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14 Attorneys for UMB Bank, N.A., as master indenture trustee and
15 Wells Fargo Bank, National Association, as indenture trustee

16 **UNITED STATES BANKRUPTCY COURT**
17 **CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

18 In re
19 VERITY HEALTH SYSTEM OF
20 CALIFORNIA, INC., *et al.*,
21 Debtor and Debtor In Possession.

22 Lead Case No. 2:18-bk-20151-ER
23 Jointly Administered With:
24 Case No. 2:18-bk-20162-ER; Case No. 2:18-bk-20163-ER;
25 Case No. 2:18-bk-20164-ER; Case No. 2:18-bk-20165-ER;
26 Case No. 2:18-bk-20167-ER; Case No. 2:18-bk-20168-ER;
27 Case No. 2:18-bk-20169-ER; Case No. 2:18-bk-20171-ER;
28 Case No. 2:18-bk-20172-ER; Case No. 2:18-bk-20173-ER;
Case No. 2:18-bk-20175-ER; Case No. 2:18-bk-20176-ER;
Case No. 2:18-bk-20178-ER; Case No. 2:18-bk-20179-ER;
Case No. 2:18-bk-20180-ER; Case No. 2:18-bk-20181-ER

- 29 Affects All Debtors
- 30 Affects O'Connor Hospital
- 31 Affects Saint Louise Regional Hospital
- 32 Affects St. Francis Medical Center
- 33 Affects St. Vincent Medical Center
- 34 Affects Seton Medical Center
- 35 Affects O'Connor Hospital Foundation
- 36 Affects Saint Louise Regional Hospital Foundation
- 37 Affects St. Francis Medical Center of Lynwood Medical Foundation
- 38 Affects St. Vincent Foundation
- 39 Affects St. Vincent Dialysis Center, Inc.
- 40 Affects Seton Medical Center Foundation
- 41 Affects Verity Business Services
- 42 Affects Verity Medical Foundation
- 43 Affects Verity Holdings, LLC
- 44 Affects DePaul Ventures, LLC
- 45 Affects DePaul Ventures - San Jose Dialysis, LLC

46 Chapter 11 Cases
47 Hon. Ernest M. Robles
48 **OBJECTION TO DEBTORS' PROPOSED FORM OF ORDER ON MOTION OF DEBTORS FOR FINAL ORDER (A) AUTHORIZING THE DEBTORS TO OBTAIN POST PETITION FINANCING (B) AUTHORIZING THE DEBTORS TO USE CASH COLLATERAL AND (C) GRANTING ADEQUATE PROTECTION TO PREPETITION SECURED CREDITORS PURSUANT TO 11 U.S.C. §§ 105, 363, 364, 1107 AND 1108**

49 **[LBR 9021-1(B)(3)(b)]**

50 HEARING HELD ON:
51 Date: October 3, 2018
52 Time: 10:00 a.m.
53 Ctrm: 1568

54 Debtors and Debtors In Possession.



1 Pursuant to Local Bankruptcy Rule 9021-1(b)(3)(B), secured creditors UMB Bank,
2 N.A., as successor master indenture trustee for the master indenture obligations described more
3 fully below (the “Master Trustee”), and Wells Fargo Bank, National Association, as indenture
4 trustee for the series 2005 revenue bonds also described more fully below (the “Series 2005
5 Trustee”, and, collectively with the Master Trustee, the “Secured Parties”) object to the
6 Debtors’ proposed form of final order (the “Proposed Final Order”) on their “*Emergency*
7 *Motion of Debtors for Interim and Final Orders (A) Authorizing the Debtors to Obtain Post*
8 *Petition Financing (B) Authorizing the Debtors to Use Cash Collateral and (C) Granting*
9 *Adequate Protection to Prepetition Secured Creditors Pursuant to 11 U.S.C. §§ 105, 363, 364,*
10 *1107 and 1108*” [Docket No. 31] (the “Financing Motion”).

11 The Secured Parties’ objection is based upon the fact that the Proposed Final Order does
12 not reflect the proceedings held in Court today on the Financing Motion, or the Court’s ruling
13 on the Intercreditor Agreement at that hearing. The Secured Parties have attempted to resolve,
14 but were unable to resolve, the problems with the Proposed Final Order that form the basis for
15 this objection. The Secured Parties’ exchange with counsel to the Debtors on these issues is
16 attached hereto as **Exhibit A**.

17 **ARGUMENT**

18 At today’s hearing on the Financing Motion, the Court ruled that the final order on the
19 Financing Motion should provide that any priority of replacement liens between the Secured
20 Parties and Note Trustee¹ should be governed by the Intercreditor Agreement, subject to further
21 order of the Court. The Proposed Final Order, a copy of which is attached hereto as **Exhibit B**,
22 does not reflect that ruling.

23 The Proposed Final Order provides only the following statement, which appears in
24 Section 5(a): “Unless otherwise ordered by the Court, the Intercreditor Agreement shall not be
25 deemed altered or modified by the terms of this Final Order or the DIP Financing Agreements.”
26 This is not what was stated at the hearing. The Court’s ruling was that the final order on the

27 ¹ Capitalized terms not defined have the meanings used in the Financing Motion.
28

1 Financing Motion should provide that any priority of replacement liens between the Secured
2 Parties and Note Trustee should be governed by the Intercreditor Agreement, subject to further
3 order of the Court. For the convenience of the Court, a full copy of the Secured Parties'
4 proposed final order, which includes this language, is attached hereto as **Exhibit C.**²

5 Based upon the foregoing objections, the Secured Parties request that this Court enter
6 the alternative order attached hereto as **Exhibit C** and incorporated herein by reference, and
7 reject the order submitted by the Debtors.

8
9 Dated: October 3, 2018

**MINTZ LEVIN COHN FERRIS GLOVSKY AND
POPEO, P.C.**

/s/ Abigail V. O'Brient
Abigail V. O'Brient

12 and

13 Daniel S. Bleck (*pro hac vice*)
14 Paul J. Ricotta (*pro hac vice*)
15 Ian A. Hammel (*pro hac vice*)

16 Attorneys for

17 UMB Bank, N.A. as master indenture trustee and
18 Wells Fargo Bank, National Association, as
19 indenture trustee

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27 ² A redline reflecting the differences between the Secured Parties' proposed form of order and
28 the Proposed Final Order is attached hereto as **Exhibit D.**

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 2029 Century Park East, Suite 3100, Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled (*specify*): **OBJECTION TO DEBTORS' PROPOSED FORM OF ORDER ON MOTION OF DEBTORS FOR FINAL ORDER (A) AUTHORIZING THE DEBTORS TO OBTAIN POST PETITION FINANCING (B) AUTHORIZING THE DEBTORS TO USE CASH COLLATERAL AND (C) GRANTING ADEQUATE PROTECTION TO PREPETITION SECURED CREDITORS PURSUANT TO 11 U.S.C. §§ 105, 363, 364, 1107 AND 1108** will be served or was served (**a**) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (**b**) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) October 3, 2018, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:
 Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) October 3, 2018, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) October 3, 2018, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

VIA PERSONAL SERVICE: Honorable Ernest Robles U.S. Bankruptcy Court Roybal Federal Building 255 E. Temple Street, Suite 1560 Los Angeles, CA 90012	
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Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

October 3, 2018	Diane Hashimoto	/s/ Diane Hashimoto
<i>Date</i>	<i>Printed Name</i>	<i>Signature</i>

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On behalf of Interested Party Wells Fargo Bank, National Association, as indenture trustee

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On behalf of Interested Party Wells Fargo Bank, National Association, as indenture trustee

EXHIBIT A

From: "Montgomery, Claude D." <claudemontgomery@dentons.com>

Date: October 3, 2018 at 12:57:00 PM PDT

To: 'David Lemke' <David.Lemke@wallerlaw.com>, 'Gerald Mace' <Gerald.Mace@wallerlaw.com>

Cc: "Bray, Gregory" <GBray@milbank.com>, "'O'Donnell, Dennis'" <DODonnell@milbank.com>, "Bennett, Bruce S." <bbennett@jonesday.com>, "'Coco, Nathan'" <ncoco@mwe.com>, 'Clark Whitmore' <Clark.Whitmore@maslon.com>, "'Bleck, Daniel'" <DSBleck@mintz.com>, "Ricotta, Paul" <PRicotta@mintz.com>, "William P. Wassweiler (wassweilerw@ballardspahr.com)" <wassweilerw@ballardspahr.com>, "Maizel, Samuel R." <samuel.maizel@dentons.com>, "Moyron, Tania M." <tania.moyron@dentons.com>, "Macksoud, Lauren" <lauren.macksoud@dentons.com>, "Richter, Carolyn P." <carolyn.richter@dentons.com>, "Paul, Elspeth (Verity) (ElspethPaul@verity.org)" <ElspethPaul@verity.org>

Subject: Final DIP Order - Hearing Exhibit 1 as modified by Court at Hearing

David:

Attached is the order we will be lodging with the court this afternoon. It has two changes for Exhibit 1 given to the court this morning - additional language in 5(a) re no amendment to Intercreditor Agreement, and raising the Committee investigation budget to \$250,000.

Best regards,

Claude

[EXHIBIT OMITTED – SEE EXHIBIT B TO OBJECTION]

From: Hammel, Ian

Sent: Wednesday, October 3, 2018 2:16 PM

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Cc: Bleck, Daniel <DSBleck@mintz.com>; Ricotta, Paul <PRicotta@mintz.com>
Subject: Verity -- Final DIP Order - Hearing Exhibit 1 as modified by Court at Hearing

Claude –

Our comments on the order to reflect the court's statements are shown on the attached, marked against section 5(a) of what you sent in your email below.

Ian

Ian Hammel
Member

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(a) **Adequate Protection Replacement Liens.** To the extent of the Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral that secures their respective claims, each of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions set forth below, pursuant to sections 361, 363(e), and 364(d) of the Bankruptcy Code additional valid, perfected and enforceable replacement security interests and Liens in the DIP Collateral, (the “***Prepetition Replacement Liens***”), which Prepetition Replacement Liens shall be junior only to (1) the Carve Out, (2) to the DIP Liens, (3) the VMF Liens in VMF Collateral and (4) any perfected, unavoidable, prepetition liens granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and that certain Deed of Trust with Fixture Filing and Security Agreement and Assignment of Leases and Rents by Holdings in favor of U.S. Bank as 2017 Note Trustee and Deed of Trust Beneficiary, dated as of September 15, 2017, as further amended or modified (the “***Moss Deed of Trust***”) to secure the Series 2017 Working Capital Notes; *provided, however*, that any Prepetition Replacement Liens granted to the 2015 Note Trustee and/or 2017 Note Trustee on account of the Diminution in Value of the Priority Assets as defined in the Intercreditor Agreement shall be senior to the Prepetition Replacement Liens granted to any other Prepetition Secured Creditors, further provided that notwithstanding the foregoing, the Intercreditor Agreement shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors unless otherwise ordered by the Court, and junior to (i) the Carve Out, (ii) the DIP Liens securing the DIP Obligations, and (iii) perfected, unavoidable, prepetition liens granted by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust, and *further provided* that any Prepetition Replacement Liens granted to the holders of deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust, on account of the Diminution in Value of such Prepetition Collateral shall be senior to the Prepetition Replacement Liens granted to any other Prepetition Secured Creditors and junior to (x) the Carve Out, (y) the DIP Liens securing the DIP Obligations, and (z) perfected, unavoidable, prepetition liens of the Master Trustee, the 2015 Note Trustee and/or the

2017 Note Trustee on property other than the property subject to the Moss Deed of Trust further provided that notwithstanding the foregoing, the Intercreditor Agreement shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors unless otherwise ordered by the Court. With respect to the Prepetition Collateral that is subject to the Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition Replacement Liens related thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of the Second Amended and Restated Intercreditor Agreement. Unless otherwise ordered by the Court, the Intercreditor Agreement shall not be deemed to be amended, altered or modified by the terms of this Final Order or the DIP Financing Agreements. With respect to the VMF Collateral, McKesson shall be entitled to a replacement lien on the postpetition assets of VMF, excluding Avoidance Actions (“*VMF Replacement Lien*”), to the extent of (1) any Diminution in Value in such VMF Collateral, and (2) any McKesson Post-Petition Trade Credit, which amounts shall be senior to the Prepetition Replacement Liens, but junior to the (m) Carve Out, and (n) the DIP Liens.

