalent position upon return from the leave.

H. Leave of Absence for Work Related Injury or Illness

A leave of absence will be granted to an employee who is disabled from work as a result of a work-related injury or illness. As with all disability leaves of absence, the employee must regularly provide the employer with medical verification regarding the status of the disability, including the expected date of return to work and changes in medical condition. Benefits such as vacation, sick leave and stock option vesting will not accrue while on a work-related disability leave. Medical insurance premiums while on leave will be treated in the same manner as with other disability leaves of absence. Sick leave and vacation benefits the employee uses during the leave will be coordinated with workers' compensation benefits. Leaves of absence for work-related disability will be counted as leave in accordance with federal and state medical leave laws if the employee is eligible for such leave.

The employee will be retained on work-related disability leave status until one of the following circumstances occurs:

(a) The employee is released to work with no restrictions;

(b) The employee is released to work with some restrictions and work is offered by the employer which is consistent with the restrictions;

(c) Medical evidence establishes that the employee is permanently disabled from returning to usual duties even with reasonable accommodation; or

(d) The employee informs the employer of the intent not to return to work (either directly communicating to the employer or by actions inconsistent with intent to return, such as moving out of state or accepting other employment).

An employee returning to work must provide the employer with reasonable advance notice of release to return and provide a physician's statement indicating fitness to perform the former duties. An employee returning to work will be returned to the former position, if possible, or, if such position is not available, will be offered the first available comparable

position for which the employee is qualified.

I. Jury and Witness Duty

The Company will grant paid time off to employees summoned for jury or witness duty. You must notify your supervisor immediately when you receive your jury summons or witness subpoena.

You must keep in touch with the office on a daily basis so that we can arrange to cover your job responsibilities while you are on jury or witness service. If you are on "jury standby", you are expected to work until being called to the court. If you are dismissed by the court on any workday, you should return to work, if you can return at least two hours before the workday ends.

When your jury service ends you must bring your Certificate of Jury Service from the court and turn it in to the Executive Assistant to the CEO.

J. Unemployment Compensation

As an employee in California, you are covered by the Unemployment Compensation Insurance Program. The California Employment Development Department (EDD) decides your eligibility. If you have questions about unemployment insurance, you should call the nearest EDD office.

K. Social Security

Under federal law, you are covered by Social Security. The Company deducts your share of the Social Security tax (FICA) from your paycheck. **ReGen Biologics** also contributes on your behalf an amount determined by law. Both your contribution and the Company's are paid to the federal government. You should contact the Social Security Administration to obtain details regarding your benefits and credits under the program.

V. YOUR RESPONSIBILITIES AS AN EMPLOYEE

A. Confidentiality

The protection of confidential information and trade secrets is essential both for the Company and its employees' future security. In the course of your work, you are likely to have access to confidential information regarding the Company, its affiliates, suppliers, customers and perhaps even fellow employees. To protect such information, employees may not disclose any such trade secrets or confidential information at work except as necessary to perform your duties. You must not under any circumstances reveal this information outside **ReGen Biologics** without prior Management approval. Such information can be used only to perform your **ReGen Biologics** job duties.

All employees are required to sign a Proprietary Information and Inventions Agreement as a condition of employment. This Agreement defines your obligations in greater detail. Any questions about your responsibilities in this area should be directed to the Executive Assistant to the CEO.

B. Conflict of Interest Policy

Our employees are expected to devote their best efforts and attention to the full-time performance of their jobs. Employees are expected to use good judgment, to adhere to high ethical standards and to avoid situations that create an actual or potential conflict between the employee's personal interests and the interests of the Company. A conflict of interest exists when the employee's loyalties or actions are divided between the Company's interests and those of another, such as a competitor, supplier, customer or other employer. Both the fact and the appearance of a conflict of interest should be avoided. Employees unsure as to whether a certain transaction, activity, or relationship constitutes a conflict of interest should discuss it with their immediate supervisor or the Executive Assistant to the CEO for clarification. Any exceptions to this guideline must be approved in writing by the Company's Chief Executive Officer.

