

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT ("Agreement") dated as of March __, 2007 is entered into by and among **EMMANUEL BERNABE**, an individual, and/or his designated successors and assigns ("**Lender**"), on the one hand, and **PLEASANT CARE CORPORATION**, a California corporation, debtor and debtor-in-possession ("**Pleasant Care**"), **PCC HEALTH SERVICES, INC.**, a California corporation, debtor and debtor-in-possession ("**PCC Health**"), **SNF PROPERTIES INC.**, a California corporation, debtor and debtor-in-possession ("**SNF**"), **EMBER CARE CORPORATION**, a California corporation, debtor and debtor-in-possession ("**Ember Care**") and **ATLAS CARE ENTERPRISES, INCORPORATED**, a California corporation, debtor and debtor-in-possession ("**Atlas Care**") (Pleasant Care, PCC Health, SNF, Ember Care, and Atlas Care are sometimes herein individually referred to as a "**Borrower**" and collectively referred to as "**Borrowers**"), on the other hand. For purposes hereof, Lender and Borrowers are referred to as the "**Parties**."

RECITALS

A. Ember Care, SNF and Atlas (collectively, the "**SNF Borrowers**") are subsidiaries of PCC Health, which in turn is an affiliate of Pleasant Care.

B. Prior to the Petition Date, (1) Pleasant Care and PCC Health (collectively, the "**PC Borrowers**") entered into that certain Loan and Security Agreement dated as of November 5, 2004, as may be amended from time to time (the "**PC Loan Agreement**") with Bridge Opportunity Finance, LLC, a Delaware limited liability company ("**Bridge Opportunity**"), Bridge Healthcare Finance, LLC, a Delaware limited liability company ("**Bridge Healthcare**"), as agent for itself, Bridge Opportunity and all other lenders from time to time a party thereto (collectively, "**Bridge Healthcare Lenders**"); and (2) the SNF Borrowers entered into that certain Loan and Security Agreement dated as of November 5, 2004, as may be amended from time to time (the "**SNF Loan Agreement**") with Bridge Healthcare, as agent for Bridge Healthcare Lenders. For purposes hereof, the PC Loan Agreement and the SNF Loan Agreement are sometimes hereinafter collectively referred to as the "**Bridge Healthcare Loan Agreements**."

C. Pursuant to the terms and conditions of the Bridge Healthcare Loan Agreements, Borrowers granted to Bridge Healthcare, as agent for the Bridge Healthcare Lenders, a security interest in and to certain "collateral" of Borrowers as defined therein to secure the obligations of Borrowers thereunder (the "**Bridge Healthcare Loans**").

D. Subsequently, each of Pleasant Care (Case No. 7-12322), PCC Health (Case No. 7-12319); SNF (Case No. 7-12322); Ember Care (Case No. 7-12316 BR); and (5) Atlas Care (Case No. 7-12326) commenced a bankruptcy case (individually, a "**Case**" and collectively, the "**Cases**") by filing a voluntary petition for relief under Chapter 11 of title 11, United States Code, as such may be amended from time to time (the "**Bankruptcy Code**") on March 22, 2007 (the "**Petition Date**") in the United States Bankruptcy Court for the Central District of California – Los Angeles (the "**Bankruptcy Court**").

EXHIBIT "A"

E. In order to bridge and augment Borrowers' individual and collective financing needs during the Cases, Lender has agreed to provide Borrowers, collectively, with a Loan (as defined below), secured by all the assets of Borrowers, and subject to approval by the Bankruptcy Court, on the terms and conditions set forth herein.

AGREEMENT

NOW THEREFORE, in consideration of the terms and conditions contained herein the parties agree as follows, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged:

I. DEFINITIONS

For purposes of this Agreement, the following terms shall have the meanings set forth below. Other terms contained in this Agreement and which are not otherwise specifically defined herein shall have the meanings given such terms under the California Uniform Commercial Code, as such may be amended from time to time (the "*UCC*").

1.1 "Account" or "Accounts" shall refer have the meaning as set forth in the UCC, and shall include, by way of illustration and not of limitation, all of Borrowers' presently existing and subsequently arising or acquired accounts, contract rights, chattel paper, instruments, documents, documents of title and other evidences of indebtedness including, without limitation, all accounts receivable, margin accounts, book debts, notes, drafts, acceptances, and other forms of obligations now or subsequently owned or held by or payable to Borrowers relating in any way to inventory or arising from the sale of inventory or the rendering of services by Borrowers or otherwise arising including, without limitation, the right to payment of any interest or finance charges, together with all merchandise interests represented by any of the Accounts, all merchandise that may be reclaimed or repossessed by or returned to Borrowers, all of Borrowers' rights as an unpaid vendor, including stoppage in transit, reclamation, replevin, and sequestration, all pledged assets and all letters of credit, guaranty claims, liens, and security interests held by or granted to Borrowers to secure payment of any Accounts; and all Proceeds of all of the foregoing described properties and interests in properties.

1.2 "Affiliate" means any Person which directly or indirectly controls, is under common control with, or is controlled by such Person. For purposes of this definition, "controls", "under common control with" and "controlled by" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or otherwise.

1.3 "Borrower's Business" means, for any Borrower, its business and operations as of the Petition Date.

1.4 "Business Day" means any day on which Bank of America is open for business other than a Saturday, Sunday or a legal holiday, ending at 5:00 P.M. California time.