From: Maizel, Samuel R. <samuel.maizel@dentons.com>
Sent: Wednesday, October 3, 2018 3:09 PM
To: Coco, Nathan <ncoco@mwe.com>; Hammel, Ian <iahammel@mintz.com>
Cc: Montgomery, Claude D. <claudemontgomery@dentons.com>; David.Lemke@wallerlaw.com; Gerald Mace <Gerald.Mace@wallerlaw.com>; GBray@milbank.com; DODonnell@milbank.com; bbennett@jonesday.com; Clark Whitmore <Clark.Whitmore@maslon.com>; Wassweiler, William P. <wassweilerw@ballardspahr.com>; Moyron, Tania M. <tania.moyron@dentons.com>; Macksoud, Lauren <lauren.macksoud@dentons.com>; Richter, Carolyn P. <carolyn.richter@dentons.com>; ElspethPaul@verity.org; Bleck, Daniel <DSBleck@mintz.com>; Ricotta, Paul <PRicotta@mintz.com>
Subject: RE: Verity -- Final DIP Order - Hearing Exhibit 1 as modified by Court at Hearing

Everyone,

Claude has already uploaded the order which he believes accurately reflects the court's ruling. If you disagree, you should (a) inform chambers and (b) lodge the order you think accurately reflects what happened. If you have questions, call me at the number below.



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EXHIBIT B

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6
7 Proposed Attorneys for the Chapter 11 Debtors and
Debtors In Possession

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

10 In re
11 VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,
12 Debtors and Debtors In Possession.

Lead Case No. 18-20151
Jointly Administered With:
CASE NO.: 2:18-bk-20162-ER
CASE NO.: 2:18-bk-20163-ER
CASE NO.: 2:18-bk-20164-ER
CASE NO.: 2:18-bk-20165-ER
CASE NO.: 2:18-bk-20167-ER
CASE NO.: 2:18-bk-20168-ER
CASE NO.: 2:18-bk-20169-ER
CASE NO.: 2:18-bk-20171-ER
CASE NO.: 2:18-bk-20172-ER
CASE NO.: 2:18-bk-20173-ER
CASE NO.: 2:18-bk-20175-ER
CASE NO.: 2:18-bk-20176-ER
CASE NO.: 2:18-bk-20178-ER
CASE NO.: 2:18-bk-20179-ER
CASE NO.: 2:18-bk-20180-ER
CASE NO.: 2:18-bk-20171-ER

- 13 Affects All Debtors
14 Affects O'Connor Hospital
15 Affects Saint Louise Regional Hospital
 Affects St. Francis Medical Center
16 Affects St. Vincent Medical Center
 Affects Seton Medical Center
17 Affects O'Connor Hospital Foundation
 Affects Saint Louise Regional Hospital
18 Foundation
 Affects St. Francis Medical Center of
19 Lynwood Foundation
 Affects St. Vincent Foundation
20 Affects St. Vincent Dialysis Center, Inc.
 Affects Seton Medical Center Foundation
21 Affects Verity Business Services
 Affects Verity Medical Foundation
22 Affects Verity Holdings, LLC
 Affects De Paul Ventures, LLC
23 Affects De Paul Ventures - San Jose
Dialysis, LLC

Chapter 11 Cases
Hon. Ernest M. Robles

**FINAL ORDER (I) AUTHORIZING
POSTPETITION FINANCING, (II)
AUTHORIZING USE OF CASH COLLATERAL,
(III) GRANTING LIENS AND PROVIDING
SUPERPRIORITY ADMINISTRATIVE
EXPENSE STATUS, (IV) GRANTING
ADEQUATE PROTECTION, (V) MODIFYING
AUTOMATIC STAY, AND (VI) GRANTING
RELATED RELIEF**

24 Debtors and Debtors In Possession.
25

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1 Upon the emergency motion (the “**DIP Motion**”)¹, dated August 31, 2018, filed by Verity
2 Health System of California, Inc., O’Connor Hospital, Saint Louise Regional Hospital, St. Francis
3 Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity
4 Medical Foundation, O’Connor Hospital Foundation, Saint Louise Regional Hospital Foundation,
5 St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent
6 Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul
7 Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the “**Debtors**”), as
8 debtors and debtors in possession in the above captioned chapter 11 cases (collectively,
9 the “**Chapter 11 Cases**”), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3),
10 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the “**Bankruptcy Code**”), Rules
11 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy**
12 **Rules**”) and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court
13 for the Central District of California (the “**Local Rules**” or “**LBR**”), for entry of an emergency
14 order (the “**Interim Order**”) following conclusion of the interim hearing (the “Interim Hearing”)
15 authorizing the Debtors, on an interim basis, and following the conclusion of a final hearing (the
16 “**Final Hearing**”) on the DIP Motion, for entry of a final order (the “**Final Order**”) authorizing
17 the Debtors, on a final basis to, among other things: *inter alia*:

18 (i) Obtain senior secured post-petition financing (the “**DIP Financing**” or “**DIP**
19 **Facility**”) pursuant to the terms and conditions of the DIP Financing Agreements (as defined
20 below), the Interim Order, and this Final Order, pursuant to sections 364(c)(1), 364(d), and 364(e)
21 of the Bankruptcy Code and Rule 4001(c) of the Bankruptcy Rules;

22 (ii) Enter into a Debtor-in-Possession Credit Agreement (the “**DIP Credit**
23 **Agreement**”), substantially in the form attached as Exhibit 2 to the Supplemental Chou
24 Declaration (“**Supp. Chou Decl.**”) [Docket 309-2], and other related financing documents
25 (together with the DIP Credit Agreement and DIP Security Agreement, the “**DIP Financing**”
26
27

28 ¹ Capitalized terms used herein and not otherwise defined shall have the meaning ascribed in the
DIP Motion.

1 **Agreements**”), by and among each of the Debtors and Ally Bank (“**Ally**”), in its capacity as agent
2 (“**DIP Agent**”) and in its capacity as lender (“**DIP Lender**,”) under the DIP Credit Agreement;

3 (iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements,
4 postpetition financing of up to \$30,000,000 on a revolving basis (the “**Interim DIP Loan**”) and
5 seek other financial accommodations from the DIP Agent and DIP Lender pursuant to the DIP
6 Credit Agreement, the other DIP Financing Agreements and the Interim Order;

7 (iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition
8 financing of up to an additional \$155,000,000, for a total of up to \$185,000,000, on a revolving
9 basis, which includes the Interim DIP Loan (the “**Final DIP Loan**,” and together with the Interim
10 DIP Loan, the “**DIP Loan**”) and seek other financial accommodations from the DIP Agent and
11 DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this
12 Final Order;

13 (v) Execute and deliver the DIP Credit Agreement and the other DIP Financing
14 Agreements;

15 (vi) Grant the DIP Agent and DIP Lender allowed super-priority administrative
16 expense claims, pursuant to section 364(c)(1) of the Bankruptcy Code, in each of the Chapter 11
17 Cases and any Successor Cases (as defined below) for the DIP Financing and all obligations of
18 the Debtors owing under the DIP Financing Agreements (collectively, and including all
19 “**Obligations**” of the Debtors as defined and described in the DIP Credit Agreement, the “**DIP**
20 **Obligations**”) subject only to the Carve Out (defined below) as set forth below;

21 (vii) Grant the DIP Agent and DIP Lender automatically perfected first priority senior
22 security interests in and liens on all of the DIP Collateral (as defined below) pursuant to section
23 364(d)(1) of the Bankruptcy Code, which liens shall not be subordinate to any other liens, charges,
24 security interests or surcharges under section 506(c) or any other section of the Bankruptcy Code,
25 with the exception of the Carve Out (defined below) as set forth below;

26 (viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in
27 accordance with the 13 week budget , as updated from time to time attached as Exhibit 1, Supp.
28

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1 Chou Decl. (the “*DIP Budget*”) and as otherwise provided in the DIP Financing Agreements, the
2 Interim Order and this Final Order;

3 (ix) Provide adequate protection to certain of the Prepetition Secured Creditors
4 (defined herein) and McKesson (defined herein) pursuant to the terms of this Final Order for any
5 diminution in value of their respective interests in the Prepetition Collateral or VMF Collateral
6 (each as defined herein) resulting from the DIP Liens (as defined herein) on the Prepetition
7 Collateral or VMF Collateral, subordination to the Carve Out (as defined herein), or Debtors’ use,
8 sale, or lease of Prepetition Collateral or VMF Collateral, including cash collateral within the
9 meaning of 11 U.S.C. §363(a) (such cash collateral that is Prepetition Collateral or VMF
10 Collateral hereafter defined as “*Cash Collateral*”);

11 (x) Grant authorization based upon the consent of the Prepetition Secured Creditors
12 and McKesson to use of Cash Collateral in accordance with the DIP Budget upon the terms and
13 conditions set forth herein;

14 (xi) Vacate and modify the automatic stay imposed by section 362 of the Bankruptcy
15 Code solely to the extent necessary to implement and effectuate the terms of the DIP Financing
16 Agreements, the Interim Order, and this Final Order;

17 (xii) Following the conclusion of a final hearing (the “*Final Hearing*”) to consider
18 entry of an order (the “*Final Order*”) granting all other relief requested in the DIP Motion on an
19 interim and final basis; and

20 (xiii) Waive any applicable stay as provided in the Bankruptcy Rules (expressly
21 including Rule 6004) and provide for immediate effectiveness of this Final Order.