This guideline does not attempt to describe all possible conflicts of interest that could develop. Some of the more common conflicts from which employees should refrain, however, include the following:

1. Working for an actual or potential competitor, supplier, or customer of the Company;

2. Engaging in self-employment in competition with the Company;

3. Having a substantial direct or indirect financial interest in any competitor, customer or supplier;

4. Accepting substantial gifts, entertainment, loans, compensation, concessions or benefits from an actual or potential competitor, supplier, or customer;

5. Acquiring any interest in property or assets of any kind for the purpose of selling or leasing it to the Company;

6. Using proprietary or confidential Company information for personal gain or to the Company's detriment;

7. Using employees, material, equipment or other assets of the Company for personal use;

8. Buying and/or selling of commodities for the personal account of any employee who is accountable for using and selling of such commodities for the Company. Trading by other employees creates a risk of conflict in the performance of their job function and is subject to review by the Company Office.

If an employee or someone with whom an employee has a close relationship (a family member or a close companion) has a financial or employment relationship with an actual or potential competitor, customer, or supplier, the employee must disclose this fact in writing to the Executive Assistant to the CEO. Employees should be aware that if they enter into a personal relationship with a subordinate employee or with an employee of an actual or potential competitor, supplier, or customer, a conflict of interest may exist that requires full disclosure to the Company.

A part time employee may engage in outside employment, provided that he or she discloses this fact to his or her immediate supervisor and obtains the supervisor's written approval.

Failure to adhere to this guideline, including failure to disclose any conflicts or to seek an exception, will result in discipline, up to and including termination of employment.

C. Alcohol and Drug Abuse Policy

The Company is committed to provide a safe, efficient and productive work environment, and to provide the highest quality products and services. Therefore, **ReGen Biologics** has a strict policy against inappropriate use and possession of drugs and alcohol. The Company requires all employees to report for work fit to perform their jobs. Employees must perform their duties safely and efficiently, protecting their own interests, those of their

co-workers, and Company interests.

No employee may use, possess, distribute or sell alcohol or any illegal drug while on duty, while on on-call status, or while operating a vehicle that is owned or leased by the Company, or while on the Company's property (except at Company-sponsored functions where alcohol may be served).

No employee may report for work or go or remain on duty while under the influence of any illegal drug or alcohol or impaired by any prescription drug. A drug will be considered an "illegal drug" if its use is prohibited or restricted by law and an employee improperly uses or possesses the drug. This conduct violates **ReGen Biologics**' policy whether or not the employee's conduct is illegal, and whether or not the employee is prosecuted or convicted.

Employees who violate this policy are subject to disciplinary action up to and including discharge.

D. Safety

Safety is the mutual responsibility of the Company and its employees. **ReGen Biologics** will strive to provide a safe, clean, and hazard-free working environment. In keeping with its safety commitment, **ReGen Biologics** has established an "Injury and Illness Prevention Program" (IIPP) as part of its safety program. The **Safety Manager** has been delegated responsibility for administering and implementing our IIPP.

Supervisors and managers are responsible for their direct work areas. In the event of a job-related injury, the care and safety of the injured employee comes first. The supervisor must make sure that care is administered. The supervisor must notify the Executive Assistant to the CEO and provide the employee with an "Employee Report of Injury" Form within twenty-four hours.

Employees are responsible for using protective gear where needed, observing safe work practices, and notifying the Company immediately (through any manager or any supervisor) of any observed or perceived unsafe condition. Failure to observe safety rules, regulations and/or posted directions or to wear protective gear may result in termination.

E. Inspection Policy

You are provided desks, cabinets, computers, office supplies and other equipment for your use during work. These and other furniture remain the Company's sole property. Prohibited materials, including weapons, dangerous materials, alcohol, and non-prescribed drugs or medications, may not be stored on Company premises. The Company is not responsible for any personal articles which are lost, stolen or destroyed while on Company

premises.

The Company reserves the right to open and inspect desks, cabinets, other furniture, and office equipment as well as any contents, effects or articles they contain. This includes all computers (including all memory, whether or not password protected), and other data-retrieval equipment, voice mail and e-mail. Any employee who wishes to use a computer password not issued by the Company may only do so upon written request accompanied by an explanation as to why the personal password is needed. Permission must be obtained in writing.

