

NATIONAL SURGERY CENTERS INC

Form S-4/A

May 03, 2007

Table of Contents

As filed with the Securities and Exchange Commission on May 3, 2007.

Registration Statement No. 333-141698

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

---

**AMENDMENT NO. 1**

**TO**

**FORM S-4**

---

**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

---

**HEALTHSOUTH CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**8062**  
(Primary Standard Industrial  
Classification Code Number)  
**One HealthSouth Parkway**

**63-0860407**  
(I.R.S. Employer  
Identification No.)

**Birmingham, Alabama 35243**

**(205) 967-7116**

Edgar Filing: NATIONAL SURGERY CENTERS INC - Form S-4/A

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

---

**John P. Whittington**

**Executive Vice President, General Counsel and Corporate Secretary**

**HealthSouth Corporation**

**One HealthSouth Parkway**

**Birmingham, Alabama 35243**

**(205) 967-7116**

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

---

*Copies of all communications to:*

**Robert B. Pincus, Esq.**

**Skadden, Arps, Slate, Meagher & Flom LLP**

**One Rodney Square, P.O. Box 636**

**Wilmington, Delaware 19899-0636**

**(302) 651-3000**

**Richard B. Aftanas, Esq.**

**Skadden, Arps, Slate, Meagher & Flom LLP**

**4 Times Square**

**New York, New York 10036-6522**

**(212) 735-3000**

---

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

---

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

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

---

**Table of Contents****TABLE OF ADDITIONAL REGISTRANTS**

<b>Exact Name of Registrant as Specified in its Charter and Address, Including Zip Code, and Telephone Number, Including Area Code of Registrant's Principal Executive Offices*</b>	<b>State or other Jurisdiction of Incorporation or Organization</b>	<b>Primary Standard Industrial Classification Code Number</b>	<b>I.R.S. Employer Identification Number</b>
Advantage Health, LLC	Delaware	8069	04-2772046
Advantage Health Development Corp.	Massachusetts	8069	63-1105930
Advantage Health Harmarville Rehabilitation Corporation	Pennsylvania	8069	52-1960506
ASC Network Corporation	Delaware	8011	95-438431
Baton Rouge Rehab, Inc.	Delaware	8069	74-2478651
Beaumont Rehab Associates Limited Partnership	Delaware	8069	25-1656648
Chiron, Inc.	Nevada	8011	88-0122716
CMS Development and Management Company, Inc.	Delaware	8069	25-1570583
CMS Jonesboro Rehabilitation, Inc.	Delaware	8069	62-1347455
CMS Topeka Rehabilitation, Inc.	Delaware	8069	74-2498820
Collin County Rehab Associates Limited Partnership	Delaware	8069	25-1661222
Continental Medical of Arizona, Inc.	Delaware	8069	25-1622263
Continental Medical Systems, Inc.	Delaware	8069	72-1051812
Continental Rehabilitation Hospital of Arizona, Inc.	Delaware	8069	25-1622264
Diagnostic Health Corporation	Delaware	8071	63-1059483
HEALTHSOUTH Bakersfield Rehabilitation Hospital Limited Partnership	Alabama	8069	63-1184845
HEALTHSOUTH Diagnostic Center of Colorado Springs Limited Partnership	Alabama	8071	72-1383580
HEALTHSOUTH Diagnostic Centers of Tennessee Limited Partnership	Alabama	8071	63-1184829
HEALTHSOUTH Diagnostic Centers of Texas Limited Partnership	Alabama	8071	63-1184833
HEALTHSOUTH Diagnostic Centers, Inc.	Alaska	8071	63-1184671
HEALTHSOUTH LTAC of Sarasota, Inc.	Delaware	8069	63-1283287
HEALTHSOUTH Medical Center, Inc.	Alabama	8062	63-0872396
HEALTHSOUTH Meridian Point Rehabilitation Hospital Limited Partnership	Alabama	8049	63-1184846
HEALTHSOUTH Northern Kentucky Rehabilitation Hospital Limited Partnership	Alabama	8069	63-1184835
HEALTHSOUTH of Alexandria, Inc.	Delaware	8069	48-1266084
HEALTHSOUTH of Altoona, Inc.	Delaware	8069	63-1105927
HEALTHSOUTH of Austin, Inc.	Delaware	8069	63-1105908
HEALTHSOUTH of Charleston, Inc.	Delaware	8069	63-1106610
HEALTHSOUTH of Dothan, Inc.	Alabama	8069	63-1097851
HEALTHSOUTH of East Tennessee, LLC	Delaware	8069	63-1028003
HEALTHSOUTH of Erie, Inc.	Delaware	8069	63-1105904
HEALTHSOUTH of Fort Smith, Inc.	Delaware	8069	63-1105919
HEALTHSOUTH of Ft. Lauderdale Limited Partnership	Alabama	8069	63-1134714
HEALTHSOUTH of Henderson, Inc.	Delaware	8069	63-1262946
HEALTHSOUTH of Houston, Inc.	Delaware	8069	63-1105909
HEALTHSOUTH of Largo Limited Partnership	Alabama	8069	63-1134645
HEALTHSOUTH of Mechanicsburg, Inc.	Delaware	8069	63-1105923
HEALTHSOUTH of Midland, Inc.	Delaware	8069	63-1105911
HEALTHSOUTH of Montgomery, Inc.	Alabama	8069	63-1106107
HEALTHSOUTH of New Mexico, Inc.	New Mexico	8069	63-0923407
HEALTHSOUTH of Nittany Valley, Inc.	Delaware	8069	63-1105924

**Table of Contents**

<b>Exact Name of Registrant as Specified in its Charter and Address, Including Zip Code, and Telephone Number, Including Area Code of Registrant's Principal Executive Offices*</b>	<b>State or other Jurisdiction of Incorporation or Organization</b>	<b>Primary Standard Industrial Classification Code Number</b>	<b>I.R.S. Employer Identification Number</b>
HEALTHSOUTH of Pittsburgh, Inc.	Delaware	8069	63-1105926
HEALTHSOUTH of Reading, Inc.	Delaware	8069	72-1397929
HEALTHSOUTH of San Antonio, Inc.	Delaware	8069	63-1105930
HEALTHSOUTH of Sarasota Limited Partnership	Alabama	8069	63-1134650
HEALTHSOUTH of Sewickley, Inc.	Delaware	8069	63-1227357
HEALTHSOUTH of South Carolina, Inc.	Delaware	8069	63-0974715
HEALTHSOUTH of Spring Hill, Inc.	Delaware	8069	63-1244181
HEALTHSOUTH of Tallahassee Limited Partnership	Alabama	8069	63-1134713
HEALTHSOUTH of Texarkana, Inc.	Delaware	8069	63-1105916
HEALTHSOUTH of Texas, Inc.	Texas	8069	63-0923506
HEALTHSOUTH of Toms River, Inc.	Delaware	8069	63-1105897
HEALTHSOUTH of Treasure Coast, Inc.	Delaware	8069	63-1105921
HEALTHSOUTH of Utah, Inc.	Delaware	8069	63-1105917
HEALTHSOUTH of York, Inc.	Delaware	8069	63-1105925
HEALTHSOUTH of Yuma, Inc.	Delaware	8069	95-4895912
HEALTHSOUTH Properties, LLC	Delaware	8011	63-1133453
HEALTHSOUTH Real Property Holding, LLC	Delaware	8011	63-1044004
HEALTHSOUTH Rehabilitation Center of New Hampshire, Ltd.	Alabama	8069	63-1102594
HEALTHSOUTH Rehabilitation Center, Inc.	South Carolina	8069	57-0775688
HEALTHSOUTH Rehabilitation Hospital of Arlington Limited Partnership	Alabama	8069	63-1184844
HEALTHSOUTH Rehabilitation Hospital of Odessa, Inc.	Delaware	8069	33-1039783
HEALTHSOUTH Rehabilitation Institute of Tucson, LLC	Alabama	8069	63-1184847
HEALTHSOUTH S.C. of Portland, Inc.	Delaware	8011	94-3418398
HEALTHSOUTH S.C. of Scottsdale-Bell Road, Inc.	Delaware	8011	63-1190153
HEALTHSOUTH Specialty Hospital, Inc.	Texas	8082	63-1114772
HEALTHSOUTH Sub-Acute Center of Mechanicsburg, Inc.	Delaware	8069	63-1105903
HEALTHSOUTH Surgery Center of Fairfield, Inc.	Delaware	8011	63-1176243
HEALTHSOUTH Surgery Centers-West, Inc.	Delaware	8011	68-0282268
HEALTHSOUTH Surgical Center of Tuscaloosa, Inc.	Alabama	8011	63-1138507
HEALTHSOUTH Valley of the Sun Rehabilitation Hospital Limited Partnership	Alabama	8069	63-1184848
HSC of Beaumont, Inc.	Tennessee	8011	62-150273
HVPG of California, Inc.	California	8011	33-0044383
Lakeland Physicians Medical Building, Inc.	Mississippi	8011	75-2261520
Lakeshore System Services of Florida, Inc.	Florida	8069	63-1119356
Lakeview Rehabilitation Group Partners	Kentucky	8069	25-1573943
Little Rock-SC, Inc.	Arkansas	8011	74-2397267
National Imaging Affiliates, Inc.	Delaware	8071	74-2627497
National Surgery Centers, Inc.	Delaware	8011	36-3549627
Neuro Imaging Institute, Inc.	Florida	8071	59-3387335
New England Rehabilitation Hospital, Inc.	Massachusetts	8069	04-2443258
New England Rehabilitation Management Co., Inc.	New Hampshire	8069	02-0393832
North Louisiana Rehabilitation Center, Inc.	Louisiana	8069	72-1091113
Northeast Surgery Center, Ltd.	Texas	8011	76-0428226
NSC Connecticut, Inc.	Connecticut	8011	06-1492451
NSC Houston, Inc.	Texas	8011	76-0509159

**Table of Contents**

<b>Exact Name of Registrant as Specified in its Charter and Address, Including Zip Code, and Telephone Number, Including Area Code of Registrant's Principal Executive Offices*</b>	<b>State or other Jurisdiction of Incorporation or Organization</b>	<b>Primary Standard Industrial Classification Code Number</b>	<b>I.R.S. Employer Identification Number</b>
NSC Seattle, Inc.	Washington	8011	91-1553479
Rebound, LLC	Delaware	8069	62-1178229
Rehab Concepts Corp.	Delaware	8049	25-1650793
Rehabilitation Hospital Corporation of America, Inc.	Delaware	8069	23-2655290
Rehabilitation Hospital of Colorado Springs, Inc.	Delaware	8069	25-1612420
Rehabilitation Hospital of Nevada - Las Vegas, Inc.	Delaware	8069	25-1694347
Rehabilitation Hospital of Nevada - Las Vegas, L.P.	Delaware	8069	25-1693810
Rehabilitation Hospital of Plano, Inc.	Texas	8069	25-1612423
Rehabilitation Institute Of Western Massachusetts, Inc.	Massachusetts	8069	04-2987822
Sarasota LTAC Properties, LLC	Florida	8069	20-0978999
SCA - Roseland, Inc.	New Jersey	8011	62-1510206
SCA-Dalton, Inc.	Tennessee	8011	71-0923702
SCA-Shelby Development Corp.	Tennessee	8011	62-1179532
SelectRehab, Inc.	Delaware	8069	25-1649024
Sherwood Rehabilitation Hospital, Inc.	Delaware	8069	25-1604215
Southeast Texas Rehabilitation Hospital, Inc.	Texas	8069	25-1595744
Southern Arizona Regional Rehabilitation Hospital, L.P.	Delaware	8069	25-1654947
Surgery Center Holding Corporation	Delaware	8011	62-1739361
Surgical Care Affiliates, Inc.	Delaware	8011	62-1149229
Surgical Health Corporation	Delaware	8011	58-1941168
Surgicare of Huntsville, Inc.	Alabama	8011	75-2305255
Surgicare of Laguna Hills, Inc.	California	8011	75-2501088
Tarrant County Rehabilitation Hospital, Inc.	Texas	8069	25-1587575
Terre Haute Regional Rehabilitation Hospital, L.P.	Delaware	8069	25-1675783
Terre Haute Rehabilitation Hospital, Inc.	Delaware	8069	25-1672916
Tyler Rehabilitation Hospital, Inc.	Texas	8069	25-1667731
Western Medical Rehab Associates, L.P.	Delaware	8069	33-0695017
Western Neuro Care, Inc.	Delaware	8069	25-1572589

\* All Registrants have the following principal executive offices:  
c/o HealthSouth Corporation  
One HealthSouth Parkway  
Birmingham, Alabama 35243  
(205)967-7116

**Table of Contents**

**The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy, these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED MAY 3, 2007**

**PROSPECTUS**

**HealthSouth Corporation**

**OFFER TO EXCHANGE**

**\$375 million aggregate principal amount of Floating Rate Senior Notes due 2014 in exchange for \$375 million aggregate principal amount of Floating Rate Senior Notes due 2014, which have been registered under the Securities Act of 1933, as amended**

**AND**

**\$625 million aggregate principal amount of 10.75% Senior Notes due 2016 in exchange for \$625 million aggregate principal amount of 10.75% Senior Notes due 2016, which have been registered under the Securities Act of 1933, as amended**

**In this prospectus we refer to the Floating Rate Senior Notes due 2014 (the Floating Rate Notes ) and the 10.75% Senior Notes due 2016 (the Fixed Rate Notes ) that have been registered under the Securities Act of 1933, as amended (the Securities Act ) as the Exchange Notes, and we refer to the Floating Rate Notes and the Fixed Rate Notes that have not been registered under the Securities Act as the Restricted Notes .**

**The Exchange Offer will expire at 5:00 p.m., New York City time, on June 7, 2007,**

**unless earlier terminated or extended by us.**

Terms of the Exchange Offer:

We will exchange Exchange Notes for all outstanding Restricted Notes that are validly tendered and not withdrawn prior to the expiration or termination of the Exchange Offer.

You may withdraw tenders of Restricted Notes at any time prior to the expiration or termination of the Exchange Offer.

The terms of the Exchange Notes are substantially identical to those of the Restricted Notes, except that the issuance of the Exchange Notes has been registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions relating to the Restricted Notes do not apply to the Exchange Notes.

## Edgar Filing: NATIONAL SURGERY CENTERS INC - Form S-4/A

The exchange of Restricted Notes for Exchange Notes will not be a taxable transaction for United States federal income tax purposes, but you should see the discussion under the caption **Certain U.S. Federal Income Tax Considerations** for more information.

We will not receive any proceeds from the Exchange Offer.

We issued the Restricted Notes in a transaction not requiring registration under the Securities Act and, as a result, their transfer is restricted. We are conducting the Exchange Offer to satisfy your registration rights, as a holder of the Restricted Notes. Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Restricted Notes where such Exchange Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the closing of this Exchange Offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See **Plan of Distribution**.

There is no established trading market for the Exchange Notes. We have not applied, and do not currently intend to apply, to list the Exchanged Notes on any securities exchange.

**See Risk Factors beginning on page 11 for certain risks incorporated herein by reference and discussed herein that you should consider prior to tendering your Restricted Notes for exchange.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2007.

**Table of Contents**

**TABLE OF CONTENTS**

<u>Summary</u>	1
<u>Risk Factors</u>	11
<u>Ratio of Earnings to Fixed Charges</u>	17
<u>Use of Proceeds</u>	18
<u>Selected Consolidated Financial Data</u>	19
<u>The Exchange Offer</u>	21
<u>Description of the Exchange Notes</u>	30
<u>Certain U.S. Federal Income Tax Considerations</u>	78
<u>Plan of Distribution</u>	79
<u>Legal Matters</u>	80
<u>Experts</u>	80
<u>Incorporation by Reference</u>	80
<u>Where You Can Find More Information</u>	81

**ABOUT THIS PROSPECTUS**

In this prospectus, unless otherwise stated, HealthSouth, the company, we, us and our refer to HealthSouth Corporation and its subsidiaries.