22 The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief
23 Financial Officer filed in support of the DIP Motion and Rich Adcock, Chief Executive Office
24 filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter
25 11 Petitions and First Day Pleadings, the DIP Motion, the DIP Financing Documents, and the
26 Supplemental Declaration of Anita Chou in Support of Debtors’ Reply in Support of the DIP
27 Motion, and the exhibits attached thereto, and the evidence submitted or adduced and the
28 arguments of counsel made at the Interim Hearing and the *Final Hearing*; and due and proper

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1 notice of the DIP Motion, the Interim Hearing, entry of the Interim Order, and Final Hearing
2 having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and
3 LBR 4001-2 and no other or further notice being required under the circumstances; and the
4 Interim Hearing and Final Hearing having been held and concluded; and it appearing that
5 approval of the final relief requested in the DIP Motion is necessary to avoid immediate and
6 irreparable harm to the Debtors and is otherwise fair and reasonable and in the best interests of
7 the Debtors, their estates and their creditors, and is essential for the preservation of the value of
8 the Debtors' assets; and all objections, if any, to the entry of this Final Order having been
9 withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and
10 for good and sufficient cause appearing therefor:

11 **BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL**
12 **HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND**
13 **CONCLUSIONS OF LAW:²**

14 A. **Petition Date.** On August 31, 2018 (the "*Petition Date*"), each of the Debtors
15 filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the United
16 States Bankruptcy Court for the Central District of California (the "*Court*"). The Debtors have
17 continued in the management and operation of their businesses and properties as debtors in
18 possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

19 B. **Jurisdiction and Venue.** This Court has jurisdiction over the Cases, the DIP
20 Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334(b),
21 and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a
22 core proceeding as defined in 28 U.S.C. § 157(b)(2). Venue for these Chapter 11 Cases and
23 proceedings on the DIP Motion is proper before this district pursuant to 28 U.S.C. §§ 1408 and
24 1409.

25 _____
26 ² The findings and conclusions set forth herein constitute the Court's findings of fact and
27 conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding
28 pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact
constitute conclusions of law, they are adopted as such. To the extent any of the following
conclusions of law constitute findings of fact, they are adopted as such.

1 C. **Committee Formation.** The Office of the United States Trustee (the “*U.S.*
2 *Trustee*”) provided notice of the appointment of an official committee of unsecured creditors in
3 these Cases pursuant to section 1102 of the Bankruptcy Code, the members of which are
4 identified by the Office of the United States Trustee in that Notice of Appointment and
5 Appointment of Committee of Creditors Holding Unsecured Claims dated September 17, 2018
6 [Docket No 197] (the “*Committee*”).

7 D. **Notice.** The Court entered the Interim Order on September 6, 2018 [Docket 86].
8 Notice of entry of the Interim Order and Notice of the Final Hearing on the DIP Motion [Docket
9 201] has been provided by the Debtors to: (i) the Office of the United States Trustee for the
10 Central District of California (the “*U.S. Trustee*”); (ii) the United States Securities and Exchange
11 Commission; (iii) the Office of the United States Attorney for the Central District of California;
12 (iv) the Internal Revenue Service; (v) the Debtors’ fifty (50) largest unsecured creditors on a
13 consolidated basis; (vi) counsel to each of the Prepetition Secured Creditors (as defined below);
14 (vii) counsel to the DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for
15 the State of California, Charities Division; (ix) proposed counsel to the Committee; and (x) all
16 other parties known to assert a lien on any of the Debtors’ assets. Under the circumstances, such
17 notice of the Final Hearing and the DIP Motion constitute due, sufficient and appropriate notice
18 and complies with sections 102(1) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and
19 4001(b), and the Local Rules, and no other or further notice is required under the circumstances.

20 E. **Findings Regarding Corporate Authority.** As set forth in the resolutions
21 accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate
22 power and authority to execute and deliver the DIP Financing Agreements to which it is a party,
23 to grant the DIP Liens (as defined herein) and to perform its obligations thereunder.

24 F. **Intercreditor Agreement.** Pursuant to section 510(a) of the Bankruptcy Code,
25 the Second Amended and Restated Intercreditor Agreement dated December 1, 2017 (the
26 “*Intercreditor Agreement*”) and any other applicable intercreditor or subordination provisions
27 contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect,
28 with respect to prepetition and post-petition assets of the Debtors as provided thereunder, (ii) shall

1 continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors
2 (including the relative priorities, rights and remedies of such parties with respect to the
3 Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or
4 amounts payable, by the Debtors under the Interim Order, this Final Order or otherwise and the
5 modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or
6 modified by the terms of this Final Order or the DIP Financing Agreements, unless expressly set
7 forth herein.

8 G. **Prepetition Secured Credit Facilities.** As of the Petition Date, the Debtors were
9 indebted and liable to the Prepetition Secured Creditors as follows:

10 (i) UMB Bank, N.A., ("**UMB Bank**") as successor Master Trustee (in such
11 capacity, the "**Master Trustee**") under the Master Trust of Trust dated as of December 1, 2001, as
12 amended and supplemented (the "**Master Indenture**") with respect to the MTI Obligations
13 (defined below) securing the repayment by the Obligated Group (defined below) of its loan
14 obligations with respect to (1) the California Statewide Communities Development Authority
15 Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "**2005**
16 **Bonds**"), (2) the California Public Finance Authority Revenue Notes (Verity Health System)
17 Series 2015 A, B, C and D (the "**2015 Working Capital Notes**"), and (3) the California Public
18 Finance Authority Revenue Notes (Verity Health System) Series 2017 A and B (the "**2017**
19 **Working Capital Notes**" and, collectively with the 2015 Working Capital Notes, the "**Working**
20 **Capital Notes**"). The joint and several obligations issued under the Master Indenture by Verity
21 Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis
22 Medical Center, St. Vincent Medical Center and Seton Medical Center (collectively, the
23 "**Obligated Group**") in respect of the 2005 Bonds and the Working Capital Notes are collectively
24 referred to as the "**MTI Obligations**". Wells Fargo Bank National Association ("**Wells Fargo**")
25 serves as bond indenture trustee under the bond indentures relating to the 2005 Bonds. U.S. Bank
26 National Association ("**U.S. Bank**") serves as the note indenture trustee and as the collateral agent
27 under each of the note indentures relating to the 2015 Working Capital Notes and the 2017
28 Working Capital Notes, respectively. The MTI Obligations are secured by, inter alia, security

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1 interests granted to the Master Trustee in the prepetition accounts of, and mortgages on the
2 principal real estate assets of, the members of the Obligated Group.

3 In addition to the security provided to the Master Trustee to secure the MTI
4 Obligations, U.S. Bank, as Note Trustee for the 2015 Working Capital Notes and the 2017
5 Working Capital Notes is secured by prepetition first priority liens upon and security interests in
6 the Obligated Group's accounts and deeds of trust on the principal real estate assets of Saint
7 Louise Regional Hospital and St. Francis Medical Center (collectively, the "**Priority Collateral**").
8 U.S. Bank as Notes Trustee for the 2017 Working Capital Notes has also been granted a deed of
9 trust, dated as of December 1, 2017, by Verity Holdings in certain real property located in San
10 Mateo California (the "**Moss Deed of Trust**") to further secure the 2017 Working Capital Notes.

11 (ii) Verity MOB Financing, LLC and Verity MOB Financing II, LLC (together,
12 the "**MOB Lenders**") hold security interests in Verity Holdings' accounts, including rents arising
13 from the prepetition MOB Financing, and mortgages on medical office buildings owned by
14 Verity Holdings (the "**MOB Financing**").

15 The Master Trustee, Wells Fargo as bond indenture trustee for the 2005 Notes, U.S. Bank
16 as Note Trustee for the Working Capital Notes, and the MOB Lenders are collectively hereafter
17 referred to as the "**Prepetition Secured Creditors**;" the MTI Obligations, the Obligated Group's
18 loan obligations with respect to the Working Capital Notes and the MOB Financing are
19 hereinafter referred to as the "**Prepetition Secured Obligations**;" the prepetition interests
20 (including the liens and security interests) of each Prepetition Secured Creditor in the property
21 and assets of the Debtors are hereinafter referred to as the "**Prepetition Liens**;" and the documents,
22 writings and agreements evidencing the Prepetition Secured Obligations are hereinafter referred
23 to as the "**Prepetition Secured Documents**".

24 H. **Prepetition Secured Trade Vendor Arrangement.** Prior to the Petition Date,
25 Debtor Verity Medical Foundation ("**VMF**") entered into agreements for the sole source
26 purchasing of certain critical chemotherapy and other pharmaceutical products and medical-
27 surgical products with McKesson Corporation and certain affiliates ("**McKesson**"), and on or
28 about March 27, 2018 granted to McKesson a prepetition perfected security interest ("**VMF**

1 *Liens*”) in VMF tangible and intangible personal property, including accounts (the “*VMF*
2 *Collateral*”), but such perfected security interest excluded VMF cash (to the extent such cash
3 does not represent proceeds of the VMF Collateral), personal property requiring possession for
4 perfection and real property interests. As of the Petition Date, McKesson was owed
5 approximately \$3,055,000.00 (the “*McKesson Prepetition Debt*”). Postpetition, and subject to
6 McKesson’s internal credit review and approval process, McKesson has agreed to resume
7 providing certain secured trade credit to VMF and the physician practices ordering through VMF
8 for the purchase of pharmaceutical and medical-surgical products on 30 days from invoice
9 payment terms (the “*McKesson Post-Petition Trade Credit*”). The McKesson Post-Petition
10 Trade Credit will continue to be secured by the VMF Liens.

11 I. **Prepetition Collateral.** In order to secure the Prepetition Secured Obligations and
12 the Prepetition Secured Trade Vendor Arrangement (as described in paragraph H above), the
13 Debtors, excluding the Philanthropic Foundations, granted the Prepetition Liens and the VMF
14 Liens to the Prepetition Secured Creditors and McKesson, respectively as provided and described
15 in the Prepetition Secured Documents and the documents pertaining to the VMF Collateral. The
16 assets subject to the Prepetition Liens (the “*Prepetition Collateral*”) and the VMF Collateral
17 constitute substantially all of the assets of the Debtors, excluding cash and assets of the
18 Philanthropic Foundations.

19 J. **Prepetition Agreements to Pay Special Assessments.** Seton Medical Center, a
20 Debtor, (“*SMC*”) and California Statewide Communities Development Authority (“*CSCDA*”)
21 entered into an (i) Agreement to Pay Assessment and Finance Improvements dated May 11, 2017
22 under the CSCDA CaliforniaFirst Program (“*Clean Fund Agreement to Pay Assessment*”), and
23 (ii) Agreement to Pay Assessment and Finance Improvements dated May 18, 2017 under the
24 CSCDA CaliforniaFirst Program (“*Petros Agreement to Pay Assessment*”, collectively, with
25 Clean Fund Agreement to Pay Assessment, the “*Assessment Agreements* ”), each for the limited
26 purpose of providing financing for certain renewable energy, energy efficiency, water efficiency
27 and seismic improvements permanently affixed to real property owned by SMC located in Daly
28 City, California under the CSCDA CaliforniaFirst Program in the aggregate amount of

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1 \$40,000,000. As of the Petition Date, after payment of tax exempt bond issuance fees for the
2 Clean Fund Bonds and the NR2 Petros Bonds (each as defined in the DIP Motion) and retention
3 of capitalized interest reserves approximately \$34,379,450 is being held for authorized
4 improvements (the “*Program Funds*”) by Wilmington Trust N.A. (“*WTNA*”) as indenture trustee,
5 pursuant to, *inter alia*, the terms of two Indentures between CSCDA and WTNA dated as of May
6 11, 2017 and May 18, 2017 and the Assessment Agreements. Notwithstanding SMC’s status as a
7 tax exempt California not for profit corporation, SMC agreed and consented to the CSCDA
8 special tax assessments imposed pursuant to and under the Assessment Agreements (the “*CSCDA*
9 *Special Assessments*”). The Debtors acknowledge that the CSCDA Special Assessments have
10 the same lien priority and methods of collection as general municipal taxes on real property.
11 Notices of Assessment and Payment of the Special Assessments were recorded in the official
12 records of the County of San Mateo against the real property owned by SMC and consented to by
13 the Prepetition Secured Creditors. The Debtors acknowledge that the Program Funds and other
14 proceeds of the issuance of the Clean Fund Bonds or NR2 Petros Bond which are being held by
15 WTNA are not property of the Debtors’ estates, and are not subject to the Prepetition Liens, the
16 DIP Liens, or the Prepetition Replacement Liens.