1.5 "Change of Control" means, with respect to any Borrower, (a) direct or indirect transfers of voting stock or partnership, membership or other ownership interests, whether in one or a series of transactions, and whether by means of a merger, consolidation or acquisition of stock, (b) a sale, assignment, conveyance or transfer of all or substantially all of the assets of such Borrower, whether in one or a series of transactions, and whether by means of a transfer of the ownership or rights in and to such assets (including, by way of illustration, a license of all or substantially all of the assets of such Borrower to any Person, (c) the dissolution, winding up and liquidation of such Borrower, whether in one or a series of transactions, and whether voluntarily or by court order or otherwise involuntarily, or (d) the discontinuance of such Borrower's Business.

1.6 "Closing" means the disbursement of the Loan Amount, or any part thereof, upon satisfaction of the conditions precedent set forth herein. For purposes hereof, in the event that the Loan Amount is disbursed in multiple disbursement, there shall be a Closing for each such disbursement.

1.7 "Closing Date" means the date of any Closing.

1.8 "Collateral" shall have the meaning as set forth below and shall include, by way of illustration and not of limitation, all of Borrowers' assets and properties, and all of Borrowers' interests therein, whether now owned or hereafter acquired and of every type, kind and nature whatsoever, whether real or personal, tangible or intangible and whether fixed or contingent and wherever located including, without limitation, all of Borrowers' interests in monies, securities, cash, cash equivalents, deposit accounts, Physical Assets, Accounts, accounts receivable, general intangibles, intellectual property, real properties, all items defined as Collateral under this Agreement, and all Proceeds and Related Property with respect to any and all of the foregoing..

1.9 "Deed of Trust" means one or more mortgages or deeds of trust in appropriate form for recording with appropriate Governmental Authorities.

1.10 "Event of Default" shall mean the existence of circumstances that constitute an Event of Default under this Agreement as defined in Article V.

1.11 "Final Order" means final, non-appealable order entered by the Bankruptcy Court authorizing Borrowers to enter into this Agreement and the other Loan Documents and approving the terms hereof and thereof, the form and content which shall be satisfactory to Lender in its sole discretion. By way of illustration and not of limitation, the Final Order shall expressly provide, among other things, that Lender is a good faith lender pursuant to Section 364(e) of the Bankruptcy Code.

1.12 "Financing Statement" means the one or more UCC-1 Financing Statements in appropriate form for filing with appropriate governmental entities.

1.13 "GAAP" means generally accepted accounting principles consistently applied.

1.14 "General Intangibles" shall have the meaning as set forth in the UCC and shall include, by way of illustration and not of limitation, all of Borrowers' presently owned or subsequently acquired general intangibles including, without limitation, all Intellectual Property, investment property, financial assets, goodwill, choses in action, causes of action, franchises, methods, open purchase orders, customer lists, commercial tort claims, sales literature, drawings, specifications, corporate and other business records, name plates, catalogs, dealer contracts, supplier contracts, distributor agreements, confidential information, consulting agreements, employment agreements, engineering contracts, interests in property as a lessee thereof, insurance policies (including business interruption insurance), licenses, permits and such other assets which reflect or embody the goodwill of the business of Borrowers and whether in tangible or intangible form or contained on magnetic media readable by machine together with all such magnetic media and all deposit accounts, letters of credit and all general intangibles relating to other items of Collateral, including without limitation, all rights to refunds and indemnification.

1.15 "Governmental Authority" means any governmental authority, agency, department, commission, bureau, board, instrumentality, court or quasi-governmental authority having jurisdiction or supervisory or regulatory authority over the Collateral or any of the Borrowers.

1.16 "Ground Leases" means the leases (including, without limitation, subleases) of the premises leased or subleased to Borrowers, and all modifications, amendments and supplements thereto.

1.17 "Intellectual Property" shall have the meaning as set forth in the UCC and shall include, by way of illustration and not of limitation, all of Borrowers' designs, patents, patent rights (and applications therefore), trademarks and service marks (and registrations and applications therefore) and the goodwill of the business to which such trademarks and service marks relate, trade names, inventions, copyrights, maskworks (and applications and registrations therefore), software and computer programs, license rights, trade secrets, methods, processes, know how, drawings, specifications, descriptions, and all memoranda, notes, and records with respect to any research and development, all whether now owned or subsequently acquired or developed by Borrowers and whether in tangible or intangible form or contained on magnetic media readable by machine together with all such magnetic media.

1.18 "Interim Order" means an order entered by the Bankruptcy Court authorizing Borrowers to enter into this Agreement and the other Loan Documents and approving the terms hereof and thereof on an interim basis, the form and content of which shall be satisfactory to Lender in its sole discretion. By way of illustration and not of limitation, the Final Order shall expressly provide, among other things, that Lender is a good faith lender pursuant to Section 364(e) of the Bankruptcy Code.

1.19 "Inventory" shall have the meaning as set forth in the UCC and shall include, by way of illustration and not of limitation, all of Borrowers' inventory including without limitation: (1) all raw materials, work in process, parts, components, assemblies, supplies and materials used or consumed in the business of Borrowers, (2) all goods, wares and merchandise, finished

or unfinished, whether held for sale or lease or leased or furnished or to be furnished under contracts of service, and (3) all goods returned to or repossessed by Borrowers.

1.20 "Loan" means the loan by Lender to Borrowers in the Loan Amount pursuant to the terms and conditions of this Agreement.

1.21 "Loan Amount" means an amount, in the aggregate, not to exceed \$10,000,000.00 U.S.

1.22 "Loan Documents" means, collectively, this Agreement, the Note, the Security Agreement, the Pledge Agreements, the UCC-1 financing statements and all other documents, instruments and agreements executed in connection herewith, therewith or contemplated hereby or thereby, and further including, without limitation, all amendments and modifications of the foregoing.

1.23 "Material Adverse Effect" means a material adverse effect on (a) any of the Collateral, including, without limitation, the use of the Collateral, as applicable, or (b) the ability of any of the Borrowers to perform their obligations under the Loan Documents.

