SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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CARE ENTERPRISES INC /DE/

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) December 20, 1993

CARE ENTERPRISES, INC.
(Exact name of Registrant as specified in its charter)

Delaware	1-9310	95-3311961
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

2742 Dow Avenue
Tustin, California 92680-7245
(Address of principal executive offices)

Registrant's telephone number, including area code
(714) 544-4443

Item 5. Other Events

The Registrant (hereinafter "Care") and Regency Health Services, Inc., a Delaware corporation ("Regency"), have entered into an Agreement and Plan of Merger dated as of December 20, 1993 (the "Merger Agreement"). Pursuant to the Merger Agreement, Care will be merged with and into Regency with Regency as the surviving corporation (the "Merger") and each share of Care's Common Stock, par value $0.01 per share ("Care Common Stock"), issued and outstanding immediately prior to the time of the consummation of the Merger (the "Effective Time") shall automatically be converted into the right to receive 0.71 (the "Exchange Ratio") shares of Regency's Common Stock, par value $0.01 per share ("Regency Common Stock").

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The transactions contemplated by the Merger are subject to certain conditions, including, without limitation, the approval by regulatory agencies and the stockholders of each of Care and Regency. Care anticipates that the Merger will be consummated in the second calendar quarter of 1994.

In conjunction with the Merger Agreement, Care and Regency took several steps to facilitate completion of the Merger including: (i) Regency and holders of a majority of the outstanding shares of Care Common Stock entered into a Voting Agreement pursuant to which if Regency holds a special meeting of stockholders for the purpose of voting on the transactions contemplated by the Merger Agreement and the stockholders of Regency approve such transactions by the affirmative vote of a majority of the outstanding shares of Regency Common Stock, then each of such stockholders agreed to vote all shares of Care Common Stock beneficially owned by it in favor of the transactions contemplated by the Merger Agreement as set forth in such Voting Agreement, and (ii) Care and holders of approximately 24% of the outstanding shares of Regency Common Stock entered into a Voting Agreement pursuant to which each of such stockholders agreed to vote all shares of Regency Common Stock owned by it in favor of the transactions contemplated by the Merger Agreement as set forth in such Voting Agreement.

Copies of the Merger Agreement and each of the Voting Agreements are filed as exhibits to this Form 8-K.

Item 7. Financial Statements and Exhibits

(c) Exhibits

2.5 Agreement and Plan of Merger, dated as of December 20, 1993, between Regency Health Services, Inc. and Care Enterprises, Inc.

10.16 Voting Agreement, dated December 27, 1993, between Care Enterprises, Inc. and certain stockholders of Regency Health Services, Inc. named therein.

10.17 Voting Agreement, dated December 27, 1993, between Regency Health Services, Inc. and certain stockholders of Care Enterprises, Inc. named therein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on

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its behalf by the undersigned hereunto duly authorized.

Care Enterprises, Inc.

January 4, 1994

/s/ GARY L. MASSIMINO
Gary L. Massimino,
Executive Vice President
Chief Financial Officer

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EXHIBIT 2.5

AGREEMENT AND PLAN OF MERGER

dated as of December 20, 1993

by and between

REGENCY HEALTH SERVICES, INC.
and
CARE ENTERPRISES, INC.

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Exhibit A Form of Restated Certificate of Incorporation of Regency
Exhibit B Form of Bylaws of Regency
Exhibit C Corporate Governance
Exhibit D Form of Sidley & Austin legal opinion
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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of December 20, 1993 (the "Agreement"), by and between Regency Health Services, Inc., a Delaware corporation ("Regency"), and Care Enterprises, Inc., a Delaware corporation ("Care").

WHEREAS, the Board of Directors of each of Regency and Care deems it advisable and in the best interests of their respective stockholders that Care be merged with and into Regency (the "Merger") in accordance with the General Corporation Law of the State of Delaware (the "GCL"), upon the terms and subject to the conditions of this Agreement; and

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WHEREAS, for Federal income tax purposes, it is intended that the transactions contemplated by this Agreement constitute a tax-free reorganization under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder.

NOW, THEREFORE, in consideration of the foregoing, the representations, warranties, covenants and agreements set forth herein and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intend-ing to be legally bound hereby, agree as follows:

ARTICLE I
CERTAIN DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

1.1 "Affiliate" shall mean, as to any person, any other person that directly or indirectly controls, or is under common control with or is controlled by such person.

1.2 "Arthur Andersen" shall mean Arthur Andersen & Co., Regency's independent auditors.

1.3 "Care" shall mean Care Enterprises, Inc., a Delaware corporation.

1.4 "Care Common Stock" shall mean the common stock, par value $ .01 per share, of Care.

1.5 "Care Permits" shall have the meaning set forth in Section 5.8.

1.6 "Care Plans" shall have the meaning set forth in Sec-tion 5.10.

1.7 "Care SEC Reports" shall have the meaning set forth in Section 5.5.

1.8 "Care Stock Option" shall have the meaning set forth in Section 7.6.

1.9 "Care Third Party Proposal" shall have the meaning set forth in Section 9.1.

1.10 "Certificate" shall have the meaning set forth in Section 2.8.

1.11 "Certificate of Merger" shall have the meaning set

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forth in Section 2.2.

1.12 "Code" shall have the meaning set forth in the intro-ductory clauses hereto.

1.13 "Dissenting Shares" shall have the meaning set forth in Section 2.7.

1.14 "Effective Time" shall have the meaning set forth in Section 2.2.

1.15 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.16 "ERISA Affiliate," with respect to any party, shall mean any trade or business, whether or not incorporated, that together with such party would be deemed a "single employer" within the meaning of section 4001(a)(15) of ERISA.

1.17 "Ernst & Young" shall mean Ernst & Young, Care's independent auditors.

1.18 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

1.19 "Exchange Agent" shall have the meaning set forth in Section 2.8.

1.20 "Exchange Ratio" shall have the meaning set forth in Section 2.6.

1.21 "Form S-4" shall mean the Registration Statement on Form S-4 to be filed with the SEC under the Securities Act in connection with the Merger for the purpose of registering the shares of Regency Common Stock to be issued in the Merger.

1.22 "GCL" shall have the meaning set forth in the introductory clauses hereto.

1.23 "Governmental Entity" shall mean any court, admin-istrative agency or commission or other governmental authority or instrumentality, domestic or foreign.

1.24 "HSR Act" shall mean the Hart-Scott-Rodino Anti trust Improvements Act of 1976, as amended.

1.25 "Material Adverse Effect," with respect to any party, shall mean a material adverse effect (or any development which, insofar as reasonably can be foreseen, in the

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future is reasonably likely to have a material adverse effect) on the business, assets, financial or other condition, results of operations or prospects of such party and its Subsidiaries taken as a whole.

1.26 "Merger" shall have the meaning set forth in the introductory clauses hereto.

1.27 "Merrill Lynch" shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated, financial advisor to Care.

1.28 "Proxy Statement" shall mean the joint proxy statement/prospectus to be distributed to holders of shares of Regency Common Stock and holders of shares of Care Common Stock in connection with the meetings of such holders to be held in connection with the transactions contemplated by this Agreement.

1.29 "Regency" shall mean Regency Health Services, Inc., a Delaware corporation.

1.30 "Regency Bylaws" shall have the meaning set forth in Section 3.1.

1.31 "Regency Certificate of Incorporation" shall have the meaning set forth in Section 3.1.

1.32 "Regency Common Stock" shall mean the common stock, par value $.01 per share, of Regency.

1.33 "Regency Permits" shall have the meaning set forth in Section 4.8.

1.34 "Regency Plans" shall have the meaning set forth in Section 4.12.

1.35 "Regency SEC Reports" shall have the meaning set forth in Section 4.5.

1.36 "Regency Stock Option" shall have the meaning set forth in Section 7.6.

1.37 "Regency Third Party Proposal" shall have the meaning set forth in Section 9.1.

1.38 "SEC" shall mean the Securities and Exchange Commission.

1.39 "Securities Act" shall mean the Securities Act of 1933, as amended.

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1.40 "Smith Barney Shearson" shall mean Smith Barney Shearson Inc., financial advisor to Regency.

1.41 "Subsidiary" shall have the meaning set forth in Rule 1-02 of Regulation S-X of the SEC.

1.42 "Surviving Corporation" shall have the meaning set forth in Section 2.1.

1.43 "Termination Date" shall have the meaning set forth in Section 9.1.

1.44 "Third Party" shall mean any person or group that is deemed to be a "person" within the meaning of Section 13(d) of the Exchange Act.

ARTICLE II
THE MERGER

2.1 The Merger. Upon the terms and subject to the satisfaction or waiver of the conditions set forth in Article VIII, and in accordance with the GCL, at the Effective Time, Care shall be merged with and into Regency. As a result of the Merger, the separate corporate existence of Care shall cease and Regency shall continue as the surviving corporation of the Merger (the "Surviving Corporation") and shall succeed to and assume all the rights and obligations of Care.

2.2 Effective Time. At the time of Closing, upon the terms and subject to the satisfaction or waiver of the conditions set forth in Article VIII, the parties hereto shall cause the Merger to be consummated by filing a certificate of merger (the "Certificate of Merger") with the Secretary of State of the State of Delaware, in such form as required by and executed in accordance with the relevant provisions of the GCL (the date and time of such filing being referred to herein as the "Effective Time").

2.3 Effects of the Merger. The Merger shall have the effects set forth in the GCL.

2.4 Restated Certificate of Incorporation and Bylaws.

a. The Restated Certificate of Incorporation of Regency, attached hereto as Exhibit A, shall be the Certificate of Incorporation of the Surviving Corporation.

b. The Bylaws of Regency as in effect immediately prior to the Effective Time shall be the Bylaws of the Surviving Corporation (until duly amended in accordance with

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applicable law).

c. The officers and directors of Regency following the Merger shall be as set forth on Exhibit C.

2.5 Stockholder Meetings. Each of Regency and Care shall call a meeting of its stockholders to be held as promptly as practicable for the purpose of voting upon this Agreement and related matters. Subject to the exercise of their respective fiduciary obligations, the respective boards of directors of Regency and Care shall recommend to their respective stockholders approval of such matters.

2.6 Conversion of Care Common Stock in the Merger. At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any capital stock of Regency and Care: (i) each share of Care Common Stock issued and outstanding immediately prior to the Effective Time (other than any such shares owned by Regency or any of its Subsidiaries, held in Care's treasury or owned by any Subsidiary of Care, and other than Dissenting Shares) shall automatically be converted into 0.71 shares of Regency Common Stock (the "Exchange Ratio"); (ii) each share of Care Common Stock issued and outstanding immediately prior to the Effective Time and owned by Regency or any of its Subsidiaries, held in Care's treasury or owned by any Subsidiary of Care shall be cancelled and cease to exist at and after the Effective Time and no consideration shall be delivered with respect thereto and (iii) each share of Regency Common Stock shall be unchanged.

2.7 Dissenting Shares. Notwithstanding anything in this Agreement to the contrary, shares of Care Common Stock that are issued and outstanding immediately prior to the Effective Time and that are held by a stockholder who has not voted such shares of Care Common Stock in favor of the Merger and who is entitled by applicable Delaware law to appraisal rights, and who shall have properly demanded in writing appraisal for such shares of Care Common Stock in accordance with Section 262 of the GCL (collectively, the "Dissenting Shares"), shall not be converted into or represent the right to receive shares of Regency Common Stock as set forth herein, unless and until such holder shall have failed to perfect or shall have effectively withdrawn or lost such holder's rights to appraisal and payment under the GCL. If any such holder shall have so failed to perfect or shall have effectively withdrawn or lost such right, such holder's shares of Care Common Stock shall thereupon be deemed to have been converted into and to have become exchangeable for, at the Effec-

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tive Time, shares of Regency Common Stock as set forth herein. Prior to the Effective Time, Care shall not, except with the prior written consent of Regency, make any payment with respect to, or settle or offer to settle, any such demands. Any payments relating to Dissenting Shares shall be made solely by the Surviving Subsidiary and no funds or other property have been or will be provided by Regency or any of its other direct or indirect Subsidiaries for such payment.

2.8 Exchange of Shares.

a. As of the Effective Time, Regency shall deposit with a bank or trust company designated by Regency and Care (the "Exchange Agent"), for the benefit of holders of shares of Care Common Stock, for exchange in accordance with this Article II, through the Exchange Agent, certificates representing shares of Regency Common Stock issuable pursuant to this Article II in exchange for outstanding shares of Care Common Stock.

b. As soon as reasonably practicable after the Effective Time, the Exchange Agent shall mail to each person who was, immediately prior to the Effective Time, a holder of record of shares of Care Common Stock whose shares of Care Common Stock were converted into shares of Regency Common Stock, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to a certificate that, immediately prior to the Effective Time, represented any shares of Care Common Stock (a "Certificate") shall pass, only upon proper delivery of the Certificate to the Exchange Agent and shall be in such form and have such other provisions as Regency and Care may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificate in exchange for certificates representing shares of Regency Common Stock. Upon surrender to the Exchange Agent of a Certificate, together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and any other documents as may be required pursuant to such instructions, the holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing that whole number of shares of Regency Common Stock that such holder has the right to receive pursuant to the provisions of this Article II, and the Certificate so surrendered shall be cancelled. In the event of a transfer of ownership of shares of Care Common Stock that is not registered in the transfer records of Care, a certificate representing the proper number of shares of Regency Common Stock may be issued to a transferee if the

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Certificate representing such shares of Care Common Stock is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by evidence that any applicable stock transfer taxes have been paid. Until surrendered in accordance with the provisions of this Section 2.8, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the certificate representing shares of Regency Common Stock.

c. Notwithstanding any other provision of this Agreement, no certificates or scrip for fractional shares of Regency Common Stock shall be issued upon the surrender for exchange of any Certificates pursuant to this Article II and no dividend or other distribution, stock split or interest with respect to shares of Regency Common Stock shall relate to any fractional security, and such fractional interests shall not entitle the owner thereof to vote or to any other rights of a stockholder. In lieu of any such fractional shares, each holder of shares of Care Common Stock who would otherwise have been entitled to a fraction of a share of Regency Common Stock upon surrender of Certificates for exchange pursuant to this Article II shall be entitled to receive from the Exchange Agent a cash payment (without interest) in lieu of such fractional share equal to such fraction multiplied by the average closing price per share of Regency Common Stock on the American Stock Exchange or on such exchange as the Regency Common Stock shall be listed, during the five trading days immediately following the Effective Time.

d. No dividends or other distributions declared or made after the Effective Time with respect to shares of Care Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of Care Common Stock represented thereby until the holder of such Certificate shall surrender such Certificate. Subject to the effect of applicable laws, following surrender of any such Certificate, there shall be paid to the record holder of the certificates representing whole shares of Regency Common Stock issued in exchange therefor, without interest, (i) at the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such shares of Care Common Stock, and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such shares of Care Common Stock.

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e. All shares of Regency Common Stock issued upon the surrender for exchange of shares of Care Common Stock in accordance with the terms hereof (including any cash paid pursuant to Section 2.8(d)) shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Care Common Stock, subject, however, to the Surviving Corporation's obligation to pay any dividends or make any other distributions with a record date prior to the Effective Time which may have been declared or made by Care on such shares of Care Common Stock in accordance with the terms of this Agreement or prior to the date hereof and which remain unpaid at the Effective Time, and there shall be no further registration of transfers on the stock transfer books of Care of shares of Care Common Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be cancelled and exchanged as provided in this Article II.

f. In the event of any reclassification, stock split or stock dividend with respect to Regency Common Stock or Care Common Stock (or if a record date with respect to any of the foregoing should occur) prior to the Effective Time, appropriate and proportionate adjustments, if any, shall be made to the Exchange Ratio, and all references to the Exchange Ratio in this Agreement shall be deemed to be to the Exchange Ratio as so adjusted.