This prospectus incorporates by reference important business and financial information about us that is not included in or delivered with this document. Copies of this information are available, without charge to any person to whom this prospectus is delivered, upon written or oral request to:

HealthSouth Corporation

One HealthSouth Parkway

Birmingham, Alabama 35243

Attn: Investor Relations

(205) 967-7116

**In order to obtain timely delivery, you must request the information no later than May 31, 2007, which is five business days before the expiration date of the Exchange Offer.**

**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains historical information, as well as forward-looking statements that involve known and unknown risks and relate to future events, our future financial performance, or our projected business results. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, targets, potential, or cont these terms or other comparable terminology. Such forward-looking statements are necessarily estimates based upon current information and involve a number of risks and uncertainties. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include:

each of the factors discussed in under the heading *Risk Factors*, starting on page 11 of this prospectus or incorporated herein by reference, including the risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as amended by our Form 10-K/A filed with the SEC on March 22, 2007;



Edgar Filing: NATIONAL SURGERY CENTERS INC - Form S-4/A

the outcome of our plan to reposition our primary focus on the post-acute care sector, including the results of our attempts to divest our surgery centers, outpatient and diagnostic divisions;

**Table of Contents**

changes or delays in or suspension of reimbursement for our services by governmental or private payors;

changes in the regulations of the health care industry at either or both of the federal and state levels;

changes in reimbursement for health care services we provide;

competitive pressures in the health care industry and our response to those pressures;

our ability to obtain and retain favorable arrangements with third-party payors;

our ability to attract and retain nurses, therapists, and other health care professionals in a highly competitive environment with often severe staffing shortages; and

general conditions in the economy and capital markets.

The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no duty to update these forward-looking statements, even though our situation may change in the future. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.

## **Table of Contents**

### **SUMMARY**

*The following summary is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference in this prospectus. Because this is a summary, it may not contain all the information that may be important to you. You should read the entire prospectus, as well as the information incorporated by reference, before making an investment decision.*

#### **Our Company**

HealthSouth is the largest provider of rehabilitative health care and ambulatory surgery services in the United States, with 978 facilities and approximately 33,000 full- and part-time employees as of December 31, 2006. We provide these services through a national network of inpatient and outpatient rehabilitation facilities, diagnostic centers, and other health care facilities. Shares of our common stock began trading on the New York Stock Exchange on October 26, 2006 under the ticker symbol **HLS**.

This prospectus relates to the exchange of Exchange Notes for all outstanding Restricted Notes that are validly tendered and not withdrawn prior to the expiration or termination of the Exchange Offer. The terms of the Exchange Notes are substantially identical to those of the Restricted Notes, except that the issuance of the Exchange Notes has been registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions relating to the Restricted Notes do not apply to the Exchange Notes. The exchange of Restricted Notes for Exchange Notes will not be a taxable transaction for United States federal income tax purposes, but you should see the discussion under the caption **Certain U.S. Federal Income Tax Considerations** for more information. We will not receive any proceeds from the Exchange Offer.

We issued the Restricted Notes in a transaction not requiring registration under the Securities Act and, as a result, their transfer is restricted. We are making the Exchange Offer to satisfy the registration rights of the holders of the Restricted Notes. Each broker or dealer that receives Exchange Notes for its own account in exchange for Restricted Notes that were acquired by such broker-dealer as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See **Plan of Distribution**.

HealthSouth was incorporated under the laws of the State of Delaware. Our principal executive offices are located at One HealthSouth Parkway, Birmingham, Alabama 35243, and our telephone number is (205) 967-7116. Our Internet website address is [www.healthsouth.com](http://www.healthsouth.com). Information on our website does not constitute part of this prospectus and should not be relied upon in connection with making any investment decision with respect to the Exchange Notes.

#### **Significant Recent Events**

On March 12, 2007, the Company announced it had amended its existing Senior Secured Credit Facilities to lower the applicable interest rates and modify certain other covenants. The amendment and related supplement reduce the interest rate on the Term Loan B to LIBOR plus 2.5%, as well as reduce the applicable participation rate on the Tranche A letter of credit facility to 2.5%. The amendment also gives the Company the appropriate approvals for its divestiture activities.

On March 25, 2007, we entered into a Stock Purchase Agreement with ASC Acquisition LLC ( **ASC** ), a Delaware limited liability company and newly-formed affiliate of TPG Partners V, L.P. ( **TPG** ), pursuant to which ASC will acquire our surgery centers division for approximately \$945 million. The purchase price consists

of cash consideration of \$920 million, subject to certain adjustments, and an equity interest whereby we will have an option to acquire 5% of ASC's primary shares acquired by TPG at closing at an exercise price that will

**Table of Contents**

escalate at 15% annually, which option is estimated to be worth between \$25 and \$30 million assuming a five-year horizon. The closing of the transactions is subject to the satisfaction of closing conditions set forth in the Stock Purchase Agreement, including certain regulatory and other approvals. The closing is anticipated to occur in the third quarter of 2007.

On April 19, 2007, the Company entered into a definitive agreement with The Gores Group ( Gores ), a private equity firm, pursuant to which Gores will acquire the Company s diagnostic division for approximately \$47.5 million. The transaction is expected to be completed by the end of June or early in the third quarter of 2007 and is subject to customary closing conditions, including regulatory approval.

On May 1, 2007, the Company consummated the transactions contemplated by the previously reported Stock Purchase Agreement with Select Medical Corporation ( Select ), a privately owned operator of specialty hospitals and outpatient rehabilitation facilities, pursuant to which Select acquired the Company s outpatient rehabilitation division.

**The Exchange Offer**

On June 14, 2006, we issued and sold \$375.0 million aggregate principal amount of Floating Rate Senior Notes due 2014 and \$625.0 million aggregate principal amount of 10.75% Senior Notes due 2016, which we refer to together as the Restricted Notes , in an offering under Rule 144A and Regulation S of the Securities Act of 1933, as amended (the Securities Act ), that was not registered under the Securities Act. Simultaneously with this transaction, we entered into a registration rights agreement with the initial purchasers of those Restricted Notes (the Registration Rights Agreement ) in which we agreed, among other things, to deliver this prospectus to you and to commence this Exchange Offer for the Restricted Notes. Below is a summary of the Exchange Offer. You should read the discussion under the headings The Exchange Offer and Description of the Exchange Notes for further information regarding the notes to be issued in the Exchange Offer.

**Restricted Notes** \$375.0 million principal amount of Floating Rate Senior Notes due 2014 (the Floating Rate Restricted Notes ) and \$625.0 million principal amount of Fixed Rate Senior Notes due 2016 (the Fixed Rate Restricted Notes and, together with the Floating Rate Restricted Notes, the Restricted Notes ), in each case, which have not been registered under the Securities Act.

**Exchange Notes** Up to \$375.0 million principal amount of Floating Rate Senior Notes due 2014 (the Floating Rate Exchange Notes ) and \$625.0 million principal amount of Fixed Rate Senior notes due 2016 (the Fixed Rate Exchange Notes and, together with the Floating Rate Exchange Notes, the Exchange Notes ), in each case, the issuance of which has been registered under the Securities Act. The Floating Rate Exchange Notes and Fixed Rate Exchange Notes will be issued under separate indentures, each dated as of June 14, 2006 (together, the Indentures ), in each case, among us, the guarantors named therein and The Bank of Nova Scotia Trust Company of New York, as trustee.

The form and terms of the Exchange Notes are substantially identical to those of the applicable series of Restricted Notes, except that issuance of the Exchange Notes has been registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions relating to the Restricted Notes do not apply to the Exchange Notes.

**Exchange Offer** We are offering to exchange:  
 (i) \$375.0 million principal amount of Floating Rate Exchange Notes for a like principal amount of the Floating Rate Restricted Notes; and

**Table of Contents**

(ii) \$625.0 million principal amount of Fixed Rate Exchange Notes for a like principal amount of the Fixed Rate Restricted Notes

to satisfy our obligations under the registration rights agreement that we entered into when the Restricted Notes were issued in reliance upon the exemption from registration provided by Rule 144A and Regulation S of the Securities Act. Once the Exchange Offer is complete, you will no longer be entitled to exchange or registration rights with respect to the Restricted Notes.

In order to be exchanged, a Restricted Note must be properly tendered and accepted. All Restricted Notes that are validly tendered and not withdrawn will be exchanged.

**Expiration Date; Tenders**

The Exchange Offer will expire at 5:00 p.m., New York City time, on June 7, 2007, unless earlier terminated or extended by us.

By tendering your Restricted Notes, you represent to us:

that any Exchange Notes received in exchange for your Restricted Notes in the Exchange Offer are being acquired by you or any other person receiving such Exchange Notes in the ordinary course of your or such other person's business;

that at the time of the commencement of the Exchange Offer, you do not, or any other person who will receive Exchange Notes in exchange for your Restricted Notes does not, have any arrangement or understanding with any person to participate in the distribution (as defined in the Securities Act) of the Exchange Notes in violation of the Securities Act;

that you are not holding Restricted Notes that have, or are reasonably likely to have, the status of an unsold allotment;

that you are not, or such other person receiving Exchange Notes in exchange for your Restricted Notes is not, an affiliate (as defined in Rule 405 under the Securities Act) of HealthSouth Corporation, or if you are, or such other person is, an affiliate of HealthSouth Corporation, that you or such other person will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction;

if you are not, or such other person receiving Exchange Notes in exchange for your Restricted Notes is not, a broker-dealer, that you are not, or such other person is not, engaged in, and you do not, or such other person does not, intend to engage in, the distribution of the Exchange Notes; and

if you are a broker-dealer, that you will receive the Exchange Notes for your own account in exchange for Restricted Notes that were acquired by you as a result of your market-making or other trading activities and that you will deliver a prospectus in connection with any resale of the Exchange Notes you receive in the Exchange Offer. For further information regarding resales of the Exchange Notes by participating broker-dealers, see the discussion below under the caption Plan of Distribution.



**Table of Contents**

**Withdrawal; Non-Acceptance**

You may withdraw any Restricted Notes tendered in the Exchange Offer at any time prior to 5:00 p.m., New York City time, on June 7, 2007, unless the Exchange Offer is earlier terminated. If we extend the Exchange Offer, you may withdraw Restricted Notes tendered at any time prior to the expiration date, as extended. If we decide for any reason not to accept any Restricted Notes for exchange, the Restricted Notes will be returned to you at our expense promptly after the expiration or termination of the Exchange Offer. See The Exchange Offer Terms of the Exchange Offer.

**Conditions to the Exchange Offer**

The Exchange Offer is subject to customary conditions, which we may waive. See the discussion below under the caption See The Exchange Offer Conditions to the Exchange Offer .

**Resales**

Based on interpretations by the staff of the SEC, as detailed in a series of no-action letters issued to third parties, we believe that the Exchange Notes you receive in the Exchange Offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act. However, you or any other person receiving Exchange Notes in exchange for your Restricted Notes will not be able to freely transfer the Exchange Notes if:

you are, or such other person receiving Exchange Notes in exchange for your Restricted Notes is, an affiliate (as defined in Rule 405 under the Securities Act) of HealthSouth Corporation;

you are not, or any other person receiving Exchange Notes in exchange for your Restricted Notes is not, acquiring the Exchange Notes in the Exchange Offer in the ordinary course of your or such other person's business; or

you are, or such other person receiving Exchange Notes in exchange for your Restricted Notes is, participating, intends to participate or has an arrangement or understanding with any person to participate, in the distribution of the Exchange Notes you or such other person will receive in the Exchange Offer.

If you fall within one of the exceptions listed above, or if you are a broker-dealer that receives Exchange Notes for your own account in the Exchange Offer in exchange for Restricted Notes that were acquired by you as a result of your market-making or other trading activities, you must comply with the registration and prospectus delivery requirements of the Securities Act or qualify for a registration exemption in connection with any resale transaction involving the Exchange Notes. For further information regarding resales of the Exchange Notes by participating broker-dealers, see the discussion under the caption Plan of Distribution.

By executing the letter of transmittal relating to this offer, or by agreeing to the terms of the letter of transmittal, you represent to us that you, or any other person receiving Exchange Notes in exchange for your Restricted Notes, satisfy each of these conditions. If you, or any other person receiving Exchange Notes in exchange for your

---

**Table of Contents**

Restricted Notes, does not satisfy any of these conditions and you, or any other person receiving Exchange Notes in exchange for your

Restricted Notes, transfers any exchange note without delivering a proper prospectus or without qualifying for a registration exemption, you or such other person may incur liability under the Securities Act. Moreover, our belief that transfers of Exchange Notes would be permitted without registration or prospectus delivery under the conditions described above is based on SEC interpretations given to other, unrelated issuers in similar exchange offers. We cannot assure you that the SEC would make a similar interpretation with respect to our Exchange Offer. We will not be responsible for or indemnify you against any liability you may incur under the Securities Act.

If you are an affiliate of ours, are engaged in or intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the Exchange Notes:

you cannot rely on the applicable interpretations of the staff of the SEC;

you will not be entitled to participate in the Exchange Offer; and

you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

See the discussion below under the caption "The Exchange Offer Consequences of Failure to Exchange Restricted Notes" and "The Exchange Offer Consequences of Exchanging Restricted Notes" for more information.

**Procedures for Tendering the Restricted Notes**

A tendering holder must, on or prior to the expiration date:

transmit a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to the Exchange Agent at the address listed in this prospectus; or

if Restricted Notes are tendered in accordance with the book-entry procedures described in this prospectus, the tendering holder must transmit (i) a letter of transmittal (along with all other documents required by the letter of transmittal), or (ii) an agent's message; in each case, to the Exchange Agent at the address listed in this prospectus.

See "The Exchange Offer Procedures for Tendering".

**Special Procedures for Beneficial Owners**

If you are the beneficial owner of Restricted Notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee and you wish to tender in the Exchange Offer, you should promptly contact the person in whose name your Restricted Notes are registered and instruct that person to tender on your behalf. If you wish to tender in the Exchange Offer on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your Restricted Notes, either make appropriate





**Table of Contents**

arrangements to register ownership of the Restricted Notes in your name or obtain a properly completed bond power from the person in whose name the Restricted Notes are registered. See The Exchange Offer Procedures for Tendering.

**Use of Proceeds**

We will not receive any proceeds from the Exchange Offer.

**Exchange Agent**

The Bank of Nova Scotia Trust Company of New York has been appointed Exchange Agent for the Exchange Offer. You can find the address and telephone number of the Exchange Agent below under the caption The Exchange Offer Exchange Agent .

**Broker-Dealer**

Each broker or dealer that receives Exchange Notes for its own account in exchange for Restricted Notes that were acquired by such broker-dealer as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See Plan of Distribution .

Furthermore, any broker-dealer that acquired any of its Restricted Notes directly from us:

may not rely on the applicable interpretation of the staff of the SEC's position contained in Exxon Capital Holdings Corp., SEC no-action letter (April 13, 1988), Morgan, Stanley & Co. Inc., SEC no-action letter (June 5, 1991) and Shearman & Sterling, SEC no-action letter (July 2, 1993); and

must also be named as a selling noteholder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction.

This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Restricted Notes which were received by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that for a period of not more than 180 days after the consummation of the Exchange Offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution for more information.

**Accounting Treatment**

We will not recognize any gain or loss for accounting purposes upon the consummation of the Exchange Offer. We will amortize the expense of the Exchange Offer over the term of the Exchange Notes in accordance with generally accepted accounting principles.

**Consequences of Failure to Exchange the Restricted Notes**

If you do not exchange your Restricted Notes in the Exchange Offer, your Restricted Notes will continue to be subject to the restrictions on transfer currently applicable to the Restricted Notes. In general, you may offer or sell your Restricted Notes only:

**Table of Contents**

if they are registered under the Securities Act and applicable state securities laws;

if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or

if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.

We do not currently intend to register the Restricted Notes under the Securities Act. If you do not participate in the Exchange Offer and other holders' Restricted Notes are accepted for exchange, the trading market, if any, for the Restricted Notes would be adversely affected due to a reduction in market liquidity. After the Exchange Offer is completed, you will not be entitled to any exchange or registration rights with respect to your Restricted Notes, except under limited circumstances. Under certain circumstances, certain holders of Restricted Notes (including certain holders who are not permitted to participate in the Exchange Offer or who do not receive freely tradeable Exchange Notes in the Exchange Offer) may require us to file and cause to become effective a shelf registration statement which would cover resales of Restricted Notes by these holders. See "The Exchange Offer - Consequences of Failure to Exchange Restricted Notes" and "Description of the Exchange Notes - Registration Rights Agreement."

**Registration Rights Agreement**

When we issued the Restricted Notes in June 2006, we entered into a registration rights agreement with the initial purchasers of the Restricted Notes, under which we have agreed to:

on or prior to the day that is 30 days after the we are required under the Exchange Act to file our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (after giving effect to all applicable extensions under the Exchange Act), file a registration statement with the SEC with respect to the Exchange Offer;

use our reasonable best efforts to cause such registration statement to be declared effective under the Securities Act no later than 180 days after the date of filing thereof;

as soon as practicable after the effectiveness of such registration statement, offer the Exchange Notes in exchange for the Restricted Notes, and keep such offer open for not less than 30 days after notice thereof to the holders; and

file a shelf registration statement for the resale of the Notes under certain circumstances.