1.24 "Note" means the promissory note to be executed by each of the Borrowers in favor of Lender in the Loan Amount, as the same may be amended, modified or supplemented from time to time.

1.25 "Obligations" means, collectively, the obligations of Borrowers to pay the indebtedness and other sums under, and to perform all other obligations and covenants contained in, the Note and the other Loan Documents, and shall include, by way of illustration and not of limitation, all of Borrowers' indebtedness and liabilities to Lender, whether previously, now or subsequently owing, arising, due or payable and however evidenced, created, incurred, acquired, or owed, whether primary, secondary, direct, indirect, contingent, fixed or otherwise (including obligations of performance) and arising under or based upon the Loan Documents.

1.26 "Permitted Exceptions" means liens and security interests in favor of the Bridge Healthcare Lenders and purchase money security interest liens and capitalized leases, if any, as set forth on **Schedule 1.15** attached hereto and incorporated herein.

1.27 "Permitted Indebtedness" means (a) this Loan, (b) the Bridge Healthcare Loans, (c) for each Borrower, trade and operational debt incurred in the ordinary course of Borrower's Business, and (d) obligations evidenced by those capital leases and security interests described in Schedule 1.15.

1.28 "Person" means any individual, corporation, partnership, limited liability company, trust, unincorporated organization, Governmental Authority or any other form of entity.

1.29 "Physical Assets" shall have the meaning as set forth in the UCC and shall include, by way of illustration and not of limitation, all of Borrowers' tangible personal property

including, without limitation, all such items specifically defined as part of the Collateral under this Agreement and all fixtures, machinery, processing equipment, machine tools, data processing and computer equipment with software and peripheral equipment, and all engineering, processing and manufacturing equipment, office furniture and equipment and supplies, materials handling equipment, tools, tooling, jigs, dies, attachments, accessories, automotive equipment, trailers, trucks, ships, vessels, airplanes, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, all whether now owned or subsequently acquired and wherever situated, and all manuals, drawings, instructions, warranties and rights with respect thereto.

1.30 "Proceeds" have the meaning as set forth in the UCC and shall include, by way of illustration and not of limitation, with reference to Collateral: (a) whatever is now or subsequently received by Borrowers upon the sale, exchange, collection or other disposition (temporary or permanent) of any item of Collateral, whether such proceeds constitute inventory, accounts, accounts receivable, general intangibles, instruments, securities, credits, documents, letters of credit, chattel paper, documents of title, warehouse receipts, leases, lease or rental payments, deposit accounts, money, goods or equipment, (b) any such items which are now or subsequently payable or deliverable to Borrowers by reason of loss or damage to any item of Collateral or any proceeds thereof, and all proceeds of insurance with respect thereto, including the proceeds of any applicable credit insurance or fidelity bond, whether payable in cash or in kind, and (c) all customer lists, ledgers, books of account, records, computer programs, computer disks or tape files, computer printouts, computer runs, and other computer prepared information relating to any of the foregoing.

1.31 "Plans" means, for any of the Borrowers, the Plan of Reorganization approved by the Bankruptcy Court with respect to such Borrower.

1.32 "Pledge Agreements" means those pledge agreements to be executed by Borrowers, as amended, modified and supplemented from time to time, pursuant to which the equity, membership or ownership interests of the Borrowers, including, any interest in and to any Subsidiary of Borrowers, is pledged as security for the Obligations to Lender pursuant to the terms and conditions hereof.

1.33 "Related Property" shall mean, with respect to items of Collateral hereunder, all additional items of such Collateral, hereafter at any time acquired by Borrowers and wherever located, including all replacements, attachments, accessories, additions, accessions, substitutions, repairs, Proceeds, products and parts relating thereto or therefrom, and all documents, invoices, bills, records, warranties, service or maintenance agreements, manuals, ledger sheets and files of Borrowers relating to any of the foregoing, whether in tangible or intangible form or contained on magnetic media readable by machine together with all such magnetic media.

1.34 "Security Agreement" means that certain Security Agreement to be executed by Borrowers for the benefit of Lender pursuant to the terms and conditions of this Agreement, as amended, modified and supplemented from time to time.

1.35 "Subsidiary" means any entity controlled, directly or indirectly, by any Borrower.

II. REPRESENTATIONS, WARRANTIES, COVENANTS

2.1 Representations, and Warranties. In order to induce Lender to enter into this Agreement and the other Loan Documents and to make the Loan as contemplated herein, each of the Borrowers hereby jointly and severally represents and warrants to Lender as follows, all of which shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated herein and in the Loan Documents:

(a) Borrower is a corporation incorporated in, duly formed and qualified to do business in the State of California. Borrower will not change its state of jurisdiction/incorporation, its principal place of business, and/or chief executive office, without not less than ten (10) days prior written notice to Lender;

(b) Upon approval of the Bankruptcy Court, this Agreement and the other Loan Documents constitute the legal, valid and binding obligation of Borrower, in accordance with the terms hereof, Borrower has good and lawful right and authority to execute and deliver this Agreement and the other Loan Documents, and to execute the assignments in blank as provided for in the Pledge Agreements, as applicable. The individual executing this Agreement and the other Loan Documents on behalf of Borrower has been duly authorized to act on behalf of such Borrower, in the execution and delivery of this Agreement and the other Loan Documents;

(c) Subject to the approval of the Bankruptcy Court, any consent, approval or authorization of or designation or filing with any Governmental Authority on the part of Borrowers which is required in connection with this Agreement and the other Loan Documents, the security interest granted pursuant hereto and thereto, and the transactions contemplated hereby and thereby, has been obtained or effected;