2.9 Time and Place of Closing. The closing of the transactions contemplated by this Agreement shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom, 300 South Grand Avenue, Suite 3400, Los Angeles, California, at 10:00 a.m. (local time) on or before the fifth business day following the date on which all of the conditions to each party's obligations hereunder have been satisfied or waived or at such other place or time as Regency and Care may agree.

ARTICLE III
CORPORATE GOVERNANCE

3.1 Actions to be Taken by Regency at the Effective Time with Respect to Corporate Governance. Regency shall take all actions necessary to cause each of the following to occur at the Effective Time:

a. The Bylaws of Regency (the "Regency Bylaws") shall be amended and restated to read in their entirety as set forth in Exhibit B hereto.

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b. The number of directors constituting the entire Board of Directors of the Surviving Corporation shall be eight. Initially, such Board of Directors shall be comprised of the persons listed as such on Exhibit C hereto, and they shall serve as members of the classes therein indicated. If, prior to the Effective Time, one or more of such persons are unwilling, or are unable, to serve as a director, their replacements(s) shall be selected by the Regency Board of Directors if the word "Regency" appears opposite such person's name on Exhibit C, or by the Care Board of Directors if the word "Care" appears opposite such person's name on Exhibit C.

c. The officers of Regency shall be the persons designated on Exhibit C hereto, holding the positions and having the responsibilities therein indicated; provided, that if any such persons are unwilling or unable to serve in such capacities, their replacements shall be selected by the Regency Board of Directors as constituted immediately after the Effective Time.

d. The foregoing directors and officers of Regency shall hold their positions until their death, resignation or removal or the election or appointment of their successors in the manner provided by the Regency Certificate of Incorporation, the Regency Bylaws and applicable law.

3.2 Certain Committees of Regency Board of Directors. The initial members of each of the Committees of the Regency Board of Directors following the Effective Time, and for the period indicated in Exhibit C, shall be as set forth on Exhibit C hereto.

3.3 Corporate Headquarters. The corporate headquarters of Regency will be in Tustin, California at the existing offices of Care.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF REGENCY

Regency represents and warrants to Care as follows:

4.1 Organization and Qualification. Each of Regency and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the requisite power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted, and is duly qualified to do business and in

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good standing in each jurisdiction in which the properties owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify or be in good standing would not have a Material Adverse Effect on Regency. True and complete copies of the certificate of incorporation and bylaws of Regency as in effect on the date hereof, including all amendments thereto, have heretofore been made available or delivered to Care.

4.2 Capitalization.

a. The authorized capital stock of Regency consists of 35,000,000 shares of Regency Common Stock. As of December 20, 1993, there were (i) 6,824,557 shares of Regency Common Stock issued and outstanding, all of which are validly issued, fully paid and nonassessable and are not subject to and were not issued in violation of any preemptive rights, (ii) 750,000 shares of Regency Common Stock reserved for issuance in connection with Regency's Stock Option Plan and 4,040,404 shares of Regency Common Stock reserved for issuance upon conversion of convertible securities. No Subsidiary of Regency holds any shares of Regency Common Stock.

b. Except for this Agreement, the Regency Stock Options and the convertible securities specified in Section 4.2(a) hereof, there are not now, and at the Effective Time there will not be, any options, warrants, calls, rights, subscriptions, convertible securities or other rights or agreements, arrangements or commitments of any kind obligating Regency or any of its Subsidiaries to issue, transfer or sell any securities of Regency. All shares of Regency Common Stock subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable. There are no outstanding contractual or other obligations of Regency or any of its Subsidiaries to purchase, redeem or otherwise acquire any shares of Regency Common Stock. There is not now, and at the Effective Time there will not be, any stockholder agreement, voting trust or other agreement or understanding to which Regency or any of its Subsidiaries is a party or bound relating to the voting of any shares of the capital stock of Regency or any of its Subsidiaries.

4.3 Authority. Regency has all requisite corporate power and authority to execute and deliver this Agreement and, subject to approval of this Agreement by the stockholders

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of Regency, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation by Regency of the transactions contemplated hereby, have been duly authorized by Regency's board of directors, Regency's board of directors has deemed the Merger advisable and no other corporate proceedings on the part of Regency are necessary to authorize the execution and delivery of this Agreement and the consummation by Regency of the transactions contemplated hereby, except for the approval of this Agreement by the stockholders of Regency. This Agreement has been duly and validly executed and delivered by Regency and, assuming the due authorization, execution and delivery hereof by Care, constitutes or will constitute, as the case may be, a valid and binding agreement of Regency, enforceable against Regency in accordance with its terms, except that such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally and (ii) by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

4.4 Consents and Approvals; No Violation. None of the execution and delivery by Regency of this Agreement, the consummation by Regency of the transactions contemplated hereby or compliance by Regency with any of the provisions hereof will (i) conflict with or result in a breach of any provision of the respective charters or bylaws (or similar governing documents) of Regency or any of its Subsidiaries, (ii) require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except (A) pursuant to the Exchange Act, the Securities Act, certain state takeover, securities and antitrust statutes and the HSR Act and (B) for filing the Certificate of Merger pursuant to the GCL, (iii) result in a default (or an event which with notice or lapse of time or both would become a default) or give to any third party any right of termination, cancellation, amendment or acceleration under, or result in the creation of a lien or encumbrance on any of the assets of Regency or any of its Subsidiaries pursuant to any note, license, agreement or other instrument or obligation to which Regency or any of its Subsidiaries is a party or by which Regency or any of its Subsidiaries or any of their respective assets may be bound or affected, or (iv) violate or conflict with any order, writ, injunction, decree, statute, rule or regulation applicable to Regency or any of its Subsidiaries or any of their respective properties or assets; other than (A) such defaults,

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rights of termination, cancellation, amendment or acceleration, liens and encumbrances, violations and conflicts set forth pursuant to (iii) and (iv) above, and (B) such consents, approvals, authorizations, permits or filings, as set forth pursuant to (ii) above that are not obtained, which, in the aggregate, would not have a Material Adverse Effect on Regency and would not materially impair Regency's ability to consummate the transactions contemplated by this Agreement.

4.5 SEC Reports and Financial Statements. Each form, report, schedule, registration statement and definitive proxy statement filed by Regency with the SEC since January 1, 1991 (as such documents have since the time of their filing been amended, the "Regency SEC Reports"), which include all the documents (other than preliminary material) that Regency was required to file with the SEC since such date, as of their respective dates, complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Regency SEC Reports. None of the Regency SEC Reports contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except for such statements, if any, as have been modified by subsequent filings prior to the date hereof. The financial statements of Regency included in such reports comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q of the SEC) and fairly present (subject in the case of the unaudited statements, to normal, recurring audit adjustments) the consolidated financial position of Regency and its Subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows (or changes in financial position prior to the approval of FASB 95) for the periods then ended. Since June 30, 1993, neither Regency nor any of its Subsidiaries has incurred any liabilities or obligations, whether absolute, accrued, fixed, contingent, liquidated, unliquidated or otherwise and whether due or to become due, except (i) as and to the extent set forth on the audited balance sheet of Regency and its Subsidiaries as at June 30, 1993 (including the notes thereto), (ii) as

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incurred in connection with the transactions contemplated, or as provided, by this Agreement, (iii) as incurred after June 30, 1993 in the ordinary course of business and consistent with past practices, (iv) as described in the Regency SEC Reports or (v) as would not, individually or in the aggregate, have a Material Adverse Effect on Regency.

4.6 Absence of Certain Changes or Events. Except as disclosed in the Regency SEC Reports filed prior to the date hereof or otherwise disclosed pursuant to this Agreement, since September 30, 1993, (i) Regency and its Subsidiaries have conducted their respective businesses only in the ordinary course, consistent with past practice, (ii) there has not occurred or arisen any event, individually or in the aggregate, having or which, insofar as reasonably can be foreseen, in the future is likely to have, a Material Adverse Effect on Regency, and (iii) Regency has not declared paid, set aside or reserved for payment of any dividend or other distribution on shares of Regency Common Stock.

4.7 Litigation. As of the date of this Agreement, except as disclosed in the Regency SEC Reports filed prior to the date of this Agreement or otherwise disclosed to Care prior to the date hereof, there is no claim, suit, action or proceeding pending, or, to the best knowledge of Regency, threatened against or affecting Regency or any of its Subsidiaries, which is reasonably likely to have a Material Adverse Effect on Regency, nor is there any judgment, decree, order, injunction, writ or rule of any court, governmental department, commission, agency, instrumentality or authority or any arbitrator outstanding against Regency or any of its Subsidiaries having, or which, insofar as reasonably can be foreseen, in the future is likely to have, any such effect.

4.8 Compliance with Law. To the best knowledge of Regency, Regency and its Subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities that are material to the operation of the business of Regency and its Subsidiaries, taken as a whole (the "Regency Permits"). To the best knowledge of Regency, Regency and its Subsidiaries are in compliance with the terms of the Regency Permits, except where the failure to so comply would not have a Material Adverse Effect on Regency. To the best knowledge of Regency, except as disclosed in the Regency SEC Reports, Regency is not in violation of any Federal, state, local or foreign law, ordinance or regulation or judgment, order or decree (including, but not limited to, those

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relating to the environment), the violation of which, individually or in the aggregate, would have a Material Adverse Effect on Regency.

4.9 Taxes. Regency and each of its Subsidiaries have accurately prepared and filed all income tax returns required to be filed, and have paid all taxes and other charges due or claimed to be due by Federal, state, local or foreign taxing authorities, and there are no tax liens upon any property or assets of Regency or any of its Subsidiaries. To the extent that tax liabilities have accrued but not become payable, they have been adequately reflected on the financial statements included in the Regency SEC Reports. The statute of limitations for examining the returns of Regency has expired for all periods to, and including, June 30, 1990. There are no outstanding agreements or waivers extending the statutory period of limitations applicable to any Federal income tax return for any period. There does not exist any issue that, if raised by any taxing authority with respect to any fiscal period, would, singly or in the aggregate, be expected to result in an assessment against Regency that would have, or is reasonably likely to have, a Material Adverse Effect on Regency.

4.10 Disclosure. No representation or warranty of Regency contained in this Agreement and no statement contained in any certificate or schedule furnished or to be furnished by or on behalf of Regency to Care or any of its representatives pursuant thereto contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading or necessary in order to fully and fairly provide the information required to be provided in any such document, certificate or schedule.

4.11 Information Supplied. The information supplied or to be supplied by Regency or its Subsidiaries for inclusion in (i) the Form S-4 will not, either at the time the Form S-4 is filed with the SEC or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) the Proxy Statement, including any amendments and supplements thereto, will not, either at the date mailed to stockholders or at the time of the meeting of stockholders of Regency to be held in connection with the transactions contemplated by this Agreement, contain any untrue

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statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Proxy Statement and the Form S-4 will each comply as to form in all material respects with all applicable laws, including the provisions of the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder, except that no representation is made by Regency with respect to information supplied by Care for inclusion therein.

4.12 Employee Matters. Regency has delivered or made available to Care full and complete copies or descriptions of each material employment, bonus, profit sharing, compensation, termination, stock option, stock appreciation right, restricted stock, phantom stock, performance unit, pension, retirement, deferred compensation, welfare or other employee benefit agreement, trust fund or other arrangement and any union, guild or collective bargaining agreement maintained or contributed to or required to be contributed to by Regency or any of its ERISA Affiliates, for the benefit or welfare of any director, officer, employee or former employee of Regency or any of its ERISA Affiliates (such plans and arrangements being referred to herein as the "Regency Plans"). Each of the Regency Plans is in material compliance with all applicable laws including ERISA and the Code. The Internal Revenue Service has determined that each Regency Plan that is intended to be a qualified plan under section 401(a) of the Code is so qualified and Regency is aware of no event occurring after the date of such determination that would adversely affect such determination. The unfunded liabilities accrued by participants and beneficiaries under each such plan are accurately reflected on the latest balance sheet of Regency and its Subsidiaries included in the Regency SEC Reports. No condition exists that is reasonably likely to subject Regency or any of its Subsidiaries to any direct or indirect liability under Title IV of ERISA or to a civil penalty under section 502(i) of ERISA or liability under section 4069 of ERISA or 4975, 4976 or 4980B of the Code or the loss of a Federal tax deduction under section 280G of the Code or other liability with respect to the Regency Plans that would have a Material Adverse Effect on Regency and that is not reflected on the latest balance sheet included in the Regency SEC Reports. No Regency Plan (other than any Regency Plan that is a "multiemployer plan" as such term is defined in section 4001(a)(3) of ERISA) is subject to Title IV of ERISA. There are no pending, threatened, or anticipated

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claims (other than routine claims for benefits or immaterial claims) by, on behalf of or against any of the Regency Plans or any trusts related thereto.

4.13 Affiliate Agreements. Except as disclosed in the Regency SEC Reports filed prior to the date of this Agreement, except for this Agreement, as of the date of this Agreement neither Regency nor any of its Subsidiaries is a party to any oral or written agreement with any of its Affiliates, other than with any of its Subsidiaries.

4.14 Opinion of Financial Advisor. Regency has received the opinion of Smith Barney Shearson to the effect that, as of December 20, 1993, the consideration to be paid by Regency in the Merger is fair to Regency from a financial point of view.

4.15 Accounting Matters. To the best knowledge of Regency, neither Regency nor any of its Affiliates has taken or agreed to take any action that (without giving effect to any action taken or agreed to be taken by Care or any of its Affiliates) would prevent Regency from accounting for the business combination to be effected in accordance herewith as a pooling of interests.

4.16 Brokers and Finders. Other than Smith Barney Shearson and L.J. Kaufman & Co., Inc., none of Regency or any of its Subsidiaries nor any of their respective directors, officers or employees has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or similar payments in connection with the transactions contemplated by this Agreement.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF CARE

Care represents and warrants to Regency as follows:

5.1 Organization and Qualification. Each of Care and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the requisite power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted, and is duly qualified to do business and in good standing in each jurisdiction in which the properties owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify or be

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in good standing would not have a Material Adverse Effect on Care. True and complete copies of the restated certificate of incorporation and bylaws of Care as in effect on the date hereof, including all amendments thereto, have heretofore been delivered to Regency.

5.2 Capitalization.

a. The authorized capital stock of Care consists of 25,000,000 shares of Care Common Stock and 1,000,000 shares of preferred stock, par value $.01 per share (the "Care Preferred Stock"). As of December 17, 1993, (i) 13,229,418 shares of Care Common Stock and no shares of Care Preferred Stock were issued and outstanding, all of which are validly issued, fully paid and nonassessable and are not subject to and were not issued in violation of any preemptive rights , and (ii) an aggregate of 1,000,000 shares of Care Common Stock were reserved for issuance in connection with Care's Stock Option Plan and Care's Share Appreciation Rights Plan. No Subsidiary of Care holds any shares of Care Common Stock.

b. Except for this Agreement, the Care Stock Option Plan and the Care Share Appreciation Rights Plan referred to in Section 5.2(a) hereof, there are not now, and at the Effective Time there will not be, any options, warrants, calls, rights, subscriptions, convertible securities or other rights or agreements, arrangements or commitments of any kind obligating Care or any of its Subsidiaries to issue, transfer or sell any securities of Care. All shares of Care Common Stock subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable. There are no outstanding contractual or other obligations of Care or any of its Subsidiaries to purchase, redeem or otherwise acquire any shares of Care Common Stock. There is not now, and at the Effective Time there will not be, any stockholder agreement, voting trust or other agreement or understanding to which Care or any of its Subsidiaries is a party or bound relating to the voting of any shares of the capital stock of Care or any of its Subsidiaries.