If we do not comply with these obligations under the registration rights agreement, we will be required to pay additional interest to the holders of the Restricted Notes. See "The Exchange Offer - Additional Interest."

---

**Table of Contents**

**Certain U.S. Federal Income Tax Considerations**

The exchange of Restricted Notes for Exchange Notes generally will not be a taxable event to a holder of Restricted Notes for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Considerations .

**Summary Description of the Exchange Notes**

*The summary below describes the principal terms of the Exchange Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The registered Floating Rate Notes and the registered Fixed Rate Notes are referred to herein as the Exchange Notes, and the Exchange Notes together with the Restricted Notes are referred to together as the Notes. The Description of the Exchange Notes section of this prospectus contains a more detailed description of the terms and conditions of the Exchange Notes.*

**Issuer**

HealthSouth Corporation.

**Notes Offered**

\$375,000,000 aggregate principal amount of Floating Rate Notes  
\$625,000,000 aggregate principal amount of Fixed Rate Notes

**Maturity**

For the Floating Rate Notes: June 15, 2014.  
For the Fixed Rate Notes: June 15, 2016.

**Interest**

Interest on the Floating Rate Notes accrues at the rate of LIBOR plus 6.0% per annum, reset semi-annually, from the issue date or from the most recent date to which interest has been paid, and is payable in cash semi-annually in arrears on June 15 and December 15 of each year to the persons who are registered holders of the Floating Rate Notes at the close of business on the preceding June 1 or December 1, as the case may be.

Interest on the Fixed Rate Notes accrues at the rate of 10.75% per annum from the issue date or from the most recent date to which interest has been paid, and is payable in cash semi-annually in arrears on June 15 and December 15 of each year to the persons who are registered holders of the Fixed Rate Notes at the close of business on the preceding June 1 or December 1, as the case may be.

**Optional redemption**

Floating Rate Notes:

We may redeem the Floating Rate Notes, in whole or in part, at any time on or after June 15, 2009, at the redemption prices set forth in this prospectus.

Prior to June 15, 2009, we may redeem up to 35% of the aggregate principal amount of the Floating Rate Notes with the net cash proceeds of certain equity offerings, at a redemption price equal to 100% of their principal amount plus a premium equal to the interest rate per annum on the Floating Rate Notes applicable on the date that notice of redemption is given, plus accrued and unpaid interest thereon, if any, to the redemption date, if at least 65% of the aggregate principal amount of the Floating Rate Notes remains outstanding after giving effect to such redemption.

## **Table of Contents**

In addition, at any time prior to June 15, 2009, we may at our option redeem all, but not less than all, of the Floating Rate Notes, at a redemption price equal to 100% of the principal amount plus a make-whole premium, plus accrued and unpaid interest thereon, if any, to the redemption date.

See Description of the Exchange Notes Optional Redemption .

Fixed Rate Notes:

We may redeem the Fixed Rate Notes, in whole or in part, at any time on or after June 15, 2011, at the redemption prices set forth in this prospectus.

Prior to June 15, 2009, we may redeem up to 35% of the aggregate principal amount of the Fixed Rate Notes with the net cash proceeds of certain equity offerings, at a redemption price equal to 110.75% of their principal amount, plus accrued and unpaid interest thereon, if any, to the redemption date, if at least 65% of the aggregate principal amount of the Fixed Rate Notes remains outstanding after giving effect to such redemption.

In addition, at any time prior to June 15, 2011, we may at our option redeem all, but not less than all, of the Fixed Rate Notes, at a redemption price equal to 100% of principal amount plus a make-whole premium, plus accrued and unpaid interest thereon, if any, to the redemption date.

See Description of the Exchange Notes Optional Redemption .

### **Guarantees**

The Exchange Notes will be jointly and severally guaranteed on a senior unsecured basis by all of our existing and future subsidiaries that guarantee borrowings under our senior secured credit facilities or certain of our other debt. However, certain of our subsidiaries will not guarantee the Exchange Notes. For a discussion of the risks relating to the guarantees, see Risk Factors Not all of our subsidiaries will be guarantors. The Exchange Notes will be effectively junior to the indebtedness and other liabilities of our non-guarantor subsidiaries .

### **Ranking**

The Exchange Notes and the guarantees will be senior unsecured obligations of HealthSouth Corporation and our guaranteeing subsidiaries. The Exchange Notes will rank equal in right of payment to our current and future senior debt and will rank senior in right of payment to our current and future subordinated debt. The Exchange Notes will be effectively subordinated to our current and future secured debt, including borrowings under our senior secured credit facilities, to the extent of the value of the assets securing such debt. See Description of the Exchange Notes Ranking . In addition, the Notes and the guarantees will be effectively subordinated to any liabilities, including trade payables, of our non-guarantor subsidiaries.

### **Mandatory offers to purchase**

The occurrence of a change of control will be a triggering event requiring us to offer to purchase the Exchange Notes at a price equal to 101% of their principal amount, together with accrued and unpaid

**Table of Contents**

interest, if any, to the date of purchase. Certain asset dispositions will be triggering events which may require us to use the proceeds from those asset dispositions to make an offer to purchase the Exchange Notes at 100% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase if such proceeds are not otherwise used within 365 days to repay senior indebtedness, including indebtedness under our amended credit agreement (with a corresponding reduction in commitment), or to invest in capital assets related to our business.

**Change of Control**

Upon the occurrence of a Change of Control (as defined in this prospectus), each holder of the Exchange Notes will have the right to require us to repurchase such holder's Notes at a purchase price in cash equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. See Description of the Exchange Notes Change of Control.

**Covenants**

The Indentures governing the Exchange Notes contain covenants that, among other things, limit our ability and the ability of our subsidiaries to:

incur or guarantee indebtedness;

pay dividends on, redeem or repurchase our capital stock; or redeem or repurchase our subordinated obligations;

make investments;

incur obligations that restrict the ability of our subsidiaries to make dividends or other payments to us;

sell assets;

engage in transactions with affiliates;

create certain liens;

enter into sale/leaseback transactions; and

merge, consolidate, or transfer all or substantially all of our assets.

These covenants are subject to important qualifications and exceptions, which are described under the heading Description of the Exchange Notes in this prospectus.

**Absence of public market**

The Exchange Notes generally will be freely transferable but will be new securities for which there will not initially be a market. Accordingly, there can be no assurance as to the

development or liquidity of any market for the Exchange Notes.

**Risk Factors**

Investing in the Exchange Notes involves risks. See **Risk Factors** beginning on page 11 and the other information in this prospectus incorporated herein by reference for a discussion of factors you should carefully consider before deciding to invest in the Notes.

**Ratio of Earnings to Fixed Charges**

Our ratio of earnings to fixed charges for the years ended December 31, 2006, 2005, 2004, 2003 and 2002 were 0, 0, 1.15x, 0 and 0, respectively. See **Ratio of Earnings to Fixed Charges**.

---

**Table of Contents**

**RISK FACTORS**

*Participating in the Exchange Offer involves a number of risks. You should carefully consider the specific risks described below, the risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as amended by our Form 10-K/A filed with the SEC on March 22, 2007, which are incorporated herein by reference, the risk factors described under the caption *Risk Factors* in any applicable prospectus supplement and any risk factors set forth in our other filings with the SEC, pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act before making an investment decision. See *Where You Can Find More Information*.*

***Risks Related to the Exchange Notes***

**Our substantial indebtedness may impair our financial condition and prevent us from fulfilling our obligations under the Indentures governing the Exchange Notes and our other debt instruments.**

We are highly leveraged. As of December 31, 2006, we had approximately \$3.3 billion of long-term debt outstanding (including that portion of long-term debt classified as current and excluding \$149.5 million in capital leases). As discussed in our Annual Report on Form 10-K for the year ended December 31, 2006, as amended by our Form 10-K/A filed with the SEC on March 22, 2007, in Item 1, *Business*, Completion of Recapitalization and Other Significant Financial Transactions, we have prepaid substantially all of our prior indebtedness with proceeds from a series of recapitalization transactions and replaced it with approximately \$3 billion of new long-term debt. Although we remain highly leveraged, we believe these recapitalization transactions have eliminated a number of uncertainties regarding our capital structure and have improved our financial condition by reducing our refinancing risk, increasing our liquidity, improving our operational flexibility, improving our credit profile, and reducing our interest rate exposure.

Our substantial indebtedness could have important consequences to you, including:

preventing us from fulfilling our obligations under the Indentures governing the Exchange Notes and our other debt instruments;

limiting our ability to borrow additional amounts to fund working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy and other general corporate purposes;

requiring us to dedicate a substantial portion of our cash flow from operations to pay principal and interest on our debt, which would reduce availability of our cash flow to fund working capital, capital expenditures, acquisitions, execution of our business strategy and other general corporate purposes;

making us more vulnerable to adverse changes in general economic, industry and competitive conditions, in government regulation and in our business by limiting our flexibility in planning for, and making it more difficult for us to react quickly to, changing conditions;

placing us at a competitive disadvantage compared with our competitors that have less debt; and

exposing us to risks inherent in interest rate fluctuations because some of our borrowings, including the Floating Rate Notes, will be at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

We are required to use a substantial portion of our cash flow to service our debt. A substantial downturn in earnings could jeopardize our ability to make our interest payments and could impair our ability to obtain additional financing, if necessary. Certain trends in our business, including declining revenues resulting from the 75% Rule, acute care volume weakness and pricing pressure have created a challenging operating environment, and future changes could place additional pressure on our revenues and cash flow. In addition, we are subject to numerous contingent liabilities and are subject to prevailing economic conditions and to financial, business, and other factors beyond our control. Although we expect to make scheduled interest payments and principal reductions, we cannot assure you that changes in our business or other factors will



not occur that may have the effect of preventing us from satisfying obligations under our debt.

**Table of Contents**

**Despite current indebtedness levels, we may still be able to incur more debt. This could further exacerbate the risks associated with our substantial indebtedness.**

Subject to specified limitations, the Indentures governing the Exchange Notes and the credit agreement governing our senior secured credit facilities permit us and our subsidiaries to incur substantial additional debt. If new debt is added to our or any of our subsidiaries' current debt levels, the risks described in the immediately preceding risk factor could intensify. See "Description of the Exchange Notes—Certain Covenants—Limitation on Indebtedness" for additional information.

**The restrictive covenants in our senior secured credit facilities and the Indentures governing the Exchange Notes and our other debt instruments may affect our ability to operate our business successfully.**

The Indentures governing the Exchange Notes and our other debt instruments and the terms of our senior secured credit facilities do, and our future debt instruments may, contain various provisions that limit our ability to, among other things:

incur additional indebtedness;

make restricted payments;

create certain liens;

sell assets;

enter into sale and leaseback transactions;

issue or sell certain types of preferred stock;

in the case of our restricted subsidiaries, restrict them from making dividends or other payments to us;

in the case of our restricted subsidiaries, incur or guarantee debt;

engage in transactions with affiliates;

create unrestricted subsidiaries; and

consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries (if any) on a consolidated basis. These covenants could adversely affect our ability to finance our future operations or capital needs and pursue available business opportunities.

In addition, our senior secured credit facilities require us to maintain specified financial ratios and satisfy certain financial condition tests. Events beyond our control, including changes in general economic and business conditions, may affect our ability to meet those financial ratios and financial condition tests. We cannot assure you that we will meet those tests or that the lenders will waive any failure to meet those tests. A

## Edgar Filing: NATIONAL SURGERY CENTERS INC - Form S-4/A

breach of any of these covenants or any other restrictive covenants contained in our senior secured credit facilities or the Indentures could (after giving effect to applicable grace periods, if any) result in an event of default. If an event of default under our senior secured credit facilities or the Indentures occurs, the holders of the affected indebtedness could declare all amounts outstanding, together with accrued interest, to be immediately due and payable, which, in turn, could cause the default and acceleration of the maturity of our other indebtedness. If we were unable to pay such amounts, the lenders under our senior secured credit facilities could proceed against the collateral pledged to them. We have pledged substantially all of our assets to the lenders under our senior secured credit facilities. In such an event, we cannot assure you that we would have sufficient assets to pay amounts due on the Exchange Notes. As a result, you may receive less than the full amount you would otherwise be entitled to receive on the Exchange Notes. See Note 9, *Long-term Debt* to our consolidated financial statements and Item 2, *Properties* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as amended by our Form 10-K/A filed with the SEC on March 22, 2007, and *Description of the Exchange Notes - Certain Covenants* in this prospectus for additional information.

## **Table of Contents**

**The Exchange Notes and the guarantees will not be secured by any of our assets. Our senior secured credit facilities are secured and our senior lenders have a prior claim on substantially all of our assets.**

The Exchange Notes and the guarantees will not be secured by any of our assets. However, our senior secured credit facilities are secured by substantially all of our assets, including the stock of substantially all of our domestic wholly-owned subsidiaries (including future subsidiaries, if any). If we become insolvent or are liquidated, or if payment under any of the instruments governing our secured debt is accelerated, the lenders under those instruments will be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to the instruments governing such debt. Accordingly, the lenders under our senior secured credit facilities have a prior claim on our assets securing the debt owed to them. In that event, because the Exchange Notes and the guarantees will not be secured by any of our assets, it is possible that our remaining assets might be insufficient to satisfy your claims in full.

As of December 31, 2006, the aggregate amount of our senior secured indebtedness was approximately \$2.2 billion, excluding approximately \$197.7 million that we had available for additional borrowing under the revolving portion of our senior secured credit facilities. We will be permitted to borrow substantial additional secured indebtedness in the future under the terms of the Indentures. See Description of the Exchange Notes Certain Covenants Limitation on Indebtedness and Description of the Exchange Notes Certain Covenants Limitation on Liens.

**Not all of our subsidiaries will be guarantors. The Exchange Notes are effectively junior to the indebtedness and other liabilities of our non-guarantor subsidiaries.**

Not all of our subsidiaries will guarantee the Exchange Notes. The Exchange Notes will be guaranteed by all of our current and future subsidiaries that guarantee borrowings under our senior secured credit facilities or incur or guarantee any outstanding capital markets debt. Our current subsidiary guarantors are listed on the cover page of this the registration statement of which this prospectus forms a part. Certain of our 100% owned subsidiaries and all of our non-wholly-owned subsidiaries, which are not guarantors of our senior secured credit facilities and through which we conduct a significant portion of our business, will not guarantee the Exchange Notes due to, among other things, restrictions in their constituent documents or other agreements. The Exchange Notes are effectively subordinated to the outstanding indebtedness and other liabilities, including trade payables, of our non-guarantor subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us.

**The lenders under the senior secured credit facilities will have the discretion to release the guarantors under the senior secured credit agreement under certain circumstances, which will cause those guarantors to be released from their guarantees of the Exchange Notes.**

While any obligations under the senior secured credit facilities remain outstanding, any guarantee of the Exchange Notes may be released without action by, or consent of, any holder of the Exchange Notes or the trustee under the Indentures governing the Exchange Notes, at the discretion of lenders under the senior secured credit facilities, if the related guarantor is no longer a guarantor of obligations under the senior secured credit facilities and does not have or guarantee any outstanding capital markets indebtedness. See Description of the Exchange Notes. The lenders under the senior secured credit facilities will have the discretion to release the guarantees under the senior secured credit facilities under certain circumstances. You will not have a claim as a creditor against any subsidiary that is no longer a guarantor of the Exchange Notes, and the indebtedness and other liabilities, including trade payables, of those subsidiaries will effectively be senior to claims of any holder of the Exchange Notes.

---

**Table of Contents**

**We will require a significant amount of cash to service all our indebtedness, including the Exchange Notes, and our ability to generate sufficient cash depends upon many factors, some of which are beyond our control.**

Our ability to make payments on and refinance our debt and to fund working capital needs and planned capital expenditures depends on our ability to generate cash flow in the future. To some extent, this is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot assure you that our business will continue to generate cash flow from operations at levels sufficient to permit us to pay principal, premium, if any, and interest on our indebtedness or that our cash needs will not increase. If we are unable to generate sufficient cash flow from operations in the future to service our debt and meet our other needs, we may have to refinance all or a portion of our debt, obtain additional financing or reduce expenditures or sell assets that we deem necessary to our business. We cannot assure you that any of these measures would be possible or that any additional financing could be obtained. The inability to obtain additional financing could have a material adverse effect on our financial condition and on our ability to meet our obligations to you under the Exchange Notes.