(d) Subject to the approval of the Bankruptcy Court, the Collateral is the sole and separate property of Borrowers, and Borrowers have good and marketable title to the Collateral, and is the sole record, legal and beneficial owner of the Collateral, free from any liens, security interests, assignments, encumbrances or claims of any kind, other than the Permitted Exceptions. There are no Persons who assert any type of ownership interest or control (whether by virtue of voting rights or otherwise) whatsoever in connection with the Collateral;

(e) Subject to the approval of the Bankruptcy Court, all required licenses and permits, both from private and Governmental Authority, to use and operate the Collateral, as applicable, and occupy the premises covered by Ground Leases, are in full force and effect, except for such licenses and permits the failure of which to obtain has not had, and could not reasonably be expected to result in, a Material Adverse Effect;

(f) Upon its execution and delivery, this Agreement and the other Loan Documents shall create an enforceable and valid lien upon and security interest in the Collateral, now owned and hereafter acquired, subject only to the Permitted Exceptions. The granting by

Borrowers of the security interest in the Collateral, as evidenced by this Agreement and the other Loan Documents, complies with all applicable federal, state and local laws, rules and ordinances.

2.2 Covenants and Agreements. In order to induce Lender to enter into this Agreement and the other Loan Documents and to make the Loan as contemplated herein, each of the Borrowers hereby jointly and severally covenants and agrees as follows, all of which shall survive until the Obligations have been fully and completely satisfied and discharged:

(a) Borrowers shall punctually pay, or cause to be paid, the principal, interest and all other sums to become due in connection with the Loan or otherwise due in connection with this Agreement and the other Loan Documents in accordance with the terms and conditions contained herein and therein. Without limiting the generality of the foregoing, Borrowers shall punctually and completely perform the Obligations when due. Time is of the essence in the performance of the Obligations hereunder

(b) Borrowers will not permit or suffer to exist any lien, security interest, encumbrance, restriction, pledge or claim of any kind upon the Collateral, other than with respect to a Permitted Exceptions, and Lender shall be granted pursuant to the Loan Documents a valid and perfected security interest in and to the Collateral, subordinate in priority only to valid, perfected and non-avoidable pre-existing liens of third parties, and the liens granted to Majer in connection with loans made by Majer to Borrowers. By way of illustration and not of limitation, Borrowers will not attempt to, or permit a third party to, assign, pledge, mortgage, lease, hypothecate or otherwise encumber, sell or otherwise dispose of the Collateral, and Borrowers will not suffer or permit to be incurred any liens on or security interests in the Collateral, or permit the Collateral to be subjected to any unpaid charges whatsoever. In addition, Borrowers agree that they will defend the Collateral against the claims and demand of all Persons; provided, that, at Lender's option, Lender may do so at Borrowers' expense. Borrowers agree, at their sole cost and expense, to execute, re-execute, deliver and re-deliver all documents requested by the Lender to enable the Lender to perfect, preserve and protect its first priority security interest in and on the Collateral, subject to the Permitted Exceptions, and do hereby authorize the Lender to file and record any such documents for such purposes.

(c) Borrowers will not permit or suffer to exist any indebtedness, secured or unsecured, direct or indirect, absolute or contingent, including, without limitation, liability for debts of any other Person other than Permitted Indebtedness. Borrowers are not and, for so long as the Obligations remain outstanding, will not become, guarantors of any obligations other than in the ordinary course of business of Borrower's Business;

(d) Borrowers will not amend or waive or consent to any amendment or waiver of the instruments or documents constituting the Collateral, including, without limitation, or make any compromise, adjustment, settlement or termination in connection therewith, and Borrowers will preserve and enforce all of their individual and collective rights with respect to the Collateral;

(e) Borrowers will hold any Proceeds received by or on behalf of the Collateral other than Proceeds derived in the ordinary course of Borrower's Business, for the

benefit and in trust for Lender and will not commingle it with its general funds; and Borrowers will immediately remit to Lender any such Proceeds. Borrowers shall promptly provide Lender with notice of receipt of such Proceeds within five (5) days of receipt thereof;

(f) Borrowers will promptly (but not later than three (3) days after receipt thereof) deliver to Lender copies of any notices received with respect to matters materially affecting the Collateral or which might have a Material Adverse Effect on Borrowers individually and/or collectively, and/or the Collateral;

(g) Subject to the approval of the Bankruptcy Court, Borrowers will maintain the Collateral for the benefit of Lender and will operate the business of Borrowers consistent with past practices, including, without limitation, maintaining its insurance and all required licenses and permits, and will not enter into any agreement or arrangement which may have a Material Adverse Effect. By way of illustration and not of limitation, Borrowers are not aware of any challenge to the ownership and/or claims of infringement of any of the Collateral, as applicable;

(h) Borrowers will seek to have the Bankruptcy Court approve and enter the Interim Order on an expedited basis and thereafter a Final Order authorizing the continuation of financing beyond the final hearing; Borrowers will not seek to adopt a Plan which is inconsistent with the terms and conditions of this Agreement and the other Loan Documents;

(i) Each Borrower will maintain and preserve its existence and its current form of organization as a California corporation, and will not conduct its business via a fictitious business name, nor shall it change its name, nor shall it in one or a series of transactions, effect a Change of Control, nor shall it form one or more Subsidiary entities;

(j) Borrowers, or any of them, voluntarily (whether by sale, contract for sale, conveyance, transfer, assignment, lease, sublet or otherwise) or involuntarily transfers any interest in and to the Collateral except voluntary transfers of Collateral in the ordinary course of business;