5.3 Authority. Care has all requisite corporate power and authority to execute and deliver this Agreement and, subject to approval of this Agreement by the stockholders of Care, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation by Care of the transactions contemplated hereby, have been duly authorized by Care's board of

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directors, Care's board of directors has declared the Merger advisable and no other corporate proceedings on the part of Care are necessary to authorize the execution and delivery of this Agreement and the consummation by Care of the transactions contemplated hereby, except for the approval of this Agreement by the stockholders of Care. This Agreement has been duly and validly executed and delivered by Care and, assuming the due authorization, execution and delivery hereof by Regency, constitutes or will constitute, as the case may be, a valid and binding agreement of Care, enforceable against Care in accordance with its terms, except that such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally and (ii) by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

5.4 Consents and Approvals; No Violation. Except as set forth in the Disclosure Letter delivered by Care to Regency, none of the execution and delivery by Care of this Agreement, the consummation by Care of the transactions contemplated hereby or compliance by Care with any of the provisions hereof will (i) conflict with or result in a breach of any provision of the respective charters or bylaws (or similar governing documents) of Care or any of its Subsidiaries, (ii) require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except (A) pursuant to the Exchange Act, the Securities Act, certain state takeover, securities and antitrust statutes and the HSR Act and (B) for filing the Certificate of Merger pursuant to the GCL, (iii) result in a default (or an event which with notice or lapse of time or both would become a default) or give to any third party any right of termination, cancellation, amendment or acceleration under, or result in the creation of a lien or encumbrance on any of the assets of Care or any of its Subsidiaries pursuant to any note, license, agreement or other instrument or obligation to which Care or any of its Subsidiaries is a party or by which Care or any of its Subsidiaries or any of their respective assets may be bound or affected, or (iv) violate or conflict with any order, writ, injunction, decree, statute, rule or regulation applicable to Care or any of its Subsidiaries or any of their respective properties or assets; other than (A) such defaults, rights of termination, cancellation, amendment or acceleration, liens and encumbrances, violations and conflicts set forth pursuant to (iii) and (iv) above, and (B) such consents, approvals, authorizations, permits or filings,

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as set forth pursuant to (ii) above that are not obtained, which, in the aggregate, would not have a Material Adverse Effect on Care and would not materially impair Care's ability to consummate the transactions contemplated by this Agreement.

5.5 SEC Reports and Financial Statements. Each form, report, schedule, registration statement and definitive proxy statement filed by Care with the SEC since January 1, 1991 (as such documents have since the time of their filing been amended, the "Care SEC Reports"), which include all the documents (other than preliminary material) that Care was required to file with the SEC since such date, as of their respective dates, complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Care SEC Reports. None of the Care SEC Reports contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except for such statements, if any, as have been modified by subsequent filings prior to the date hereof. The financial statements of Care included in such reports comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q of the SEC) and fairly present (subject in the case of the unaudited statements, to normal, recurring audit adjustments) the consolidated financial position of Care and its Subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows (or changes in financial position prior to the approval of FASB 95) for the periods then ended. Since December 31, 1992, neither Care nor any of its Subsidiaries has incurred any liabilities or obligations, whether absolute, accrued, fixed, contingent, liquidated, unliquidated or otherwise and whether due or to become due, except (i) as and to the extent set forth on the audited balance sheet of Care and its Subsidiaries as at December 31, 1992 (including the notes thereto), (ii) as incurred in connection with the transactions contemplated, or as provided, by this Agreement, (iii) as incurred after December 31, 1992 in the ordinary course of business and consistent with past practices, (iv) as

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described in the Care SEC Reports (v) described in the Disclosure Letter or (vi) as would not, individually or in the aggregate, have a Material Adverse Effect on Care.

5.6 Absence of Certain Changes or Events. Except as disclosed in the Care SEC Reports filed prior to the date hereof or otherwise disclosed pursuant to this Agreement, since September 30, 1993, Care and its Subsidiaries have conducted their respective businesses only in the ordinary course, consistent with past practice, and there has not occurred or arisen any event, individually or in the aggregate, having or which, insofar as reasonably can be foreseen, in the future is likely to have, a Material Adverse Effect on Care.

5.7 Litigation. As of the date of this Agreement, except as disclosed in the Care SEC Reports filed prior to the date of this Agreement or otherwise disclosed to Regency prior to the date hereof, there is no claim, suit, action or proceeding pending, or, to the best knowledge of Care, threatened against or affecting Care or any of its Subsidiaries, which is reasonably likely to have a Material Adverse Effect on Care, nor is there any judgment, decree, order, injunction, writ or rule of any court, governmental department, commission, agency, instrumentality or authority or any arbitrator outstanding against Care or any of its Subsidiaries having, or which, insofar as reasonably can be foreseen, in the future is likely to have, any such effect.

5.8 Compliance with Law. To the best knowledge of Care, Care and its Subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities that are material to the operation of the business of Care and its Subsidiaries, taken as a whole (the "Care Permits"). To the best knowledge of Care, Care and its Subsidiaries are in compliance with the terms of the Care Permits, except where the failure to so comply would not have a Material Adverse Effect on Care. To the best knowledge of Care, except as disclosed in the Care SEC Reports, Care is not in violation of any Federal, state, local or foreign law, ordinance or regulation or judgment, order or decree (including, but not limited to, those relating to the environment), the violation of which, individually or in the aggregate, would have a Material Adverse Effect on Care.

5.9 Taxes. Care and each of its Subsidiaries have accurately prepared and filed all income tax returns required to be filed, and have paid all taxes and other charges due or claimed to be due by Federal, state, local

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or foreign taxing authorities, and there are no tax liens upon any property or assets of Care or any of its Subsidiaries. To the extent that tax liabilities have accrued but not become payable, they have been adequately reflected in the financial statements included in the Care SEC Reports. The statute of limitations for examining the returns of Care has expired for all periods to, and including, December 31, 1984. Except as set forth in the Disclosure Letter (i) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any Federal income tax return for any period, and (ii) there does not exist any issue that, if raised by any taxing authority with respect to any fiscal period, would, singly or in the aggregate, be expected to result in an assessment against Care that would have, or is reasonably likely to have, a Material Adverse Effect on Care.

5.10 Disclosure. No representation or warranty of Care contained in this Agreement and no statement contained in any certificate or schedule furnished or to be furnished by or on behalf of Care to Regency or any of its representatives pursuant thereto contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading or necessary in order to fully and fairly provide the information required to be provided in any such document, certificate or schedule.

5.11 Information Supplied. The information supplied or to be supplied by Care or its Subsidiaries for inclusion in (i) the Form S-4 will not, either at the time the Form S-4 is filed with the SEC or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) the Proxy Statement, including any amendments and supplements thereto, will not, either at the date mailed to stockholders or at the time of the meeting of stockholders of Care to be held in connection with the transactions contemplated by this Agreement, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Proxy Statement and the Form S-4 will each comply as to form in all material respects with all applicable laws, including the provisions of the Securities Act and

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the Exchange Act and the rules and regulations promulgated thereunder, except that no representation is made by Care with respect to information supplied by Regency for inclusion therein.

5.12 Employee Matters. Care has delivered or made available to Regency full and complete copies or descriptions of each material employment, bonus, profit sharing, compensation, termination, stock option, stock appreciation right, restricted stock, phantom stock, performance unit, pension, retirement, deferred compensation, welfare or other employee benefit agreement, trust fund or other arrangement and any union, guild or collective bargaining agreement maintained or contributed to or required to be contributed to by Care or any of its ERISA Affiliates, for the benefit or welfare of any director, officer, employee or former employee of Care or any of its ERISA Affiliates (such plans and arrangements being referred to herein as the "Care Plans"). Each of the Care Plans is in material compliance with all applicable laws including ERISA and the Code. The Internal Revenue Service has determined that each Care Plan that is intended to be a qualified plan under section 401(a) of the Code is so qualified and Care is aware of no event occurring after the date of such determination that would adversely affect such determination. The unfunded liabilities accrued by participants and beneficiaries under each such plan are accurately reflected on the latest balance sheet of Care and its Subsidiaries included in the Care SEC Reports. No condition exists that is reasonably likely to subject Care or any of its Subsidiaries to any direct or indirect material liability under Title IV of ERISA or to a civil penalty under section 502(i) of ERISA or liability under section 4069 of ERISA or 4975, 4976 or 4980B of the Code or the loss of a Federal tax deduction under section 280G of the Code or other liability with respect to the Care Plans that would have a Material Adverse Effect on Care and that is not reflected on the latest balance sheet included in the Care SEC Reports. No Care Plan is subject to Title IV of ERISA. There are no pending, threatened, or anticipated claims (other than routine claims for benefits) by, on behalf of or against any of the Care Plans or any trusts related thereto.

5.13 Affiliate Agreements. Except as disclosed in the Care SEC Reports filed prior to the date of this Agreement and except for this Agreement, as of the date of this Agreement neither Care nor any of its Subsidiaries is a party to any oral or written agreement with any of its Affiliates, other than with any of its Subsidiaries.

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5.14 Opinion of Financial Advisor. Care has received the opinion of Merrill Lynch to the effect that, as of December 20, 1993, the Exchange Ratio is fair to the holders of shares of Care Common Stock from a financial point of view.

5.15 Accounting Matters. To the best knowledge of Care, neither Care nor any of its Affiliates has taken or agreed to take any action that (without giving effect to any action taken or agreed to be taken by Regency or any of its Affiliates) would prevent Regency from accounting for the business combination to be effected in accordance herewith as a pooling of interests.

5.16 Brokers and Finders. Other than Merrill Lynch, none of Care or any of its Subsidiaries nor any of their respective directors, officers or employees has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or similar payments in connection with the transactions contemplated by this Agreement.

ARTICLE VI
COVENANTS RELATING TO CONDUCT OF BUSINESS

6.1 Conduct of Business of Regency Pending the Effective Time. Except as expressly permitted or contemplated by this Agreement or as shall be consented to by Care (which consent shall not be unreasonably withheld), until the Effective Time, Regency shall, and shall cause each of its Subsidiaries to, conduct its operations in the ordinary and usual course of business consistent with past practice and use its best efforts (in the ordinary course of business consistent with past practice) to preserve intact their respective business organizations' goodwill, keep available the services of their respective present officers and key employees, and preserve the goodwill and business relationships with suppliers, distributors, customers and others having business relationships with them. Without limiting the generality of the foregoing, and except as otherwise permitted by this Agreement, prior to the Effective Time, without the consent of Care, which consent shall not be unreasonably withheld, Regency will not, and will cause each of its Subsidiaries not to:

a. amend or propose to amend their respective charters or bylaws (other than as contemplated by this Agreement); or split, combine or reclassify their outstanding capital stock or declare, set aside or pay any dividend or distribution in respect of any capital stock (other than the payment to Regency or any of its Subsidiaries of any such

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dividend or distribution) or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock;

b. (i) issue or authorize or propose the issuance of, sell, pledge or dispose of, or agree to issue or authorize or propose the issuance of, sell, pledge or dispose of, any additional shares of, or any options, warrants or rights of any kind to acquire any shares of, their capital stock of any class or any debt or equity securities convertible into or exchangeable for such capital stock, other than any such issuance pursuant to options, warrants, rights or convertible securities outstanding as of the date hereof in accordance with their terms; (ii) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization division thereof or otherwise acquire or agree to acquire any assets in each case which are material, individually or in the aggregate, to Regency and its Subsidiaries taken as a whole; (iii) sell (including by sale-leaseback), lease, pledge, dispose of or encumber any assets or interests therein, which are material, individually or in the aggregate, to Regency and its Subsidiaries taken as a whole, other than in the ordinary course of business and consistent with past practice; (iv) incur or become contingently liable with respect to any material indebtedness for borrowed money or guarantee any such indebtedness or issue any debt securities or otherwise incur any material obligation or liability (absolute or contingent) other than short-term indebtedness in the ordinary course of business and consistent with past practice; (v) redeem, purchase, acquire or offer to purchase or acquire any (x) shares of its capital stock or (y) long-term debt, other than as required by the governing instruments relating thereto; (vi) take any voluntary action which would jeopardize the treatment of the transactions contemplated hereby as a "pooling" for accounting purposes; or (vii) enter into any contract, agreement, commitment or arrangement with respect to any of the foregoing;

c. enter into or amend any employment, severance, special pay arrangement with respect to termination of employment or other arrangements or agreements with any directors, officers or key employees;

d. adopt, enter into or amend any, or become obligated under any new, bonus, profit sharing, compensation, stock

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option, pension, retirement, deferred compensation, health care, employment or other employee benefit plan, agreement, trust, fund or arrangement for the benefit or welfare of any employee or retiree, except as required to comply with changes in applicable law occurring after the date hereof and except, with respect to all plans other than bonus plans, in the ordinary course of business and consistent with past practice; or

e. take any action that would, or is reasonably likely to, result in any of its representations and warranties set forth in this Agreement becoming untrue, or in any of the conditions to the Merger set forth herein not being satisfied in any material respect.

6.2 Conduct of Business of Care Pending the Effective Time. Except as expressly permitted or contemplated by this Agreement, until the Effective Time, Care shall, and shall cause each of its Subsidiaries to, conduct its operations in the ordinary and usual course of business consistent with past practice and use their best efforts to preserve intact their respective business organizations' goodwill, keep available the services of their respective present officers and key employees, and preserve the goodwill and business relationships with suppliers, distributors, customers and others having business relationships with them. Without limiting the generality of the foregoing, and except as otherwise permitted by this Agreement, prior to the Effective Time, without the consent of Regency, which consent shall not be unreasonably withheld, Care will not, and will cause each of its Subsidiaries not to:

a. amend or propose to amend their respective charters or bylaws (other than as contemplated by this Agreement); or split, combine or reclassify their outstanding capital stock or declare, set aside or pay any dividend or distribution in respect of any capital stock (other than the payment to Care or any of its Subsidiaries of any such dividend or distribution) or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock;

b. Except as set forth in the Disclosure Letter, (i) issue or authorize or propose the issuance of, sell, pledge or dispose of, or agree to issue or authorize or propose the issuance of, sell, pledge or dispose of, any additional shares of, or any options, warrants or rights of any kind to acquire any shares of, their capital stock of any class or any debt or equity securities convertible into

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or exchangeable for such capital stock, other than any such issuance pursuant to options, warrants, rights or convertible securities outstanding as of the date hereof in accordance with their terms; (ii) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any assets in each case which are material, individually or in the aggregate, to Care and its Subsidiaries taken as a whole; (iii) sell (including by sale-leaseback), lease, pledge, dispose of or encumber any assets or interests therein, which are material, individually or in the aggregate, to such party and its Subsidiaries taken as a whole, other than in the ordinary course of business and consistent with past practice; (iv) incur or become contingently liable with respect to any material indebtedness for borrowed money or guarantee any such indebtedness or issue any debt securities or otherwise incur any material obligation or liability (absolute or contingent) other than short-term indebtedness in the ordinary course of business and consistent with past practice; (v) redeem, purchase, acquire or offer to purchase or acquire any (x) shares of its capital stock or (y) long-term debt, other than as required by the governing instruments relating thereto; (vi) take any voluntary action which would jeopardize the treatment of the transactions contemplated hereby as a "pooling" for accounting purposes; or (vii) enter into any contract, agreement, commitment or arrangement with respect to any of the foregoing;

c. enter into or amend any employment, severance, special pay arrangement with respect to termination of employment or other arrangements or agreements with any directors, officers or key employees;

d. adopt, enter into or amend any, or become obligated under any new, bonus, profit sharing, compensation, stock option, pension, retirement, deferred compensation, health care, employment or other employee benefit plan, agreement, trust, fund or arrangement for the benefit or welfare of any employee or retiree, except as required to comply with changes in applicable law occurring after the date hereof and except, with respect to all plans other than bonus plans, in the ordinary course of business and consistent with past practice; or

e. take any action that would, or is reasonably likely to, result in any of its representations and warranties set

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forth in this Agreement becoming untrue in any material respect, or in any of the conditions to the Merger set forth herein not being satisfied.