17 K. **Findings Regarding the Postpetition Financing.**

18 (i) **Consensual Priming of the Prepetition Liens.** The priming of the
19 Prepetition Liens of the Prepetition Secured Creditors on the Prepetition Collateral, and the VMF
20 Liens on the VMF Collateral under section 364(d) of the Bankruptcy Code, as contemplated by
21 the DIP Financing Agreements, as authorized by the Interim Order and this Final Order, and as
22 further described below, is consented to by the Prepetition Secured Creditors and McKesson, and
23 will enable the Debtors to continue borrowing under the DIP Facility and to continue operating
24 their businesses for the benefit of their estates and creditors. The Prepetition Secured Creditors
25 and McKesson are each entitled to receive adequate protection as set forth in this Final Order
26 pursuant to sections 361, 363, and 364 of the Bankruptcy Code, for any Diminution in Value (as
27 defined herein) of each of their respective interests in the Prepetition Collateral (including Cash
28 Collateral) or VMF Collateral.

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1 (ii) **Good Cause; Need for Postpetition Financing.** Good cause has been
2 shown for the entry of this Final Order. An immediate and continuing need exists for the Debtors
3 to obtain funds from the DIP Loan in order to continue operations, continue to serve the Debtors
4 mission to provide vital, lifesaving patient care for vulnerable populations and to administer and
5 preserve the value of their estates. The ability of the Debtors to finance their operations, to
6 preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors
7 requires the availability of working capital from the DIP Loan, the absence of which would
8 immediately and irreparably harm the Debtors, their estates and their creditors and the possibility
9 for a successful reorganization or sale of the Debtors' assets as a going concern or otherwise. The
10 proposed DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

11 (iii) **No Credit Available on More Favorable Terms.** The Debtors have been
12 unable to obtain (a) unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code
13 as an administrative expense, (b) credit for money borrowed secured solely by a lien on property
14 of the estate that it not otherwise subject to a lien, (c) credit for money borrowed secured by a
15 junior lien on property of the estate which is subject to a lien, (d) or credit otherwise on more
16 favorable terms and conditions than those provided in the DIP Credit Agreement and this Final
17 Order. The Debtors are unable to obtain credit for borrowed money without granting to the DIP
18 Agent and DIP Lender the DIP Protections (as defined below).

19 L. **Use of Proceeds of the DIP Facility.** Proceeds of the DIP Facility (net of any
20 amounts used to pay fees, costs and expenses under the DIP Financing Agreements) are to be
21 utilized by the Debtors until the DIP Facility Termination Date in accordance with the DIP
22 Budget and in a manner consistent with the terms and conditions of the DIP Credit Agreement,
23 and this Final Order.

24 M. **Application of Sale Proceeds of DIP Collateral.** As provided by the Interim
25 Order, this Final Order and the DIP Credit Agreement, the DIP Liens shall attach as first priority
26 liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP
27 Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property,
28 including, without limitation, the Healthcare Facilities (as defined in the DIP Credit Agreement)

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1 and any other DIP Collateral (as defined below) (the “*Sale Proceeds*”). The Sale Proceeds shall
2 be held in escrow in one or more deposit accounts subject to a deposit account control agreement
3 in favor of the DIP Agent (the “*Escrow Deposit Account*”). Any funds held in the Escrow
4 Deposit Account shall not be commingled with any other funds of the selling Debtor, the Sale
5 Proceeds of any other Debtor or otherwise. The DIP Agent is granted a first priority lien on the
6 Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in
7 connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account
8 shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final
9 Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the
10 DIP Agent and the DIP Lender shall apply any and all amounts remaining on deposit in the
11 Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with
12 accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors
13 subject to any Prepetition Liens, VMF Liens, Prepetition Replacement Liens and VMF
14 Replacement Liens; provided, however, that upon any Debtor’s request and with the consent of
15 the DIP Agent and DIP Lender (which consent may, for the avoidance of doubt, be withheld in its
16 sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may
17 be disbursed to the Prepetition Secured Creditors or McKesson on terms and conditions that are
18 acceptable to the DIP Agent and DIP Lender in its sole discretion and upon further order of this
19 Court.

20 N. **Adequate Protection for Prepetition Secured Creditors and McKesson.** The
21 priming of the Prepetition Secured Creditors’ Prepetition Liens and the VMF Liens to the extent
22 set forth in the Interim Order and this Final Order, pursuant to section 364(d) of the Bankruptcy
23 Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition
24 Liens and the VMF Liens set forth below, the Prepetition Secured Creditors and McKesson shall
25 be entitled to receive adequate protection, as set forth in this Final Order, pursuant to sections 361,
26 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests
27 in the Prepetition Collateral or VMF Collateral resulting from, among other things, the
28 subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the

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1 Debtors' use, sale or lease of such Prepetition Collateral or VMF Collateral, including Cash
2 Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively,
3 and solely to the extent of such diminution in value, the "*Diminution in Value*"). As to the VMF
4 Collateral, any adequate protection, as set forth in this Final Order, pursuant to sections 361, 363
5 and 364 of the Bankruptcy Code, for any Diminution in Value of Prepetition Secured Creditors'
6 interests in the Prepetition Collateral are subordinated to any similar adequate protection provided
7 to McKesson. VMF shall also pay McKesson (A) \$3,055,000.00 in satisfaction of the balance of
8 McKesson's Prepetition Secured Debt on the following schedule: (1) October 5, 2018 -
9 \$1,700,000.00; (2) October 26, 2018 - \$700,000.00; and (3) November 2, 2018 - \$655,000.00
10 (plus McKesson's attorneys' fees and costs incurred through October 31, 2018) (the "*McKesson*
11 *Secured Payments*"). The McKesson Secured Payments will be included within the DIP Budget
12 line item for Debtors' critical vendor program. Payment of McKesson's attorneys' fees will be
13 included in the DIP Budget line item for Prepetition Secured Creditor Adequate Protection
14 Payments. The Prepetition Secured Creditors have negotiated in good faith regarding the Debtors'
15 use of the Prepetition Collateral to help fund the administration of the Debtors' estates along with
16 the proceeds of the DIP Financing. Based on the DIP Motion and the record presented to the
17 Court at the Interim Hearing and the Final Hearing, the terms of the proposed adequate protection
18 arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment
19 and constitute reasonably equivalent value and fair consideration for the consent of the
20 Prepetition Secured Creditors and McKesson; provided, however, that nothing herein shall limit
21 the rights of any of the Prepetition Secured Creditors or McKesson to hereafter seek new,
22 additional, or different adequate protection; provided further, that nothing herein shall limit the
23 rights of all parties in interest to assert or challenge any determination or assertion with respect to
24 the existence or quantification of any Diminution of Value.

25 O. **Extension of Financing.** The DIP Agent and DIP Lender have indicated a
26 willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement.

27 P. **Business Judgment and Good Faith Pursuant to Section 364(e).**

28

1 (i) . The terms and conditions of the DIP Facility and the DIP Financing
2 Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best
3 available under the circumstances, reflect the Debtors' exercise of prudent business judgment
4 consistent with their fiduciary duties, and are supported by reasonably equivalent value and
5 consideration;

6 (ii) The DIP Financing Agreements were negotiated in good faith and at arms'
7 length between the Debtors, the DIP Agent and the DIP Lender;

8 (iii) The proceeds to be extended under the DIP Facility will be so extended in
9 good faith, and for valid business purposes and uses; and

10 (iv) Each of the DIP Agent and DIP Lender has acted to date and is acting in
11 good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit
12 Agreement and the other DIP Financing Agreements. The DIP Agent's and DIP Lender's claims,
13 superpriority claims, security interests and liens and other protections granted pursuant to the
14 Interim Order, this Final Order and the DIP Financing Agreements will not be affected or avoided
15 by any subsequent reversal or modification of this Final Order, as provided in section 364(e) of
16 the Bankruptcy Code.

17 Q. **Relief Essential; Best Interest; Good Cause.** The relief requested in the DIP
18 Motion (and as provided in this Final Order) is necessary, essential, and appropriate for the
19 preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors'
20 estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement.
21 Good cause has been shown for the relief requested in the DIP Motion (and as provided in this
22 Final Order).

23 R. **Consent to Use of Cash Collateral.** Each of the Prepetition Secured Creditors
24 and McKesson have consented to the use of their respective interests in Cash Collateral, subject
25 to the terms and conditions set forth in this Order.

26 **NOW, THEREFORE,** on the DIP Motion and the record before this Court with
27 respect to the DIP Motion, including the record created during the Interim Hearing and the Final
28 Hearing, and with the consent of the Debtors, the Prepetition Secured Creditors and the DIP

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1 Agent and DIP Lender to the form and entry of this Final Order, and good and sufficient cause
2 appearing therefor,

3 **IT IS HEREBY ORDERED, ADJUDGED AND DECREED:**

4 1. **Motion Granted.** The DIP Motion is granted on a final basis in accordance with
5 the terms and conditions set forth in this Final Order and the DIP Credit Agreement. Any
6 objections to the DIP Motion with respect to entry of this Final Order to the extent not withdrawn,
7 waived or otherwise resolved, and all reservations of rights included therein, are hereby denied
8 and overruled.

9 2. **DIP Financing Agreements.**

10 (a) **Approval of Entry into DIP Financing Agreements.** The Debtors are
11 authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to
12 incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this
13 Final Order and the DIP Financing Agreements, and to execute and deliver all instruments and
14 documents which may be required or necessary for the performance by the Debtors under the DIP
15 Financing Agreements and the creation and perfection of the DIP Liens described in and provided
16 for by this Final Order and the DIP Financing Agreements. The Debtors are hereby authorized
17 and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and
18 other amounts described in the DIP Financing Agreements as such amounts become due and
19 payable without need to obtain further Court approval, including closing fees, unused line fees,
20 administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of
21 the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other
22 consultants, whether or not such fees arose before or after the Petition Date, and whether or not
23 the transactions contemplated hereby are consummated, to implement all applicable reserves and
24 to take any other actions that may be necessary or appropriate, all to the extent provided in this
25 Final Order or the DIP Financing Agreements. All collections and proceeds, whether from
26 ordinary course collections, asset sales, debt or equity issuances, insurance recoveries,
27 condemnations or otherwise, will be deposited and applied as required by this Final Order and the
28 DIP Financing Agreements. The DIP Financing Agreements represent valid and binding

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1 obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance
2 with their terms, including, without limitation, commitment fees and reasonable attorneys' fees
3 and disbursements as provided for in the DIP Credit Agreement, which amounts shall not
4 otherwise be subject to approval of this Court,. The Debtors shall pay the deferred balance of the
5 commitment fee required by section 2.9(a) of the DIP Credit Agreement upon entry of this Final
6 Order.