(k) Borrowers will pay promptly, when due, any and all property taxes, excise taxes (however called) and other taxes, assessments, duties and other charges, which, if unpaid, might by law or otherwise become a lien or charge upon the Collateral (including any and all interest, penalties and related provisional fees) imposed, levied or assessed against the Collateral, or upon or measured by the use, ownership, possession or operation thereof, or in respect of this Agreement or incident to the security interest in the Collateral granted and conveyed herein; provided, however, that Borrowers shall have the right to contest in good faith by appropriate proceedings promptly initiated, the validity, amount or imposition of such fee or tax if such contest, in Lender's determination, does not have a Material Adverse Effect; and

(l) Borrowers shall, during normal business hours (or at any time upon reasonable request by Lender), (1) provide Lender and Lender's authorized agents and representatives, with access to the Collateral and all files, correspondences and documents relating to the Collateral, and (2) allow such persons to make such inspections, tests, audits,

copies and verifications as Lender considers reasonable and appropriate. The rights granted pursuant to this subsection (k) shall survive for a period of up to three (3) years following the termination hereof.

III. CONDITIONS PRECEDENT: EFFECTIVE DATE

3.1 Conditions Precedent. The obligations of Lender hereunder is expressly conditioned upon full and complete satisfaction and fulfillment by each of the Borrowers with respect to each of the following conditions:

(a) Accuracy Of Representations. The representations and warranties made by such Borrower in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the Effective Date;

(b) Performance Of Obligations. As of the Effective Date, such Borrower shall have complied in all material respects with, and shall have fully performed, in all material respects, all conditions, covenants and obligations of this Agreement and the other Loan Documents imposed on such Borrower and required to be performed or complied with by such Borrower at, or prior to, the Effective Date;

(c) Delivery of Executed Loan Documents. As of the Effective Date, each Borrower shall have delivered, and Lender shall have received, this Agreement and the other Loan Documents, duly and validly executed and delivered to Lender, all in form and substance reasonably acceptable to Lender, along with such other documents, instruments, certificates and agreements which Lender may from time to time reasonably request;

(d) Interim Order. The Bankruptcy Court shall have entered an Interim Order approving and authorizing the Loan Documents and the transactions contemplated thereby, and shall not have issued any subsequent order amending, revoking and/or modifying the Interim Order or which is otherwise inconsistent with the terms and conditions of this Order;

(e) No Event of Default. There shall be no occurrence of an Event of Default.

3.2 Effective Date. Subject to the satisfaction of the conditions precedent as set forth in Section 3.1 above, the effective date of this Agreement and the other Loan Documents shall be such date as determined by Lender in its sole and absolute discretion (the "*Effective Date*").

IV. THE LOAN

4.1 Loan. Subject to the terms and conditions hereof, Lender shall make the Loan to Borrowers from time to time in one or more advances, all in an aggregate maximum principal amount not to exceed the Loan Amount. Each advance and each repayment shall be represented by a notation on Schedule A to the Note executed by Borrowers in conjunction with each such advance. For purposes hereof, (a) each advance will designate the specific Borrower or Borrowers that directly received the funding from Lender with respect to such advance, (b) the Parties acknowledge and agree that the initial advance hereunder shall be in the principal amount

of \$500,000.00 by Lender to such Borrower or Borrowers as Lender designates in writing upon advancing the funds as contemplated hereby, and (c) notwithstanding that a Borrower may not have received all or any of the funds from an advance made pursuant to this Agreement, each of the Borrowers is jointly and severally liable for the entire amount of the Obligations due hereunder, notwithstanding that such Borrower did not receive any advance pursuant to the Loan Documents.

4.2 Term. Unless sooner terminated pursuant to the terms and conditions of this Agreement, this Agreement shall continue in effect from the date set forth above until the later of December 31, 2007 or the first business day after all obligations of the Debtors owed to parties holding senior valid, perfected and non-avoidable liens are satisfied (“Maturity Date”). Any extension of the Maturity Date shall be in the sole direction of the Lender. Upon the Maturity Date, Borrowers shall repay to Lender the entire amount of the Obligations due hereunder, including, without limitation, all principal, accrued and unpaid interest and all other costs and expenses.

4.3 Interest. Interest on the Loans shall accrue at a rate equal to ten percent (10%) of the then-outstanding principal amount of the Loan, calculated on the basis of a 360-day year for the actual number of days elapsed.

4.4 Payment Terms. Subject to the terms and conditions hereof, all outstanding principal, accrued and unpaid interest and other costs and expenses due in connection with the Obligations shall be due on or before the Maturity Date. Borrowers may prepay all or any portion of the Obligations outstanding from time to time without penalty. Without limiting any other rights or remedies Lender may have under the Loan Documents, under contract, at law or equity, all of which are expressly reserved, in the event that Borrowers fail to pay the amount of any payment due in connection with the Obligations within three (3) Business Days from such due date, Borrowers jointly and severally shall pay to Lender as part of the Obligations, in addition to any other payment obligation of Borrowers, a late charge equal to three percent (3%) of such amount then due.

4.5 Savings. This Loan is subject to the express condition that at no time shall Borrowers be obligated or required to pay interest hereunder at a rate which could subject Lender to either criminal or civil liability as a result of being in excess of the maximum interest rate which Lender is permitted by applicable law to contract or agree to pay. If by the terms of this Loan, Borrowers are at any time required or obligated to pay interest, including, without limitation, default interest, at a rate in excess of such maximum rate, the interest rate shall be deemed to be immediately reduced to such maximum rate, and all previous payments, if any, in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not on account of the interest rate due hereunder.

V. THE COLLATERAL AND SUPERPRORITY ADMINISTRATIVE EXPENSE STATUS

5.1 Collateral. Borrower hereby grants to Lender, for as long as any Obligations remain outstanding under the Loan Documents, a continuing security interest in all of Borrowers' right, title and interest in and to the Collateral.