6.3 Cooperation. Subject to compliance with applicable law, from the date hereof until the Effective Time, each of Regency and Care shall confer on a regular and frequent basis with one or more representatives of the other party to report operational matters of materiality and the general status of ongoing operations and shall promptly provide the other party or its counsel with copies of all filings made by such party with any Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

6.4 Recommendation to Stockholders. Each of Care and Regency will, through its Board of Directors but subject to the fiduciary duties of its Board of Directors under applicable law as advised in writing by outside counsel, recommend to its stockholders the approval of the Merger and not rescind its declaration that the Merger is advisable.

6.5 State Takeover Laws. If any "fair price" or "control share acquisition" statute or other similar statute or regulation shall become applicable to the transactions contemplated hereby, Care and Regency and their respective Boards of Directors shall use their best efforts to grant such approvals and take such actions as are necessary so that the transactions contemplated hereby may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to minimize the effects of such statute or regulation on the transactions contemplated hereby.

ARTICLE VII
ADDITIONAL COVENANTS AND AGREEMENTS

7.1 No Solicitation. a. Without the prior written consent of Care, Regency and its Subsidiaries will not, and will use their best efforts to cause their respective officers, directors, employees and agents not to, initiate or solicit, directly or indirectly, any inquiries or the making of any proposal with respect to or, except to the extent required by their fiduciary duties, engage in negotiations concerning, provide any confidential information or data to or have any discussions with, any Third Party, other than Care or any Affiliate of Care, relating to, any acquisition, business combination or purchase of all or any significant portion of the assets of, or any equity interest in, Regency or any of its Subsidiaries. Regency will immediately cease and cause to be terminated

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any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing. Regency shall immediately notify Care if any such negotiations, or providing of confidential information or data or discussions are entered into or made or any such inquiries are received in respect thereof, and shall provide details with respect thereto.

Notwithstanding the foregoing (i) Regency may engage in discussions or negotiations with a third party who seeks without inducement to initiate discussions or negotiations relative to a proposed takeover proposal and may furnish such Third Party information concerning Regency and its business, properties or assets, (ii) the Board of Directors of Regency may take and disclose to their respective stockholders a position contemplated by Rule 14e-2(a) promulgated under the Exchange Act and (iii) following receipt of a takeover proposal, the Board of Directors of Regency may withdraw or modify their respective recommendations referred to in Section 6.4 hereof, but in each case referred to in the foregoing clauses (i) through (iii) only to the extent that the Board of Directors of Regency shall conclude in good faith on the basis of the written advice of its outside counsel that such action is necessary in order for such Board of Directors to act in a manner which is consistent with its fiduciary obligations under applicable law.

b. Without the prior written consent of Regency, Care and its Subsidiaries will not, and will use their best efforts to cause their respective officers, directors, employees and agents not to, initiate or solicit, directly or indirectly, any inquiries or the making of any proposal with respect to or, except to the extent required by their fiduciary duties, engage in negotiations concerning, provide any confidential information or data to, or have any discussions with, any Third Party, other than Regency or any Affiliate of Regency relating to, any acquisition, business combination or purchase of all or any significant portion of the assets of, or any equity interest in, Care or any of its Subsidiaries. Care will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing. Care shall immediately notify Regency if any such negotiations, or providing of confidential information or data or discussions are entered into or made or any such inquiries are received in respect thereof, and shall provide details with respect thereto.

Notwithstanding the foregoing (i) Care may engage

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in discussions or negotiations with a Third Party who seeks without inducement to initiate discussions or negotiations relative to a proposed takeover proposal and may furnish such third party information concerning Care and its business, properties or assets, (ii) the Board of Directors of Care may take and disclose to their respective stockholders a position contemplated by Rule 14e-2(a) promulgated under the Exchange Act and (iii) following receipt of a takeover proposal, the Board of Directors of Care may withdraw or modify their respective recommendations referred to in Section 6.4 hereof, but in each case referred to in the foregoing clauses (i) through (iii) only to the extent that the Board of Directors of Care shall conclude in good faith on the basis of the written advice of its outside counsel that such action is necessary in order for such Board of Directors to act in a manner which is consistent with its fiduciary obligations under applicable law.

7.2 Access to Information. Subject to compliance with applicable law, upon reasonable notice Regency and Care shall each (and shall cause each of their respective Subsidiaries to) afford to the other and the officers, employees, accountants, counsel, financial advisors and other representatives of the other, access during normal business hours throughout the period prior to the Effective Time to all of its properties, books, contracts, commitments and records and, during such period, each of Regency and Care shall (and shall cause each of their respective Subsidiaries to) furnish promptly to the other (a) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of Federal securities laws, and (b) all other information concerning its businesses, properties and personnel as such other party may reasonably request. Unless otherwise required by law, the parties will hold any such information which is nonpublic in confidence until such time as such information otherwise becomes publicly available through no wrongful act of either party and in the event of termination of this Agreement for any reason, each party shall promptly return all nonpublic documents obtained from any other party, and any copies made of such documents, to such other party. In addition, in the event of such termination, all documents, memoranda, notes and other writing whatsoever prepared by each party based on the information in such material shall be destroyed (and each party shall use its best efforts to cause its advisors and their representatives to similarly destroy their respective documents, memoranda and notes), and such destruction (and best efforts) shall be

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certified in writing to the other party by an authorized officer supervising such destruction.

7.3 Registration Statement and Proxy Statement. As soon as is reasonably practicable after the date hereof, Regency and Care shall prepare and file the Proxy Statement with the SEC and Regency and Care shall promptly prepare and Regency shall file with the SEC the Form S-4 in which the Proxy Statement will be included. Each of Regency and Care shall use its best efforts to have the Registration Statement declared effective under the Securities Act as promptly as practicable after such filing. Regency and Care shall take any action required to be taken under applicable state securities and blue sky laws in connection with the issuance of shares of Regency Common Stock in the Merger and as contemplated by this Agreement. Regency and Care shall promptly furnish to each other all information, and take such other actions, as may reasonably be requested in connection with either action by either of them in connection with this Section 7.3.

7.4 Affiliates. Regency and Care shall each use its best efforts to cause each principal executive officer, each director and each other person who may be deemed to be an "affiliate," for purposes of Rule 145 under the Securities Act, of Regency or Care, as the case may be, to deliver to Regency and Care on or prior to the Effective Time a written agreement to the effect that such person will not offer to sell, sell or otherwise dispose of any shares of Regency Common Stock issued in the Merger, except, in each case, pursuant to an effective registration statement or in compliance with Rule 145, as amended from time to time, or in a transaction which, in the opinion of legal counsel satisfactory to Regency and Care, is exempt from the registration requirements of the Securities Act and, in any case, until after the results covering 30 days of post-Merger combined operations of Regency and Care have been filed with the SEC, sent to stockholders of Regency or otherwise publicly issued.

7.5 Agreement to Cooperate; Further Assurances. Subject to the terms and conditions of this Agreement, each of the parties hereto shall use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, subject to the appropriate vote of stockholders of Regency and Care described in Section 8.1(a) hereof, including providing information and using reasonable efforts to obtain all necessary or appropriate waivers,

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consents and approvals, and effecting all necessary registrations and filings (including filings under the HSR Act). In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each party to this Agreement shall take all necessary actions to the extent not inconsistent with their other duties and obligations or applicable law.

7.6 Stock Options. (a) To the extent that acceleration of the exercisability of any outstanding option to purchase shares of Regency Common Stock (a "Regency Stock Option"), any outstanding unit based on the value of Regency Common Stock or the stock of a Regency Subsidiary is permitted by action of Regency or a committee of Regency's Board of Directors but not mandated by the applicable governing instrument, then Regency shall take all necessary action to cause such acceleration not to occur.

(b) To the extent that acceleration of the exercisability of any outstanding option to purchase shares of Care Common Stock or any stock appreciation right with regard to Care Common Stock (a "Care Stock Option"), any outstanding unit based on the value of Care Common Stock or the stock of a Care Subsidiary is permitted by action of Care or a committee of Care's Board of Directors but not mandated by the applicable governing instrument, then Care shall take all necessary action to cause such acceleration not to occur. In connection therewith, at the Effective Time, each Care Stock Option, whether vested or unvested, shall be assumed by Regency, and each of Regency and Care shall cause an amendment to their applicable plans to be adopted (and, if necessary, approved by their respective stockholders) to accomplish the foregoing. Unless Regency and Care shall otherwise agree, each such Care Stock Option shall be deemed to constitute an option or right to acquire, on the same terms and conditions as were applicable under such Care Stock Option, the same number of shares of Regency Common Stock as the holder of such Care Stock Option would have been entitled to receive pursuant to the Merger had such holder exercised such option or right in full immediately prior to the Effective Time (rounded up to the nearest whole share in the case of Care Stock Options that are non-qualified stock options or stock appreciation rights and rounded down to the nearest whole share in the case of incentive stock options (as defined below)), at a price per share of Regency Common Stock equal to (i) the exercise price per share for the shares of Care Common Stock purchasable pursuant to such Care Stock Option

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divided by (ii) 0.71 shares of Regency Common Stock; provided, however, that in the case of any option to which section 421 of the Code applies by reason of its qualification under any of sections 422-424 of the Code ("incentive stock options"), the option price, the number of shares purchasable pursuant to such option and the terms and conditions of exercise of such option shall be determined in order to comply with section 424(a) of the Code, subject to the terms and conditions of the relevant governing instruments.

(c) As soon as practicable after the Effective Time, Regency shall file a registration statement on Form S-3 or Form S-8, as the case may be (or any successor or other appropriate forms) with respect to the shares of Regency Common Stock subject to such options including Care Stock Options and shall use its best efforts to maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such options remain outstanding. Regency shall administer the Option Plans assumed pursuant to this Section 7.6 in a manner that complies with Rule 16b-3 promulgated under the Exchange Act to the extent the Option Plans complied with such rule prior to the Merger.

7.7 Public Statements. The parties shall consult with each other prior to issuing any public announcement or statement with respect to this Agreement or the transactions contemplated hereby and shall not issue any such public announcement or statement prior to such consultation, except as may be required by law or by the rules of the American Stock Exchange or the National Association of Securities Dealers, Inc.

7.8 Letter of Regency's Accountants. Regency shall use its best efforts to cause to be delivered to Care a letter of Arthur Andersen, dated a date within two business days before the date on which the Form S-4 shall become effective and addressed to Care, in form and substance reasonably satisfactory to Care and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the Form S-4.

7.9 Letter of Care's Accountants. Care shall use its best efforts to cause to be delivered to Regency a letter of Ernst & Young, dated a date within two business days before the date on which the Form S-4 shall become effective and addressed to Regency, in form and substance rea-

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sonably satisfactory to Regency and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the Form S-4.

7.10 Expenses. Subject to Section 9.5 hereof, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby irrespective of whether the Merger is consummated shall be paid by the party incurring such expenses, except that those financial printer and mailing expenses incurred in connection with printing and mailing the Proxy Statement and the Form S-4, as well as the filing fee relating thereto, shall be shared equally by Regency, on the one hand, and Care, on the other hand.

7.11 Opinions of Financial Advisors. Each of Regency and Care shall use its best efforts to cause Smith Barney Shearson and Merrill Lynch, respectively, to provide opinions, in the forms described in Section 4.14 and 5.14, respectively, and shall include such opinions in the Proxy Statement.

7.12 Registration Rights. Regency shall use its best efforts to enter into and in any event will offer relatively concurrently with the Effective Time a Registration Rights Agreement with each person who will be an Affiliate of Regency after the Effective Time and each person who presently has registration rights with respect to shares of Regency Common Stock, which will include demand and incidental or piggy-back rights of registration and shall otherwise be in form and substance reasonably satisfactory to Regency and such persons respecting shares of Regency Common Stock which are issued to such persons in the Merger. Regency shall use its best efforts to provide that such Registration Rights Agreement will supersede all registration rights agreements presently in effect respecting shares of Regency Common Stock and Care Common Stock.

7.13 Indemnification; Directors and Officers Insurance. For six years from and after the Effective Time, Regency agrees to indemnify and hold harmless all past and present officers and directors of Care and of its Subsidiaries to the same extent such persons are currently indemnified by Care pursuant to Care's Restated Certificate of Incorporation and Bylaws for acts or omissions occurring at or prior to the Effective Time. Regency will provide, for an aggregate period of not less than six years from the Effective Time, Care's current directors and officers an insurance and indemnification

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policy that provides coverage for events occurring prior to the Effective Time (the "D&O Insurance") that is no less favorable than Care's existing policy or, if substantially equivalent insurance coverage is unavailable, the best available coverage; provided, however, that Regency shall not be required to pay an annual premium for the D&O Insurance in excess of $750,000, but in such case shall purchase as much coverage as possible for such amount.

7.14 Merger Provisions. Care agrees to amend this Agreement if, prior to the time the Proxy Statement is mailed to holders of Regency Common Stock, Regency notifies Care in writing that, in the reasonable opinion of Regency, the Merger as described in Section 2.1 hereof would result in recognition of gain for Federal tax purposes to either Care or Regency. Such amendment shall provide that the Merger shall occur by merging a newly formed wholly owned subsidiary of Regency with and into Care in a tax-free reorganization under Section 368(a)(2)(E) of the Code.

7.15 Employment Agreements. Regency shall use its best efforts to enter into an employment agreement effective as of the Effective Time with each of the persons listed on Exhibit C under the heading "Officers" in form and substance reasonably satisfactory to Regency and Care.

7.16 Undertaking. Regency and Care shall use their best efforts to enter into or obtain the agreements contemplated by Sections 7.4, 7.12 and 7.15 prior to the date that the Proxy Statement is mailed to stockholders of Regency and Care.

7.17 New York Stock Exchange Listing. Regency shall use its best efforts to qualify the Regency Common Stock for listing on the New York Stock Exchange.

ARTICLE VIII
CONDITIONS

8.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

a. This Agreement and the transactions contemplated hereby shall have been approved and adopted by the affirmative vote of a majority of the outstanding shares of Regency Common Stock and Care Common Stock entitled to vote;

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b. The waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated;

c. The Form S-4 shall have become effective in accordance with the provisions of the Securities Act, and no stop order suspending such effectiveness shall have been issued and remain in effect;

d. No temporary restraining order, preliminary or permanent injunction or other order or decree by any court of competent jurisdiction which prevents the consummation of the Merger or imposes material conditions with respect thereto shall have been issued and remain in effect (each party agreeing to use its reasonable efforts to have any such injunction, order or decree lifted);

e. No action shall have been taken, and no statute, rule or regulation shall have been enacted, by any state or Federal government or governmental agency which would prevent the consummation of the Merger or imposes material conditions with respect thereto;

f. All governmental consents and approvals legally required for the consummation of the Merger and the transactions contemplated hereby shall have been obtained and be in effect at the Effective Time, including all state securities or blue sky permits and other authorizations necessary to issue the shares of Regency Common Stock pursuant to this Agreement and as contemplated by Section 7.3 hereof, except those for which failure to obtain such consents and approvals would not, individually or in the aggregate, have a Material Adverse Effect on the Surviving Subsidiary, or upon the consummation of the transactions contemplated hereby;

g. Regency and Care shall each have received from each person specified in Section 7.4 hereof the written agreement referred to in such Section 7.4; and

h. Each of Regency and Care shall have received a letter from each of Arthur Andersen and Ernst & Young, dated the Effective Time, addressed to Regency and Care, in form and substance reasonably satisfactory to Regency and Care, stating that the Merger will qualify as a "pooling of interests" transaction under generally accepted accounting principles.

i. Regency shall have entered into the employment agreements contemplated by Section 7.15 hereof.