The Company can conduct an inspection of all such items including furnishings, voice mail, e-mail, computers or computer memory at any time, with or without advance notice or consent, and without the employee present. An inspection can be conducted during, before or after working hours by any supervisor, manager or other personnel designated by the Company. Employees who fail to cooperate in any inspection will be subject to disciplinary action, including possible suspension or discharge.

F. Workplace Violence Policy

ReGen Biologics has developed this policy for workplace violence because we recognize workplace violence as a growing national problem which needs to be addressed by all employers. In accordance with this policy, acts or threats of physical violence, including intimidation, harassment, and coercion, which involve or affect **ReGen Biologics** or occur on Company property will not be tolerated.

Acts or threats of violence include conduct which is severe, offensive, or intimidating enough to alter the employment conditions at **ReGen Biologics** or to create a hostile, abusive, or intimidating work environment for one or more employees. Examples of workplace violence include but are not limited to:

- ∑ Threats or acts of violence occurring on Company premises, regardless of the relationship between the Company and the parties involved in the incident.

- ∑ Threats or acts of violence occurring off Company premises involving someone who is acting as a representative of the Company.

- ∑ Threats or acts of violence occurring off Company premises involving an employee of the Company if the threats or acts affect the Company's legitimate interests.

- ∑ Acts or threats resulting in the conviction of an employee or agent of the Company, or of an individual performing services for the Company on a contract or temporary basis, under any criminal code provision relating to violence or threats of violence which adversely affect the Company's legitimate interests and goals.

Examples of conduct which may be considered threats or acts of violence include, but are not limited to:

- ∑ Hitting or shoving an individual.
- ∑ Threatening an individual or his/her family, friends, associates, or property with harm.
- ∑ The intentional destruction or threat of destruction of Company property.
- ∑ Harassing or threatening phone calls.
- ∑ Harassing surveillance or stalking.
- ∑ The suggestion or insinuation that violence is appropriate.

The Company's workplace violence policy applies to all persons involved in the

Company's operations, including but not limited to **ReGen Biologics** personnel, contract and temporary workers, and anyone else on Company property. Violation of this policy by any individual on Company property, by an individual acting as a representative of the Company while off Company property, or by an individual acting off Company property when his/her actions affect Company business interests, will lead to disciplinary action up to and including termination, and/or legal action, as appropriate. No provision of this policy shall alter the at-will nature of the employment relationship at **ReGen Biologics**.

Every employee and every person on **ReGen Biologics** property should immediately report incidents of threats or acts of physical violence of which he/she has knowledge. Reports should be made to the Executive Assistant to the CEO, the individual's supervisor, or an Officer of the Company. Prompt investigation and resolution of any violation of this policy will be made with discretion and in the same manner as any other infraction of Company policy. Nothing in this policy alters any other obligation established in Company policies or in state, federal, or other applicable law.

G. Security

Your personal security and the security of Company property is important. You will be issued a security key. Please remember to carry it with you at all times. Our alarm systems will trigger a call to the police if you use the wrong door, or if you prop open any door. These "false alarms" are costly to **ReGen Biologics**, as well as embarrassing and wasteful of public resources.

H. Solicitation Policy

The Company protects employees from being bothered during work by fellow employees seeking support for non-work causes, activities, organizations or fundraising. No employee may solicit another employee's support for any such cause during the working time of either employee. Also, no employee may distribute or circulate in work areas at any time written materials other than Company business.

In order to avoid disruption of Company operations, the following rules shall apply to soliciting, circulating petitions and distributing literature on Company property:

1. **Outsiders:** Persons who are not employed by the Company may not solicit, distribute literature, or circulate petitions on Company property at any time for any purpose.

2. **Employees of the Company:**

   (a) Employees of the Company may not solicit during working time for any

purpose. Working time is defined below.

(b) Employees may not distribute literature or circulate petitions during working time for any purpose.

(c) Employees may not distribute literature or circulate petitions at any time for any purpose in working areas.

3. **Working Time:** "Working time" includes the working time of both the employee doing the soliciting or distributing and the employee to whom the soliciting or distributing is being directed. Working time does not include break periods, meal periods or any other specified periods during the work day when employees are properly not engaged in performing their work tasks.