5.2 Purpose of Security Interests. The security interests granted in this Article V in the Collateral, are granted for the purposes of securing the following:

(a) The due and punctual payment and performance of all Obligations of Borrowers, individually and collectively, to Lender, whether such applicable Obligations are now or subsequently existing under this Agreement and/or the other Loan Documents, together with interest, penalties and other charges as provided in the Loan Documents, and all increases, extensions, modifications, and renewals of any of the foregoing; and

(b) The payment and performance of all indebtedness of Borrowers, jointly and severally, to Lender of every kind and character, direct or indirect, absolute or contingent, due or to become due, now existing or in the future arising, whether joint or several, to the extent created or arising under this Agreement and/or the other Loan Documents.

5.3 Superpriority Administrative Expense Status. Pursuant to Section 364(c)(1) of the Bankruptcy Code, Lender shall have super-priority administrative claim status for all Obligations.

VI. EVENTS OF DEFAULT

6.1 The occurrence of any of the following events or conditions shall be an event of default (an "*Event of Default*") and, unless the same shall have been waived by Lender in writing or remedied by Borrowers as set forth in Article 6.2, below, shall, at the option of Lender exercisable by written notice of default from Lender to Borrowers, cause the entire amount of the Obligations to become immediately due and payable without demand, presentment, protest or further notice of any kind, all of which are hereby expressly waived by Borrowers:

(a) Breach of Loan Documents. The failure of Borrowers, or any of them, to satisfy or comply with any of the material provisions of this Agreement or of the other Documents after written notice from Lender to Borrowers specifying such failure.

(b) Other Events. Any of the following circumstances occur:

(1) Borrowers fail to timely remit to Lender all payments due and permitted hereunder as of the date due.

(2) Any of the Cases is converted from Chapter 11 to Chapter 7 under the Bankruptcy Code, or is dismissed.

(3) The appointment of a Chapter 11 trustee in the Case.

(4) An Interim Order and/or a Final Order is not timely obtained, or the Bankruptcy Court enters any order modifying, reversing, revoking, staying, rescinding, vacating or amending the Interim Order or the Final Order without the consent of the Lender.

(5) Entry of an order by the Bankruptcy Court in the Cases, or any of them, granting relief from the automatic stay of Section 362 of the Bankruptcy Code or similar relief in favor of any third party which the Lender, in its sole discretion, considers detrimental to its rights and interests hereunder.

(6) Borrowers propose and/or the Bankruptcy Court approves, a Plan inconsistent with the terms and conditions of the Loan Documents, including, without limitation, a Plan that does not provide for the payment in full of the Obligations to Lender pursuant to the terms of the Loan Documents, or that proposes to treat Lender's claim in a manner that is unacceptable to Lender in the exercise of its sole and exclusive discretion.

(7) Any proposal by any party in interest other than Borrowers of a Plan that does not provide for payment in full on the effective date of such Plan.

(8) The occurrence of a Change of Control.

(9) Without first obtaining the prior written consent of Lender, the filing by the Borrowers of any motion for use of cash collateral or for approval of any secured financing unless all Obligations are paid and satisfied before such motion is filed.

6.2 Upon the occurrence of an Event of Default, Lender shall provide written notice ("**Notice**") of such Event of Default to Borrowers. Borrowers shall have three (3) Business Days from the date of any Notice of a monetary Event of Default and ten (10) business days from the date of any Notice of a non-monetary Event of Default within which to cure any Event of Default described in any such Notice to the reasonable satisfaction of Lender. If, in Lender's reasonable discretion, Borrowers have failed to provide sufficient and satisfactory evidence of the steps taken to cure an Event of Default within the time periods set forth above, Lender shall be entitled to exercise the remedies described in Article VII, below. However, in the event the Borrowers tender evidence to show substantial cure of a non-monetary Event of Default described in any Notice provided hereunder, yet Lender contends that the evidence tendered by Borrowers do not demonstrate that the non-monetary Event of Default has been cured to Lender's reasonable satisfaction, Borrowers may apply to the Bankruptcy Court, on an emergency and expedited basis, for a determination as to whether or not the non-monetary Event of Default set forth in any Notice has been cured by Borrowers. In the event the Borrower seeks such a determination from the Bankruptcy Court, Lender agrees that such determination may be made on an emergency basis, and that Lender will not challenge either the sufficiency of any notice provided by Borrowers, or the jurisdiction of the Bankruptcy Court to resolve the matters raised by Borrowers hereunder. Each party shall reserve any and all other rights, claims and defenses in any litigation brought hereunder. Without limiting the generality of the foregoing, the Parties expressly acknowledge and agree that a monetary Event of Default can only be cured by full payment of such amount due prior to the expiration of the period permitted for cure hereunder.

VII. REMEDIES UPON EVENT OF DEFAULT

Upon the occurrence of an Event of Default, Lender may, at its option, do any one or more of the following with respect to any or all of the Borrowers:

7.1 Acceleration Upon provision of a Notice, immediately declare all indebtedness and payment obligations under the Loan Documents to be immediately due and payable, whereupon, without limitation on the generality of the foregoing, all unpaid principal of and interest with respect to the Loan shall be immediately due and payable.

7.2 Relief from Stay. Following provision by Lender of a Notice in accordance with Article VI above, if Borrowers shall have failed to cure any Event of Default or obtain a judicial determination with respect to whether any Event of Default set forth in any Notice has been cured by the Borrower, Lender shall have immediate relief from the automatic stay of Section 362 of the Bankruptcy Code, without the need for further notice or hearing, to exercise any or all of the remedies described in this Article VII.

