

ASSET PURCHASE AGREEMENT
SCHEDULE 1.0
DEFINITIONS

“Accessibility Laws” means the Rehabilitation Act of 1973, Title III of the Americans with Disabilities Act, and/or the provisions of any applicable similar state statute, law or regulation.

“Accountants” means a nationally recognized accounting firm with a nationally recognized health care practice which, at the time of the determination and for a period of three (3) years prior thereto, had not been engaged to, or otherwise provided services for, any of Sellers or Buyer. In the event an accounting firm cannot be so identified or retained, all references to Accountants shall pertain and apply to the arbitrator selected and operating pursuant to the provision of Section 14.6.

“Acquired Assets” as defined in Section 2.1; provided, however, that for the sole purposes of Section 12.2.8 ***“Acquired Assets”*** shall be as defined in Section 12.2.8(a).

“Actual Net Working Capital” as defined in Section 3.2.2.

“ACR” means the American College of Radiology.

“Advisory Board” as defined in Section 12.2.7.

“Affiliate” means with respect to the entity in question, any person or entity that directly or indirectly controls, is controlled by, or is under common control with, such entity and, with respect to the foregoing, the term “control” means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity whether through governmental authority, ownership of voting securities, membership interests, contractual rights or otherwise.

“Approved Survey” as defined in Section 9.8.2.

“Assumed Contract(s)” as defined in Section 2.1.6.

“Assumed Hospital Accounts Payable” as defined in Section 2.3.1.

“Assumed Lease(s)” as defined in Section 2.1.5.

“Assumed Liabilities” as defined in Section 2.3.1 and Section 12.1.5.

“ALTA/ACSM Land Title Survey Standards” means the then-current accuracy standards jointly adopted by the American Land Title Association and American Congress on Surveying and Mapping in effect on the Closing Date.

“Attorney General” means the Office of the Attorney General of the Commonwealth of Massachusetts.

“Balance Sheet Date” means the date as at which the Balance Sheet was created.

“Balance Sheet” means the unaudited consolidated balance sheets of Sellers as of June 30, 2002.

“Buyer” means Essent Healthcare – Ayer, Inc., a Tennessee corporation registered to do business in the Commonwealth of Massachusetts and as defined in the first paragraph of this Agreement.

“Buyer’s Closing Documents” as defined in Section 4.3.

“Buyer’s Damages” as defined in Section 13.1.

“Buyer’s Knowledge” or “Buyer’s Parent’s Knowledge” (including the phrases “to the knowledge of Buyer or Buyer’s Parent” or “as known to Buyer or Buyer’s Parent”) means the knowledge that any Executive Officer of Buyer or Buyer’s Parent actually has or could reasonably be expected to have either through the performance of such individual’s duties or through reasonable diligence or inquiry; provided, however, such phrases do not include any knowledge that is solely imputed or constructively presumed to be known by a person solely by operation of law. For the purposes of this definition an Executive Officer shall be deemed to be any of the following individuals or their successors:

Hud Connery	President and Chief Executive Officer
Joseph Pinion	Executive Vice President and Chief Operating Officer
Michael Browder	Secretary, Executive Vice President and Chief Financial Officer
Hal Andrews	Senior Vice President of Development
John Fick	Vice President and Controller

“Buyer’s Parent” means Essent Healthcare, Inc., a Delaware Corporation and the sole shareholder of Buyer.

“Capital Commitment” as defined in Section 12.2.1.

“CareGroup Related Obligations” means any and all past, present or future obligations (other than an obligation that is an Assumed Liability), direct or indirect, current or pending, of any Seller to (i) Sellers’ Parent, (ii) any Affiliate of Sellers’ Parent, (iii) any