7 (b) **Authorization to Borrow and/or Guarantee.** To enable them to continue
8 to preserve the value of their estates and dispose of their assets in an orderly fashion, during the
9 period prior to termination of the DIP Credit Agreement and subject to the terms and conditions
10 of this Final Order, upon the execution of the DIP Credit Agreement and the other DIP Financing
11 Agreements the Debtors are hereby authorized to borrow the DIP Loan up to a total committed
12 amount of \$185,000,000 under the DIP Financing Agreements.

13 (c) **Conditions Precedent.** Neither the DIP Agent nor the DIP Lender have
14 any obligation to make the DIP Loan or any loan or advance under the DIP Credit Agreement
15 unless the conditions precedent to making such loan under the DIP Credit Agreement have been
16 satisfied in full or waived by the DIP Agent and DIP Lender in their sole discretion.

17 (d) **DIP Collateral; DIP Liens.** Effective immediately upon the entry of this Final
18 Order, on account of the DIP Loan, the DIP Agent shall be and is hereby granted first-priority
19 security interests and liens (which shall immediately be valid, binding, permanent, continuing,
20 enforceable, perfected and non-avoidable) on all of the Debtors' property, including, without
21 limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or after the
22 Petition Date (collectively, the "**DIP Collateral**," and all such liens and security interests granted
23 on or in the DIP Collateral pursuant to this Final Order and the DIP Financing Agreements, the
24 "**DIP Liens**"), but shall exclude the Program Funds, and proceeds of the Clean Fund Bonds and
25 NR2 Petros Bonds held by WTNA, donor restricted funds held at Philanthropic Foundations,
26 Avoidance Actions (defined below) and any proceeds thereof and any funds held by the
27 Prepetition Secured Creditors (set forth on **Exhibit 1** to the Chou Decl.), provided, however, for
28 the avoidance of doubt, any amounts held in accounts owned by the Debtors, whether or not such

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1 accounts are subject to control agreements in favor of the Prepetition Secured Creditors, shall
2 constitute DIP Collateral. The DIP Collateral shall not be subject to any surcharge under section
3 506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this
4 Court.

5 (e) **DIP Lien Priority.** Subject only to the Carve Out (as defined below) and
6 the prepetition tax lien arising in connection with the CSCDA Special Assessments, the DIP
7 Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing,
8 enforceable, non-avoidable first priority senior priming liens and security interests on the DIP
9 Collateral, and shall prime all other liens and security interests on the DIP Collateral, including
10 any liens and security interests in existence on the Petition Date against the Prepetition Collateral
11 and VMF Collateral, and any other current or future liens granted on the DIP Collateral, including
12 any adequate protection or replacement liens granted on the DIP Collateral (collectively, the
13 “*Primed Liens*”) (other than the Debtors’ claims and causes of action under sections 502(d), 544,
14 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar
15 actions under the Bankruptcy Code or similar state law (the “*Avoidance Actions*”), whether
16 received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens
17 shall not be made subject to, subordinate to, or *pari passu* with any lien or security interest by any
18 court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid
19 and enforceable against any trustee appointed in the Chapter 11 Cases, upon the conversion of
20 any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other
21 proceedings related to any of the foregoing (any “*Successor Cases*”), and/or upon the dismissal of
22 any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses,
23 claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case,
24 or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

25 (f) **Enforceable Obligations.** The DIP Financing Agreements shall constitute
26 and evidence the valid and binding obligations of the Debtors, which obligations shall be
27 enforceable against the Debtors, their estates and any successors thereto and their creditors or
28 representatives thereof, in accordance with their terms.

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1 (g) **Protection of DIP Agent, DIP Lender and Other Rights.** From and after
2 the Petition Date, the Debtors shall use the proceeds of the extensions of credit under the DIP
3 Facility only for the purposes specifically set forth in the DIP Credit Agreement and this Final
4 Order and in strict compliance with the DIP Budget (subject to any variances thereto permitted by
5 the DIP Credit Agreement).

6 (h) **Additional Protections of DIP Agent and DIP Lender: Superpriority**
7 **Administrative Claim Status.** Subject to the Carve Out (as defined below), all DIP Obligations
8 shall constitute an allowed superpriority administrative expense claim (the “*DIP Superpriority*
9 *Claim*” and, together with the DIP Liens, the “*DIP Protections*”) with priority in all of the
10 Chapter 11 Cases and Successor Cases over all other administrative expense claims under
11 sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all
12 administrative expense claims and unsecured claims against the Debtors or their estates, now
13 existing or hereafter arising, of any kind or nature whatsoever, including, without limitation,
14 administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328,
15 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any
16 other provision of the Bankruptcy Code except as otherwise set forth herein, whether or not such
17 expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or
18 attachment. The DIP Superpriority Claim shall be payable from and have recourse to all
19 prepetition and post-petition property of the Debtors and all proceeds thereof. Without limiting
20 the foregoing, the DIP Superpriority Claim shall not be made subject to, subordinate to, or *pari*
21 *passu* with any other administrative claim in the Chapter 11 Cases or Successor Cases, except for
22 the Carve Out (as defined below). Other than the Carve Out, no costs, expenses, claims, or
23 liabilities that have been or may be incurred by Debtors during these Chapter 11 Cases, or in any
24 Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

25 3. **Authorization to Use Proceeds of DIP Facility.** Pursuant to the terms and
26 conditions of this Final Order, the DIP Credit Agreement and the other DIP Financing
27 Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP
28 Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit

1 Agreement during the period commencing immediately after the entry of this Final Order and
2 terminating upon the termination of the DIP Credit Agreement in accordance with its terms and
3 subject to the provisions hereof.

4 **4. Application of Sale Proceeds of DIP and Prepetition Secured Creditor**
5 **Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to
6 section 364(d) of the Bankruptcy Code, the Interim Order, this Final Order and the DIP Financing
7 Agreements, to the Sale Proceeds. The Sale Proceeds shall be allocated by Debtors and held in
8 escrow in the Escrow Deposit Accounts. Funds held in any Escrow Deposit Account shall not be
9 commingled with any other funds of the applicable Debtor or any of the other Debtors and,
10 without limitation of the rights of the DIP Agent and DIP Lender under the DIP Financing
11 Agreements and this Final Order with respect to the Sale Proceeds and Escrow Deposit Account,
12 including, without limitation, following the occurrence of an Event of Default or the Revolving
13 Loan Termination Date (as defined in the DIP Credit Agreement), the Debtors shall not be
14 permitted to use Cash Collateral of any of the Prepetition Secured Creditors held in any Escrow
15 Deposit Account for any purpose without first obtaining the consent of the applicable Prepetition
16 Secured Creditor or obtaining an order of the Court pursuant to Section 363 of the Bankruptcy
17 Code after notice and a hearing. The DIP Agent is granted a first priority lien on the Escrow
18 Deposit Accounts and all Sale Proceeds, including any deposit provided by any buyer in
19 connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account
20 shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final
21 Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the
22 DIP Agent may apply amounts held in Escrow Deposit Accounts to the outstanding DIP
23 Obligations due under the DIP Credit Agreement. Without limiting the foregoing, and subject
24 and subordinate in all respects to the first priority priming DIP Lien and Prepetition Replacement
25 Liens to the extent set forth in this Final Order, the Prepetition Secured Creditors' Prepetition
26 Liens shall be deemed to attach to the Escrow Deposit Accounts and the Sale Proceeds with the
27 same relative priority, validity, force, extent and effect as the Prepetition Liens attached to the
28 Prepetition Collateral giving rise to such Sale Proceeds. Each of the Prepetition Secured Creditors

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1 shall have the right to seek a declaration of their respective rights in and to any of the Sale
2 Proceeds and funds held in a Deposit Escrow Account, consistent with and subject to the terms
3 and conditions of this Final Order and the DIP Financing Agreements, and the Court shall
4 determine all such disputes in accordance with this Final Order, the DIP Financing Agreements,
5 the Prepetition Secured Documents, and applicable law.

6 **5. Adequate Protection for Prepetition Secured Creditors.** As adequate protection
7 for the interests of the Prepetition Secured Creditors in the Prepetition Collateral and McKesson
8 in the VMF Collateral, on account of the granting of the DIP Liens, subordination to the Carve
9 Out (as defined below), any Diminution in Value arising out of the Debtors' use, sale, or
10 disposition or other depreciation of the Prepetition Collateral, including Cash Collateral or the
11 VMF Collateral, resulting from the automatic stay, the Prepetition Secured Creditors and
12 McKesson shall receive adequate protection as follows:

13 **(a) Adequate Protection Replacement Liens.** To the extent of the
14 Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition
15 Collateral that secures their respective claims, each of the affected Prepetition Secured Creditors
16 shall be granted, subject to the terms and conditions set forth below, pursuant to sections 361,
17 363(e), and 364(d) of the Bankruptcy Code additional valid, perfected and enforceable
18 replacement security interests and Liens in the DIP Collateral, (the "***Prepetition Replacement***
19 ***Liens***"), which Prepetition Replacement Liens shall be junior only to (1) the Carve Out, (2) to the
20 DIP Liens, (3) the VMF Liens in VMF Collateral and (4) any perfected, unavoidable, prepetition
21 liens granted by Holdings pursuant to those certain deeds of trust issued in connection with the
22 MOB Financing and that certain Deed of Trust with Fixture Filing and Security Agreement and
23 Assignment of Leases and Rents by Holdings in favor of U.S. Bank as 2017 Note Trustee and
24 Deed of Trust Beneficiary, dated as of September 15, 2017, as further amended or modified (the
25 "***Moss Deed of Trust***") to secure the Series 2017 Working Capital Notes; *provided, however*, that
26 any Prepetition Replacement Liens granted to the 2015 Note Trustee and/or 2017 Note Trustee on
27 account of the Diminution in Value of the Priority Assets as defined in the Intercreditor
28 Agreement shall be senior to the Prepetition Replacement Liens granted to any other Prepetition

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1 Secured Creditors and junior to (i) the Carve Out, (ii) the DIP Liens securing the DIP Obligations,
2 and (iii) perfected, unavoidable, prepetition liens granted by Holdings pursuant to those certain
3 deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust, and
4 *further provided* that any Prepetition Replacement Liens granted to the holders of deeds of trust
5 issued in connection with the MOB Financing and the Moss Deed of Trust, on account of the
6 Diminution in Value of such Prepetition Collateral shall be senior to the Prepetition Replacement
7 Liens granted to any other Prepetition Secured Creditors and junior to (x) the Carve Out, (y) the
8 DIP Liens securing the DIP Obligations, and (z) perfected, unavoidable, prepetition liens of the
9 Master Trustee, the 2015 Note Trustee and/or the 2017 Note Trustee on property other than the
10 property subject to the Moss Deed of Trust. With respect to the Prepetition Collateral that is
11 subject to the Intercreditor Agreement, any proceeds of such Prepetition Collateral or Prepetition
12 Replacement Liens related thereto shall be allocated among the Prepetition Secured Creditors in
13 accordance with the terms of the Second Amended and Restated Intercreditor Agreement. Unless
14 otherwise ordered by the Court, the Intercreditor Agreement shall not be deemed to be amended,
15 altered or modified by the terms of this Final Order or the DIP Financing Agreements. With
16 respect to the VMF Collateral, McKesson shall be entitled to a replacement lien on the
17 postpetition assets of VMF, excluding Avoidance Actions (“*VMF Replacement Lien*”), to the
18 extent of (1) any Diminution in Value in such VMF Collateral, and (2) any McKesson Post-
19 Petition Trade Credit, which amounts shall be senior to the Prepetition Replacement Liens, but
20 junior to the (m) Carve Out, and (n) the DIP Liens.