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8.2 Conditions to Obligation of Regency to Effect the Merger. The obligation of Regency to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

a. Care shall have performed in all material respects its agreements contained in this Agreement required to be performed on or prior to the Effective Time and the representations and warranties of Care contained in this Agreement shall be true and correct in all material respects on and as of the date of this Agreement and on and as of the Effective Time as if made on and as of such date, except as contemplated or permitted by this Agreement and Regency shall have received a certificate of the President or of an Executive Vice President of Care to that effect;

b. Care shall have obtained the consent or approval of each person whose consent or approval shall be required in connection with the transactions contemplated hereby under any loan or credit agreement, note, mortgage, indenture, lease, license or other agreement or instrument, except those for which failure to obtain such consents and approvals would not, individually or in the aggregate, have a Material Adverse Effect on Care, or upon the consummation of the transactions contemplated hereby;

c. Regency shall have received an opinion of Sidley & Austin or other outside counsel to Care acceptable to Regency, in substantially the form set forth as Exhibit D hereto;

d. Regency shall have received the letter of Ernst & Young referred to in Section 7.9 hereof.

8.3 Conditions to Obligation of Care to Effect the Merger. The obligations of Care to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the additional following conditions:

a. Regency shall have performed in all material respects its agreements contained in this Agreement required to be performed on or prior to the Effective Time and the representations and warranties of Regency contained in this Agreement shall be true and correct in all material respects on and as of the date of this Agreement and on and as of the Effective Time as if made on and as of such date, except as contemplated by this Agreement and Care shall have received a Certificate of the President or of an Executive Vice President of Regency to that effect;

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b. Regency shall have obtained the consent or approval of each person whose consent or approval shall be required in connection with the transaction contemplated hereby under any loan or credit agreement, note, mortgage, indenture, lease, license or other agreement or instrument, except those for which failure to obtain such consents and approvals would not, individually or in the aggregate, have a Material Adverse Effect on Regency, or upon the consummation of the transactions contemplated hereby;

c. Care shall have received an opinion of Skadden, Arps, Slate, Meagher & Flom or other outside counsel to Regency acceptable to Care, in substantially the form set forth as Exhibit E hereto; and

d. Care shall have received the letter of Arthur Anderson referred to in Section 7.8 hereof;

e. Care shall have received an opinion of Sidley & Austin, in form and substance satisfactory to Care, dated the Effective Time, substantially to the effect that on the basis of facts, representation and assumptions set forth in such opinion which are consistent with the state of facts existing as of the Effective Time:

(i) The Merger will constitute a reorganization for Federal income tax purposes within the meaning of Section 368(a) of the Code, and Care and Regency will each be a party to that reorganization within the meaning of Section 368(b) of the Code;

(ii) No gain or loss will be recognized by Care as a result of the Merger;

(iii) No gain or loss will be recognized by the stockholders of Care upon the conversion of their Care Common Stock into shares of Regency Common Stock pursuant to the Merger except with respect to cash, if any, received in lieu of fractional shares of Regency Common Stock;

(iv) The aggregate tax basis of the shares of Regency Common Stock received in exchange for shares of Company Care Stock pursuant to the Merger will be the same as the aggregate tax basis of such shares of Care Common Stock, decreased by the amount of any tax basis allocable to the fractional share interest for which cash is received; and

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(v) The holding period for shares of Regency Common Stock received in exchange for shares of Care Common Stock pursuant to the Merger will include the period that such shares of Common Stock were held by the holder, provided such shares of Care Common Stock were held as capital assets by the holder on the Effective Time.

f. All shares of Regency Common Stock to be issued in the Merger shall have been approved for listing on the American Stock Exchange, or such other exchange as its shares may then be listed, subject to official notice of issuance.

ARTICLE IX
TERMINATION, AMENDMENT AND WAIVER

9.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval by the stockholders of Regency or Care:

a. by the mutual written consent of Regency and Care;

b. by either Regency or Care if (i) the Merger shall not have been consummated on or before May 31, 1994 (the "Termination Date"); (ii) any Governmental Entity, the consent of which is a condition to the obligations of Regency and Care to consummate the transactions contem-plated hereby shall have determined not to grant its consent and all appeals of such determination shall have been taken and have been unsuccessful or (iii) any court of competent jurisdiction in the United States or any State shall have issued an order, judgment or decree (other than a temporary restraining order) restraining, enjoining or otherwise prohibiting the Merger and such order, judgment or decree shall have become final and nonappealable;

c. by Regency if (i) the Merger shall have been voted on by holders of Care Common Stock at a meeting duly convened therefor, and the votes shall not have been sufficient to satisfy the condition set forth in Section 8.1(a) hereof, (ii) there has been a material breach by Care of any representation, warranty, covenant or agreement set forth in this Agreement, which breach has not been cured within ten business days following receipt by the breaching party of notice of such breach, (iii) the Board of Directors of Care should fail to recommend to its stockholders approval of the transactions contemplated by this Agreement or such recommendation shall have been made and subsequently withdrawn, (iv) following the execution of this Agreement, any Third Party other than

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Care or any of its Affiliates shall have communicated to Regency a proposal (x) relating to any acquisition, business combination or purchase of all or any significant portion of the assets of, or any equity interest in, Regency or any of its Subsidiaries (a "Regency Third Party Proposal"), and Regency shall have entered into a written agreement with respect to a Regency Third Party Proposal, or (y) that is subject to Section 14(d) of the Exchange Act, and Regency's Board of Directors shall have made a recommendation to its stockholders other than to reject such proposal or shall have made no recommendation with respect thereto, or (v) the condition contained in Section 8.1(g) is not satisfied prior to the Termination Date because of the failure of any affiliate (as defined in Section 7.4) of Care to deliver the written agreement specified in such Section;

d. by Care if (i) the Merger shall have been voted on by holders of Regency Common Stock at a meeting duly convened therefor and the votes shall not have been sufficient to satisfy the condition set forth in Section 8.1(a) hereof, (ii) there has been a material breach by Regency of any representation, warranty, covenant or agreement set forth in this Agreement, which breach has not been cured within ten business days following receipt by the breaching party of notice of such breach, (iii) the Board of Directors of Regency should fail to recommend to its stockholders approval of the transactions contemplated by this Agreement or such recommendation shall have been made and subsequently withdrawn, (iv) following the execution of this Agreement, any Third Party other than Regency or any of its Affiliates shall have communicated to Care a proposal (x) relating to any acquisition, business combination or purchase of all or any significant portion of the assets of, or any equity interest in, Care or any of its Subsidiaries (a "Care Third Party Proposal"), and Care shall have entered into a written agreement with respect to a Care Third Party Proposal, or (y) that is subject to Section 14(d) of the Exchange Act, and Care's Board of Directors shall have made a recommendation to its stockholders other than to reject such proposal or shall have made no recommendation with respect thereto, or (v) the condition contained in Section 8.1(g) hereof is not satisfied prior to the Termination Date because of the failure of any affiliate (as defined in Section 7.4 hereof) of Regency to deliver the written agreement specified in such Section;

provided, that the right to terminate this Agreement (i) under Section 9.1(b)(i) hereof shall not be available to

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any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before such date and (ii) under Section 9.1(c) and (d) hereof shall not be available to any party who at such time is in material breach of any representation, warranty, covenant or agreement set forth in this Agreement.

9.2 Effect of Termination. In the event of termination of this Agreement by either Regency or Care as provided in Section 9.1 hereof, this Agreement shall forthwith become void (except as set forth in this Section 9.2 and in Sections 7.2, 7.7, 7.10 and 9.5 hereof, which shall survive the termination) and there shall be no liability on the part of Regency or Care or their respective officers or directors except for any breach of any of its obligations under this Section 9.2 and Sections 7.2, 7.7, 7.10 and 9.5 hereof. Notwithstanding the foregoing, no party hereto shall be relieved from liability for any willful, material breach of this Agreement.

9.3 Amendment. This Agreement may be amended by the parties hereto at any time before or after approval hereof by the stockholders of Regency or Care, provided that after any such approval, no amendment shall be made which (a) changes the ratio at which the shares of Care Common Stock are to be converted into shares of Regency Common Stock pursuant to this Agreement, (b) in any way materially adversely affects the rights of holders of shares of Regency Common Stock or Care Common Stock or (c) changes any of the principal terms of this Agreement, in each case without the approval or further approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

9.4 Waiver. At any time prior to the Effective Time, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

9.5 Termination Fee. (a) If

(i) (A) this Agreement is terminated (x) pursuant

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to Sections 9.1(c)(i), (ii), or (v) hereof, or (y) pursuant to Section 9.1(c)(iii) hereof prior to the time that a Care Third Party Proposal or a proposal subject to Section 14(d) of the Exchange Act shall have been communicated to Care, and

(B) within twelve (12) months after the termination of this Agreement by Regency, (x) a business combination between or among Care and a Third Party is effectuated, or (y) an offer by a Third Party subject to Section 14(d) of the Exchange Act for not less than a majority of the shares of Care Common Stock is successfully completed, or

(ii) this Agreement is terminated (x) pursuant to Section 9.1(d)(iv) hereof, or (y) pursuant to Section 9.1(c)(iii) hereof at or after the time a Care Third Party Proposal or a proposal subject to Section 14(d) of the Exchange Act shall have been communicated to Care,

and Care is not also entitled to terminate this Agreement by reason of Section 9.1(d)(ii) hereof, then, in addition to any other rights or remedies that may be available, Care shall promptly (and in any event within two days of receipt by Care of written notice from Regency) pay to Regency (by wire transfer of immediately available funds to an account designated by Regency) a termination fee of $6,000,000, and shall reimburse Regency for all out-of-pocket expenses (including all fees and expenses of its counsel, advisors, accountants and consultants) incurred by Regency or on its behalf in connection with the transactions contemplated by this Agreement.

(b) If

(i) (A) this Agreement is terminated (x) pursuant to Sections 9.1(d)(i), (ii), or (v) hereof, or (y) pursuant to Section 9.1(d)(iii) hereof prior to the time that a Regency Third Party Proposal or a proposal subject to Section 14(d) of the Exchange Act shall have been communicated to Regency, and

(B) within twelve (12) months after the termination of this Agreement by Care, (x) a business combination between or among Regency and a Third Party is effectuated, or (y) an offer by a Third Party subject to Section 14(d) of the Exchange Act for not less than a majority of the shares of Regency Common Stock is successfully completed, or

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(ii) this Agreement is terminated (x) pursuant to Section 9.1(c)(iv) hereof, or (y) pursuant to Section 9.1(d)(iii) hereof at or after the time a Regency Third Party Proposal or a proposal subject to Section 14(d) of the Exchange Act shall have been communicated to Regency,

and Regency is not also entitled to terminate this Agreement by reason of Section 9.1(c)(ii) hereof, then, in addition to any other rights or remedies that may be available, Regency shall promptly (and in any event within two days of receipt by Regency of written notice from Care) pay to Care (by wire transfer of immediately available funds to an account designated by Care) a termination fee of $6,000,000, and shall reimburse Care for all out-of-pocket expenses (including all fees and expenses of its counsel, advisors, accountants and consultants) incurred by Care or on its behalf in connection with the transactions contemplated by this Agreement.

ARTICLE X
GENERAL PROVISIONS

10.1 Non-Survival of Representations, Warranties and Agreements. None of the representations, warranties and agreements in this Agreement shall survive the Effective Time.

10.2 Notices. Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed duly given upon (a) transmitter's confirmation of a receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand or (c) the expiration of five business days after the day when mailed by certified or registered mail, postage prepaid, addressed at the following addresses (or at such other address as the parties hereto shall specify by like notice):

If to Regency, to:

Regency Health Services, Inc.
3636 Birch Street
Suite 195
Newport Beach, California 92660
Telecopy No. (714) 851-2927

Attention: Cecil Mays

with a copy to:

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Skadden, Arps, Slate, Meagher & Flom
300 South Grand Avenue
Los Angeles, California 90071
Telecopy No. (213) 687-5600

Attention: Brian J. McCarthy, Esq.

If to Care, to:

Care Enterprises, Inc.
2742 Dow Avenue
Tustin, California 92680-7245
Telecopy No. (714) 544-4443 x2401

Attention: John W. Adams

with a copy to:

Sidley & Austin
2049 Century Park East
Los Angeles, California 90067
Telecopy No. (213) 556-6502

Attention: Moshe J. Kupietzky, Esq.

10.3 Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

10.4 Miscellaneous. This Agreement (including the documents and instruments referred to herein) together with the Confidentiality Agreement dated November 5, 1993, (a) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof; (b) is not intended to confer upon any other person any rights or remedies hereunder; (c) shall not be assigned by operation of law or otherwise without the prior written consent of the other parties hereto; and (d) shall be governed in all respects, including validity, interpretation and effect, by and construed in accordance with the laws of the State of Delaware (without giving effect to the provisions thereof relating to conflicts of law). The parties hereby acknowledge that, except as hereinafter agreed to in writing, no party shall have the right to acquire or shall be deemed to have acquired shares of common stock

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of the other party pursuant to the Merger until consummation thereof.

10.5 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

10.6 Parties in Interest. Subject to the provisions of Section 10.4(c) hereof, this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns and, except as set forth in Section 10.4 hereof, nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

10.7 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

10.8 Attorneys' Fees. If any action at law or equity, including an action for declaratory relief, is brought to enforce or interpret any provision of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and expenses from the other party, which fees and expenses shall be in addition to any other relief which may be awarded.

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

REGENCY HEALTH SERVICES, INC.

By: /s/ CECIL MAYS
Name: Cecil Mays
Title: President

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CARE ENTERPRISES, INC.

By: /s/ JOHN W. ADAMS
Name: John W. Adams
Title: Chairman and Chief Executive Officer

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Exhibit A

RESTATED

CERTIFICATE OF INCORPORATION

OF

REGENCY HEALTH SERVICES, INC.

ARTICLE I

NAME

The name of the Corporation is:

REGENCY HEALTH SERVICES, INC.

ARTICLE II

Registered Office

The address of the registered office of the Corporation in the State of Delaware is Three Christina Centre, Suite 1414, 201 N. Walnut Street in the City of Wilmington, County of New Castle and the name of its registered agent at such address is The Incorporators Ltd.

ARTICLE III

Business

The nature of the business and the purposes to be conducted or promoted by the Corporation are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

ARTICLE IV

Authorized Capital Stock

The Corporation shall have the authority to issue one class of stock to be designated Common Stock. The total number of shares of Common Stock this Corporation will have the authority to issue is thirty-five million (35,000,000) shares, $0.01 par value.

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ARTICLE V

Bylaws

The Board of Directors is expressly authorized to adopt, amend, or repeal the Bylaws of the Corporation.

ARTICLE VI

Meetings

The stockholders and directors may hold their meetings and keep the books and documents of the Corporation outside the State of Delaware, at such places as may be from time to time designated by the Bylaws, except as otherwise required by the laws of Delaware.

ARTICLE VII

Existence

The Corporation is to have perpetual existence.

ARTICLE VIII

Election of Directors

A. The business and affairs of the Corporation shall be conducted and managed by, or under the direction of, the Board. The total number of directors constituting the entire Board shall be such number as may be fixed from time to time by or in the manner provided in the Bylaws of the Corporation.

B. The Board shall be divided into three classes, as nearly equal in number as the then-authorized number of directors constituting the Board permits, with the term of office of one class expiring each year and with each director serving for a term ending at the third annual meeting of stockholders of the Corporation following the annual meeting at which such director was elected.

C. Newly created directorships resulting from any increase in the authorized number of directors, and any vacancies on the Board resulting from death, resignation, disqualification, removal, or other cause, may be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board. Any director elected in accordance with the preceding sentences shall hold office for

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the remainder of the full term of the class of directors in which the new directorship was created or in which the vacancy occurred, and until such director's successor shall have been duly elected and qualified, subject to his or her earlier death, disqualification, resignation, or removal. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

ARTICLE IX

Authority of Board

The Board of Directors is expressly authorized and shall have such authority as set forth in the Bylaws to the extent such authority would be valid under Delaware law; provided, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the directors that would have been valid if such Bylaws had not been adopted.