I. Attendance and Absences

ReGen Biologics relies on your work and expects regular attendance during work hours. We expect you to be present promptly at your scheduled starting time, and to continue to work until the scheduled quitting time. Unsatisfactory attendance, reporting late or quitting early may result in disciplinary action, possibly including discharge.

You must contact your supervisor whenever you expect to be absent from work for any reason. Where possible, you should call at least one hour before your scheduled starting time, so that we have time to make necessary arrangements. If you are on an excused absence due to illness or injury, you may be required to submit a doctor's release in order to return to work. If you do not give sufficient notice that you are taking sick leave, you may not be allowed to charge the time to sick leave.

If you are absent for two days without notifying the Company, you may be considered to have voluntarily resigned as of the close of the second day. The Company has no obligation to contact you before completing the termination.

J. Dress Code

The clothes worn by the Company's employees directly reflect the Company's image to customers, vendors, and visitors. Employees are asked to use their common sense with regard to their dress and appearance, and are expected to present a well groomed appearance. Employees must dress in a manner that is consistent with their responsibilities. Attention should be paid to safety, Company image, and customer interaction. Your clothing is inappropriate if it distracts other employees, our customers, visitors, or vendors. If you come to work unsuitably groomed or dressed, you may be asked to return home, without pay, to change to more appropriate attire. Disciplinary action, including termination could result from

violation of this policy. (See appendix C.)

K. Standards of Conduct

Like all other organizations, **ReGen Biologics** requires order, discipline, and performance to succeed and to promote efficiency, safety, productivity, and cooperation among employees. Following are examples of impermissible conduct that may lead to disciplinary action, possibly including immediate discharge. These are only examples. The Company can take action up to and including discharge on conduct even if it is not listed here.

1. Poor work performance, incompetence, inefficiency, refusal or inability to maintain Company work standards.

2. Damage to Company, customer or coworker property.

3. Theft, including stealing or removing without express permission any property you do not own.

4. Dishonesty in providing information to the Company or customers. This includes falsification of any records, including time records, whether your own or someone else's, or furnishing false information concerning absence from work. Only you or your supervisor may record your work time.

5. Possession on Company property of a weapon or of dangerous materials such as explosives, toxic substances and flammable substances.

6. Failure to use safety equipment, or any activity creating a safety hazard, or failure to report a safety hazard to management. You must be safety conscious or you cannot work for the Company.

7. Possession, use or sale of illegal drugs or alcohol on Company premises, or working while under the influence of illegal drugs or alcohol. If you are taking drugs prescribed for you by a licensed physician or obtained over-the-counter which will affect your ability to work competently, you must report this in advance to the Executive Assistant to the CEO. The Company will honor its legal duty to reasonably accommodate disabilities affecting your work. However, failure to report a work-related drug problem, including prescription or over-the-counter drugs, violates this conduct rule.

8. Disorderly or disruptive conduct including fighting, derogatory name-calling, abusive or profane language, harassment, intimidation, coercion of coworkers. Any mistreatment or unbusinesslike behavior toward customers or visiting public violates this rule.

9. Insubordination, including refusal of a work assignment, abusive or improper language or conduct toward a supervisor or management representative, or failing to comply with a direct request from a supervisor.

10. Refusal or failure to cooperate with any investigation conducted by the Company.

11. Excessive absence from work, including repeated tardiness, absence without advance notice to your supervisor, failure to report at the end of a leave of absence; failure to maintain an acceptable level of dependability.

12. Soliciting coworkers or customers for anything during work time (either yours or the person you are soliciting), distributing literature in work areas at any time, posting literature or solicitations without Company approval.

13. Actions posing a security risk for the Company, including assisting unauthorized access to the Company premises, refusing to cooperate with the instructions or activities of security personnel.

14. Unauthorized use or disclosure of Company or customer proprietary or confidential information.

15. Personal use of Company equipment, time, materials, facilities, without express Company approval, whether the use is for your direct benefit or not.