7.3 UCC Remedies and Real Property Remedies. Exercise any and all remedies of a secured party under the California (or other applicable state) Uniform Commercial Code, or any other applicable law, and under the Deed of Trust, as applicable, or in connection with any fixture filing, as applicable including, without limitation, the right to recover reasonable attorneys' fees and legal expenses incurred by Lender in the enforcement of its rights under this Agreement and/or the other Loan Documents, or in connection with any redemption of the Collateral by Borrowers.

7.4 Entry. Enter and remain upon any and all of the premises of Borrowers without any obligation to pay rent to Borrowers or others (except as otherwise required by law or under contractual obligations to the lessor or other owner of the premises), or any other place or places where any of the Collateral is located and kept and: (1) remove Collateral therefrom to the premises of Lender or any agent of Lender, for such time as Lender may desire in order to maintain, sell, collect, or liquidate the Collateral, or (2) use such premises, together with materials, supplies, books and records of Borrowers to preserve the condition or value of the Collateral and to prepare the Collateral for selling, liquidating or collecting.

7.5 Additional Remedies. Lender may exercise any one or more remedies hereunder or at law, successively or concurrently, against one or more of the Borrowers, and such actions shall not operate to prevent Lender from pursuing any other or further remedy which it may have against any or all of the Borrowers. The repossession or retaking or sale of the Collateral pursuant to the terms hereof shall not operate to release Borrowers from full payment of any deficiency until full payment of any such deficiency has in fact been paid Lender in cash. Further, in connection with any public or private sale under the applicable state version of the Uniform Commercial Code where the Collateral is located, Lender shall give Borrowers at least five (5) days prior written notice of the time and place of any public sale of material Collateral or the time after which any private sale or other intended disposition will occur, which notice shall be deemed a reasonable notice of such sale or other disposition.

7.6 Enforcement Expenses. All expenses of enforcement of the Loan Documents and disposition of the Collateral including, without limitation, attorneys' fees, costs of segregation, retaking, holding, preparing for sale, selling and other expenses relating to disposition or collection of the Collateral (incurred in taking the actions described in this Article VII, or otherwise in this Agreement, the other Loan Documents, or as provided by law) shall be paid by Borrowers to Lender on demand and Lender may pay and set off as to such amounts out of the proceeds obtained by Lender from the sale or other disposition of the Collateral.

7.7 Receivables. Upon the occurrence of: an Event of Default or an event which with notice or lapse of time or both would become an Event of Default, Lender shall have the right as long as any amount is then outstanding under this Agreement and/or other Loan Documents secured by Borrowers' Accounts, to notify the Account Borrower or other party obligated under any Account assigned as part of the Collateral of the assignment of such Account to Lender and of its security interest in such Account and to direct such Account Borrower to make payment of all amounts due or to become due to Borrowers directly to Lender and, upon such notification, to enforce collection of any such Account in the same manner and to the same extent as Borrowers might have done. For so long as any amount is outstanding under the Loan Documents secured by the Accounts, each Borrower hereby irrevocably constitutes and appoints Lender as its true and lawful attorney-in-fact, in the name, place and stead of such Borrower and with full power of substitution, either in Lender's own name or in the name of such Borrower, to (1) ask for, demand, sue for, collect, receive, receipt and give acquittance for any and all monies due or to become due under and by virtue of any Account, (2) endorse checks, drafts, orders and other instruments for the payment of monies payable to such Borrower on account thereof, (3) settle, compromise, prosecute or defend any action, claim or proceeding with respect thereto, and (4) sell, assign, pledge, transfer and make any agreement respecting, or otherwise deal with, the same, provided, however, that nothing herein contained shall be construed as requiring or obligating Lender to make any demand, or to make any inquiry as to the nature or sufficiency of any payment received by it, or to present or file any claim or notice to take any action with respect to any such Account or the monies due or to become due thereunder or the property covered by any Account or related document or instrument, and no action taken or omitted to be taken by Lender with respect to any such Account shall give rise to any defense, counterclaim or offset in favor of such Borrower or any of the Borrowers or to any claim or action against Lender.

7.8 Duty of Lender With Respect to Collateral. Lender shall have no duty or any obligation to take any steps to protect, preserve or enforce any rights under the Collateral. Lender shall exercise reasonable care in the custody and preservation of the Collateral in its possession to the extent required by applicable statute. The Parties expressly acknowledge and agree that (a) Lender shall have no duty to protect, insure, collect or realize upon the Collateral, including, without limitation, any Proceeds, and (b) Lender's compliance with the terms and conditions hereof shall be deemed "reasonable care" of the Collateral.

VIII. MISCELLANEOUS

8.1 Binding upon Successors and Assigns. Subject to, and unless otherwise provided in, this Agreement, each and all of the covenants, terms, provisions and agreements contained herein shall be binding upon, and inure to the benefit of, the permitted successors, and the executors, heirs, representatives, administrators and assigns of the parties hereto. Except as otherwise provided herein, all rights of Lender hereunder shall be assignable. Borrowers may not assign any of their individual and collective interests under this Agreement or under the other Loan Documents without the prior written consent of Lender. Any purported assignment inconsistent with the provisions hereof shall, at the option of Lender, be null and void.

8.2 Amendments and Waivers. Any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a writing signed by the party to be bound thereby. No waiver of any term, provision or condition of this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or be construed as, a further or continuing waiver of any such term, provision or condition or as a waiver of any other term, provision or condition of this Agreement.