21 (b) **Adequate Protection Payments and Protections.** So long as there is no
22 Default or Event of Default under the Interim Order, this Final Order, or the DIP Financing
23 Agreements, the Debtors are also authorized and directed to provide (I) to the Prepetition Secured
24 Creditors monthly adequate protection payments equal to (A) the amount of postpetition, non-
25 default contractual interest on the outstanding balances of the Prepetition Secured Obligations,
26 provided that reference to the non-default contractual rate of interest shall not include any Penalty
27 Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents, plus (B)
28 monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master

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1 Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee,
2 respectively, and (C) reimbursement of reasonable attorney’s fees for one set of attorneys for (1)
3 Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master
4 Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB
5 Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors
6 for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as
7 Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB
8 Financing; and (II) payments by the Debtors to McKesson consistent with certain terms of the
9 interim and final orders authorizing the Critical Vendor Program (as defined in the Debtors First
10 Day Motions) in an amount of \$3,055,000.00 (collectively I and II are the “*Prepetition Adequate*
11 *Protection Payments*”). Notwithstanding the foregoing, to the extent the Court enters a final and
12 non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code,
13 that the Prepetition Adequate Protection Payments under (I) and (II) above are not properly
14 entitled to payment of interest and fees on one or more of the respective Prepetition Secured
15 Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-
16 characterized as payment(s) applied to the principal amount of the respective Prepetition Secured
17 Obligations.

18 (c) **McKesson Secured Payments.** As set forth herein, so long as no
19 Revolving Loan Termination Event has occurred under the DIP Credit Agreement, the Debtors
20 are hereby authorized and directed to make all McKesson Secured Payments on or before their
21 respective due dates and are authorized to make payments on McKesson’s Post-Petition Trade
22 Credit, on the terms agreed to between McKesson and the Debtors provided herein.

23 (d) **Prepetition Superpriority Claim.** To the extent of the Diminution in
24 Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each
25 of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions
26 set forth below, an allowed superpriority administrative expense claim (the “*Prepetition*
27 *Superpriority Claims*”), which shall have priority (except with respect to (i) the DIP Liens, (ii)
28 the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings

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1 pursuant to those certain deeds of trust issued in connection with the MOB Financing and the
2 Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the
3 Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims
4 against the Debtors and their estates, now existing or hereafter arising of any kind or nature
5 whatsoever including, without limitation, administrative expenses of the kind specified or ordered
6 pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552,
7 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of this Final Order, section 506(c) of
8 the Bankruptcy Code, whether or not such expenses or claims may become secured by a
9 judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any
10 Prepetition Superpriority Claim granted to the 2015 Note Trustee and/or 2017 Note Trustee on
11 account of the Diminution in Value of the Priority Assets as defined in the Intercreditor
12 Agreement shall have priority over the Prepetition Superpriority Claims granted to any other
13 Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority
14 Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss
15 Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the
16 holders of those certain deeds of trust issued in connection with the MOB Financing and the Moss
17 Deed of Trust, on account of the Diminution in Value of such Prepetition Collateral shall be
18 senior to the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors
19 (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and
20 (iv) the claims of the Master Trustee, the 2015 Note Trustee and/or the 2017 Note Trustee on
21 property other than the property subject to the Moss Deed of Trust). With respect to the
22 Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor
23 Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related
24 thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms
25 of the Second Amended and Restated Intercreditor Agreement.

26 (e) **Validity, Perfection and Amount of Prepetition Liens.** The Debtors
27 further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the
28 Prepetition Secured Obligations on the Prepetition Collateral and the VMF Liens on the VMF

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1 Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were
2 granted to, or for the benefit of, the Prepetition Secured Creditors and McKesson, (b) the
3 Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral
4 except the prepetition tax lien arising in connection with the CSCDA Special Assessments, and (c)
5 the VMF Liens were senior in priority over any and all other Liens on VMF Collateral. The
6 findings and stipulations set forth in this Final Order with respect to the validity, enforceability
7 and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on
8 any subsequent trustee, responsible person, examiner with expanded powers, any other estate
9 representative, and all creditors and parties in interest and all of their successors in interest and
10 assigns, including the Committee, unless, and solely to the extent that, a party in interest with
11 requisite standing and authority (other than the Debtors, as to which any Challenge (as defined
12 below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and
13 timely commenced the appropriate proceeding required under the Bankruptcy Code and
14 Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each
15 case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens
16 (each such proceeding or appropriate pleading commencing a proceeding or other contested
17 matter, a “**Challenge**”) within ninety (90) days from the formation of the Committee (the
18 “**Challenge Deadline**”); *provided* that for purposes of filing a Challenge, the Committee shall be
19 deemed to have standing to file the requisite pleading without further a order of the Court; and
20 *provided further*, that the “Challenge Deadline” for matters solely relating to the value of the
21 Prepetition Collateral may be further extended to such time as may be agreed by stipulation
22 among the Debtors, the Committee and the Prepetition Secured Creditors or as further ordered by
23 the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be
24 amended upon further order of this Court and the consent of both the Prepetition Secured
25 Creditors, the DIP Agent and the DIP Lender. The Debtors shall not use the Prepetition
26 Collateral, VMF Collateral or their proceeds to investigate or prosecute claims against the
27 Prepetition Secured Creditors or McKesson, including Avoidance Actions, *provided however* that
28 the Committee may investigate the existence of such claims and have allowed fees paid from the

1 Prepetition Collateral or VMF Collateral and the proceeds of the DIP Facility up to the amount of
2 \$250,000, *provided further however* that no Prepetition Collateral or VMF Collateral, the
3 proceeds thereof or the proceeds of the DIP Facility may be used to prosecute claims against
4 Prepetition Secured Creditors or McKesson. For the avoidance of doubt, the Debtors, on behalf
5 of their estates, do not release or indemnify the Prepetition Secured Creditors or McKesson from
6 any Challenge raised by third parties, including the Committee, to the validity, amount or
7 enforceability of the Prepetition Secured Obligations and the Prepetition Liens or the VMF Liens.

8 (f) **Sections 506(c) and 552(b).** In light of the Prepetition Secured Creditors'
9 and McKesson's' agreements that their Prepetition Liens and VMF Liens, respectively, shall be
10 subject to the Carve Out and subordinate to the DIP Liens, the Prepetition Secured Creditors and
11 McKesson are each entitled to a waiver of any "equities of the case" exception under section
12 552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the
13 Bankruptcy Code.

14 (g) Nothing contained in this Final Order shall prevent the Prepetition Secured
15 Creditors from application or use of the funds held thereby that are not DIP Collateral in
16 accordance with the Prepetition Secured Documents. Each of the Prepetition Secured Creditors
17 reserves the right to seek additional or further adequate protection from the Court. The Debtors
18 and the Committee each reserves the right to object to any such request for additional or further
19 adequate protection.

20 6. **Budget Maintenance.** The proceeds of the DIP Loan under the DIP Facility and the
21 use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the
22 DIP Financing Agreements and the DIP Budget. The DIP Budget shall be delivered to the DIP
23 Agent with such supporting documentation as reasonably requested by the DIP Agent. The DIP
24 Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be
25 reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the
26 U.S. Trustee and counsel for the Prepetition Secured Creditors after it has been approved in
27 accordance with the DIP Financing Agreements. The Debtors shall provide at least two (2)
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1 business days' notice to counsel for the Committee and the Prepetition Secured Creditors prior to
2 the effective date of any change in the DIP Budget.

3 7. **Budget Compliance and Reporting.** The proceeds of the DIP Facility and the use
4 of Cash Collateral shall be subject to, and used in accordance with, the terms and conditions of
5 the DIP Financing Agreement and the DIP Budget (subject to the variances set forth therein).
6 Debtors acknowledge and confirm that the DIP Budget includes the payment of CSCDA Special
7 Assessments. The Debtors shall provide all reports and other information as required in the DIP
8 Credit Agreement (subject to the grace periods provided therein), with copies delivered
9 substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to
10 the Committee, such information to include reasonably complete details on the payments
11 contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock
12 Declaration, and such information to be timely provided, sufficient for the Prepetition Secured
13 Creditors to file an objection with this Court on two business days' notice. The Debtors' failure
14 to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or
15 to provide the reports and other information required in the DIP Credit Agreement shall constitute
16 an Event of Default (as defined herein), following the expiration of any applicable grace period
17 set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and
18 binding confidentiality agreements, the Debtors shall provide to the DIP Agent, the DIP Lender,
19 the Prepetition Secured Creditors and the Committee information concerning (i) the Debtors'
20 efforts to obtain debtor in possession financing proposals, including any proposals the Debtors
21 received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing
22 materials used by the Debtors in this process, information identifying the parties the Debtors have
23 contacted, copies of any proposals or expressions of interest, and other information concerning
24 these matters as the DIP Agent or the Prepetition Secured Creditors may reasonably request.

25 8. **Postpetition Lien Perfection.** This Final Order shall be sufficient and conclusive
26 evidence of the validity, perfection, and priority of the DIP Liens, the Prepetition Replacement
27 Liens and the VMF Replacement Lien, and all rights granted in and to the Escrow Deposit
28 Accounts and the Sale Proceeds, without the necessity of filing or recording any financing

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1 statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be
2 required under the law of any jurisdiction or the taking of any other action (including, for the
3 avoidance of doubt, entering into any deposit account control agreement or obtaining possession
4 of any possessory collateral) to validate or perfect the DIP Liens, Prepetition Replacement Liens
5 or VMF Replacement Lien, or to entitle the DIP Liens, Prepetition Replacement Liens and VMF
6 Replacement Lien the respective priorities granted herein. Notwithstanding and without limiting
7 the foregoing, the DIP Agent may file such financing statements, mortgages, deeds of trust,
8 notices of liens and other similar documents as it deems appropriate, and it is hereby granted
9 relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all
10 such financing statements, mortgages, deeds of trust, notices and other documents shall be
11 deemed to have been filed or recorded at the time and on the date of the commencement of the
12 Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the
13 validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the
14 DIP Agent and DIP Lender all such financing statements, mortgages, deeds of trust, deposit
15 account control agreements, notices and other documents as the DIP Agent and DIP Lender may
16 reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority
17 of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such
18 financing statements, mortgages, deeds of trust, deposit account control agreements, notices and
19 other documents shall be considered DIP Financing Agreements for all intents and purposes. The
20 DIP Agent, in its discretion, may file a certified copy of this Final Order as a financing statement
21 with any recording officer designated to file financing statements or with any registry of deeds or
22 similar office in any jurisdiction in which any Debtor has real or personal property, and in such
23 event, the recording officer shall be authorized to file or record such copy of this Final Order. To
24 the extent that any Prepetition Secured Creditor is the secured party under any security agreement,
25 mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements,
26 bailee letters, custom broker agreements, financing statement, account control agreements, or any
27 other Prepetition Secured Documents or is listed as loss payee or additional insured under any of
28

1 the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under
2 such documents or to be the loss payee or additional insured, as applicable.