ARTICLE X

Limitation of Liability

To the fullest extent permitted by Delaware General Corporation Law as the same exists or may hereinafter be amended: (i) a Director shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) pursuant to Section 174 of the General Corporation Law or (d) for any transaction from which the director derived an improper personal benefit; (ii) the Corporation shall indemnify, defend and hold harmless any and all of its existing and former directors, advisory directors, officers, and agents from and against any and all losses, claims, damages, expenses, fees, or liabilities, whether joint or several, incurred by each of them including but not limited to all legal fees, judgments, penalties or amounts paid in defense, settlement, or compromise, all of which may arise or be incurred, rendered, or levied in any legal action or administrative proceeding brought or threatened against any of them for or on account of any action or omission while acting as a director, advisor director, officer, or agent of the Corporation. Any repeal or modification of this Article X by the stockholders of the Corporation shall

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not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

ARTICLE XI

Amendments

The Corporation reserves the right to amend, alter, change, or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by the Delaware General Corporation Law.

ARTICLE XII

Stockholder Consent

No action required to be taken or that may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, and the power of the stockholders of the Corporation to consent in writing, without a meeting, to the taking of any action is specifically denied.

ARTICLE XIII

Meetings of Stockholders

Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, the President, or the Board pursuant to a resolution adopted by a majority of the then-authorized number of directors of the Corporation. Special meetings of stockholders may not be called by any other person or persons or in any other manner.

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EXHIBIT B

RESTATED BYLAWS OF

REGENCY HEALTH SERVICES, INC.
a Delaware Corporation

ARTICLE I

OFFICES

Section 1. REGISTERED OFFICE AND PRINCIPAL OFFICE. The registered office of the corporation in the State of Delaware is The Incorporators Ltd., Three Christina Centre, Suite 1414, 201 N. Walnut Street, Wilmington, Delaware or such other place as the board of directors may designate from time to time. The board of directors shall fix the location of the principal executive office of the corporation at any place within or outside the State of Delaware.

Section 2. OTHER OFFICES. The board of directors may at any time establish branch or subordinate offices at any place or places in this state or otherwise.

Section 3. REGISTERED AGENT. The registered agent of the corporation in the State of Delaware is The Incorporators Ltd.

ARTICLE II

MEETING OF STOCKHOLDERS

Section 1. PLACE OF MEETINGS. Meetings of Stockholders shall be held at any place within or outside the State of Delaware designated by the board of directors. In the absence of any such designation, Stockholders' meetings shall be held at the principal executive office of the corporation.

Section 2. ANNUAL MEETING. The annual meeting of Stockholders shall be held each year on a date and at a time designated by the board of directors which shall be not more than thirteen months after its last annual

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meeting. At each annual meeting, directors shall be elected, and any other proper business which is within the powers of the Stockholders may be transacted.

Section 3. SPECIAL MEETING.

A. A special meeting of the Stockholders may be called at any time by the board of directors, or by the chairman of the board, or by the president, or by one or more Stockholders holding shares in the aggregate entitled to cast not less than ten percent (10%) of the votes at that meeting.

B. If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general purpose or purposes for which the meeting is called, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president, or the secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 4 and 5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this subparagraph B of this Section 3 shall be construed as limiting, fixing or affecting the time when a meeting of Stockholders called by action of the board of directors may be held.

Section 4. NOTICE OF STOCKHOLDERS' MEETINGS. All notices of meetings of Stockholders shall be sent or otherwise given in accordance with Section 5 of this Article II and, except as set forth in subparagraph B of Section 3 of this Article II, shall be sent or otherwise given not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the purpose or purposes for which the meeting is called, or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the Stockholders. The notice of any meetings at which directors are to be elected shall include the name of any nominee or nominees whom, at the time of the notice, management intends to present for election.

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Section 5. MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE. Notice of any meeting of Stockholders shall be given either personally or by first-class mail or telegraphic or other written communication, charges prepaid, addressed to the Stockholder at the address of that Stockholder appearing on the books of the corporation or given by the Stockholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that Stockholder by first-class mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least one in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication. An affidavit of the secretary or an assistant secretary or the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Section 6. QUORUM. The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of Stockholders shall constitute a quorum for the transaction of business. The Stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by holders of at least a majority of the shares required to constitute a quorum.

Section 7. ADJOURNED MEETING; NOTICE. Any Stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 6 of this Article II. When any meeting of Stockholders, either annual or special, is adjourned to another time and place, notice need not be given of the adjourned meeting if the time and place are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than thirty (30) days from the date set for the original meeting, in which case the board of directors shall set a new record date. If the adjournment is for more than thirty (30) days, or if a new record date is fixed for the

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adjourned meeting, a notice of any such adjourned meeting shall be given to each Stockholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 4 and 5 of this Article II. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

Section 8. VOTING. The Stockholders entitled to vote at any meeting of Stockholders shall be determined in accordance with the provisions of Section 11 of this Article II, subject to the provisions of Sections 217 and 218, of the General Corporation Law of Delaware (relating to voting shares held by a fiduciary, by pledgors, in joint ownership or bound by voting trusts or voting agreements). The Stockholders' vote may be by voice or by ballot; provided, however, that any election for directors must be by ballot. On any matter other than elections of directors, any Stockholder may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the Stockholder fails to specify the number of shares which the Stockholder is voting affirmatively, it will be conclusively presumed that the Stockholder's approving vote is with respect to all shares that the Stockholder is entitled to vote. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter (other than the election of directors) shall be the act of the Stockholders, unless the vote of a greater number or voting by classes is required by General Corporation Law of Delaware, or by the Certificate of Incorporation or by these bylaws.

Section 9. WAIVER OF NOTICE OR CONSENT BY ABSENT STOCKHOLDERS. The transactions of any meeting of Stockholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice. The waiver of notice need not specify either the business to be transacted or the purpose of any annual or special meeting of Stockholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in subparagraph B of Section 4 of this Article II, the waiver of notice or consent shall state the general nature of the proposal. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects, at

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the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting.

Section 10. STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING. No action required to be taken or that may be taken at any annual or special meeting of Stockholders may be taken without a meeting.

Section 11. RECORD DATE FOR STOCKHOLDER NOTICE, VOTING, AND GIVING CONSENTS. For purposes of determining the Stockholders entitled to notice of any meeting or to vote or entitled to give consent to corporate action without a meeting, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting, and in this event only Stockholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the General Corporation Law of Delaware. If the board of directors does not so fix a record date:

(a) The record date for determining Stockholders entitled to notice of or to vote at a meeting of Stockholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(b) The record date for determining Stockholders entitled to give consent to corporate action in writing without a meeting when no prior action by the board is necessary shall be the day on which the first written consent is given.

(c) A determination of Stockholders of record entitled to notice of or to vote at a meeting of Stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

Provisions governing record dates for other purposes are located in Section 1 of Article VIII.

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Section 12. PROXIES. Every person entitled to vote for directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation. A proxy shall be deemed signed if the Stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the Stockholder or the Stockholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the General Corporation Law of Delaware.

Section 13. INSPECTORS OF ELECTION. Before any meeting of Stockholders, the board of directors may appoint any persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed or if any person so appointed should fail or refuse to appear, the chairman of the meeting may, and on the request of any Stockholder or a Stockholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one or three. If holders or proxies, the majority of shares represented in person or by proxy shall determine whether one or three inspectors are appointed.

ARTICLE III

DIRECTORS

Section 1. POWERS. Subject to the provisions of the General Corporation Law of Delaware and any limitations in the Certificate of Incorporation and these bylaws relating to action required to be approved by the Stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the

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direction of the board of directors.

Section 2. NUMBER AND QUALIFICATION OF DIRECTORS. The number of directors of the corporation shall be eight (8) until this Section 2 is amended.

Section 3. ELECTION AND TERM OF OFFICE OF DIRECTORS. The board of directors shall be divided into three classes, each as nearly equal in numbers as the then total number of directors constituting the entire board of directors permits and with the term of office of one class expiring each year, designated Class I, Class II and Class III. Initially, Class I directors shall be elected for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. Until the annual meeting of Stockholders occurring in 1997 and thereafter until this Section 3 is amended, in the event that any of the persons designated as a director by the corporation prior to the effective time (the "Effective Time") of the merger of the corporation and Care Enterprises, Inc. (each, a "Regency Designee"), or a direct or indirect replacement of a Regency Designee, shall cease to serve as a director for any reason, he shall be replaced as a director by a person who is designated by the concurrence of a majority of the remaining Regency Designees, which person shall be reasonably acceptable to the persons designated as directors by Care Enterprises, Inc. prior to the Effective Time (each, a "Care Designee"), and, in the event that a Care Designee, or a direct or indirect replacement of a Care Designee, shall cease to serve as a director for any reason, he shall be replaced as a director by a person who is designated by the concurrence of a majority of the remaining Care Designees, which person shall be reasonably acceptable to the Regency Designees. Directors so chosen shall be identified by class to which they are named and shall hold office until the next election of the class for which such directors shall have been chosen and until their successors have been elected and qualified. Any created directorships resulting from any increase in the directors may be filled by the board of directors acting by a majority of the directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next election of the class for which such directors have been chosen and until their successors have been elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director. Subject to the foregoing, at each annual meeting of Stockholders held during or after 1994, the successors to the class of directors whose term shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting of

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stockholders.

Section 4. VACANCIES; RESIGNATION.

A. A vacancy or vacancies in the board of directors shall be deemed to exist in the event of the death, resignation, or removal of any director, or if the board of directors by resolution declares vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of directors is increased, or if the Stockholders fail at any meeting of Stockholders at which any director or directors are elected to elect the number of directors to be voted for at that meeting, or if any director duly elected shall refuse in writing to accept the position.

B. Subject to the provisions of Section 3 of this Article III, vacancies in the board of directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, except that a vacancy created by the removal of a director may be filled in accordance with Section 141(k) of the General Corporation Law of Delaware. Each director elected to fill a vacancy shall hold office until his term of office shall expire and until a successor has been elected and qualified. Any director may resign effective on giving written notice to the chairman of the board, the president, the secretary, or the board of directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 5. PLACE OF MEETINGS AND MEETINGS BY TELEPHONE. Regular meetings of the board of directors may be held at any place within or outside the State of Delaware that has been designated form time to time by resolution of the board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board shall be held at any place within or outside the State of Delaware that has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, at the principal executive office of the corporation. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear

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one another, and all such directors shall be deemed to be present in person at the meeting.

Section 6. ANNUAL MEETING. Immediately following each annual meeting of Stockholders, the board of directors shall hold a regular meeting for the purpose of organization, any desired election of officers, and the transaction of other business. Notice of this meeting shall not be required.

Section 7. OTHER REGULAR MEETINGS. Other regular meetings of the board of directors shall be held without call at such time as shall from time to time be fixed by the board of directors. Such regular meetings may be held without notice.

Section 8. SPECIAL MEETINGS. Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board or the president or any vice president or the secretary or any two (2) directors. Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. In case the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally, or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the meeting.

Section 9. QUORUM. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 11 of this Article III. Every act or decision done or made by the majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of the General Corporation Law of Delaware and these bylaws which require Stockholder approval. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

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Section 10. WAIVER OF NOTICE. The transactions of any meeting of the board of directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice. The waiver of notice need not specify the purpose of the meeting. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting except when the director attends such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 11. ADJOURNMENT. A majority of the directors present a meeting of the board of directors, whether or not constituting a quorum, may adjourn any meeting to another time and place.

Section 12. NOTICE OF ADJOURNMENT. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, in the manner specified in Section 8 of this Article III, to the directors who were not present at the time of the adjournment.

Section 13. ACTION WITHOUT MEETING. Any action required or permitted to be taken by the board of directors may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to the action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors, and any resolution so adopted may be certified as having been adopted at a meeting of the board of directors held on the date of the last signature to consent at the principal executive office of the corporation. Such written consent or consents shall be filed with the minutes of the proceedings of the board.

Section 14. FEES AND COMPENSATION OF DIRECTORS. Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the board of directors. This Section 14 shall not be construed to preclude any director from serving the corporation in any other capacity as an

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officer, agent, employee, or otherwise, and receiving compensation for those services.

Section 15. LOANS TO OFFICERS. Notwithstanding anything to the contrary contained herein, the board of directors may, without additional approval, approve (by a vote sufficient without counting the vote of any interested director or directors) a loan or guarantee to an officer, whether or not a director, of the corporation or its parent or any subsidiary, or an employee benefit plan authorizing such loan or guarantee to an officer, if the board of directors determines that the loan or guarantee or plan may reasonably be expected to benefit the corporation.

ARTICLE IV

COMMITTEES

Section 1. COMMITTEES OF DIRECTORS. The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of one or more directors, to serve at the pleasure of the board. The board may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of any committee requires the vote of a majority of the authorized number of directors. Any committee, to the extent provided in the resolution of the board, shall have all the authority of the board, except with respect to:

(a) the approval of any action which, under these bylaws or the General Corporation Law of Delaware, also requires Stockholders' approval or approval of the outstanding shares;

(b) the filling of vacancies on the board of directors or in any committee;

(c) the fixing of compensation of the directors for serving on the board or on any committee;

(d) the amendment or repeal of bylaws or the adoption of new bylaws;

(e) the amendment or repeal of any resolution of the board of directors which by its express terms is not so amendable or repealable;

(f) a distribution to the Stockholders of

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the Corporation, except at a rate or in a periodic amount or within a price range determined by the board of directors; or

(g) the appointment of any other committees of the board of directors or the members of these committees.

Section 2. MEETINGS AND ACTION OF COMMITTEES. Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, including Sections 5 (place of meetings), 7 (regular meetings), 8 (special meetings and notice), 9 (quorum), 10 (waiver of notice), 11 (adjournment), 12 (notice of adjournment), and 13 (action without meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members, except that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee; special meetings of committees may also be called by committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

Section 3. EXECUTIVE COMMITTEE. There shall be an Executive Committee of the board of directors, which shall consist of three (3) members, two (2) of which shall be designated by the board of directors prior to the Effective Time (or, after the Effective Time, by a majority of the Regency Designees or their successors) and one (1) of which shall be designated by Care Enterprises, Inc. prior to the Effective Time (or, after the Effective Time, by a majority of the Care Designees or their successors), who shall be the only members of the Executive Committee (unless and until replaced as provided in this Section 3). The Executive Committee shall continue in existence, with the power and authority specified in this Section 3, until the close of the annual meeting of Stockholders in 1997 and thereafter until this Section 3 is amended. In the event that any member of the Executive Committee, or a direct or indirect replacement of any of them, shall cease to serve as a member of the Executive Committee for any reason, he shall be replaced as a member of the Executive Committee by a person who is designated with the concurrence of the Regency Designees or their successors, if a Regency Designee or a direct or indirect replacement of a Regency Designee shall so cease to serve, or by a person who is designated with the concurrence of the Care Designees or their successors, if a Care Designee shall so cease to

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serve. The Executive Committee, during intervals between meetings of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation except as provided by the General Corporation Law of Delaware.

Section 4. HUMAN RESOURCES COMMITTEE. There shall be a Human Resources Committee of the board of directors, which shall consist of three members, one (1) of which shall be designated by the board of directors prior to the Effective Time (or, after the Effective Time, by a majority of the Regency Designees or their successors), one (1) of which shall be designated by Care Enterprises, Inc. prior to the Effective Time (or, after the Effective Time, by a majority of the Care Designees or their successors) and one (1) of which shall be designated by the Regency Designees or their successors and approved by the board of directors after the Effective Time. In the event that any member of the Human Resources Committee who was designated prior to the Effective Time, or a direct or indirect replacement of any of them, shall cease to serve as a member of the Human Resources Committee for any reason, he shall be replaced as a member of the Human Resources Committee by a person who is designated with the concurrence of the Regency Designees or their successors, if a Regency Designee or a direct or indirect replacement of a Regency Designee shall so cease to serve, or by a person who is designated with the concurrence of the Care Designees or their successors, if a Care Designee shall so cease to serve. The Human Resources Committee shall review the corporation's general human resource and compensation programs for officers and employees.