16. Failure to promptly report work-related accidents or property damage.

17. Conviction of any crime.

18. Sleeping on the job, or the appearance of sleeping on the job.

19. Working unauthorized overtime, or failure to report overtime hours worked.

20. Abuse of sick leave.

21. Failure to correct inappropriate personal appearance, grooming or personal hygiene affecting your job.

22. Involving the Company in your financial affairs including garnishment for more than one judgment.

23. Other misconduct affecting your job, coworkers or customers.

It should be remembered that the employment relationship depends upon the mutual consent of the employee and the Company. Either the employee or the Company can terminate the employment relationship at will, at any time, with or without cause or advance notice. Violation of the above rules is not required.

L. Performance Reviews

Employees are reviewed by their supervisors on an annual basis, on or around the anniversary of hire. The evaluation process is intended to: (1) evaluate an employee's strengths and weaknesses, (2) communicate these to the employee, and (3) set future performance goals.

To do this, your supervisor will prepare a written evaluation, which you will have the opportunity to read. You will then meet with your supervisor to discuss the evaluation. You are encouraged to ask specific questions and to comment about the evaluation. You may write your own comments on the evaluation form. You will be asked to sign it to show that you have read it and discussed it. Signing the form does not necessarily mean that you agree with your supervisor's comments. You can have a copy of the completed form if you have signed it.

M. Termination of Employment

1. Exit Interview

Upon notice of resignation, or upon the Company's decision to terminate employment, the Human Resources Administrator will schedule an exit interview with the departing employee. This interview allows employees to communicate their views on their work with the Company and the job requirements, operations, and training needs. It also provides the employee an opportunity to discuss benefits and insurance, and the continuing obligations to avoid unauthorized use or disclosure of **ReGen Biologics**' proprietary information. At the time of the interview, employees are expected to return all Company information and property, such as files, diskettes, notes, I.D. card, keys, exercise facility card, drug prescription card and credit cards. Arrangements for clearing any outstanding debts with the Company and to receive final pay also are to be made at this time.

2. Final Paycheck

Employees will receive their final paycheck within the time required by law. If you give at least three days' notice, you can have your final paycheck on your last day. If you resign without providing at least three days' advance notice, you will receive your final paycheck within three days of resignation. Employees terminated by the Company will be provided their final paycheck on their last day of work. Upon termination of employment, an employee will be paid for all accrued vacation in the employee's account as part of the final

paycheck. If you qualify for a profit-sharing distribution, you will receive the payment at the same time employees receive their payments.

ACKNOWLEDGMENT OF RECEIPT OF EMPLOYEE HANDBOOK

This is to acknowledge that I have received a copy of the Company's Employee Handbook and understand that it contains important information on the general personnel policies of the Company and on my privileges and obligations as an employee.

I will familiarize myself with the material in the handbook and understand that I am governed by its contents. I further understand that the Company may change, rescind, add to or revise any policies, benefits or practices described in the handbook from time to time, in its sole and absolute discretion, with or without prior notice.

I further understand that the employment relationship is based on the mutual consent of each employee and the Company. Accordingly, either I or the Company can terminate the employment relationship at will, at any time, with or without cause or advance notice. Moreover, I understand that the Company has the sole responsibility to manage its worksites, to select its customers, to determine the schedule of work, to determine the size of its workforce, to select and hire employees, to assign work, to direct the work of its employees, to direct the method of work, to reclassify, transfer, promote or demote employees, to determine job content and create new job classifications, to establish and enforce rules and regulations, to administer discipline including suspension or discharge, and to reduce the size of the workforce including layoffs. Only the Company president has the authority to change this agreement, to agree to employment for a specific period of time, or to make any agreement contrary to this policy. Any such agreement must be writing and must be signed by the president.

_____ _____

Signature Date

_____

Type or Print Name

cc: Personnel File

Appendix A

INSIDER TRADING POLICY

Directors, Officers and All Employees

Directors and officers should be given a copy of the corporate policy against trading on the basis of "insider information" and be required to sign acknowledgment that they received this document. The document should include a definition of "insider trading" and "insider information" and should:

Establish trading windows.

Mention that even within a trading window, the CEO or CFO may restrict trading.

State that all trades must be approved by the CEO or CFO or other designated party before the trade is consummated.