3 9. **Application of Proceeds of Collateral.** As a condition to the continued extension
4 of credit under the DIP Facility and the continued authorization to use Cash Collateral, the
5 Debtors have agreed that as of and commencing on the Closing Date the Debtors shall apply all
6 advances under the DIP Facility, as follows: (i) *first*, to fund the day to day operations and
7 general corporate purposes of the Debtors' estates; (ii) *second*, to pay the administrative expenses
8 of the Chapter 11 Cases; and (iii) *third*, to make the Prepetition Adequate Protection Payments all
9 in accordance with the DIP Budget.

10 10. **Proceeds of Subsequent Financing.** If the Debtors, any trustee, any examiner with
11 expanded powers, or any responsible officer subsequently appointed in these Chapter 11 Cases or
12 any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections
13 364(b), 364(c), or 364(d) or in violation of the DIP Financing Agreements at any time prior to the
14 infeasible repayment in full of all DIP Obligations and Prepetition Secured Obligations (to the
15 extent such remain outstanding), and the termination of the DIP Agent's and the DIP Lenders'
16 obligation to extend credit under the DIP Facility, including subsequent to the confirmation of
17 any chapter 11 plan of reorganization with respect to any or all of the Debtors and the Debtors'
18 estates, and such facility is secured by any DIP Collateral, then all the cash proceeds derived from
19 such credit or debit shall immediately be turned over to the DIP Agent to be applied in
20 accordance with this Final Order and the DIP Financing Agreements.

21 11. **Cash Collection.**

22 (a) From and after the date of the entry of this Final Order, all collections and proceeds
23 of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come
24 into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall
25 become entitled at any time, shall be promptly deposited in accounts as specified in the DIP
26 Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to
27 time) (collectively, the "*Cash Collection Accounts*"), which accounts shall be subject to the sole
28 dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP

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1 Agent that, unless a “Default” or an “Event of Default” under the DIP Credit Agreement has
2 occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility,
3 proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall
4 be authorized to use such Cash Collateral in accordance with this Final Order. All proceeds and
5 other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application
6 in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the
7 DIP Agent and the Prepetition Secured Creditors or as set forth in this Final Order, the Debtors
8 shall maintain no accounts except those identified in the interim cash management order entered
9 by the Court with respect thereto (the “*Cash Management Order*”), whether now existing or
10 hereafter established. The Debtors and the financial institutions where the Debtors’ Cash
11 Collection Accounts are maintained (including those accounts identified in the Cash Management
12 Order), are authorized and directed to remit, without offset or deduction, funds in such Cash
13 Collection Accounts upon receipt of any direction to that effect from the DIP Agent. To the
14 extent that a Prepetition Secured Creditor’s perfection in or control over bank accounts or
15 investment accounts, including any funds or investments therein, may be affected by reason of the
16 transfer of control to the DIP Agent or any agent of the DIP Lenders in accordance with this Final
17 Order, the perfection and control rights of such Prepetition Secured Creditor therein shall be
18 deemed to continue, subject to the senior, priming rights of the DIP Lender and the DIP Lien in
19 such bank accounts or investment accounts, for so long as the DIP Obligations remain
20 outstanding, and thereafter shall revert back to such Prepetition Secured Creditor.

21 (b) Notwithstanding anything in this Final Order or any of the DIP Financing
22 Agreements, from and after the date of the entry of this Final Order, all collections and proceeds
23 of any DIP Collateral or Prepetition Collateral that shall at any time come into the possession,
24 custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any
25 time, shall promptly be deposited into a depository account furnished by a depository bank
26 acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject
27 to the sole dominion and control of the DIP Agent (such account, the “*DIP Collateral Account*”).
28

1 The Debtors' use of the proceeds in the DIP Collateral Account shall be subject to this Final
2 Order and the DIP Financing Agreements.

3 12. **Maintenance of DIP Collateral.** Until the indefeasible payment in full of all DIP
4 Obligations, all Prepetition Secured Obligations, and the termination of the DIP Agent's and the
5 DIP Lenders' obligation to extend credit under the DIP Facility, the Debtors shall: (a) insure the
6 DIP Collateral as required under the DIP Facility or the Prepetition Secured Documents, as
7 applicable; and (b) maintain the cash management system in effect as of the Petition Date, as
8 modified by the Cash Management Order and this Final Order, and maintain books and records
9 sufficient to account for postpetition intercompany transfers in a manner required by the Cash
10 Management Order and the DIP Credit Agreement at section 5.6 or as otherwise agreed to by the
11 DIP Agent or otherwise required or permitted by the DIP Financing Agreements or this Final
12 Order.

13 13. **DIP and Other Expenses.** The Debtors are authorized and directed to pay all
14 reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent,
15 (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as
16 counsel to the DIP Agent), (2) the DIP Lenders in connection with the DIP Facility, as provided
17 herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a
18 proposed conversion of the DIP Facility into exit financing (including the preparation and
19 negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured
20 Creditors and McKesson, whether or not the transactions contemplated hereby are consummated,
21 including attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and
22 expenses of other consultants, and indemnification and reimbursement of fees and expenses.
23 Payment of all such fees and expenses shall not be subject to allowance by the Court.
24 Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors and
25 McKesson shall not be required to comply with the U.S. Trustee fee guidelines; however, any
26 time that such professionals seek payment of fees and expenses from the Debtors, each
27 professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously
28 with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S.

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1 Trustee or the Committee, with respect to such invoices must be in writing and state with
2 particularity the grounds therefor and must be submitted to the applicable professional within ten
3 (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved,
4 it will be subject to resolution by the Court. Pending such resolution, the undisputed portion of
5 any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the
6 Debtors are authorized and directed to pay on the Closing Date all reasonable and documented
7 fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition
8 Secured Creditors incurred on or prior to such date without the need for any professional engaged
9 by such parties to first deliver a copy of its invoice or other supporting documentation. No
10 attorney or advisor to the DIP Agent, the DIP Lenders any Prepetition Secured Creditor or
11 McKesson shall be required to file an application seeking compensation for services or
12 reimbursement of expenses with the Court. Upon entry of this Final Order, any and all fees, costs,
13 and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP
14 Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured
15 Creditors and McKesson in connection with or with respect to these matters, were approved in
16 full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the
17 Debtors or any other person.

18 14. **Indemnification.** The Debtors shall indemnify and hold harmless the DIP Agent
19 and the DIP Lenders in accordance with the terms and conditions of the DIP Credit Agreement.

20 15. **Right to Credit Bid.** The DIP Lender shall have the right, but not the obligation, to
21 “credit bid” the DIP Obligations during any sale of the DIP Collateral, including without
22 limitation, sales occurring pursuant to section 363 of the Bankruptcy Code or included as part of
23 any reorganization plan subject to confirmation under section 1129(b)(2)(A)(iii) of the
24 Bankruptcy Code. Subject to the indefeasible payment in full of the DIP Obligations, the
25 Prepetition Secured Creditors shall have the right but not the obligation to credit bid the
26 Prepetition Secured Obligations during any sale of the Prepetition Collateral, including without
27 limitation, sales occurring pursuant to section 363 of the Bankruptcy Code.

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1 16. **Carve Out.** The DIP Liens, DIP Superpriority Claim, and Prepetition Replacement
2 Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the
3 Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the “*U.S.*
4 *Trustee Fees*”), together with interest, if any, at the statutory rate; and (ii) all allowed claims for
5 unpaid fees, costs and expenses incurred by persons or firms retained by the Debtors or the
6 Committee, if any, whose retention is approved by the Court pursuant to any one or more of
7 sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs
8 and expenses are both (a) allowed by the Court pursuant to a final order, and (b) in accordance
9 with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable
10 time frame (the “*Carve Out Expenses*”); provided that the aggregate amount of such Carve Out
11 Expenses shall not exceed (a) \$2,000,000 with respect to persons or firms retained by the Debtors,
12 and (b) \$150,000 with respect to persons or firms retained by the Committee (collectively, the
13 “*Carve Out Amount*”). Any payment or reimbursement made after the Carve Out Trigger Date in
14 respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a dollar-
15 for-dollar basis.

16 17. **Limitation of Use of Proceeds.** Notwithstanding anything set forth herein and
17 except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses
18 incurred in connection with initiating or prosecuting any claims, causes of action, adversary
19 proceedings, or other litigation against the DIP Agent, the DIP Lender or any of the Prepetition
20 Secured Creditors, including, without limitation, the assertion or joinder in any claim,
21 counterclaim, action, proceeding, application, motion, objection, defenses or other contested
22 matter, the purpose of which is to seek any order, judgment, determination or similar relief (i)
23 invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in part,
24 (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, (d) the
25 VMF Liens or (e) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly or
26 indirectly, the DIP Agent’s, the DIP Lender’s, the Prepetition Secured Creditors’ or McKesson’s
27 assertion or enforcement of their liens or security interests or realization upon any DIP Collateral,
28 Prepetition Collateral, or VMF Collateral, or (iii) prosecuting any Avoidance Actions against the

1 DIP Agent, the DIP Lender, any Prepetition Secured Creditor or McKesson, or (iv) challenging
2 the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense,
3 counterclaim, or offset to, the Prepetition Secured Obligations, or the McKesson Prepetition Debt,
4 or the adequate protection granted herein, *provided however*, that nothing in this Final Order shall
5 limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory
6 fees paid or proposed to be paid to Prepetition Secured Creditors or McKesson as adequate
7 protection payments.

8 **18. Payment of Compensation.** Nothing herein shall be construed as consent to the
9 allowance of any professional fees or expenses of any of the Debtors or the Committee or shall
10 affect the right of the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson
11 to object to the allowance and payment of such fees and expenses or to permit the Debtors to pay
12 any such amounts not set forth in the DIP Budget.

13 **19. Section 506(c) Claims; Equities of the Case.** Nothing contained in this Final
14 Order shall be deemed a consent by the DIP Agent, the DIP Lender or any Prepetition Secured
15 Creditor to any charge, lien, assessment or claim against the DIP Collateral under Section 506(c)
16 of the Bankruptcy Code or otherwise. The “equities of the case” exception under Section 552(b)
17 of the Bankruptcy Code and surcharge powers under section 506(c) of the Bankruptcy Code are
18 waived as to the Prepetition Creditors and all pre and postpetition collateral securing their claims.