**We may not have the funds to purchase the Exchange Notes upon the change of control offer as required by the Indentures governing the Exchange Notes.**

Upon a change of control, as defined in the Indentures, subject to certain conditions, we are required to offer to repurchase all outstanding Exchange Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of repurchase. The source of funds for that purchase of Exchange Notes will be our available cash, cash generated from our operations or the operations of our subsidiaries or other potential sources, including borrowings, sales of assets or sales of equity. We cannot assure you that sufficient funds from such sources will be available at the time of any change of control to make required repurchases of Exchange Notes tendered. In addition, the terms of our senior secured credit facilities will limit our ability to repurchase your Exchange Notes and will provide that certain change of control events will constitute an event of default thereunder. Our future debt agreements may contain similar restrictions and provisions. If the holders of the Exchange Notes exercise their right to require us to repurchase all the Exchange Notes upon a change of control, the financial effect of this repurchase could cause a default under our other debt, even if the change of control itself would not cause a default. Accordingly, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of the Exchange Notes and our other debt or that restrictions in our senior secured credit facilities and the Indentures will not allow such repurchases. In addition, certain corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a change of control under the Indentures. See Description of the Exchange Notes Change of Control in this prospectus for additional information.

**There is no established trading market for the Exchange Notes.**

There is no existing trading market for the Notes. We cannot assure you that an active trading market will develop for the Exchange Notes. We do not intend to apply for listing of the Exchange Notes on any securities exchange. Although we are obligated, subject to some exceptions, to seek to exchange the Restricted Notes for Exchange Notes, we may not be able to do so. See the description of the proposed Exchange Offer under Description of the Exchange Notes Registered Exchange Offer; Registration Rights. Whether or not the Restricted Notes are exchanged for Exchange Notes in the Exchange Offer, an active market for the Exchange Notes may not develop. If a market for the Exchange Notes does not develop, you may not be able to resell your Exchange Notes for an extended period of time, if at all. Consequently, your lenders may be reluctant to accept the Exchange Notes as collateral for loans. Moreover, if markets for the Exchange Notes do develop in the future, we cannot assure you that these markets will continue indefinitely or that the Exchange Notes can be sold at a price equal to or greater than their initial offering price. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Exchange Notes. The market for the Exchange Notes, if any, may be subject to similar disruptions. Any such disruptions may materially adversely affect you as a holder of the Exchange Notes. In addition, in response to

## **Table of Contents**

prevailing interest rates and market conditions generally, as well as our performance and our ability to effect the Exchange Offer, the Exchange Notes could trade at a price lower than their initial offering price.

### **Federal and state statutes could allow courts, under specific circumstances, to void the subsidiary guaranties, subordinate claims in respect of the Exchange Notes and require note holders to return payments received from subsidiary guarantors.**

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a court could void a subsidiary guaranty or claims related to a guarantor or subordinate a subsidiary guaranty to all other debts of a subsidiary guarantor if, among other things, the subsidiary guarantor, at the time it incurred the indebtedness evidenced by its subsidiary guaranty:

intended to hinder, delay or defraud any present or future creditor or received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness;

was insolvent or rendered insolvent by reason of such incurrence;

was engaged in a business or transaction for which the subsidiary guarantor's remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond the subsidiary guarantor's ability to pay such debts as they mature. In addition, a court could void any payment by a subsidiary guarantor pursuant to the Exchange Notes or a subsidiary guaranty and require that payment to be returned to such subsidiary guarantor or to a fund for the benefit of the creditors of the subsidiary guarantor. The measures of insolvency for purposes of fraudulent transfer laws will vary depending upon the governing law in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a subsidiary guarantor would be considered insolvent if:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

On the basis of historical financial information, recent operating history and other factors, we believe that we will not be insolvent, will not have insufficient capital for the business in which we are engaged and will not have incurred debts beyond our ability to pay such debts as they mature. There can be no assurance, however, as to what standard a court would apply in making such determinations or that a court would agree with our or any subsidiary guarantor's conclusions in this regard.

### ***Risks Related to the Exchange Offer***

#### **You may have difficulty selling the Restricted Notes which you do not exchange, since Restricted Notes will continue to have restrictions on transfer and cannot be sold without registration under securities laws or exemptions from registration.**

If a large number of Restricted Notes are exchanged for Exchange Notes issued in the Exchange Offer, it may be difficult for holders of Restricted Notes that are not exchanged in the Exchange Offer to sell the Restricted Notes, since those Restricted Notes may not be offered or sold unless they are registered or there are exemptions from registration requirements under the Securities Act or state laws that apply to them. In addition, if there are only a small number of Restricted Notes outstanding, there may not be a very liquid market in those Restricted Notes. There may be few investors that will purchase unregistered securities in which there is not a liquid market. See The Exchange

Edgar Filing: NATIONAL SURGERY CENTERS INC - Form S-4/A

Offer Consequences of Exchanging Restricted Notes and The Exchange Offer Consequences of Failure to Exchange Restricted Notes .

---

**Table of Contents**

In addition, if you do not tender your Restricted Notes or if we do not accept some Restricted Notes, those notes will continue to be subject to the transfer and exchange provisions of the applicable Indenture and the existing transfer restrictions of the Restricted Notes that are described in the legend on such notes and in the offering memorandum relating to the Restricted Notes.

**Late deliveries of Restricted Notes or any other failure to comply with the Exchange Offer procedures could prevent a holder from exchanging its Restricted Notes.**

Noteholders are responsible for complying with all Exchange Offer procedures. The issuance of Exchange Notes in exchange for Restricted Notes will only occur upon completion of the procedures described in this prospectus under The Exchange Offer. Therefore, holders of Restricted Notes who wish to exchange them for Exchange Notes should allow sufficient time for timely completion of the exchange procedure. Neither we nor the Exchange Agent are obligated to extend the offer or notify you of any failure to follow the proper procedure.

**If you do not exchange your Restricted Notes in the Exchange Offer, you will no longer be entitled to an increase in interest payments on Restricted Notes that the Indenture provides for if we fail to complete the Exchange Offer.**

Once the Exchange Offer has been completed, holders of outstanding Restricted Notes will not be entitled to any increase in the interest rate on their notes, which the Indenture provides for if we fail to complete the Exchange Offer. Holders of Restricted Notes will not have any further rights to have their Restricted Notes registered, except in limited circumstances, once the Exchange Offer is completed.

**If you exchange your Restricted Notes, you may not be able to resell the Exchange Notes you receive in the Exchange Offer without registering them and delivering a prospectus.**

If you exchange your Restricted Notes in the Exchange Offer for the purpose of participating in a distribution of the Exchange Notes, you may be deemed to have received restricted securities and, if so, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Based on interpretations by the SEC in no-action letters, we believe, with respect to Exchange Notes issued in the Exchange Offer, that:

holders who are not affiliates of ours within the meaning of Rule 405 of the Securities Act,

holders who acquire their notes in the ordinary course of business and

holders who do not engage in, intend to engage in, or have arrangements to participate in a distribution (within the meaning of the Securities Act) of the notes do not have to comply with the registration and prospectus delivery requirements of the Securities Act. Holders described in the preceding sentence must represent to us that they meet these criteria. Holders that do not meet these criteria can not rely on interpretations of the SEC in no-action letters, and will have to register the Exchange Notes they receive in the Exchange Offer and deliver a prospectus for them. In addition, holders that are broker-dealers may be deemed underwriters within the meaning of the Securities Act in connection with any resale of Exchange Notes acquired in the Exchange Offer. Holders that are broker-dealers must acknowledge that they acquired their Restricted Notes in market-making activities or other trading activities and must deliver a prospectus when they resell the Exchange Notes they acquire in the Exchange Offer in order not to be deemed an underwriter. Our obligation to make this prospectus available to broker-dealers is limited. We cannot guarantee that a proper prospectus will be available to broker-dealers wishing to resell their Exchange Notes.

You should review the more detailed discussion in The Exchange Offer Procedures for Tendering , The Exchange Offer Consequences of Exchanging Restricted Notes and The Exchange Offer Consequences of Failure to Exchange Restricted Notes .



**Table of Contents**

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges on a historical basis for the periods indicated:

2006	2005	Year ended December 31, 2004	2003	2002
*	*	1.15x	*	*

\* For the years ended December 31, 2006, 2005, 2003, and 2002, the Company had an earnings-to-fixed charges coverage deficiency of approximately \$472.8 million, \$250.1 million, \$372.3 million, and \$271.8 million, respectively.

In computing the ratio of earnings to fixed charges: (1) earnings have been based on income from continuing operations before income taxes, fixed charges (exclusive of interest capitalized), and distributed income of equity investees and (2) fixed charges consist of interest and amortization of debt discounts and fees expense (including amounts capitalized), the estimated interest portion of rents, and dividends on our convertible perpetual preferred stock.

**Table of Contents**

**USE OF PROCEEDS**

The Exchange Offer is intended to satisfy certain obligations under the registration rights agreement we entered into with the initial purchasers of the Restricted Notes. We will not receive any proceeds from the issuance of the Exchange Notes in the Exchange Offer. In consideration for issuing the Exchange Notes in the Exchange Offer, we will receive the Restricted Notes in like principal amount, the form and terms of which are substantially the same as the form and terms of the Exchange Notes (which replace the Restricted Notes and which represent the same indebtedness). The Restricted Notes surrendered in exchange for the Exchange Notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the Exchange Notes will not result in any increase or decrease in our indebtedness.

The proceeds of the issuance and sale of the Restricted Notes were approximately \$969 million, after deducting the discount payable to the initial purchasers of the Restricted Notes and estimated offering expenses payable by us. Such proceeds, together with cash on hand, were used to repay all outstanding borrowings under our Interim Loan Agreement that were incurred as part of our Recapitalization Transactions. See Business Completion of Recapitalization and Other Significant Financial Transactions in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, filed with the SEC on March 1, 2007, as amended by our Form 10-K/A filed with the SEC on March 22, 2007.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

We derived the selected historical consolidated financial data presented below for the years ended December 31, 2006, 2005, and 2004 from our audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the year ended December 31, 2006, as amended by our Form 10-K/A filed with the SEC on March 22, 2007. We derived the selected historical consolidated financial data presented below for the years ended December 31, 2003 and 2002 from our audited consolidated financial statements and related notes included in our comprehensive Form 10-K for the years ended December 31, 2003 and 2002. The selected historical financial data should be read in conjunction with our annual report, as well as other information that has been filed with the SEC. The historical results included below and elsewhere in this document may not be indicative of future performance.

	2006	For the year ended December 31,			2002
		2005	2004	2003	
		(In Millions, Except Per Share Data)			
<b>Income Statement Data:</b>					
Net operating revenues	\$ 3,000.1	\$ 3,117.0	\$ 3,409.7	\$ 3,544.9	\$ 3,519.7
Salaries and benefits	1,398.4	1,386.1	1,571.8	1,550.1	1,586.8
Professional and medical director fees	72.0	71.6	72.3	80.5	87.8
Supplies	287.8	294.2	318.2	304.1	300.5
Other operating expenses	457.2	540.4	428.2	539.6	619.2
Provision for doubtful accounts	119.3	94.3	109.6	120.0	112.0
Depreciation and amortization	148.2	162.6	172.2	180.4	205.7
Occupancy costs	141.4	113.1	152.4	180.0	181.4
Recovery of amounts due from Richard M. Scrushy	(47.8)				
Recovery of amounts due from Meadowbrook		(37.9)			
(Gain) loss on disposal of assets	(4.5)	16.6	10.2	(13.7)	82.6
Impairment of goodwill				335.6	
Impairment of intangible assets	0.2		1.0		15.3
Impairment of long-lived assets	15.0	43.3	35.5	132.1	47.1
Government, class action, and related settlements expense	38.8	215.0		170.9	347.7
Professional fees accounting, tax, and legal	163.6	169.8	206.2	70.6	
Loss (gain) on early extinguishment of debt	365.6			(2.3)	(9.6)
Interest expense and amortization of debt discounts and fees	335.1	337.5	301.4	264.2	250.3
Interest income	(15.7)	(17.1)	(13.1)	(7.2)	(6.6)
Loss (gain) on sale of investments	1.9	0.1	(4.0)	15.8	(11.8)
Loss on interest rate swap	10.5				
Equity in net income of nonconsolidated affiliates	(21.3)	(29.4)	(9.9)	(15.8)	(15.3)
Minority interests in earnings of consolidated affiliates	92.3	97.2	95.0	97.0	90.5
	3,558.0	3,457.4	3,447.0	4,001.9	3,883.6
Loss from continuing operations before income tax expense	(557.9)	(340.4)	(37.3)	(457.0)	(363.9)
Provision for income tax expense (benefit)	41.4	38.4	11.9	(28.4)	20.3
Loss from discontinued operations, net of income tax expense	(26.0)	(67.2)	(125.3)	(3.5)	(34.4)
Cumulative effect of accounting change, net of income tax expense				(2.5)	(48.2)
Net loss	(625.0)	(446.0)	(174.5)	(434.6)	(466.8)
Convertible perpetual preferred dividends	(22.2)				
Net loss available to common shareholders	\$ (647.2)	\$ (446.0)	\$ (174.5)	\$ (434.6)	\$ (466.8)

**Table of Contents**

	2006	For the year ended December 31,			2002
		2005	2004	2003	
<b>Weighted average common shares outstanding:</b>					
Basic	79.5	79.3	79.3	79.2	79.1
Diluted*	90.3	79.6	79.5	81.2	81.7
<b>Basic and diluted loss per common share:</b>					
Loss from continuing operations available to common shareholders	\$ (7.81)	\$ (4.77)	\$ (0.62)	\$ (5.41)	\$ (4.86)
Loss from discontinued operations, net of tax	(0.33)	(0.85)	(1.58)	(0.05)	(0.43)
Cumulative effect of accounting change, net of tax				(0.03)	(0.61)
Net loss per share available to common shareholders	\$ (8.14)	\$ (5.62)	\$ (2.20)	\$ (5.49)	\$ (5.90)

\* Per share diluted amounts are treated the same as basic per share amounts because the effect of including potentially dilutive shares is antidilutive.

	2006	2005	As of December 31,		2002
			2004	2003	
<b>Balance Sheet Data:</b>					
Cash and marketable securities	\$ 40.6	\$ 198.3	\$ 450.1	\$ 462.0	\$ 85.8
Restricted cash	99.6	237.4	235.4	170.3	24.0
Restricted marketable securities	71.1				
Working capital (deficit)	(381.3)	(235.5)	(3.8)	167.0	(490.5)
Total assets	3,359.6	3,592.2	4,083.0	4,209.7	4,536.7
Long-term debt, including current portion	3,402.3	3,401.9	3,493.9	3,499.7	3,480.8
Convertible perpetual preferred stock	387.4				
Shareholders' deficit	(2,184.6)	(1,540.7)	(1,109.4)	(963.8)	(528.8)

---

**Table of Contents**

**THE EXCHANGE OFFER**

**Purpose of the Exchange Offer**

On June 14, 2006, we issued an aggregate principal amount of \$1,000,000,000 of Restricted Notes in an offering under Rule 144A and Regulation S of the Securities Act that was not registered under the Securities Act. We sold the Restricted Notes to the initial purchasers under a Purchase Agreement, dated June 9, 2006, among us, the guarantors party thereto, and the initial purchasers. When we issued and sold the Restricted Notes to the initial purchasers, we entered into a registration rights agreement with the initial purchasers of those Restricted Notes. Under the registration rights agreement, we agreed to file a registration statement regarding the exchange of the Restricted Notes for Notes which are registered under the Securities Act. We also agreed to use our reasonable best efforts to cause the registration statement to become effective with the SEC and to conduct this Exchange Offer after the registration statement is declared effective. The form and terms of the Exchange Notes are substantially identical to those of the Restricted Notes except that the issuance of the Exchange Notes has been registered under the Securities Act and the transfer restrictions, registration rights and certain additional interest provisions relating to the Restricted Notes do not apply to the Exchange Notes.

**Terms of the Exchange Offer**

Upon the terms and conditions described in this prospectus and in the accompanying letter of transmittal, which together constitute the Exchange Offer, we will accept for exchange all Restricted Notes that are properly tendered on or before the expiration date and not withdrawn as permitted below. As used in this prospectus, the term "expiration date" means 5:00 p.m., New York City time, on June 7, 2007. However, if we have extended the period of time for which the Exchange Offer is open, the term "expiration date" means the latest time and date to which we extend the Exchange Offer.