entity through which managed care contracts or rates are collectively negotiated for or on behalf of any Seller or member of the Medical Staff, (iv) any Person whose services were retained by any of the foregoing on behalf of any Seller for any purpose including, without limitation, the Contemplated Transactions, for or with respect to moneys past due, due, or to become due, whether as damages, principal, interest, penalty, charge, tax, exit or withdrawal fee or premium, service fee, guarantee, distribution, or allocation, and whether due as a result of the Contemplated Transactions or otherwise. Including in the foregoing, without limitation, are any Seller's obligations with respect to or arising out of: (a) any and all loans or advances to any Seller from Sellers' Parent or any Affiliate of Sellers' Parent; (ii) any obligations for severance payments to any officer or employee of any Seller; and (iii) any obligations under that Amended and Restated Master Trust Indenture dated January 13, 1998 among CareGroup, Nashoba, certain other Affiliates of Sellers' Parent and Citizens Bank of Massachusetts as Master Trustee. The Parties acknowledge and agree that it is their mutual and respective intent that the range of obligations that comprise CareGroup Related Obligations are to be broadly construed in favor of maximizing the value to Sellers' and Buyer of the release obtained at Closing pursuant to Section 4.2.13.

"CLIA" means the Clinical Laboratory Improvements Amendments.

"Closing" as defined in Section 4.1.

"Closing Date" as defined in Section 4.1.

"Closing Payments" as defined in Section 3.1.1.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA").

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

"Collected Hospital Accounts Receivable" as defined in Section 3.2.4.

"Competing Transaction" as defined in Section 7.10.

"Consideration" as defined in Section 3.1.

"Contemplated Transactions" means all of the transactions contemplated by this Agreement, including the sale or lease of the Aquired Assets by Sellers to Buyer and the performance by Buyer and Sellers of their respective covenants and obligations under this Agreement.

"Contract(s)" as defined in Section 2.1.6.

"Cost Report Settlements" means any cost report refunds, adjustments or payments (including refunds, adjustments or other payments which are received after the Closing

but which related to cost reporting periods ending on or prior to the Closing Date) due from or to the Programs in respect of periods on or prior to the Closing Date.

“Deposit” as defined in Section 3.1.

“DOL” means the United States Department of Labor.

“DPH” or “Department” means the Department of Public Health of the Commonwealth of Massachusetts.

“Effective Time” as defined in Section 2.1.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” as defined in Section 5.29(e).

“Environmental Laws” means all federal, state or local statutes, rules, regulations, ordinances and any judicial or administrative interpretation thereof, relating to the environment, Solid Waste, hazardous waste, wastewater discharges, water quality, oil, drinking water, air emissions, air quality, or Hazardous Substances.

“Environmental Permit” as defined in Section 5.24(g).

“Escrow Account” as defined in Section 3.4.

“Escrow Agent” as defined in Section 3.4.3 and as will be identified in the Escrow Agreement.

“Escrow Claim” as defined in Section 3.4.2.

“Escrow Agreement” as defined in Section 3.4

“Excluded Assets” as defined in Section 2.2.

“Excluded Liabilities” as defined in Section 2.4.

“Exclusive Period” as defined in Section 7.10.

“Feasibility Study” as defined in Section 12.2.2(a).

“Financial Statements” as defined in Section 5.4.

“Foundation” as defined in Section 12.3.4(c)(iii).

“GAAP” means United States generally accepted accounting principles, applied on a consistent basis.

“Government Patient Receivables” means all patient receivables related to the Programs or other governmental third-party payors, and other third-party patient claims of Seller due from beneficiaries of the Programs or such governmental third-party payors but excluding Cost Report Settlements, Uncompensated Care Pool Settlements, hardship grant funds, and any other extraordinary governmental assistance, grants or funds.

“Governmental Body” means any (i) nation, state, county, city, town, village, district or other jurisdiction of any nature; (ii) federal, state, local, municipal, foreign or other government; (iii) governmental or quasi-governmental authority of any nature (including any governmental agency, department, court or tribunal; (iv) body exercising or entitled or purporting to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority, or power of any nature.

“Hart Scott Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and regulations and rules issued pursuant to that Act.

“Hazardous Substance” means any (i) asbestos, radioactive substances, radon, PCBs, petroleum, petroleum hydrocarbons, petroleum by-products, waste oil, used oil (and any constituent thereof to the extent regulated under any Environmental Law), (ii) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority pursuant to any Environmental Law, and/or (iii) any substance deemed under federal or applicable state law or regulation a hazardous or toxic substance, material, chemical substance, pollutant, waste, pesticide or fungicide;

“Hospital” as defined in the second paragraph of this Agreement.