8.3 Attorneys' Fees. Should suit or any other proceeding be brought in any court, including the Bankruptcy Court, to enforce or interpret any part of this Agreement or the other Loan Documents, the prevailing party shall be entitled to recover (as an element of the costs of suit or arbitration and not as damages) reasonable attorneys' fees to be fixed by the court (including without limitation, costs, expenses and fees on any appeal). If any party to this Agreement shall bring any action for any relief against another, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees incurred in bringing such suit and enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. The parties agree that any judgment or order entered in such action shall contain a specific provision providing for the recovery of attorneys' fees and costs incurred in enforcing such judgment. For the purposes of this Section, attorneys' fees shall include, without limitation, fees incurred in the following: (1) post-judgment motions; (2) contempt proceedings; (3) garnishment, levy, and Borrowers and third party examinations; (4) discovery; and (5) bankruptcy litigation.

8.4 Notices. Whenever any party hereto desires or is required to give any notice, demand, or request with respect to this Agreement (or under any other Loan Documents), each such communication shall be in writing and shall be deemed to have been validly served, given or delivered at the time stated below if deposited in the United States mail, registered or certified and return receipt requested, with proper postage prepaid, or if delivered by Federal Express or other private messenger, courier or other delivery service or sent by facsimile transmission by telex, telecopy, telegraph or cable or other similar electronic medium, addressed as indicated on the signature page hereof. If sent by telegraph, cable, telecopy and other facsimile transmission, a conformed copy of such notice shall be sent by mail (in the manner provided above) to the addressee. Service of any such communication made only by mail shall be deemed complete on the date of actual delivery as indicated by the addressee's registry or certification receipt or at the expiration of the third (3rd) Business Day after the date of mailing, whichever is earlier in time.

Any party may change its address for such communications by giving notice thereof to the other parties in conformity with this Section. Notices shall be sent as follows:

If to Lender: Emmanuel Bernabe

With a copy to:

If to Borrowers: **PLEASANT CARE CORPORATION,**

PCC HEALTH SERVICES, INC.

SNF PROPERTIES INC.

EMBER CARE CORPORATION

**ATLAS CARE ENTERPRISES,
INCORPORATED**

With a copy to:

8.5 Construction of Agreement. A reference in this Agreement to any Section shall include a reference to every Section number which begins with the number of the Section to which reference is specifically made (e.g., a reference to Section 4.1 shall include a reference to Sections 4.1(a) and 4.1(b)). The provisions of the other Loan Documents and of all Exhibits hereto are hereby incorporated in this Agreement by this reference and reference to this Agreement shall be deemed to include reference to all other Loan Documents hereunder. All references to the singular shall include the plural and vice versa and all references to the masculine shall include the neuter or feminine and vice versa. This Agreement has been reviewed and negotiated by counsel for each party and no ambiguity in this Agreement shall be construed against any party based upon its having prepared the same. If any term or provision of this Agreement, or the application thereof to any circumstances, shall be invalid, illegal or unenforceable to any extent, such term or provision shall not invalidate or render unenforceable any other term or provision of this Agreement, or the application of such term or provision to any other circumstance. To the extent permitted by law, the parties hereto hereby waive any provision of law that render any term or provision hereof invalid or unenforceable in any respect.

8.6 No Joint Venture. Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between or among the Parties hereto. Neither Lender, on the one hand, and Borrowers, on the other hand (1) is by virtue of this Agreement authorized as an agent, employee or legal representative of the other party; (2) shall have the power to control the activities or operations of the other party; the relationship between Lender, on the one hand, and Borrowers, on the other hand, is, and at all times will continue to be, that of independent contractors with respect to each other. Neither Lender, on the one hand, or Borrowers, on the other hand, shall have any power or authority to bind or commit the other party, or shall hold itself out as having any authority over or relationship with the other party in contravention of this Agreement.

8.7 Further Assurances. Each Party agrees to cooperate fully with the other Parties and to execute such further instruments, documents and agreements, to give such further written assurances and to take such further actions, as may be reasonably requested by any other party to better evidence and reflect the transactions described herein and contemplated hereby, and as necessary to carry into effect the intents and purposes of this Agreement and the other Loan Documents.

8.8 Governing Law. The parties hereto agree that this Agreement shall be interpreted, enforced and governed by the laws of the State of California, and that, during the pendency of the Cases, the Bankruptcy Court, sitting without a jury, shall be the forum for any action brought to enforce the terms of this Agreement. The place of performance of this Agreement is Los Angeles County. All of the parties hereto waive, to the fullest extent each may effectively do so, any defense or objection based upon forum non conveniens and any defense or objection to venue of any action instituted within Los Angeles County, California.

8.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. For purposes hereof, facsimile copies shall be deemed originals.

8.10 Entire Agreement. This Agreement and the other Loan Documents shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof and shall supersede all other prior agreements, written or oral, with respect thereto.

8.11 Indemnification. Borrowers jointly and severally agree to indemnify, defend and hold harmless Lender for, from and against all losses, claims, demands and expenses, including, without limitation, expert witness fees and attorneys' fees, incurred by Lender and arising out of: (a) a misrepresentation or breach of warranty contained in this Agreement and/or the other Loan Documents, (b) failure of Borrowers to establish or maintain in favor of Lender a first priority security interest in the Collateral, subject to the Permitted Exceptions; or (c) any contest by Borrowers of the exercise of any of Lender's rights or remedies under this Agreement, the other Loan Documents, or otherwise at law or in equity.

[SIGNATURE PAGE IMMEDIATELY FOLLOWING]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date stated on page one of this Agreement.

LENDER:

EMMANUEL BERNABE, an individual

BORROWERS:

PLEASANT CARE CORPORATION,

By: _____
Title: _____

PCC HEALTH SERVICES, INC.

By: _____
Title: _____

SNF PROPERTIES INC.

By: _____
Title: _____

EMBER CARE CORPORATION

By: _____
Title: _____

ATLAS CARE ENTERPRISES, INCORPORATED

By: _____
Title: _____