Section 5. AUDIT COMMITTEE. There shall be an Audit Committee of the board of directors, which shall consist of three (3) members, one (1) of which shall be designated by the board of directors prior to the Effective Time (or, after the Effective Time, by a majority of the Regency Designees or their successors), one (1) of which shall be designated by Care Enterprises, Inc. prior to the Effective Time (or, after the Effective Time, by a majority of the Care Designees or their successors) and one (1) of which shall be designated by the Care Designees or their successors and approved by the board of directors after the Effective Time. In the event that any member of the Audit Committee who was designated prior to the Effective Time, or a direct or indirect replacement of any of them, shall cease to serve as a member of the Audit Committee for any reason, he shall be replaced as a member of the Audit Committee by a person who is designated with the concurrence

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of the Regency Designees or their successors, if a Regency Designee or a direct or indirect replacement of a Regency Designee shall so cease to serve, or by a person who is designated with the concurrence of the Care Designees or their successors, if a Care Designee shall so cease to serve. The Audit Committee shall review the financial affairs and procedures of the corporation from time to time with management and meet with the auditors of the corporation to review the financial statements and procedures.

ARTICLE V

OFFICERS

Section 1. OFFICERS. The officers of the corporation shall be a chairman of the board, a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the board of directors, one or more vice presidents, one or more assistant secretaries, a treasurer, one or more assistant treasurers, and such other offices as may be appointed in accordance with the provisions of Section 3 of this Article V. Any number of offices may be held by the same person.

Section 2. ELECTION OF OFFICERS. The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article V, shall be chosen by the board of directors, and each shall serve at the pleasure of the board, subject to the rights, if any, of an officer under any contract of employment.

Section 3. SUBORDINATE OFFICERS. The board of directors may appoint, and may empower the president to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the bylaws or as the board of directors may from time to time determine.

Section 4. REMOVAL AND RESIGNATION OF OFFICERS.

A. Until the annual meeting of Stockholders in 1997 and thereafter until this Section 4(A) is amended, the chairman of the board, subject to the rights of such person under his contract of employment, may be removed, with or without cause, only by a vote of 75% of the then-authorized number of directors or, if the existing number of directors is less than 75% of the then-authorized number of directors, by a unanimous vote of the board. Subject to the

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rights, if any, of any other officer under any contract of employment, such officer may be removed, either with or without cause, by the board of directors, at any regular or special meeting of the board, or, except in case of an officer chosen by the board of directors, by an officer upon whom such power of removal may be conferred by the board of directors.

B. Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

Section 5. VACANCIES IN OFFICES. Until the annual meeting of Stockholders in 1997 and thereafter until this Section 5 is amended, a vacancy in the office of chairman of the board because of death, resignation, removal, disqualification or any other cause shall be chosen only by the vote of 75% of the then-authorized number of directors or, if the existing number of directors is less than 75% of the then-authorized number of directors, by a unanimous vote of the board. A vacancy in any other office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office.

Section 6. CHAIRMAN OF THE BOARD. The chairman of the board, shall, if present, preside at meetings of the Stockholders and the board of directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the board of directors or prescribed by the bylaws. The chairman of the board shall in addition be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction, and control of the business and the officers of the corporation.

Section 7. PRESIDENT. The president shall be the chief operating officer of the corporation and shall have the general powers and duties of management usually vested in the office of chief operating officer of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors, the bylaws and the chairman of the board.

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Section 8. VICE PRESIDENTS. In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, the bylaws, the president, or the chairman of the board.

Section 9. SECRETARY. The secretary shall keep or cause to be kept, at the principal executive office or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at Stockholders' meetings, and the proceedings. The secretary shall also keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a record of Stockholders, or a duplicate record of Stockholders, showing the names of all Stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and data of cancellation of every certificate surrendered for cancellation. The secretary shall also give, or cause to be given, notice of all meetings of the Stockholders and of the board of directors required by the bylaws or by law to be given, and he shall keep the seal of the corporation if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the board of directors, the chairman of the board or the bylaws.

Section 10. CHIEF FINANCIAL OFFICER. The or chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The or chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render

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to the chairman of the board, president and directors, whenever they request it, an account of all of his transactions as chief financial officer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the board of directors, the president, the chairman of the board or the bylaws.

ARTICLE VI
INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

Section 1. LIMITED PERSONAL LIABILITY. To the fullest extent permitted by the General Corporation Law of Delaware, as the same may be amended from time to time, a director of the corporation shall not be personally liable to the corporation or its Stockholders for monetary damages for breach of fiduciary duty as a director.

Section 2. INDEMNIFICATION.

A. Each person who was or is made a party or is threatened to be made a party to or is involved in any Proceeding (which for purposes of this Article VI shall mean any action, suit or proceeding, whether civil, criminal, administrative or investigative) by reason of the fact that he, or a person of whom he is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the General Corporation Law of Delaware, as the same may be amended from time to time (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights that said law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director,

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officer, employee or agent and shall inure to the benefit of his heirs, executors and administrators; provided, however, that, except as provided in Section 2.B of this Article VI, the corporation shall indemnify any such person seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized by the board of directors of the corporation. The right to indemnification conferred in this Article VI shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such Proceeding in advance of its final disposition; provided, however, that, if the General Corporation Law of Delaware so requires, the payment of such expenses incurred by a director or officer in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a Proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article VI or otherwise. The corporation may, by action of its board of directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

B. If a claim under Section 2.A of this Article VI is not paid in fully by the corporation within thirty (30) days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of Delaware for the corporation to indemnify the claimant for the amount claimed, but the burden of providing such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its Stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable

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standard of conduct set forth in the General Corporation Law of Delaware, nor an actual determination by the corporation (including its board of directors, independent legal counsel, or its Stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

C. The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this certificate, bylaw, agreement, vote of Stockholders or disinterested directors or otherwise.

D. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

ARTICLE VII

RECORDS AND REPORTS

Section 1. MAINTENANCE AND INSPECTION OF RECORD OF STOCKHOLDERS. The corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the board of directors, a record of its Stockholders, giving the names and addresses of all Stockholders and the number and class of shares held by each Stockholder. Any Stockholder shall, upon written demand under oath stating the purpose thereof, have the right during the usual business hours to inspect for any purpose the corporation's stock ledger, a list of Stockholders, and its other books and records.

Section 2. MAINTENANCE AND INSPECTION OF BYLAWS. The corporation shall keep at its principal executive office, or if its principal executive office is not in the State of Delaware, at its principal business office in this state, if any, the original copy of the bylaws as amended to date, which shall be open to inspection by the Stockholders at all reasonable times during office hours. If the principal executive office of the corporation is

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outside the State of Delaware and the corporation has no principal business office in this state, the Secretary shall, upon the written request of any Stockholder, furnish to that Stockholder a copy of the bylaws as amended to date.

Section 3. MAINTENANCE AND INSPECTION OF OTHER CORPORATE RECORDS. The accounting books and records and minutes of proceedings of the Stockholders and the board of directors and any committee or committees of the board of directors shall be kept at such place or places designated by the board of directors, or, in the absence of such designation, at the principal executive office of the corporation. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon the written demand of any Stockholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a Stockholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

Section 4. INSPECTION BY DIRECTORS. Every director shall have the absolute right for a purpose reasonably related to his position as director to inspect all books, records, and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations at any reasonable time. This inspection by a director may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

Section 5. ANNUAL REPORT TO STOCKHOLDERS. The board of directors may cause an annual report to be sent postage pre-paid, to the Stockholders not later than 120 days after the close of the fiscal year and at least 15 days prior to the annual meeting of Stockholders to be held during the next fiscal year.

Section 6. FINANCIAL STATEMENTS. A copy of any annual financial statement and any income statement of the corporation for each quarterly period of each fiscal year, and any accompanying balance sheet of the corporation as of the end of each such period, that has been prepared by the corporation shall be kept on file in the principal executive office of the corporation for twelve (12) months and

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each such statement shall be exhibited at all reasonable times to any Stockholder demanding an examination of any such statement or a copy shall be mailed to any such Stockholder.

Section 7. ANNUAL STATEMENT OF GENERAL INFORMATION. The corporation shall timely file with the Secretary of State of the State of Delaware, on the prescribed forms, periodic reports, filings and statements as required by General Corporation Law of Delaware.

ARTICLE VIII.

GENERAL CORPORATE MATTERS

Section 1. RECORD DATE FOR PURPOSES OTHER THAN NOTICE AND VOTING. For purposes of determining the Stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action (other than action by Stockholders by written consent without a meeting), the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action, and in that case only Stockholders of record on the date so fixed are entitled to receive the dividend, distribution, or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the General Corporation Law of Delaware. If the board of directors does not so fix a record date, the record date for determining Stockholders for any such purpose shall be at the close of business on the date on which the board adopts the resolution relating thereto.

Section 2. CHECKS, DRAFTS, EVIDENCES OF INDEBTEDNESS. All checks drafts, or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the board of directors.

Section 3. CORPORATE CONTRACTS AND INSTRUMENTS; HOW EXECUTED. The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and this authority may be general or confined

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to specific instances; and, unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent, or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 4. CERTIFICATES FOR SHARES. A certificate or certificates for shares of the capital stock of the corporation shall be issued to each Stockholder when any of these shares are fully paid, and the board of directors may authorize the issuance of certificates for shares as partly paid provided that these certificates shall state the amount of the consideration to be paid for them and the amount paid. All certificates shall be signed in the name of the corporation by the chairman or vice-chairman of the board or the president or vice president and by the treasurer or an assistant treasurer or the secretary or any assistant secretary, certifying the number of shares and the class or series of shares owned by the Stockholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that officer, transfer agent, or registrar before that certificate is issued, it may be issued by the corporation with the same effect as if that person were an officer, transfer agent, or registrar at the date of issue.

Section 5. LOST CERTIFICATES. Except as provided in this Section 5, no new certificates for shares shall be issued to replace an old certificate unless the latter is surrendered to the corporation and cancelled at the same time. the board of directors may, in case any share certificate or certificate for any other security is lost, stolen, or destroyed, authorize the issuance of a replacement certificate on such terms and conditions as the board may require, including provision for indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft, or destruction of the certificate of the issuance of the replacement certificate.

Section 6. REPRESENTATION OF SHARES OF OTHER CORPORATIONS. The chairman of the board, the president, or any vice president, or any other person authorized by resolution of the board of directors or by any of the foregoing designated officers, is authorized to vote on behalf of the corporation any and all shares of any other

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corporation or corporations, foreign or domestic, standing in the name of the corporation. The authority granted to these officers to vote or represent on behalf of the corporation any and all shares held by the corporation in any other corporation or corporations may be exercised by any of these officers in person or by any person authorized to do so by a proxy duly executed by these officers.

Section 7. CONSTRUCTION AND DEFINITIONS. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Corporation Law of Delaware shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, the term "person" includes both a corporation and a natural person and pronouns of the masculine gender include pronouns of the feminine gender.

Section 8. EMERGENCY PROVISIONS. During any emergency resulting from an attack on the United States or on a locality in which the corporation conducts its business or customarily holds meetings of its board of directors or its Stockholders, or during any nuclear or atomic disaster, or during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the board of directors or a standing committee, if any, cannot readily be convened for action, a meeting of the board of directors or a standing committee may be called by an officer or director. Such notice may be given only to such of the directors or members of the committee, as the case may be, as it may be feasible at the time including, without limitation, publication or radio. The director or directors in attendance at the meeting of the board of directors and the member or members of the executive committee, if any, in attendance at the meeting of the committee, shall constitute a quorum. If none are in attendance at the meeting, the officers or other persons designated on a list approved by the board of directors before the emergency, all in such order of priority and subject to such conditions and for such period of time (not longer than reasonably necessary after the termination of the emergency) as may be provided in the resolution approving the list, shall, to the extent required to provide a quorum at any meeting of the board of directors or the executive committee, be deemed directors or members of the committee, as the case may be, for such meeting. In the absence of a designation by the board of directors, the order of priority of such officers shall be as follows: president, vide president, chief financial officer, secretary, assistant treasurer, controller and assistant

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secretary. The board of directors, either before or during any such emergency, may provide, and from time to time modify, lines of succession in the event that during such emergency any or all officers or agents of the corporation shall for any reason be rendered incapable of discharging their duties. The board of directors, either before or during any such emergency, may, effective in the emergency, change the principal executive office or designate several alternative offices or authorize the officers so to do.

ARTICLE IX.

AMENDMENTS

Section 1. AMENDMENT BY STOCKHOLDERS. New bylaws may be adopted or these bylaws may be amended or repealed by the vote or written consent of holders of not less than two-thirds of the outstanding shares entitled to vote.

Section 2. AMENDMENT BY DIRECTORS. The approval of 75% of the then-authorized number of directors is required to approve amendment of Article III, Sections 2, 3 and 4; Article IV, Sections 3, 4 and 5 and Article V, Sections 4 and 5. In all other instances, new bylaws may be adopted or these bylaws may be amended or repealed by a vote or written consent of the board of directors without Stockholder approval unless otherwise required by the General Corporation Law of Delaware.

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EXHIBIT C

CORPORATE GOVERNANCE

A. Directors of Regency

Name	Class	
Tony Astorga	I	Regency
Robert G. Coo	I	Care
Arthur Pasmas	I	Care
Gregory S. Anderson	II	Regency
Richard K. Matros	II	Care
John F. Nickoll	II	Care
Cecil Mays	III	Regency
John W. Adams	III	Care

If, prior to the Effective Time, any of the above listed persons shall decline or be unable to serve as a Regency director, Regency (if such person was a Regency designee) or Care (if such person was a Care designee) shall designate another person to serve in such person's stead, which person shall be reasonably acceptable to the party not making such designation. Until at least the close of the annual meeting of stockholders of Regency occurring in 1997, in the event of a vacancy, a majority of the Regency designees (if such person was a Regency designee) or a majority of the Care designees (if such person was a Care designee) shall designate another person to serve in such person's stead, which person shall be reasonably acceptable to the party not making such designation.

B. Committees

Executive Committee. Until at least the close of the annual meeting of the stockholders of Regency occurring in 1997, the Executive Committee of the Board of Directors of Regency shall consist of two directors designated by Regency (or, after the Effective Time, by a majority of the Regency designees on the Board of Directors of Regency or their successors) and one director designated by Care (or, after the Effective Time, by a majority of the Care designees on the Board of Directors of Regency or their successors). The members of the Executive Committee shall

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be Cecil Mays, Gregory S. Anderson and John A. Adams, provided that they continue to serve as members of Regency's Board of Directors. Cecil Mays shall serve as Chair of the Executive Committee for so long as he serves on such committee.

Human Resources Committee. The Human Resources Committee of the Board of Directors of Regency shall consist of one director designated by Regency prior to the Effective Time (or, after the Effective Time, by a majority of the Regency designees on the Board of Directors of Regency or their successors), one director designated by Care prior to the Effective Time (or, after the Effective Time, by a majority of the Care designees on the Board of Directors of Regency or their successors) and one director designated by a majority of the Regency designees on the Board of Directors of Regency and approved by the Board of Directors after the Effective Time.

Audit Committee. The Audit Committee of the Board of Directors of Regency shall consist of one director designated by Regency prior to the Effective Time (or, after the Effective Time, by a majority of the Regency designees on the Board of Directors of Regency or their successors), one director designated by Care prior to the Effective Time (or, after the Effective Time, by a majority of the Care designees on the Board of Directors of Regency or their successors) and one director designated by a majority of the Care designees on the Board of Directors of Regency and approved by the Board of Directors after the Effective Time.