“Hospital Accounts Receivable” as defined in Section 2.1.3.

“Hospital Managed Care Contracts” as defined in Section 7.5.1.

“Hospital Operating Inventory” as defined in Section 2.1.7.

“Hospital Personal Property” as defined in Section 2.1.2.

“Hospital Primary Service Area” is the towns of Townsend, Lunenburg, Harvard, Shirley, Ayer, Littleton, Westford, Groton and Pepperell, Massachusetts.

“Hospital Property Lease” as defined in Section 4.2.1.

“Hospital Real Property” as defined in Section 2.1.1(a).

“Indemnified Party” as defined in Section 13.4.

“Interest Commencement Date” as defined in Section 3.5.

“IRS” means the United States Internal Revenue Service.

“JBP” means James Brook Properties, Inc., sometimes also referred to as a “Seller”.

“JCAHO” means the Joint Commission on Accreditation of Healthcare Organizations.

“Lease(s)” as defined in Section 2.1.5.

“Legal Requirement” means with respect to any Person, all statutes, ordinances (including zoning ordinances and other federal, state and local land use restrictions), bylaws, settlement agreements, corporate integrity agreements, rules, regulations, audits, orders, judgments, writs, injunctions, decrees, determinations or awards of any Governmental Body having jurisdiction over such Person or any of such Person’s assets or businesses.

“Letter of Credit” as defined in Section 12.2.2(d).

“License(s)” as defined in Section 2.1.4.

“Losses” means, with respect to a Party, such Party’s liabilities, damages, costs (including court costs and costs of appeal), voluntary refunds made in the exercise of reasonable commercial judgment, involuntary refunds, expenses (including reasonable attorneys' fees) or obligations (including taxes, interest, penalties, fines, court costs, costs or preparation and investigation, and professional advisors fees and expenses).

“Master Deed” as defined in Section 2.3.2.

“Material Adverse Change” means with respect to Sellers any adverse change in or effect on: (i) the business operations, assets, prospects or condition, financial or otherwise, of the Hospital which is material to the Hospital or the Acquired Assets; or (ii) on any assets, prospect or condition, financial or otherwise, of the Hospital which, when considered together with all other adverse changes and effects with respect to which such phrase is used in this Agreement, is material to the Hospital; provided, however, that an operating loss in the month of August, 2002 and in any subsequent month prior to the Closing, of less than two hundred thousand dollars (\$200,000) shall not, in and of itself, constitute a Material Adverse Change. **“Material Adverse Change”** means, with respect to Buyer or Buyer’s Parent, any adverse change in or effect on the Buyer or Buyer’s Parent that would materially impair the ability of Buyer or Buyer’s Parent to undertake their respective obligations under the Agreement.

“Medical Executive Committee” means the executive committee of the Hospital medical staff which is the policy making body of the medical staff.

“Medical Staff” means the medical staff of the Deaconess-Nashoba Hospital.

“Nashoba” means The Nashoba Community Hospital Corporation, sometimes also referred to as a “Seller”.

“Nashoba Cost Reports” as defined in Section 12.3.1.

“Nashoba Medical Condominium” as defined in Section 2.1.1(c).

“Nashoba Medical Condominium Ground Lease” as defined in Section 2.3.2.

“Nashoba Medical Condominium Units” as defined in Section 2.1.1(c).

“Net Proceeds” as defined in Section 12.3.4(a).

“Net Working Capital” as defined in Section 3.2.1.

“New Hospital” and **“New Hospital Option”** as defined in Section 12.2.2(a).

“NMS” means Nashoba Management Services, Inc., sometimes also referred to as a “Seller”.

“Notice of Lease” as defined in Section 4.2.1.

“Objectionable Survey Matters” as defined in Section 9.8.2.

“Objectionable Title Matters” as defined in Section 9.8.1.

“Order” means any award, decision, injunction, judgment, order, decree, ruling, subpoena or verdict entered, issued, made or rendered by any court, administrative agency or other Governmental Body or by an arbitrator.