As of the date of this prospectus, \$375,000,000 aggregate principal amount of the Floating Rate Restricted Notes is outstanding and \$625,000,000 aggregate principal amount of the Fixed Rate Restricted Notes is outstanding. This prospectus, together with the letter of transmittal, is first being sent on or about May 8, 2007 to all holders of Restricted Notes known to us. Our obligation to accept Restricted Notes for exchange in the Exchange Offer is subject to the conditions described below under the heading "Conditions to the Exchange Offer."

The Exchange Offer will be open for no less than thirty (30) days after the date notice of the Exchange Offer is mailed to holders. We reserve the right, at any time and from time to time, in our sole discretion, to extend the period of time during which the Exchange Offer is open. We would then delay acceptance for exchange of any Restricted Notes by giving oral or written notice of an extension and delay to the holders of Restricted Notes as described below. During any extension period, all Restricted Notes previously tendered will remain subject to the Exchange Offer and may be accepted for exchange by us. Any Restricted Notes not accepted for exchange will be returned to the tendering holder after the expiration or termination of the Exchange Offer. We will notify you of any extension by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

We expressly reserve the right to amend or terminate the Exchange Offer, and not to accept for exchange any Restricted Notes not previously accepted for exchange, upon the occurrence of any of the conditions of the Exchange Offer specified below under the heading "Conditions to the Exchange Offer." We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the Restricted Notes as promptly as practicable. If we materially change the terms of the Exchange Offer, we will resolicit tenders of the Restricted Notes, file a post-effective amendment to the prospectus and provide notice to the noteholders. If the change is made less than five business days before the expiration of the Exchange Offer, we will extend the offer so that the noteholders have at least five business days to tender or withdraw.

Following completion of the Exchange Offer, we may, in our sole discretion, commence one or more additional Exchange Offers to those holders of Restricted Notes who do not exchange their Restricted Notes for

---

## **Table of Contents**

Exchange Notes in this Exchange Offer. The terms of these additional Exchange Offers may differ from those applicable to this Exchange Offer. We may use this prospectus, as amended or supplemented from time to time, in connection with any additional Exchange Offers. These additional Exchange Offers may take place from time to time until all outstanding Restricted Notes have been exchanged for Exchange Notes, subject to the terms and conditions contained in the prospectus and the letter of transmittal we will distribute in connection with these additional Exchange Offers.

### **Procedures for Tendering**

Restricted Notes tendered in the Exchange Offer must be in denominations of principal amount of \$1,000 and any integral multiple of \$1,000.

When the holder of Restricted Notes tenders, and we accept, Restricted Notes for exchange, a binding agreement between us and the tendering holder is created, subject to the terms and conditions set forth in this prospectus and the accompanying letter of transmittal. Except as described below, a tendering holder must, on or prior to the expiration date:

transmit a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to the Exchange Agent at the address listed below under the heading "Exchange Agent" or

if Restricted Notes are tendered in accordance with the book-entry procedures listed below, the tendering holder must transmit either (i) a properly completed and duly executed letter of transmittal, with any required signature guarantees and all other documents required by the letter of transmittal, or (ii) an agent's message (as defined below) to the Exchange Agent at the address listed below under the heading "Exchange Agent."

In addition, the Exchange Agent must receive, prior to the expiration date, a timely confirmation of book-entry transfer of the Restricted Notes being tendered into the Exchange Agent's account at The Depository Trust Company ("DTC"), the book-entry transfer facility, along with the letter of transmittal or an agent's message; or

The term "agent's message" means a message, transmitted to DTC and received by the Exchange Agent and forming a part of a book-entry transfer, that states that DTC has received an express acknowledgment that the tendering holder agrees to be bound by the letter of transmittal and that we may enforce the letter of transmittal against this holder.

**The method of delivery of Restricted Notes, letters of transmittal and all other required documents is at your election and risk. If the delivery is by mail, we recommend that you use registered mail, properly insured, with return receipt requested. In all cases, you should allow sufficient time to assure timely delivery. You should not send letters of transmittal or agent's messages directly to us.**

If you are a beneficial owner whose Restricted Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and wish to tender, you should promptly instruct the registered holder to tender on your behalf. Any registered holder that is a participant in DTC's book-entry transfer facility system may make book-entry delivery of the Restricted Notes by causing DTC to transfer the Restricted Notes into the Exchange Agent's account.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the Restricted Notes surrendered for exchange are tendered:

by a registered holder of the Restricted Notes who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal; or

for the account of an eligible institution.

**Table of Contents**

If signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, the guarantees must be by an eligible institution. An eligible institution is a financial institution, including most banks, savings and loan associations and brokerage houses that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program.

We will determine in our sole discretion all questions as to the validity, form and eligibility of Restricted Notes tendered for exchange. This discretion extends to the determination of all questions concerning the timing of receipts and acceptance of tenders. These determinations will be final and binding. We reserve the absolute right to reject any or all Restricted Notes not properly tendered or any which acceptance might, in our judgment or our counsel's judgment, be unlawful. We also reserve the right to waive any defects or irregularities or conditions of the Exchange Offer as to any or all Restricted Notes either before or after the expiration date, including the right to waive the ineligibility of any tendering holder. Our interpretation of the terms and conditions of the Exchange Offer as to any particular Restricted Note either before or after the expiration date, including the letter of transmittal and the instructions to the letter of transmittal, shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Restricted Notes must be cured within a reasonable period of time, as determined by us. Neither we, the Exchange Agent nor any other person will be under any duty to give notification of any defect or irregularity in any tender of Restricted Notes. Nor will we, the Exchange Agent or any other person incur any liability for failing to give notification of any defect or irregularity.

If the letter of transmittal is signed by a person other than the registered holder of Restricted Notes, the letter of transmittal must be accompanied by a written instrument of transfer or exchange in satisfactory form duly executed by the registered holder with the signature guaranteed by an eligible institution.

If the letter of transmittal or powers of attorney are signed by Exchange Agents, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, these persons should so indicate when signing. Unless waived by us, proper evidence satisfactory to us of their authority to so act must be submitted.

By tendering, each holder will represent to us that, among other things:

any Exchange Notes received in exchange for your Restricted Notes in the Exchange Offer are being acquired by you or any other person receiving such Exchange Notes in the ordinary course of your or such other person's business;

at the time of the commencement of the Exchange Offer, neither you nor any other person who will receive Exchange Notes in exchange for your Restricted Notes has any arrangement or understanding with any person to participate in the distribution (as defined in the Securities Act) of the Exchange Notes in violation of the Securities Act;

you are not holding Restricted Notes that have, or are reasonably likely to have, the status of an unsold allotment;

neither you nor any other person receiving Exchange Notes in exchange for your Restricted Notes is an affiliate (as defined in Rule 405 under the Securities Act) of the Company, or if you or such other person is an affiliate of the Company, you or such other person will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;

neither you nor any other person receiving Exchange Notes in exchange for your Restricted Notes is a broker-dealer, and neither you nor such other person is engaged in or intends to engage in a distribution of the Exchange Notes;

if you are a participating broker-dealer, you will receive the Exchange Notes for your own account in exchange for Restricted Notes that were acquired by you as a result of your market-making or other trading activities and that you will deliver a prospectus in connection with any resale of the Exchange





---

**Table of Contents**

Notes you receive in the Exchange Offer. See Plan of Distribution. The SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to resales of the Exchange Notes (other than a resale of an unsold allotment from the original sale of the Restricted Notes) by delivering this prospectus to prospective purchasers; and

you have full power and authority to transfer all of your right and title in and to your Restricted Notes in exchange for Exchange Notes and the Company will acquire good and unencumbered title thereto, free and clear of any liens, restrictions, charges, or encumbrances and not subject to any adverse claims.

**Acceptance of Restricted Notes for Exchange; Delivery of Exchange Notes**

Upon satisfaction or waiver of all of the conditions to the Exchange Offer, we will accept, promptly after the expiration date, all Restricted Notes properly tendered. We will issue the Exchange Notes promptly after acceptance of the Restricted Notes. For purposes of the Exchange Offer, we will be deemed to have accepted properly tendered Restricted Notes for exchange when, as and if we have given oral or written notice to the Exchange Agent, with prompt written confirmation of any oral notice to be given promptly thereafter. See Conditions to the Exchange Offer below for a discussion of the conditions that must be satisfied before we accept any Restricted Notes for exchange.

For each Restricted Note accepted for exchange, the holder will receive an Exchange Note having a principal amount equal to that of the surrendered Restricted Note. The Exchange Notes will bear interest from the most recent date to which interest has been paid on the Restricted Notes. Accordingly, registered holders of Exchange Notes on the relevant record date for the first interest payment date following the completion of the Exchange Offer will receive interest accruing from the most recent date to which interest has been paid, or if no interest has been paid on the Restricted Notes, from June 14, 2006. Restricted Notes accepted for exchange will cease to accrue interest from and after the date of completion of the Exchange Offer. Holders of Restricted Notes whose Restricted Notes are accepted for exchange will not receive any payment for accrued interest on the Restricted Notes otherwise payable on any interest payment date the record date for which occurs on or after completion of the Exchange Offer and will be deemed to have waived their rights to receive the accrued interest on the Restricted Notes. Under the registration rights agreement, we may be required to make additional payments in the form of additional interest to the holders of the Restricted Notes under circumstance relating to the timing of the Exchange Offer. The registration rights agreement provides that we will be required to pay additional interest to the holders of the Restricted Notes if:

the registration statement is not declared effective by the 180<sup>th</sup> day after the filing date;

the Exchange Offer has not been completed by the 40<sup>th</sup> day after the effective date; or

after the registration statement is declared effective, it thereafter ceases to be effective or usable (subject to certain exceptions). The rate of the additional interest will be 0.25% per annum for the first 90-day period immediately following the occurrence of a Registration Default, and such rate will increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all registration defaults as described above have been cured, up to a maximum additional interest rate of 1.0% per annum. We will pay such additional interest on regular interest payment dates. Such additional interest will be in addition to any other interest payable from time to time with respect to the applicable series of Restricted Notes and Exchange Notes. All references in each Indenture, in any context, to any interest or other amount payable on or with respect to the Notes issued under that Indenture shall be deemed to include any additional interest pursuant to the Registration Rights Agreement.

In all cases, issuance of Exchange Notes for Restricted Notes will be made only after timely receipt by the Exchange Agent of:

a timely book-entry confirmation of the Restricted Notes, into the Exchange Agent's account at the DTC;

## **Table of Contents**

a properly completed and duly executed letter of transmittal or an agent's message; and

all other required documents.

Unaccepted or non-exchanged Restricted Notes will be returned without expense to the tendering holder of the Restricted Notes. The non-exchanged Restricted Notes will be credited to an account maintained with the DTC, as promptly as practicable after the expiration or termination of the Exchange Offer.

### **Book-Entry Transfers**

The Exchange Agent will make a request to establish an account for the Restricted Notes at DTC for purposes of the Exchange Offer within two business days after the date of this prospectus. Any financial institution that is a participant in DTC's systems must make book-entry delivery of Restricted Notes by causing DTC to transfer those Restricted Notes into the Exchange Agent's account at the DTC in accordance with the DTC's procedure for transfer. This participant should transmit its acceptance to the DTC on or prior to the expiration date. DTC will verify this acceptance, execute a book-entry transfer of the tendered Restricted Notes into the Exchange Agent's account at DTC and then send to the Exchange Agent confirmation of this book-entry transfer. The confirmation of this book-entry transfer will include an agent's message confirming that DTC has received an express acknowledgment from this participant that this participant has received and agrees to be bound by the letter of transmittal and that we may enforce the letter of transmittal against this participant. Delivery of Exchange Notes issued in the Exchange Offer may be effected through book-entry transfer at DTC. However, the letter of transmittal or facsimile of it or an agent's message, with any required signature guarantees and any other required documents, must be transmitted to and received by the Exchange Agent at the address listed below under the heading "Exchange Agent" on or prior to the expiration date.

### **Withdrawal Rights**

**Tenders of Restricted Notes may be withdrawn at any time before 5:00 p.m., New York City time, on the expiration date.**

For a withdrawal to be effective, the Exchange Agent must receive a written notice of withdrawal at the address or, in the case of eligible institutions, at the facsimile number, indicated below under the heading "Exchange Agent" before 5:00 p.m., New York City time, on the expiration date. Any notice of withdrawal must:

specify the name of the person, referred to as the depositor, having tendered the Restricted Notes to be withdrawn;

identify the Restricted Notes to be withdrawn, including the principal amount of the Restricted Notes;

contain a statement that the holder is withdrawing his election to have the Restricted Notes exchanged;

be signed by the holder in the same manner as the original signature on the letter of transmittal by which the Restricted Notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer to have the Exchange Agent with respect to the Restricted Notes register the transfer of the Restricted Notes in the name of the person withdrawing the tender; and

specify the name in which the Restricted Notes are registered, if different from that of the depositor.

Any notice of withdrawal must specify the name and number of the account at the DTC to be credited with the withdrawn Restricted Notes and otherwise comply with the procedures of such facility. We will determine all questions as to the validity, form and eligibility, including time of receipt, of notices of withdrawal and our determination will be final and binding on all parties. Any Restricted Notes so withdrawn will be deemed not to have been validly tendered for exchange. No Exchange Notes will be issued unless the Restricted Notes so withdrawn are validly re-tendered. Any Restricted Notes that have been tendered for exchange, but which are not exchanged for any reason, will be returned to the tendering holder without cost to the holder. The Restricted



## **Table of Contents**

Notes will be credited to an account maintained with the DTC for the Restricted Notes. The Restricted Notes will be credited to the DTC account as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Restricted Notes may be re-tendered by following the procedures described above under the heading "Procedures for Tendering" above at any time on or before 5:00 p.m., New York City time, on the expiration date.

### **Conditions to the Exchange Offer**

Notwithstanding any other provision of the Exchange Offer, we will not be required to accept for exchange, or to issue Exchange Notes in exchange for, any Restricted Notes, and may terminate or amend the Exchange Offer, if at any time before the acceptance of the Restricted Notes for exchange or the exchange of the Exchange Notes for the Restricted Notes, any of the following events occurs:

1) there is threatened, instituted or pending any action or proceeding before, or any injunction, order or decree issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission (a) seeking to restrain or prohibit the making or completion of the Exchange Offer or any other transaction contemplated by the Exchange Offer, or assessing or seeking any damages as a result of this transaction or (b) resulting in a material delay in our ability to accept for exchange or exchange some or all of the Restricted Notes in the Exchange Offer; or

2) any statute, rule, regulation, order or injunction has been sought, proposed, introduced, enacted, promulgated or deemed applicable to the Exchange Offer or any of the transactions contemplated by the Exchange Offer by any governmental authority, domestic or foreign; or

3) any action has been taken, proposed or threatened, by any governmental authority, domestic or foreign, that in our sole judgment might directly or indirectly result in any of the consequences referred to in clauses (1) or (2) above or, in our sole judgment, might result in the holders of Exchange Notes having obligations with respect to resales and transfers of Exchange Notes which are greater than those described in the interpretation of the SEC referred to above, or would otherwise make it inadvisable to proceed with the Exchange Offer; or

4) the following has occurred:

(a) any general suspension of or general limitation on prices for, or trading in, securities on any national securities exchange or in the over-the-counter market; or

(b) any limitation by a governmental authority, which may adversely affect our ability to complete the transactions contemplated by the Exchange Offer; or

(c) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation by any governmental agency or authority which adversely affects the extension of credit; or

(d) a commencement of a war, armed hostilities or other similar international calamity directly or indirectly involving the United States, or, in the case of any of the preceding events existing at the time of the commencement of the Exchange Offer, a material acceleration or worsening of these calamities; or

5) any change, or any development involving a prospective change, has occurred or been threatened in our business, financial condition, operations or prospects and those of our subsidiaries taken as a whole that is or may be adverse to us, or we have become aware of facts that have or may have an adverse impact on the value of the Restricted Notes or the Exchange Notes, which in our sole judgment in any case makes it inadvisable to proceed with the Exchange Offer and/or with such acceptance for exchange or with such exchange.

These conditions to the Exchange Offer are for our sole benefit and we may assert them regardless of the circumstances giving rise to any of these conditions, or we may waive them in whole or in part at any time and from time to time in our sole discretion. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of any right.

## **Table of Contents**

In addition, we will not accept for exchange any Restricted Notes tendered, and no Exchange Notes will be issued in exchange for any Restricted Notes, if at this time any stop order is threatened or in effect relating to the registration statement of which this prospectus constitutes a part or the qualification of the Indentures under the Trust Indenture Act of 1939.