Appendix B

ReGen *Biologics*, Inc.
MEMORANDUM

To: All ReGen Employees

From: Jim McKinley

Re: Insider Trading

Date: Timeless (Originated 10/31/96)

Every so often I see an article like the attached which describes a situation that is really unfortunate for the company and the individuals involved. It's just a shame, and yet a little education and thought would have prevented it.

Summary. An employee, not even a company officer or high ranking person, traded in Octel's stock at a time just preceding company news. The company news was somewhat unexpected, was released to "Wall Street" and the stock made a move which made some investors angry. The stock exchange investigated by asking all brokers to provide the names / accounts of those individuals who made trades in the company stock in a recent time period, maybe three days, maybe two weeks. (With all trades done through brokerage firm computers, it's a very easy task.) The stock exchange looked through the trades to find *any employee* or *any large / unusual looking trade*. As the stock exchange wants to maintain its reputation, it publishes the names of all accused individuals as well as the company and its response to the investigation. If guilty, penalties are severe: the individual must turn over any profit from the trade to the company and pay a penalty of *three times the profit* to the exchange. Individuals are assumed to be guilty of having inside information if they work for the company - it's very difficult to prove, especially in a small company, that you didn't know something good or bad was going to be announced.

When ReGen's stock is publicly traded (soon, hopefully), here is the rule to live by.... Whenever you are going to make a trade (purchase or sale) of the company stock, ask the CFO or CEO (me, me) prior to making the trade if there is any reason you should not make the trade, such as any pending announcements or press releases.

In spite of education and warnings like this, some people are simply risk takers / rule breakers so here's a further warning... Should you ever hear of an employee of ReGen or another company advising you that he/she has information that the world doesn't know (inside information) that's going to make any stock go up or down, don't be tempted. Trading on inside information, whether it's your company or another, will land you in the same hot water. It's just not worth the risk. If you make a small trade to make a few hundred dollars your chances of getting caught may be lower, but isn't your career and reputation worth more than a few hundred dollars? And making a large trade on inside information virtually guarantees you'll get caught, if the information turns out to be correct. And, if it's wrong, you'll lose money on your investment. Bad deal.

Please initial that you've read this memo and news article, call me if you have any questions, and thank you.

Octel short bet nets insider charge

A software engineer at Octel Communications Corp. in Milpitas was charged with insider trading on Wednesday by the U.S. Securities and Exchange Commission. Shahryar "Jerry" Soroosh allegedly arranged to sell short – or bet on a fall in price – of Octel stock last week shortly before the company announced an unexpected delay in shipping a new product. According to the SEC, Soroosh could have made as much as $500,000 from the trades. Robert Cohn, Octel's chairman and chief executive officer, said Wednesday the company, which makes telephone voice-messaging systems, has suspended Soroosh pending the outcome of both internal and external investigations. Cohn also said the company believes Soroosh – if he acted at all – acted alone. Soroosh was not an executive and did not work on the delayed product. Soroosh's lawyer, Douglas Schwab, would not discuss details of the case, but said, "We expect when all the facts are out, he will be vindicated."

Employee Signature Date

Appendix C

ReGen *Biologics*, Inc.

MEMORANDUM

Date: September 27, 1996

To: All California Employees

From: Jim McKinley
President and CEO

Re: Dress Code

In a continued effort to provide a comfortable yet professional work environment, we are formalizing our dress code.

We would like everyone to feel comfortable to wear more business casual attire, as well as professional attire as you choose. This means that you may wear nice jeans or Dockers-style pants and casual shirts. T-shirts, tank tops and shorts are not allowed.

You may dress this way at your discretion, however, we are instituting a "Casual Friday" policy. We can all wear jeans on this day! If you have an appointment with an outside vendor on a Friday, please be certain to advise them of our policy so that they are not uncomfortable if they are dressed professionally.

Of course, there will be times when we will have important visitors or meetings in the office and we will try to let you know at least one day in advance so that you may wear more professional clothes on that day.

It is our hope that these guidelines continue to make ReGen a pleasant place for you to work. We also trust that you will use good judgment in your choices. Should you have any questions, please feel free to ask Angela or your supervisor.