C. Officers

1. Cecil Mays shall be Chairman of the Board of Directors and Chief Executive Officer of Regency.

2. Richard K. Matros shall be President and Chief Operating Officer of Regency.

3. Gary L. Massimino shall be Executive Vice President and Chief Financial Officer of Regency.

4. Tim J. Paulsen shall be Senior Vice President and Director of Operations of Regency.

5. T. Craig Nordstrom shall be Senior Vice President and Director of Corporate Development of Regency.

6. James R. Wodach shall be Senior Vice President,

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Finance of Regency.

Each of the officers identified above shall hold office from the Effective Time in accordance with the Restated Certificate of Incorporation of Regency and the Bylaws of Regency and subject to the terms of their respective employment agreements.

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EXHIBIT 10.16

VOTING AGREEMENT

THIS VOTING AGREEMENT is made and entered into as of this 27th day of December, 1993, by and between Care Enterprises, Inc., a Delaware corporation ("Care"), and each of the persons named on Exhibit A hereto (each a "Stockholder" and, collectively, the "Stockholders")

WHEREAS, Care and Regency Health Services, Inc., a Delaware corporation ("Regency"), have entered into an agreement with respect to a merger of Care and Regency (the "Merger Agreement"); and

WHEREAS, as a condition to its willingness to enter into the Merger Agreement, Care requested that each Stockholder agree, and in order to induce Care to enter into the Merger Agreement, each Stockholder has agreed, to vote all shares of Common Stock, par value $.01 per share ("Regency Common Stock"), of Regency beneficially owned by such Stockholder as of the date hereof or at any time hereafter (the "Regency Shares") as provided herein; and

WHEREAS, Regency and certain stockholders of Care have agreed to enter into a voting agreement pursuant to which such stockholders will, subject to certain conditions, vote all shares of Common Stock, par value $.01 per share ("Care Common Stock"), owned by such Stockholder as of the date hereof or at any time hereafter and over which such Stockholder has voting power;

NOW, THEREFORE, in consideration of the foregoing, and the representations, warranties, covenants and agreements contained herein and in the Merger Agreement, and intending to be legally bound, the parties hereto agree as follows:

1. Voting Agreement. Each Stockholder hereby agrees to appear at any annual or special meeting of stockholders of Regency for the purpose of obtaining a quorum. Each Stockholder hereby agrees to vote all of its Regency Shares in favor of the transactions contemplated by the Merger Agreement.

2. Termination. This Agreement shall terminate upon the earlier to occur of (i) the approval of the transactions contemplated by the Merger Agreement by the

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affirmative vote of a majority of the outstanding shares of Regency Common Stock and (ii) the termination of the Merger Agreement in accordance with its terms.

3. Representations and Warranties. Each Stockholder hereby represents and warrants to Care as follows:

(a) Authority Relative to this Agreement. Such Stockholder has all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by such Stockholder and, assuming that this Agreement has been duly and validly authorized, executed and delivered by Care, this Agreement constitutes a valid and binding agreement of such Stockholder, enforceable against such Stockholder in accordance with its terms.

(b) Ownership of Shares. Such Stockholder has good and marketable title to all of the of shares of Regency Common Stock indicated opposite such Stockholder's name on Exhibit A hereto, which constitute all the shares of Regency Common Stock owned by such Stockholder. There are no restrictions on the voting rights pertaining to such shares of Regency Common Stock.

(c) No Conflicts. Neither the execution and delivery of this Agreement nor the consummation by such Stockholder of the transactions contemplated hereby will conflict with or constitute a violation of or default under any contract, commitment, agreement, arrangement or restriction of any kind to which such Stockholder is a party or by which such Stockholder is bound. Other than this Agreement, there are no other agreements or understandings with respect to the voting of the Regency Shares, and each Stockholder hereby agrees that it will not enter into such an agreement.

4. Representations and Warranties of Care. Care hereby represents and warrants to the Stockholders as follows:

(a) Authority Relative to this Agreement. Care has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of Care and no other corporate proceedings on the part of Care are necessary to autho-

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rize this Agreement or to consummate the transactions so contemplated. This Agreement has been duly and validly executed and delivered by Care and, assuming that this Agreement has been duly and validly authorized, executed and delivered by each Stockholder, this Agreement constitutes a valid and binding agreement of Care, enforceable against Care in accordance with its terms.

5. Transfer. Stockholders may sell, transfer, assign or otherwise dispose of any of the Regency Shares; provided, however, that each Stockholder hereby agrees not to sell, transfer, assign or otherwise dispose of the Regency Shares to any Affiliate or Associate (as such terms are defined in Rule 126-2 of the Securities Exchange Act of 1934, as amended) unless such Affiliate or Associate becomes a party to this Agreement. Any purported transfer of Regency Shares to any such Affiliate or Associate that does not become a party hereto shall be null and void.

6. Entire Agreement. This Agreement (a) constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof; (b) shall not be amended, altered or modified in any manner whatsoever, except by a written instrument executed by the parties hereto; and (c) shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of Delaware (without giving effect to the provisions thereof relating to conflicts of law).

7. Specific Performance. The parties hereto acknowledge that damages would be an inadequate remedy for a breach of this Agreement and that the obligations of the parties hereto shall be specifically enforceable.

8. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors, assigns, heirs, executors, administrators and other legal representatives; provided, that this Agreement shall not be assigned without the prior written consent of the other party hereto, except that Care may assign, in its sole discretion, all or any of its rights, interests and obligations hereunder to any direct or indirect wholly owned subsidiary of Care. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

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9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

10. Notices. Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed duly given upon (a) transmitter's confirmation of a receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or (c) the expiration of five business days after the day when mailed by certified or registered mail, postage prepaid, addressed at the following addresses (or at such other address as the parties hereto shall specify by like notice):

(a) If to Care, to:

Care Enterprises, Inc.
2742 Dow Avenue
Tustin, California 92680-7245
Telecopy No. (714) 544-4443 x2401

Attention: John W. Adams

with a copy to:

Sidley & Austin
2049 Century Park East
Los Angeles, California 90067-3208
Telecopy No. (213) 556-6502

Attention: Moshe J. Kupietzky, Esq.

(b) If to any of the Stockholders, to the respective addresses noted on Exhibit A hereto.

11. Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, each of which shall remain in full force and effect.

13. Further Assurances. Each Stockholder will

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execute and deliver all such further documents and instruments and take all such further actions as may be necessary in order to consummate the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CARE ENTERPRISES, INC.

By: /s/ JOHN W. ADAMS
Name: John W. Adams
Title: CEO

Stockholders:

/s/ CECIL MAYS
Cecil Mays

EL DORADO INVESTMENT COMPANY
By: /s/ GREGORY S. ANDERSON
Name: Gregory S. Anderson
Title: Managing Director

SUNDANCE CAPITAL CORPORATION
By: /s/ GREGORY S. ANDERSON
Name: Gregory S. Anderson
Title: Vice-President

EXHIBIT A

Name of Stockholder and Address for Notice	Class of Securities	Number of Securities as of the Date Hereof
Cecil Mays 3636 Birch Street Suite 195 Newport Beach, CA 92660	Common Stock	571,703
El Dorado Investment Company 400 East Van Buren St. Suite 650 Phoenix, AZ 85004	Common Stock	746,143
Sundance Capital Corporation 400 East Van Buren St.	Common Stock	131,516

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Phoenix, AZ 85004

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EXHIBIT 10.17

VOTING AGREEMENT

THIS VOTING AGREEMENT is made and entered into as of this 27th day of December, 1993, by and between Regency Health Services, Inc., a Delaware corporation ("Regency"), and each of the persons named on Exhibit A hereto (each a "Stockholder" and, collectively, the "Stockholders").

WHEREAS, Regency and Care Enterprises, Inc., a Delaware corporation ("Care"), have entered into an agreement with respect to a merger of Regency and Care (the "Merger Agreement"); and

WHEREAS, as a condition to its willingness to enter into the Merger Agreement, Regency requested that each Stockholder agree, and in order to induce Regency to enter into the Merger Agreement, each Stockholder has agreed, to vote certain shares of common stock, par value $.01 per share ("Care Common Stock"), of Care owned by such Stockholder as of the date hereof or at any time hereafter (the "Care Shares") as provided herein; and

WHEREAS, Care and certain stockholders of Regency have agreed to enter into a voting agreement pursuant to which such stockholders will vote all shares of common stock, par value $.01 per share ("Regency Common Stock"), owned by such stockholder as of the date hereof or at any time hereafter and over which such stockholder has voting power;

NOW, THEREFORE, in consideration of the forego-ing, and the representations, warranties, covenants and agreements contained herein and in the Merger Agreement, and intending to be legally bound, the parties hereto agree as follows:

1. Voting Agreement. Each Stockholder hereby agrees to appear at any annual or special meeting of stockholders of Care for the purpose of obtaining a quorum. If Regency holds a special meeting of stockhold-ers for the purpose of voting upon transactions contem-plated by the Merger Agreement and the stockholders of Regency approve the transactions contemplated by the Merger Agreement by the affirmative vote of a majority of the outstanding shares of Regency Common Stock, then each Stockholder hereby agrees to vote all of its Care Shares

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in favor of the transactions contemplated by the Merger Agreement.

2. Termination. This Agreement shall terminate upon the earlier to occur of (i) the approval of the transactions contemplated by the Merger Agreement by the affirmative vote of a majority of the outstanding shares of Care Common Stock and (ii) the termination of the Merger Agreement in accordance with its terms.

3. Representations and Warranties. Each Stockholder hereby represents and warrants to Regency as follows:

(a) Authority Relative to this Agreement. Such Stockholder has all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by such Stockholder and, assuming that this Agreement has been duly and validly authorized, executed and delivered by Regency, this Agreement constitutes a valid and binding agreement of such Stockholder, enforceable against such Stockholder in accordance with its terms.

(b) Ownership of Shares. Such Stockholder has good and marketable title to all of the shares of Care Common Stock indicated opposite such Stockholder's name on Exhibit A hereto, which constitute all the shares of Care Common Stock owned by such Stockholder. There are no restrictions on the voting rights pertaining to such shares of Care Common Stock.

(c) No Conflicts. Neither the execution and delivery of this Agreement nor the consummation by such Stockholder of the transactions contemplated hereby will conflict with or constitute a violation of or default under any contract, commitment, agreement, arrangement or restriction of any kind to which such Stockholder is a party or by which such Stockholder is bound. Other than this Agreement, there are no other agreements or understandings with respect to the voting of the Care Shares, and each Stockholder hereby agrees that it will not enter into such an agreement.

4. Representations and Warranties of Regency. Regency hereby represents and warrants to the Stockholders as follows:

(a) Authority Relative to this Agreement. Regency has full corporate power and authority to exe-

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cute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of Regency and no other corporate proceedings on the part of Regency are necessary to authorize this Agreement or to consummate the transactions so contemplated. This Agreement has been duly and validly executed and delivered by Regency and, assuming that this Agreement has been duly and validly authorized, executed and delivered by each Stockholder, this Agreement constitutes a valid and binding agreement of Regency, enforceable against Regency in accordance with its terms.

5. Transfer. Stockholders may sell, transfer, assign or otherwise dispose of any of the Care Shares; provided, however, that each Stockholder hereby agrees not to sell, transfer, assign or otherwise dispose of the Care Shares to any Affiliate or Associate (as such terms are defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended) unless such Affiliate or Associate becomes a party to this Agreement. Any purported transfer of Care Shares to any such Affiliate or Associate that does not become a party hereto shall be null and void.

6. Entire Agreement. This Agreement (a) constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof; (b) shall not be amended, altered or modified in any manner whatsoever, except by a written instrument executed by the parties hereto; and (c) shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of Delaware (without giving effect to the provisions thereof relating to conflicts of law).

7. Specific Performance. The parties hereto acknowledge that damages would be an inadequate remedy for a breach of this Agreement and that the obligations of the parties hereto shall be specifically enforceable.

8. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors, assigns, heirs, executors, administrators and other legal representatives; provided, that this Agreement shall not be assigned without the prior written consent of the other

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party hereto, except that Regency may assign, in its sole discretion, all or any of its rights, interests and obligations hereunder to any direct or indirect wholly owned subsidiary of Regency. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

10. Notices. Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed duly given upon (a) transmitter's confirmation of a receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or (c) the expiration of five business days after the day when mailed by certified or registered mail, postage prepaid, addressed at the following addresses (or at such other address as the parties hereto shall specify by like notice):

(a) If to Regency, to:

Regency Health Services, Inc.
3636 Birch Street
Suite 195
Newport Beach, California 92660
Telecopy No. (714) 851-2927

Attention: Cecil Mays

with a copy to:

Skadden, Arps, Slate, Meagher & Flom
300 So. Grand Avenue
Los Angeles, California 90071
Telecopy No. (213) 687-5600

Attention: Brian J. McCarthy, Esq.

(b) If to any of the Stockholders, to the respective addresses noted on Exhibit A hereto.

11. Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the

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meaning or interpretation of this Agreement.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, each of which shall remain in full force and effect.

13. Further Assurances. Each Stockholder will execute and deliver all such further documents and instruments and take all such further actions as may be necessary in order to consummate the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

REGENCY HEALTH SERVICES, INC.
By: /s/ CECIL MAYS
Name: Cecil Mays
Title: President and CEO

Stockholders:

THE FOOTHILL GROUP, INC.
By: /s/ JEFF NIKORA
Name: Jeff Nikora
Title: Vice-President

THE FOOTHILL FUND, a
California Limited Partnership
By: The Foothill Group, Inc., its
General Partner
By: /s/ JEFF NIKORA
Name: Jeff Nikora
Title: Vice-President

FOOTHILL CAPITAL CORPORATION
By: /s/ JEFF NIKORA
Name: Jeff Nikora
Title: Vice-President

FOOTHILL PARTNERS, L.P.,
a Delaware Limited Partnership
By: /s/ JEFF NIKORA
Name: Jeff Nikora
Title: Managing General Partner

FOOTHILL MANAGERS LIMITED II,
a California Limited Partnership

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By: The Foothill Group, Inc., its
General Partner
By: /s/ JEFF NIKORA
Name: Jeff Nikora
Title: Vice-President

/s/ JOHN F. NICKOLL
John F. Nickoll

SOLVATION d/b/a SMITH
MANAGEMENT COMPANY
By: /s/ JOHN W. ADAMS
Name: John W. Adams
Title: President

/s/ RANDALL D. SMITH
Randall D. Smith

/s/ JOHN W. ADAMS
John W. Adams

/s/ JEFFREY A. SMITH
Jeffrey A. Smith

ENERGY MANAGEMENT CORPORATION
By: /s/ JEFFREY A. SMITH
Name: Jeffrey A. Smith
Title: President

SEGA ASSOCIATES, L.P.
By: /s/ JOHN W. ADAMS
Name: John W. Adams
Title: General Partner

THE DURIAN TRUST
By: /s/ JEFFREY A. SMITH
Name: Jeffrey A. Smith
Title: Trustee

WOODSTEAD ASSOCIATES, L.P.
By: /s/ RANDALL D. SMITH

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Name: Randall D. Smith
Title: General Partner

EXHIBIT A

Name of Stockholder and Address for Notice	Class of Securities	Number Securities as of the Date Hereof
The Foothill Group*	Common Stock	186,875
The Foothill Fund*	Common Stock	1,663,803
Foothill Capital Corporation*	Common Stock	714,286
Foothill Managers Limited II*	Common Stock	15,951
John F. Nicholl*	Common Stock	32,536
Solvation d/b/a Smith Management Company**	Common Stock	1,607,143
Randall D. Smith**	Common Stock	328,269
John W. Adams**	Common Stock	25,634
Jeffrey A. Smith**	Common Stock	4,466
Energy Management Corporation**	Common Stock	1,466,738
SEGA Associates, L.P.**	Common Stock	64,042
The Durian Trust**	Common Stock	312,962
Woodstead Associates L.P.**	Common Stock	916,935

* Address for Notice: 11111 Santa Monica Blvd.
Suite 1500
Los Angeles, CA 90025

** Address for Notice: 767 Third Avenue
New York, NY 10017

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