### **Exchange Agent**

We have appointed The Bank of Nova Scotia Trust Company of New York as the Exchange Agent for the Exchange Offer. You should direct all executed letters of transmittal to the Exchange Agent at the address indicated below. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal to the Exchange Agent addressed as follows:

*Delivery To: **The Bank of Nova Scotia Trust Company of New York, Exchange Agent***

*By Registered and Certified Mail:*

The Bank of Nova Scotia Trust Company of New York  
One Liberty Plaza

New York, NY 10006

Attn: Pat Keane

*For Information Call:*

(212) 225-5437

*By Facsimile Transmission*

*(for Eligible Institutions only):*

(212) 225-5436

*Confirm by Telephone:*

(212) 225-5437

**If you deliver the letter of transmittal to an address other than any address indicated above or transmit instructions via facsimile other than any facsimile number indicated, then your delivery or transmission will not constitute a valid delivery of the letter of transmittal.**

### **Fees and Expenses**

The principal solicitation is being made by mail by the Exchange Agent. Additional solicitation may be made by telephone, facsimile or in person by our officers and regular employees and by persons so engaged by the Exchange Agent.

We will pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith and pay other registration expenses, including fees and expenses of the trustee under the Indentures, filing fees, blue sky fees and printing and distribution expenses. We will not make any payment to brokers, dealers or others soliciting acceptances of the Exchange Offer.

### **Accounting Treatment**

We will not recognize any gain or loss for accounting purposes upon the consummation of the Exchange Offer. We will amortize the expense of the Exchange Offer over the term of the Exchange Notes in accordance with generally accepted accounting principles.

### **Transfer Taxes**

Holders who tender their Restricted Notes in exchange for Exchange Notes will not be obligated to pay any transfer taxes in connection with exchange, except that holders who instruct us to register Exchange Notes in the name of, or request that Restricted Notes not tendered or not accepted in the Exchange Offer be returned to, a person other than the registered tendering holder will be responsible for the payment of any applicable transfer taxes. If satisfactory evidence of payment of, or exemption from, such taxes is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to the tendering holder.



---

## **Table of Contents**

### **Consequences of Failure to Exchange Restricted Notes**

Holders who desire to tender their Restricted Notes in exchange for Exchange Notes should allow sufficient time to ensure timely delivery. Neither the Exchange Agent nor HealthSouth is under any duty to give notification of defects or irregularities with respect to the tenders of Notes for exchange.

Restricted Notes that are not tendered or are tendered but not accepted will, following the consummation of the Exchange Offer, continue to be subject to the provisions in the Indentures regarding the transfer and exchange of the Restricted Notes and the existing restrictions on transfer set forth in the legend on the Restricted Notes and in the prospectus dated June 14, 2006, relating to the Restricted Notes. Except in limited circumstances with respect to specific types of holders of Restricted Notes, we will have no further obligation to provide for the registration under the Securities Act of such Restricted Notes. In general, Restricted Notes, unless registered under the Securities Act, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently anticipate that we will take any action to register the Restricted Notes under the Securities Act or under any state securities laws.

Upon completion of the Exchange Offer, holders of the Restricted Notes will not be entitled to any further registration rights under registration rights agreement, except under limited circumstances.

Holders of the Exchange Notes and any Restricted Notes which remain outstanding after consummation of the Exchange Offer will vote together as a single class for purposes of determining whether holders of the requisite percentage of the class have taken certain actions or exercised certain rights under the Indentures.

### **Consequences of Exchanging Restricted Notes**

Under existing interpretations of the Securities Act by the SEC's staff contained in several no-action letters to third parties, we believe that the Exchange Notes may be offered for resale, resold or otherwise transferred by holders after the Exchange Offer other than by any holder who is one of our affiliates (as defined in Rule 405 under the Securities Act). Such Exchange Notes may be offered for resale, resold or otherwise transferred without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

such Exchange Notes are acquired in the ordinary course of such holder's business; and

such holder, other than broker-dealers, has no arrangement or understanding with any person to participate in the distribution of the Exchange Notes.

However, the SEC has not considered the Exchange Offer in the context of a no-action letter and we cannot guarantee that the staff of the SEC would make a similar determination with respect to the Exchange Offer as in such other circumstances.

Each holder, other than a broker-dealer, must furnish a written representation, at our request, that:

it is not an affiliate of HealthSouth;

it is not engaged in, and does not intend to engage in, a distribution of the Exchange Notes and has no arrangement or understanding to participate in a distribution of Exchange Notes; and

it is acquiring the Exchange Notes in the ordinary course of its business.

Each broker-dealer that receives Exchange Notes for its own account in exchange for Restricted Notes must acknowledge that such Restricted Notes were acquired by such broker-dealer as a result of market-making or other trading activities and that it will deliver a prospectus in connection with any resale of such Exchange Notes. See Plan of Distribution for a discussion of the exchange and resale obligations of broker-dealers in connection with the Exchange Offer.





**Table of Contents**

In addition, to comply with state securities laws of certain jurisdictions, the Exchange Notes may not be offered or sold in any state unless they have been registered or qualified for sale in such state or an exemption from registration or qualification is available and complied with by the holders selling the Exchange Notes. Unless a holder requests, we currently do not intend to register or qualify the sale of the Exchange Notes in any state where an exemption from registration or qualification is required and not available. Transfer restricted securities means each note until:

the date on which such note has been exchanged by a person other than a broker-dealer for a note in the Exchange Offer;

following the exchange by a broker-dealer in the Exchange Offer of an exchange note, the date on which the Exchange Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of this prospectus;

the date on which such note has been effectively registered under the Securities Act and disposed of in accordance with a shelf registration statement that we file in accordance with the registration rights agreement; or

the date on which such note is distributed to the public in a transaction under Rule 144 of the Securities Act.

---

**Table of Contents**

**DESCRIPTION OF THE EXCHANGE NOTES**

HealthSouth Corporation issued the restricted Floating Rate Notes (the Floating Rate Restricted Notes ) and the restricted Fixed Rate Notes (the Fixed Rate Restricted Notes ) and will issue the exchange Floating Rate Notes (the Floating Rate Exchange Notes and together with the Floating Rate Restricted Notes, the Floating Rate Notes ) and the exchange Fixed Rate Notes (the Fixed Rate Exchange Notes and, together with the Floating Rate Restricted Notes, the Fixed Rate Notes and, collectively with the Floating Rate Notes, the Notes ) under separate indentures (each, an Indenture and, collectively, the Indentures ) among itself, the Subsidiary Guarantors listed therein and The Bank of Nova Scotia Trust Company of New York, as trustee. The terms of each series of Restricted Notes and Exchange Notes include those stated in the applicable Indenture and those made part of such Indenture by reference to the Trust Indenture Act.

Certain terms used in this description are defined under the subheading Certain Definitions . In this description, the word Company refers only to HealthSouth Corporation and not to any of its subsidiaries.

The following description is only a summary of the material provisions of the Indentures. We urge you to read the Indentures because they, not this description, define your rights as holders of Exchange Notes. You may request copies of these agreements at our address set forth under the heading Where You Can Find More Information .

**Exchange Notes versus Restricted Notes**

The terms of the Exchange Notes are substantially identical to those of the outstanding Restricted Notes, except that the transfer restrictions, registration rights and additional interest provisions relating to the Restricted Notes do not apply to the Exchange Notes.

**Brief Description of the Exchange Notes**

These Exchange Notes:

will be unsecured senior obligations of the Company;

will be senior in right of payment to any existing and future Subordinated Obligations of the Company; and

will be guaranteed by each Subsidiary Guarantor.

**Principal, Maturity and Interest**

*Floating Rate Exchange Notes*

The Company will issue the Floating Rate Exchange Notes in an aggregate principal amount of up to \$375 million. The Floating Rate Notes will mature on June 15, 2014. Subject to our compliance with the covenant described under the subheading Certain Covenants Limitation on Indebtedness , we are permitted to issue more Floating Rate Notes from time to time under the Indenture governing the Floating Rate Notes (the Additional Floating Rate Notes ). The Floating Rate Notes and the Additional Floating Rate Notes, if any, will be treated as a single class for all purposes of the applicable Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the applicable Indenture and this Description of the Exchange Notes , references to the Notes or the Floating Rate Notes include any Additional Floating Rate Notes actually issued.

Interest on the Floating Rate Exchange Notes will accrue at a rate per annum, reset semiannually, equal to LIBOR plus 6.0%, as determined by the calculation agent (the Calculation Agent ), which shall initially be the Trustee.

Interest on the Floating Rate Exchange Notes will be payable semiannually in arrears on June 15 and December 15 of each year, commencing on December 15, 2006. We will make each interest payment to the



---

**Table of Contents**

holders of record of the Floating Rate Exchange Notes on the immediately preceding June 1 and December 1. We will pay interest on overdue principal at 1% per annum in excess of the rate set forth above and will pay interest on overdue installments of interest at such higher rate to the extent lawful. Interest on the Floating Rate Exchange Notes will accrue from the date of original issuance. Additional interest may accrue on the Floating Rate Exchange Notes in certain circumstances pursuant to the Registration Rights Agreement.

Set forth below is a summary of certain of the defined terms used in the Indenture governing the Floating Rate Notes.

*Determination Date* , with respect to an Interest Period, will be the second London Banking Day preceding the first day of such Interest Period.

*Interest Period* means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include December 15, 2006.

*LIBOR* , with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a six-month period beginning on the second London Banking Day after the Determination Date that appears on Telerate Page 3750 as of 11:00 a.m., London time, on the Determination Date. If Telerate Page 3750 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the London interbank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, to prime banks in the London interbank market for deposits in a Representative Amount of U.S. dollars for a six-month period beginning on the second London Banking Day after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in New York City, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., New York City time, on such Determination Date, for loans in a Representative Amount of U.S. dollars to leading European banks for a six-month period beginning on the second London Banking Day after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then the rate of the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

*London Banking Day* is any day on which dealings in U.S. dollars are transacted or, with respect to any future date, are expected to be transacted in the London interbank market.

*Representative Amount* means a principal amount of not less than \$1,000,000 for a single transaction in the relevant market at the relevant time.

*Telerate Page 3750* means the display designated as Page 3750 on the Moneyline Telerate service (or such other page as may replace Page 3750 on that service).

The amount of interest for each day that the Floating Rate Notes are outstanding (the *Daily Interest Amount* ) will be calculated by dividing the interest rate in effect for such day by 360 and multiplying the result by the principal amount of the Floating Rate Notes. The amount of interest to be paid on the Floating Rate Notes for each Interest Period will be calculated by adding the Daily Interest Amounts for each day in the Interest Period.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards

**Table of Contents**

(e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

The interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

The Calculation Agent will, upon the request of the holder of any Floating Rate Note, provide the interest rate then in effect with respect to the Floating Rate Notes. All calculations made by the Calculation Agent in the absence of manifest error will be conclusive for all purposes and binding on the Company, the Subsidiary Guarantors and the holders of the Floating Rate Notes.

The Company will issue the Floating Rate Exchange Notes in denominations of \$1,000 and any integral multiple of \$1,000.

*Fixed Rate Exchange Notes*

The Company will issue the Fixed Rate Exchange Notes in an aggregate principal amount of up to \$625 million. The Fixed Rate Notes will mature on June 15, 2016. Subject to our compliance with the covenant described under the subheading *Certain Covenants Limitation on Indebtedness*, we are permitted to issue more Fixed Rate Notes from time to time under the Indenture governing the Fixed Rate Notes (the *Additional Fixed Rate Notes*). The Fixed Rate Notes and the Additional Fixed Rate Notes, if any, will be treated as a single class for all purposes of the applicable Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the applicable Indenture and this *Description of the Exchange Notes*, references to the Notes or the Fixed Rate Notes include any Additional Fixed Rate Notes actually issued.

Interest on the Fixed Rate Exchange Notes will accrue at the rate of 10.75% per annum.

Interest on the Fixed Rate Exchange Notes will be payable semiannually in arrears on June 15 and December 15 of each year. We will make each interest payment to the holders of record of the Fixed Rate Exchange Notes on the immediately preceding June 1 and December 1. We will pay interest on overdue principal at 1% per annum in excess of the rate set forth above and will pay interest on overdue installments of interest at such higher rate to the extent lawful. Interest on the Fixed Rate Exchange Notes will accrue from the date of original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Additional interest may accrue on the Fixed Rate Exchange Notes in certain circumstances pursuant to the Registration Rights Agreement.

The Company will issue the Fixed Rate Exchange Notes in denominations of \$1,000 and any integral multiple of \$1,000.

**Optional Redemption**

*Floating Rate Notes*

On and after June 15, 2009, we will be entitled at our option to redeem all or a portion of the Floating Rate Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount on the redemption date), plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on June 15 of the years set forth below:

<b>Period</b>	<b>Redemption Price</b>
2009	103.00%
2010	102.00%
2011	101.00%
2012 and thereafter	100.00%

**Table of Contents**

Prior to June 15, 2009, we will be entitled at our option on one or more occasions to redeem Floating Rate Notes (which includes Additional Floating Rate Notes, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Floating Rate Notes (which includes Additional Floating Rate Notes, if any) issued at a redemption price (expressed as a percentage of principal amount) of 100%, plus a premium equal to the interest rate per annum on the Floating Rate Notes applicable on the date that notice of redemption is given, plus accrued and unpaid interest to the redemption date, with the net cash proceeds from one or more Equity Offerings; *provided, however*, that

(1) at least 65% of such aggregate principal amount of Floating Rate Notes (which includes Additional Floating Rate Notes, if any) remains outstanding immediately after the occurrence of each such redemption (other than Floating Rate Notes held, directly or indirectly, by the Company or its Affiliates); and

(2) each such redemption occurs within 90 days after the date of the related Equity Offering.

*Fixed Rate Notes*

On and after June 15, 2011, we will be entitled at our option to redeem all or a portion of the Fixed Rate Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount on the redemption date), plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on June 15 of the years set forth below:

<b>Period</b>	<b>Redemption Price</b>
2011	105.375%
2012	103.583%
2013	101.792%
2014 and thereafter	100.00%

Prior to June 15, 2009, we will be entitled at our option on one or more occasions to redeem Fixed Rate Notes (which includes Additional Fixed Rate Notes, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Fixed Rate Notes (which includes Additional Fixed Rate Notes, if any) issued at a redemption price (expressed as a percentage of principal amount) of 110.75%, plus accrued and unpaid interest to the redemption date, with the net cash proceeds from one or more Equity Offerings; *provided, however*, that

(1) at least 65% of such aggregate principal amount of Fixed Rate Notes (which includes Additional Fixed Rate Notes, if any) remains outstanding immediately after the occurrence of each such redemption (other than Fixed Rate Notes held, directly or indirectly, by the Company or its Affiliates); and

(2) each such redemption occurs within 90 days after the date of the related Equity Offering.

*Floating Rate Notes and Fixed Rate Notes*

Prior to June 15, 2009 (in the case of the Floating Rate Notes) and June 15, 2011 (in the case of the Fixed Rate Notes), we will be entitled at our option to redeem all, but not less than all, of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest to, the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date). Notice of such redemption must be mailed by first-class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date.

*Applicable Premium* means with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (i) the redemption price of such Note on June 15, 2009 (in the case of the Floating Rate Notes) or June 15, 2011 (in the case of the Fixed Rate Notes) (such redemption prices being described in the tables above in this Optional

---

**Table of Contents**

Redemption section, and exclusive of any accrued interest), plus (ii) all required remaining scheduled interest payments due on such Note through June 15, 2009 (in the case of the Floating Rate Notes, assuming that the rate of interest on the Floating Rate Notes for the period from the redemption date through June 15, 2009, will be equal to the rate of interest on the Floating Rate Notes in effect on the date on which the applicable notice of redemption is given) or June 15, 2011 (in the case of the Fixed Rate Notes) (but, in each case, excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the applicable Adjusted Treasury Rate, over (B) the principal amount of such Note on such redemption date.

*Adjusted Treasury Rate* means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after June 15, 2009 (in the case of the Floating Rate Notes) or June 15, 2011 (in the case of the Fixed Rate Notes), yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date, plus 0.50%.

*Comparable Treasury Issue* means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes from the redemption date to June 15, 2009 (in the case of the Floating Rate Notes) or June 15, 2011 (in the case of the Fixed Rate Notes), that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to June 15, 2009 (in the case of the Floating Rate Notes) or June 15, 2011 (in the case of the Fixed Rate Notes).