“PBGC” means the Pension Benefit Guaranty Corporation.

“Party” or “Parties” as defined in the first paragraph of this Agreement.

“Pension Plans” as defined in Section 5.29(a).

“Permitted Encumbrances” as defined in Section 5.16.

“Person” means any individual, company, corporation, limited liability company, association, partnership, firm, joint venture, trust or governmental agency.

“Physician Payor Contracts” as defined in Section 7.5.2.

“Prepaid Expenses” as defined in Section 2.1.8.

“Proceeding” means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, administrative, investigative or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or any arbitrator.

“Programs” as defined in Section 5.8.1.

“Proration Period” as defined in Section 3.3.2.

“Qualifying Transaction” as defined in Section 12.2.8(a).

“Qualifying Transferee” as defined in Section 12.2.8(a).

“Real Property” as defined in Section 2.1.1.

“Renovated Hospital” and ***“Renovated Hospital Option”*** as defined in Section 12.2.2(a).

“Replacement Hospital” and ***“Replacement Hospital Option”*** as defined in Section 12.2.2(a).

“Sellers” means collectively, The Nashoba Community Hospital Corporation, Nashoba Management Services, Inc., and James Brook Properties, Inc., and each of the foregoing individually sometimes referred to as a “Seller”.

“Sellers’ Closing Documents” as defined in Section 4.2.

“Sellers’ Benefit Plans” as defined in Section 2.4(q).

“Sellers’ Damages” as defined in Section 13.2.

“Sellers’ Employees” as defined in Section 7.7.

“Sellers’ Knowledge” or “Seller’s Knowledge” (including the phrases “to the knowledge of Seller(s)” or “as known to Seller(s)”) means the knowledge that any Executive Officer of any Seller actually has or could reasonably be expected to have either through the performance of such individual’s duties or through reasonable diligence or inquiry, including, without limitation, inquiry of Management Level Employees; provided, however, such phrases do not include any knowledge that is solely imputed or constructively presumed to be known by a person solely by operation of law. For the purposes of this definition an Executive Officer shall be: Jeff Kelly, Chief Executive Officer; William Falkowski, Chief Financial Officer; James Mullen, Chief Operating Officer; or their successors in office. For the purposes of this definition Management Level Employees shall be deemed to include the following individuals or their successors in office:

Georgia Breyer

Director, Organizational Development

Deborah Kubinciak	Risk and Quality Management
Carolyn Candiello	Utilization and Quality Management
Jennifer Bullock	Quality Management Systems Coordinator
Priscilla Gardner	Director, Patient Care Services
Susan Valentine	Director, Surgical Services
Elaine Bulman	Director, Medical Records
Wanda Edwards	Director, Human Resources
Carol O'Connell	Clinical Supervisor
LuAnn Swaney	Director, Nashoba Management Services, Inc.
David Hibbett	Director, Plant Operations

“Sellers’ Net Working Capital” as defined in Section 3.2.2.

“Sellers’ Parent” is CareGroup, Inc.

“SNF Ground Lease” as defined in Section 2.3.2.

“Solid Waste” means any substance deemed a waste under any applicable Environmental Law.

“Survey” as defined in Section 9.8.2.

“Title Commitment” as defined in Section 9.8.1.

“Title Company” as defined in Section 9.8.1.

“Title Policy” as defined in Section 9.8.1.

“Treasury Regulations” means a valid regulation of the United States Department of Treasury codified at Title 26 of the Code of Federal Regulations.

“Transferred Employees” as defined in Section 8.3.2.

“Uncompensated Care Pool Settlements” means any refunds, adjustments or payments (including refunds, adjustments or other payments which are received on or after the Effective Time but which related to periods ending prior to the Effective Time) due from or to the Uncompensated Care Pool as established by Massachusetts General Laws, Chapter 118G, Section 18 and implemented by 114.6 Code of Massachusetts Regulations 7.00 and any successor provisions.

“Valuation” as defined in Section 12.1.6

“WARN Act” means the Workers Adjustment Retraining and Notification Act.