*Comparable Treasury Price* means, with respect to any redemption date, if clause (2) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Trustee, Reference Treasury Dealer Quotations for such redemption date.

*Quotation Agent* means the Reference Treasury Dealer selected by the Trustee after consultation with the Company.

*Reference Treasury Dealer* means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc. and Citigroup Global Markets Inc. and their respective successors and assigns.

*Reference Treasury Dealer Quotations* means with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day immediately preceding such redemption date.

**Selection and Notice of Redemption**

If we are redeeming less than all of a series of Notes at any time, the Trustee will select Notes of such Series on a *pro rata* basis to the extent practicable.

We will redeem Notes of \$1,000 or less in whole and not in part. We will cause notices of redemption to be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address.

---

## **Table of Contents**

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount thereof to be redeemed. We will issue a new note in a principal amount equal to the unredeemed portion of the original note in the name of the holder upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

### **Mandatory Redemption; Offers to Purchase; Open Market Purchases**

We are not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, we may be required to offer to purchase Notes as described under the captions **Change of Control** and **Certain Covenants Limitation on Sales of Assets and Subsidiary Stock**. We may at any time and from time to time purchase Notes in the open market or otherwise.

### **Guarantees**

The Subsidiary Guarantors will jointly and severally Guarantee, on a senior unsecured basis, our obligations under the Exchange Notes. The obligations of each Subsidiary Guarantor under its Subsidiary Guaranty will be limited as necessary to prevent that Subsidiary Guaranty from constituting a fraudulent conveyance under applicable law. If, however, a Subsidiary Guaranty were rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such other indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guaranty could be reduced to zero. See **Risk Factors**. Federal and state statutes could allow courts, under specific circumstances, to void the subsidiary guaranties, subordinate claims in respect of the Exchange Notes and require note holders to return payments received from subsidiary guarantors.

The Exchange Notes will be guaranteed by all of our subsidiaries that guarantee borrowings under the Credit Agreement or certain of our debt.

Each Subsidiary Guarantor that makes a payment under its Subsidiary Guaranty will be entitled upon payment in full of all guaranteed obligations under the applicable Indenture to a contribution from each other Subsidiary Guarantor in an amount equal to such other Subsidiary Guarantor's *pro rata* portion of such payment based on the respective net assets of all the Subsidiary Guarantors at the time of such payment determined in accordance with GAAP.

Pursuant to the Indentures, (A) a Subsidiary Guarantor may consolidate with, merge with or into, or transfer all or substantially all its assets to any other Person to the extent described below under **Certain Covenants Merger and Consolidation** and (B) the Capital Stock of a Subsidiary Guarantor may be sold or otherwise disposed of to another Person to the extent described below under **Certain Covenants Limitation on Sales of Assets and Subsidiary Stock**; *provided, however*, that in the case of the consolidation, merger or transfer of all or substantially all the assets of such Subsidiary Guarantor, if such other Person is not the Company, a Subsidiary Guarantor or a Receivables Entity, such Subsidiary Guarantor's obligations under its Subsidiary Guaranty must be expressly assumed by such other Person, except that such assumption will not be required in the case of:

- (1) the sale or other disposition (including by way of consolidation or merger) of a Subsidiary Guarantor, including the sale or disposition of Capital Stock of a Subsidiary Guarantor, following which such Subsidiary Guarantor is no longer a Subsidiary; or
- (2) the sale or disposition of all or substantially all the assets of a Subsidiary Guarantor;

in each case other than to the Company or an Affiliate of the Company and as permitted by the applicable Indenture and if in connection therewith the Company provides an Officers' Certificate to the Trustee to the effect that the Company will comply with its obligations under the covenant described under **Limitation on Sales of Assets and Subsidiary Stock** in respect of such disposition. Upon any sale or disposition described in



## **Table of Contents**

clause (1) or (2) above, the obligor on the related Subsidiary Guaranty will be released from its obligations thereunder.

The Subsidiary Guaranty of a Subsidiary Guarantor with respect to a series of Notes also will be released:

(1) upon the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary under the applicable Indenture;

(2) at such time as (A) any Guarantee by such Subsidiary Guarantor of the obligations under the Credit Agreement and any other Guarantee that resulted in (or would by itself require) the creation of such Subsidiary Guaranty under the applicable Indenture has been released and discharged, except a discharge or release by or as a result of payment under such Guarantee, and (B) such Subsidiary Guarantor does not have any Indebtedness outstanding that resulted in (or would by itself require) the creation of such Subsidiary Guaranty under the applicable Indenture; or

(3) if we exercise our legal defeasance option or our covenant defeasance option as described under *Defeasance* or if our obligations under the applicable Indenture are discharged in accordance with the terms of such Indenture.

## **Ranking**

### *Senior Indebtedness versus Exchange Notes*

The indebtedness evidenced by the Exchange Notes and the Subsidiary Guaranties will be unsecured and will rank *pari passu* in right of payment to the Senior Indebtedness of the Company and the Subsidiary Guarantors, as the case may be. Other than capital leases, substantially all of the Senior Indebtedness of the Subsidiary Guarantors consists of their respective guarantees of Senior Indebtedness of the Company under the Credit Agreement and with respect to the Exchange Notes.

The Exchange Notes will be unsecured obligations of the Company. Secured debt and other secured obligations of the Company and the Subsidiary Guarantors (including obligations with respect to the Credit Agreement) will be effectively senior to the Exchange Notes and the Subsidiary Guaranties to the extent of the value of the assets securing such debt or other obligations.

### *Liabilities of Subsidiaries versus Exchange Notes*

A substantial amount of our operations are conducted through our subsidiaries. Certain of our wholly-owned subsidiaries, and substantially all of our non-wholly-owned subsidiaries, are not guaranteeing the Exchange Notes. In addition, as described above under *Guarantees*, Subsidiary Guaranties may be released under certain circumstances. Also, our future subsidiaries may not be required to guarantee the Exchange Notes. Claims of creditors of such non-guarantor subsidiaries, including trade creditors and creditors holding indebtedness or guarantees issued by such non-guarantor subsidiaries, and claims of preferred stockholders of such non-guarantor subsidiaries generally will have priority with respect to the assets and earnings of such non-guarantor subsidiaries over the claims of our creditors, including holders of the Exchange Notes. Accordingly, the Exchange Notes will be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of our non-guarantor subsidiaries.

Although the Indentures limit the incurrence of Indebtedness and preferred stock by certain of our subsidiaries, such limitation is subject to a number of significant qualifications. Moreover, the Indentures do not impose any limitation on the incurrence by such subsidiaries of liabilities that are not considered Indebtedness under the Indentures. See *Certain Covenants* *Limitation on Indebtedness*.

## **Book-Entry, Delivery and Form**

Except as set forth below, Exchange Notes will be issued in the form of one or more global securities registered in the name of DTC or its nominee (the *Global Exchange Notes*). Exchange Notes will be issued in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess of \$1,000.

---

**Table of Contents**

Except as set forth below, the Global Exchange Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Exchange Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below. See Exchange of Global Exchange Notes for Certificated Notes . Except in the limited circumstances described below, owners of beneficial interests in the Global Exchange Notes will not be entitled to receive physical delivery of Notes in certificated form.

*Depository Procedures*

The following description of the operations and procedures of DTC is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited-purpose trust company organized under the laws of the State of New York, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations (collectively, the *participants* ) and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book-entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (collectively, the *indirect participants* ). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

- (1) upon deposit of the Global Exchange Notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the Global Exchange Notes; and
- (2) ownership of these interests in the Global Exchange Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the Global Exchange Notes).

Investors in the Global Exchange Notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the Global Exchange Notes who are not participants may hold their interests therein indirectly through organizations which are participants in such system. All interests in a Global Exchange Note may be subject to the procedures and requirements of DTC. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Exchange Note to such Persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a Person having beneficial interests in a Global Exchange Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

---

**Table of Contents**

Except as described below, owners of an interest in the Global Exchange Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or Holders thereof under the Indentures for any purpose.

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a Global Exchange Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered Holder under the applicable Indenture. Under the terms of the Indentures, the Company and the Trustee will treat the Persons in whose names the Notes, including the Global Exchange Notes, are registered as the owners of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the Trustee nor any agent of the Company or the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interests in the Global Exchange Notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the Global Exchange Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be the responsibility of DTC, the Trustee or the Company. Neither the Company nor the Trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the Notes, and the Company and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Notice to Investors", transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds.

DTC has advised the Company that it will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account DTC has credited the interests in the Global Exchange Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Exchange Notes for legended Notes in certificated form, and to distribute such Notes to its participants.

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

*Exchange of Global Exchange Notes for Certificated Notes*

A Global Exchange Note is exchangeable for Certificated Notes if:

(1) DTC (A) notifies the Company that it is unwilling or unable to continue as depository for the Global Exchange Notes or (B) has ceased to be a clearing agency registered under the Exchange Act and, in each case, a successor depository is not appointed;

---

**Table of Contents**

- (2) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of the Certificated Notes; or
- (3) there has occurred and is continuing an Event of Default with respect to the Notes.

In all cases, Certificated Notes delivered in exchange for any Global Exchange Note or beneficial interests in Global Exchange Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in Notice to Investors , unless that legend is not required by applicable law.

*Exchange of Certificated Notes for Global Exchange Notes*

Certificated Notes may not be exchanged for beneficial interests in any Global Exchange Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the applicable Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See Notice to Investors .

*Same Day Settlement and Payment*

The Company will make payments in respect of the Notes represented by the Global Exchange Notes (including principal, premium, if any, interest and additional interest, if any) by wire transfer of immediately available funds to the accounts specified by DTC or its successor as depository. The Company will make all payments of principal, interest and premium and additional interest, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the Holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such Holder s registered address. The Notes represented by the Global Exchange Notes are expected to be eligible to trade in the PORTAL market and to trade in DTC s Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Company expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

**Registration Rights Agreement**

We have agreed pursuant to the Registration Rights Agreement that we will, subject to certain exceptions,

- (1) on or prior to the day (the *Filing Date* ) that is 30 days after the Company is required under the Exchange Act to file its Report on Form 10-K with the SEC for the fiscal year ending December 31, 2006 (after giving effect to all applicable extensions under the Exchange Act), file a registration statement with the SEC with respect to a registered offer to exchange each series of Restricted Notes for Exchange Notes of the Company having terms substantially identical in all material respects to such series of Notes (except that the Exchange Notes will not contain transfer restrictions, registration rights or certain additional interest provisions);
- (2) use our reasonable best efforts to cause the Registration Statement to be declared effective under the Securities Act no later than 180 days after the Filing Date;
- (3) as soon as practicable after the effectiveness of the this Registration Statement (the *Effectiveness Date* ), offer the Exchange Notes in exchange for surrender of the applicable Restricted Notes; and
- (4) keep the Exchange Offer open for not less than 30 days (or longer if required by applicable law) after the date notice of the Exchange Offer is mailed to the holders of the Restricted Notes.

In the event that:

- (1) applicable interpretations of the staff of the SEC do not permit us to effect such a Exchange Offer; or
- (2) for any other reason we do not consummate the Exchange Offer with respect to a series of Restricted Notes within 220 days of the Filing Date; or

**Table of Contents**

(3) an initial purchaser of the Restricted Notes shall notify us following consummation of the Exchange Offer that Restricted Notes held by it are not eligible to be exchanged for Exchange Notes in the Exchange Offer; or

(4) certain holders are prohibited by law or SEC policy from participating in the Exchange Offer or may not resell the Exchange Notes acquired by them in the Exchange Offer to the public without delivering a prospectus (or an effective notice under Rule 173 under the Securities Act),

then, we will, subject to certain exceptions,

(5) promptly file a shelf registration statement (the *Shelf Registration Statement* ) with the SEC covering resales of the applicable series of Restricted Notes or the Exchange Notes, as the case may be;

(6)(A) in the case of clause (1) above, use our reasonable best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act on or prior to the 180th day after the Filing Date and (B) in the case of clause (2), (3) or (4) above, use our reasonable best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act on or prior to the 60th day after the date on which the Shelf Registration Statement is required to be filed; and

(7) keep the Shelf Registration Statement effective until the earliest of (A) the time when the applicable Notes covered by the Shelf Registration Statement can be sold pursuant to Rule 144 without any limitations under clauses (c), (e), (f) and (h) of Rule 144, (B) two years from the date on which the Restricted Notes were issued and (C) the date on which all Exchange Notes registered thereunder are disposed of in accordance therewith.

We will, in the event a Shelf Registration Statement is filed, among other things, provide to each holder for whom such Shelf Registration Statement was filed copies of the prospectus which is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement has become effective and take certain other actions as are required to permit unrestricted resales of the Restricted Notes or the Exchange Notes, as the case may be. A holder selling such Restricted Notes or Exchange Notes pursuant to the Shelf Registration Statement generally would be required to be named as a selling security holder in the related prospectus and to deliver a prospectus (or an effective notice under Rule 173 under the Securities Act) to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement that are applicable to such holder (including certain indemnification obligations).

We may require each holder requesting to be named as a selling security holder to furnish to us such information regarding the holder and the distribution of the Notes by the holder as we may from time to time reasonably require for the inclusion of the holder in the Shelf Registration Statement, including requiring the holder to properly complete and execute such selling security holder notice and questionnaires, and any amendments or supplements thereto, as we may reasonably deem necessary or appropriate. We may refuse to name any holder as a selling security holder that fails to provide us with such information.

If we effect the Exchange Offer with respect to a series of Notes, we will be entitled to close the Exchange Offer 30 days after the commencement thereof provided that we have accepted all Notes of such series theretofore validly tendered in accordance with the terms of the Exchange Offer.

---

## **Table of Contents**

### **Change of Control**

Upon the occurrence of any of the following events (each a *Change of Control*), each Holder shall have the right to require that the Company repurchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date):

- (1) the Company becomes aware that any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or has become the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (1) such person shall be deemed to have beneficial ownership of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company;
- (2) at any time during any period of up to 24 consecutive months, commencing on the Issue Date, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office;
- (3) the Company is liquidated or dissolved or adopts a plan of liquidation or dissolution; or
- (4) the merger or consolidation of the Company with or into another Person or the merger of another Person with or into the Company, or the sale of all or substantially all the assets of the Company (determined on a consolidated basis) to another Person, other than a transaction following which (i) in the case of a merger or consolidation transaction, holders of securities that represented 100% of the Voting Stock of the Company immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) own directly or indirectly at least a majority of the voting power of the Voting Stock of the surviving Person in such merger or consolidation transaction immediately after such transaction and (ii) in the case of a sale of assets transaction, each transferee becomes an obligor in respect of the Notes and a Subsidiary of the transferor of such assets.

Within 30 days following any Change of Control, we will mail a notice to each Holder with a copy to the Trustee (the *Change of Control Offer*) stating:

- (1) that a Change of Control has occurred and that such Holder has the right to require us to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);
- (2) the circumstances and relevant facts and financial information regarding such Change of Control;
- (3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and
- (4) the instructions, as determined by us, consistent with the covenant described hereunder, that a Holder must follow in order to have its Notes purchased.

We will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the applicable Indenture applicable to a Change of Control Offer made by us and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes as a result of a Change of

---

## **Table of Contents**

Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and shall not be deemed to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

The Change of Control purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of the Company and, thus, the removal of incumbent management. The Change of Control purchase feature is a result of negotiations between the Company and the Initial Purchasers. We have no present intention to engage in a transaction involving a Change of Control, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indentures, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional indebtedness are contained in the covenants described under **Certain Covenants** **Limitation on Indebtedness** , **Limitation on Liens** and **Limitation on Sale/Leaseback Transactions** . Such restrictions can only be waived under each Indenture with the consent of the holders of a majority in principal amount of the Notes of the applicable series then outstanding. Except for the limitations contained in such covenants, however, the Indentures will not contain any covenants or provisions that may afford holders of the Notes protection in the event of a highly leveraged transaction.

Subject to certain exceptions, the Credit Agreement prohibits us from purchasing any Notes pursuant to a Change of Control Offer, and also provides that the occurrence of certain change of control events with respect to the Company would constitute a default thereunder. In the event a Change of Control occurs at a time when we are prohibited from purchasing Notes, we may seek the consent of our lenders to the purchase of Notes or may attempt to refinance the borrowings that contain such prohibition. If we do not obtain such a consent or repay such borrowings, we will remain prohibited from purchasing Notes. In such case, our failure to offer to purchase Notes would constitute a Default under the Indentures, which would, in turn, constitute a default under the Credit Agreement.

Future indebtedness that we may incur may contain prohibitions on the occurrence of certain events that would constitute a Change of Control or require the repurchase of such indebtedness upon a Change of Control. Moreover, the exercise by the holders of their right to require us to repurchase their Notes could cause a default under such indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on us. Finally, our ability to pay cash to the holders of Notes following the occurrence of a Change of Control may be limited by our then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of **Change of Control** includes a disposition of all or substantially all of the assets of the Company to any Person. Although there is a limited body of case law interpreting the phrase **substantially all** , there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of **all or substantially all** of the assets of the Company. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Notes may require the Company to make an offer to repurchase the Notes as described above.

The provisions under each Indenture relative to our obligation to make an offer to repurchase the Notes issued thereunder as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in principal amount of such Notes.

## **Certain Covenants**

Each Indenture contains covenants including, among others, those summarized below.

---

**Table of Contents**

*Limitation on Indebtedness*

(a) The Company will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; *provided, however*, that the Company and the Subsidiary Guarantors will be entitled to Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto on a *pro forma* basis the Consolidated Coverage Ratio exceeds 2.0 to 1.

(b) Notwithstanding the foregoing paragraph (a), the Company and the Restricted Subsidiaries will be entitled to Incur any or all of the following Indebtedness:

(1) Indebtedness Incurred pursuant to the Credit Agreement; *provided, however*, that, immediately after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness Incurred under this clause (1) and then outstanding does not exceed \$2,550 million less the sum of all principal payments with respect to such Indebtedness made pursuant to paragraph (a)(3)(A) of, and in satisfaction of, the covenant described under Limitation on Sales of Assets and Subsidiary Stock ;

(2) Indebtedness owed to and held by the Company or a Restricted Subsidiary; *provided, however*, that (A) any subsequent issuance or transfer of any Capital Stock that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or a Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon, (B) if the Company is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, and (C) if a Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations of such Subsidiary Guarantor with respect to its Subsidiary Guaranty;

(3) the Notes (excluding any Additional Floating Rate Notes and any Additional Fixed Rate Notes);

(4) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (1), (2) or (3) of this covenant);

(5) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Subsidiary was acquired by the Company (other than Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by the Company); *provided, however*, that on the date of such acquisition and after giving *pro forma* effect thereto, the Company would have been entitled to Incur at least \$1.00 of additional Indebtedness pursuant to paragraph (a) of this covenant;

(6) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to paragraph (a) or pursuant to clause (3), (4) or (5) or this clause (6);

(7) Hedging Obligations directly related to Indebtedness permitted to be Incurred by the Company and its Restricted Subsidiaries pursuant to such Indenture or entered into in the ordinary course of business and not for speculative purposes;

(8) obligations in respect of performance, bid and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiary in the ordinary course of business;

(9) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within three Business Days of its Incurrence;

(10) Indebtedness consisting of the Subsidiary Guaranty of a Subsidiary Guarantor and any Guarantee by the Company or a Subsidiary Guarantor of Indebtedness or other obligations of the Company or any Restricted Subsidiary (other than Indebtedness Incurred pursuant to clause (5) above) so long as the



---

**Table of Contents**

Incurrence of such Indebtedness or other obligations by the Company or such Restricted Subsidiary is permitted under the terms of the Indenture;

(11)(A) Purchase Money Indebtedness, (B) Capital Lease Obligations and (C) Attributable Debt, and Refinancing Indebtedness in respect thereof, in an aggregate principal amount on the date of Incurrence that, when added to all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, does not exceed 10% of Consolidated Tangible Assets, as determined based on the consolidated balance sheet of the Company as of the end of the most recent fiscal quarter ending at least 45 days prior thereto;

(12) Attributable Debt, and Refinancing Indebtedness in respect thereof, in respect of Specified Sale/Leaseback Transactions in an aggregate principal amount on the date of Incurrence that, when added to all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, does not exceed 10% of Consolidated Tangible Assets, as determined based on the consolidated balance sheet of the Company as of the end of the most recent fiscal quarter ending at least 45 days prior thereto;

(13) Indebtedness Incurred by a Receivables Entity in a Qualified Receivables Transaction;

(14) Preferred Stock issued by any Restricted Subsidiary formed to operate a single health care facility; *provided* that the amount of such Preferred Stock, when added to the aggregate amount of all other such Preferred Stock of Restricted Subsidiaries then outstanding, does not exceed 1% of Consolidated Tangible Assets, as determined based on the consolidated balance sheet of the Company as of the end of the most recent fiscal quarter ending at least 45 days prior thereto; and

(15) Indebtedness of the Company or of any of its Restricted Subsidiaries in an aggregate principal amount that, when taken together with all other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the date of such Incurrence (other than Indebtedness permitted by clauses (1) through (14) above or paragraph (a)) does not exceed \$125 million.

(c) Notwithstanding the foregoing, neither the Company nor any Subsidiary Guarantor will incur any Indebtedness pursuant to the foregoing paragraph (b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of the Company or any Subsidiary Guarantor unless such Indebtedness shall be subordinated to the Notes or the applicable Subsidiary Guaranty to at least the same extent as such Subordinated Obligations.

(d) For purposes of determining compliance with this covenant:

(1) all Indebtedness outstanding under the Credit Agreement on the Issue Date will be treated as Incurred under clause (1) of paragraph (b) above;

(2) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described above, the Company, in its sole discretion, will classify such item of Indebtedness (or any portion thereof) at the time of Incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses (*provided* that any Indebtedness originally classified as Incurred pursuant to any of clauses (b)(2) through (b)(15) above may later be reclassified as having been Incurred pursuant to paragraph (a) or any other of clauses (b)(2) through (b)(15) above to the extent that such reclassified Indebtedness could be Incurred pursuant to paragraph (a) or one of clauses (b)(2) through (b)(15) above, as the case may be, if it were Incurred at the time of such reclassification); and

(3) the Company will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described above.

*Limitation on Restricted Payments*

(a) The Company will not, and will not permit any Restricted Subsidiary, directly or indirectly, to make a Restricted Payment if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom);

**Table of Contents**

(2) the Company is not entitled to Incur an additional \$1.00 of Indebtedness pursuant to paragraph (a) of the covenant described under Limitation on Indebtedness ; or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments since the Issue Date would exceed the sum of (without duplication):

(A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter immediately following the fiscal quarter during which the Issue Date occurs to the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit); *plus*

(B) 100% of the aggregate Net Cash Proceeds received by the Company from the issuance or sale of its Capital Stock (other than Disqualified Stock) subsequent to the Issue Date (other than an issuance or sale to a Subsidiary of the Company and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) and 100% of any cash capital contribution received by the Company from its shareholders subsequent to the Issue Date; *plus*

(C) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange subsequent to the Issue Date of any Indebtedness of the Company convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the fair value of any other property, distributed by the Company upon such conversion or exchange); provided, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any Restricted Subsidiary from the sale of such Indebtedness (excluding Net Cash Proceeds from sales to a Subsidiary of the Company or to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees); *plus*

(D) an amount equal to the net reduction in the Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in any Person resulting from repurchases, repayments or redemptions of such Investments by such Person, proceeds realized on the sale of such Investment and proceeds representing the return of capital (excluding dividends and distributions), in each case received by the Company or any Restricted Subsidiary; provided, however, that the foregoing sum shall not exceed, in the case of any such Person, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Person; *plus*

(E) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time such Unrestricted Subsidiary is redesignated as a Restricted Subsidiary, except to the extent that the Investment in such Unrestricted Subsidiary was made by the Company or a Restricted Subsidiary pursuant to clause (10) of the next succeeding paragraph or to the extent that such Investment constituted a Permitted Investment; *plus*

(F) \$50 million.

(b) The preceding provisions will not prohibit:

(1) any Restricted Payment made out of the Net Cash Proceeds of the substantially concurrent sale of, or made by exchange for, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) or a substantially concurrent cash capital contribution received by the Company from its shareholders; *provided, however*, that (A) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale or such cash capital contribution (to the extent so

---

**Table of Contents**

used for such Restricted Payment) shall be excluded in the calculation of amounts under clause (3)(B) of paragraph (a) above;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Company or a Subsidiary Guarantor made by exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Indebtedness of such Person that is permitted to be Incurred pursuant to the covenant described under Limitation on Indebtedness ; *provided, however*, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(3) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this covenant; *provided, however*, that such dividend shall be included in the calculation of the amount of Restricted Payments;

(4) so long as no Default has occurred and is continuing, the purchase, redemption or other acquisition of shares of Capital Stock of the Company or any of its Subsidiaries from employees, former employees, directors or former directors of the Company or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved or ratified by the Board of Directors under which such individuals purchase or sell, or are granted the option to purchase or sell, shares of such Capital Stock; *provided, however*, that the aggregate amount of such Restricted Payments (excluding amounts representing cancellation of Indebtedness) shall not exceed \$5,000,000 in any calendar year (*provided* that (A) if the Company and its Restricted Subsidiaries make less than \$5,000,000 in the aggregate of such Restricted Payments in any calendar year, the unused amount for such calendar year may be carried over to the next succeeding calendar year (but not any other calendar year thereafter) and (B) the amount payable in any calendar year may be increased by an amount up to the sum of (i) the amount of cash proceeds from the sale of Capital Stock (other than Disqualified Stock) of the Company to employees, former employees, directors or former directors of the Company or any of its Subsidiaries, to the extent that the cash proceeds from the sale of such Capital Stock have not otherwise been applied to the payment of Restricted Payments by virtue of clause (3)(B) of paragraph (a) of this covenant, plus (ii) the cash proceeds of key man life insurance policies received by the Company or its Restricted Subsidiaries after the Issue Date, less (iii) the amount of repurchases and other acquisitions previously made with the cash proceeds described in clauses (i) and (ii) above); *provided, further, however*, that (x) such repurchases and other acquisitions shall be excluded in the calculation of the amount of Restricted Payments and (y) cash proceeds referred to in clause (B)(i) above used to make Restricted Payments under this clause (4) shall be excluded in the calculation of amounts under clause (3)(B) of paragraph (a) above;

(5)(A) the declaration and payment of dividends on the Convertible Preferred Stock, and other cash payments at any time to reduce any accretion in the liquidation preference resulting from previously unpaid dividends on the Convertible Preferred Stock, in each case in accordance with the terms thereof in effect on the Issue Date and (B) the declaration and payments of dividends on Disqualified Stock issued pursuant to the covenant described under Limitation on Indebtedness ; *provided, however*, in each case, that at the time of payment of such dividend or other cash payment, no Default shall have occurred and be continuing (or result therefrom); *provided, further, however*, that dividends and cash payments referred to in this clause (5) shall be excluded in the calculation of the amount of Restricted Payments;

(6) repurchases of Capital Stock deemed to occur upon exercise of stock options if such Capital Stock represents a portion of the exercise price of such options; *provided, however*, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;

(7) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided, however*, that any such cash payment shall not be for the purpose of evading the limitation of the covenant described under this subheading; *provided, further, however*, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

---

**Table of Contents**

(8) in the event of a Change of Control, and if no Default shall have occurred and be continuing, the payment, purchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Company or any Subsidiary Guarantor, in each case, at a purchase price not greater than 101% of the principal amount of such Subordinated Obligations, plus any accrued and unpaid interest thereon; *provided, however*, that prior to such payment, purchase, redemption, defeasance or other acquisition or retirement, the Company (or a third party to the extent permitted by such Indenture) has made a Change of Control Offer with respect to the Notes as a result of such Change of Control and has repurchased all Notes validly tendered and not withdrawn in connection with such Change of Control Offer; *provided, further, however*, that such payments, purchases, redemptions, defeasances or other acquisitions or retirements shall be excluded in the calculation of the amount of Restricted Payments;

(9) payments of intercompany subordinated Indebtedness, the Incurrence of which was permitted under clause (2) of paragraph (b) of the covenant described under *Limitation on Indebtedness* ; *provided, however*, that no Default has occurred and is continuing or would otherwise result therefrom; *provided, further, however*, that such payments shall be excluded in the calculation of the amount of Restricted Payments; or

(10) Restricted Payments in an amount that, when taken together with all Restricted Payments made pursuant to this clause (10), does not exceed \$50 million; *provided, however*, that (A) at the time of each such Restricted Payment, no Default shall have occurred and be continuing (or result therefrom) and (B) such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments.

The amount of any Restricted Payment that is not made in cash shall be determined in a manner consistent with the determination of the amount of an Investment as set forth in the final sentence of the first paragraph of the definition of *Investment* .

*Limitation on Restrictions on Distributions from Restricted Subsidiaries*

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock to the Company or a Restricted Subsidiary or pay any Indebtedness owed to the Company, (b) make any loans or advances to the Company or (c) transfer any of its property or assets to the Company, except:

(1) with respect to clauses (a), (b) and (c),

(A) any encumbrance or restriction pursuant to applicable law, rule, regulation or order or an agreement in effect at or entered into on the Issue Date;

(B) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company) and outstanding on such date;

(C) any encumbrance or restriction pursuant to any amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing of an agreement referred to in clause (A) or (B) above; *provided, however*, that such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing is no more restrictive, as reasonably determined by the Company, with respect to such encumbrances and other restrictions taken as a whole than those prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing;

**Table of Contents**

(D) any encumbrance or restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(E) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(F) any limitation or prohibition on the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements, which limitation or prohibition is applicable only to the assets that are the subject of such agreements;

(G) any encumbrance or restriction existing under or by reason of contractual requirements of a Receivables Entity in connection with a Qualified Receivables Transaction, *provided* that such restrictions apply only to such Receivables Entity; and

(2) with respect to clause (c) only,

(A) any encumbrance or restriction consisting of customary nonassignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease or the property leased thereunder; and

(B) any encumbrance or restriction contained in Capital Lease Obligations, any agreement governing Purchase Money Indebtedness, security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such Capital Lease Obligations, Purchase Money Indebtedness, security agreements or mortgages.

*Limitation on Sales of Assets and Subsidiary Stock*

(a) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value (including as to the value of all non-cash consideration) of the shares and assets subject to such Asset Disposition;

(2) at least 75% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash or cash equivalents; *provided, however*, that this clause (2) shall not apply to the sale or other disposition of the Company's diagnostic division; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition, other than any Asset Disposition that constitutes (i) a Syndication or a resyndication transaction in the ordinary course of business or (ii) a Specified Sale/Leaseback Transaction, is applied by the Company (or such Restricted Subsidiary, as the case may be)

(A) to the extent the Company elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase Senior Indebtedness of the Company or a Subsidiary Guarantor or Indebtedness (other than any Disqualified Stock) of a Restricted Subsidiary that is not a Subsidiary Guarantor (in each case other than Indebtedness owed to the Company or an Affiliate of the Company) within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash;

(B) to the extent the Company elects (including with respect to the balance of such Net Available Cash after application (if any) in accordance with clause (A)), to acquire Additional Assets within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; and

(C) to the extent of the balance of such Net Available Cash after application (if any) in accordance with clauses (A) and (B), to make an offer to the holders of the Notes (and to holders of other Senior

**Table of Contents**

Indebtedness of the Company designated by the Company) to purchase Notes (and such other Senior Indebtedness of the Company) pursuant to and subject to the conditions contained in the applicable Indenture;

*provided, however*, that in connection with any prepayment, repayment or purchase of Indebtedness made to satisfy clause (A) or (C) above, the Company or such Restricted Subsidiary shall permanently retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

Notwithstanding the foregoing provisions of this covenant, the Company and the Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with this covenant except to the extent that the aggregate Net Available Cash from all Asset Dispositions which is not applied in accordance with this covenant exceeds \$20 million. Pending application of Net Available Cash pursuant to this covenant, such Net Available Cash shall be invested in Temporary Cash Investments or applied to temporarily reduce revolving credit indebtedness.

For the purposes of this covenant, the following are deemed to be cash or cash equivalents:

- (1) the assumption or discharge of any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet or in the footnotes thereto) of the Company or such Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of such assets and for which the Company and all of the Restricted Subsidiaries have been released by all creditors in writing;
- (2) securities received by the Company or any Restricted Subsidiary from the transferee that are converted by the Company or such Restricted Subsidiary within 180 days into cash, to the extent of cash received in that conversion;
- (3) all Temporary Cash Investments; and
- (4) any Designated Noncash Consideration having an aggregate Fair Market Value that, when taken together with all other Designated Noncash Consideration previously received and then outstanding, does not exceed at the time of the receipt of such Designated Noncash Consideration (with the Fair Market Value of each item of Designated Noncash Consideration