19 **20. Collateral Rights.** Unless the DIP Agent and DIP Lender have provided their prior
20 written consent or all DIP Obligations have been paid in full in cash (or will be paid in full in
21 cash upon entry of an order approving indebtedness described in subparagraph (a) below), and all
22 commitments by the DIP Agent and the DIP Lender to lend have terminated:

23 (a) The Debtors shall not seek entry, in these proceedings, or in any Successor
24 Case, of any order which authorizes the obtaining of credit or the incurring of indebtedness that is
25 secured by a security, mortgage, or collateral interest or other lien on all or any portion of the DIP
26 Collateral and/or entitled to priority administrative status which is senior or *pari passu* to the DIP
27 Liens granted to the DIP Lender pursuant to this Final Order, the DIP Financing Agreements or
28 otherwise;

1 (b) The Debtors shall not consent to relief from the automatic stay by any
2 person other than the DIP Agent with respect to all or any portion of the DIP Collateral without
3 the express written consent of the DIP Agent and the DIP Lender;

4 (c) In the event that the Debtors seek entry of an order in violation of
5 subsection (a) hereof, the DIP Agent and DIP Lender shall be granted relief from the automatic
6 stay with respect to the DIP Collateral pursuant to the notice procedures set forth in this Order;
7 and

8 (d) The Parties to the DIP Credit Agreement agree that the Final Order does not impair
9 the claims, rights, or ability, if any, to recoup, setoff or otherwise recover Medicare overpayments
10 related to prepetition services by a Debtor ("***Prepetition Medicare Overpayments***") of the United
11 States, its agencies, departments, agents or entities (collectively, "***United States***") from the
12 payments made to such Debtor for services rendered after the Petition Date ("***Postpetition***
13 ***Medicare Payments***"), in accordance with the Medicare statutes, regulations, policies and
14 procedures. The Parties to the DIP Credit Agreement further agree that the Final Order does not
15 impair the United States' claims, rights or ability, if any, to recoup, setoff or otherwise recover
16 any other prepetition debt a Debtor may owe to the United States from the Postpetition Medicare
17 Payments due such Debtor in accordance with applicable law.

18 21. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP
19 Agent and the DIP Lender shall be immediately due and payable, and the Debtors' authority to
20 use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i)
21 September 7, 2019 (the "***Scheduled Termination Date***"); (ii) the date of revocation of this Final
22 Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the
23 Bankruptcy Code and which for purposes hereof shall be no later than the "***effective date***") of a
24 plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered
25 by the Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v)
26 the date the Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the
27 dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded
28 power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of

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1 the commitments with respect to the DIP Facility in accordance with the DIP Financing
2 Agreements (the earliest of such dates, the “*Commitment Termination Date*”). The occurrence
3 of the Commitment Termination Date, shall also constitute, subject to further Court order,
4 termination of the Prepetition Secured Creditors’ and McKesson consent to the Debtors’ use of
5 their prepetition Cash Collateral (the “**Carve Out Trigger Date**”).

6 22. **Disposition of Collateral.** The Debtors shall not sell, transfer, lease, encumber or
7 otherwise dispose of any portion of the DIP Collateral, without the prior written consent of the
8 DIP Agent and the DIP Lender (and no such consent shall be implied, from any other action,
9 inaction or acquiescence by the DIP Agent or the DIP Lender or an order of this Court), except as
10 provided in the DIP Financing Agreements and this Final Order and approved by the Court to the
11 extent required under applicable bankruptcy law. Nothing herein shall prevent the Debtors from
12 making sales in the ordinary course of business to the extent consistent with the DIP Budget and
13 as permitted in the DIP Financing Agreements.

14 23. **Events of Default.** The occurrence of a “Default” or an “Event of Default”
15 pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the “Bankruptcy
16 Defaults” enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of
17 default under this Final Order, unless expressly waived in writing in accordance with the consents
18 required in the DIP Financing Agreements.

19 24. **Rights and Remedies Upon Event of Default.**

20 (a) Any otherwise applicable automatic stay is hereby modified so that after
21 the occurrence of any Event of Default and at any time thereafter during the continuance of such
22 Event of Default, the DIP Agent and the DIP Lender shall be entitled to exercise its rights and
23 remedies with respect to the Debtors and the DIP Collateral provided in the DIP Financing
24 Agreements and by applicable law, including, without limitation, foreclosing on and selling the
25 DIP Collateral, without the need for further court approval or the consent of any other party.

26 (b) Notwithstanding the preceding paragraph, immediately following the
27 giving of notice by the DIP Agent of the occurrence and continuance of an Event of Default, the
28 DIP Agent shall have the right in its sole discretion to take any or all of the following actions: (i)

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1 declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare
2 the unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon,
3 and all other amounts owing or payable hereunder or under any other DIP Financing Agreements
4 to be immediately due and payable, without presentment, demand, protest or other notice of any
5 kind, all of which are hereby expressly waived by any Debtor; (iii) reduce the advance rates in
6 respect of Eligible Accounts (as defined in the DIP Credit Agreement) or take additional reserves
7 against or otherwise modify the Borrowing Base; and (iv) exercise all rights and remedies
8 available to the DIP Agent and the DIP Lenders under the DIP Financing Agreements, including
9 any right of set-off under Section 11.21 of the DIP Credit Agreement, or under the UCC or any
10 other applicable law; *provided, however*, that upon the occurrence of an Event of Default under
11 the DIP Credit Agreement, the obligation of the DIP Lenders to make the DIP Loan shall
12 automatically terminate, the unpaid principal amount of all outstanding DIP Loans and other DIP
13 Obligations and all interest and other amounts as aforesaid shall automatically become due and
14 payable without further act of the DIP Agent or any DIP Lender.

15 (c) Nothing included herein shall prejudice, impair, or otherwise affect the DIP
16 Agent's or the DIP Lender's rights to seek any other or supplemental relief in respect of the DIP
17 Agent's and the DIP Lender's rights, as provided in the DIP Credit Agreement.

18 25. **Limitation on Lender Liability.** Nothing in this Final Order, any of the DIP
19 Financing Agreements, or any other documents related thereto shall in any way be construed or
20 interpreted to impose or allow the imposition upon the DIP Agent, the DIP Lenders or the
21 Prepetition Secured Parties Creditors of any liability for any claims arising from any activities by
22 the Debtors in the operation of their businesses or in connection with the administration of these
23 Cases. The DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall not, solely by
24 reason of having made loans under the DIP Facility, be deemed in control of the operations of the
25 Debtors or to be acting as a "responsible person" or "owner or operator" with respect to the
26 operation or management of the Debtors (as such terms, or any similar terms, are used in the
27 United States Comprehensive Environmental Response, Compensation and Liability Act, 42
28 U.S.C. §§ 9601 et seq., as amended, or any similar federal or state statute). Nothing in this Final

1 Order or the DIP Financing Agreements shall in any way be construed or interpreted to impose or
2 allow the imposition upon the DIP Agent, the DIP Lenders, or any of the Prepetition Secured
3 Creditors of any liability for any claims arising from the prepetition or postpetition activities of
4 any of the Debtors.

5 26. **Insurance Proceeds and Policies.** As of the entry of this Final Order and to the
6 fullest extent provided by applicable law, the DIP Agent (on behalf of the DIP Lenders) and the
7 Prepetition Secured Creditors, shall be, and shall be deemed to be, without any further action or
8 notice, named as additional insured and as lender's loss payee with the priority as to all rights
9 and remedies as set forth herein and in the DIP Credit Agreement.

10 27. **Proofs of Claim.** Neither the DIP Agent nor the DIP Lender will be required to
11 file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in
12 addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition
13 Secured Creditors.

14 28. **Other Rights and Obligations.**

15 (a) **Good Faith Under Section 364(e) of the Bankruptcy Code. No**
16 **Modification or Stay of this Final Order.** The Debtors, the DIP Agent, the DIP Lender, the
17 Prepetition Secured Creditors and McKesson have acted in good faith in connection with
18 negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and
19 authorizing use of Cash Collateral and rely on this Final Order in good faith. Based on the
20 findings set forth in this Final Order and the record made during the Interim Hearing and the Final
21 Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of
22 the provisions of this Final Order are hereafter reversed, modified amended or vacated by a
23 subsequent order of this or any other Court, the DIP Agent, DIP Lender, Prepetition Secured
24 Creditors and McKesson are entitled to the protections provided in section 364(e) of the
25 Bankruptcy Code. Any such reversal, modification, amendment or *vacatur* shall not affect the
26 validity and enforceability of any advances made pursuant to this Final Order or the DIP
27 Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the
28 DIP Liens, the Prepetition Replacement Liens or the VMF Replacement Lien. Any claims or DIP

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1 Protections granted to the DIP Agent and the DIP Lender hereunder, or adequate protection
2 granted to the Prepetition Secured Creditors and McKesson hereunder, arising prior to the
3 effective date of such reversal, modification, amendment or *vacatur*, shall be governed in all
4 respects by the original provisions of this Final Order, and the DIP Agent, the DIP Lender,
5 Prepetition Secured Creditors and McKesson shall be entitled to all of the rights, remedies,
6 privileges and benefits, including the DIP Protections and adequate protection granted herein,
7 with respect to any such claims. Since the loans made pursuant to the DIP Credit Agreement are
8 made in reliance on this Final Order, the obligations owed to the DIP Agent, the DIP Lender, the
9 Prepetition Secured Creditors or McKesson prior to the effective date of any reversal or
10 modification of this Final Order cannot, as a result of any subsequent order in the Chapter 11
11 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority
12 administrative expense claim status, or be deprived of the benefit of the status of the liens and
13 claims granted to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson
14 under this Final Order and/or the DIP Financing Agreements.

15 (b) **Binding Effect.** The provisions of this Final Order shall be binding upon
16 and inure to the benefit of the DIP Agent, DIP Lender, the Debtors, the Prepetition Secured
17 Creditors, McKesson, the Committee, all other Parties in Interest, and all creditors, and each of
18 their respective successors and assigns (including any trustee or other fiduciary hereinafter
19 appointed as a legal representative of the Debtors or with respect to the property of the estates of
20 the Debtors) whether in the Chapter 11 Cases, in any Successor Cases, or upon dismissal of any
21 such chapter 11 or chapter 7 case.

22 (c) **No Waiver.** The failure of the DIP Agent or the DIP Lender to seek relief
23 or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP
24 Facility, this Final Order or otherwise, as applicable, shall not constitute a waiver of the DIP
25 Agent's or the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding
26 anything herein, the entry of this Final Order is without prejudice to, and does not constitute a
27 waiver of, expressly or implicitly, or otherwise impair the DIP Agent or the DIP Lender under the
28 Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP

1 Agent and DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7,
2 dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii)
3 propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of
4 reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or
5 otherwise) the DIP Agent or DIP Lender may have pursuant to this Final Order, the DIP
6 Financing Agreements, or applicable law. Nothing in this Final Order shall interfere with the
7 rights of any party with respect to any non-Debtors.

8 (d) **No Third Party Rights.** Except as explicitly provided for herein, this
9 Final Order does not create any rights for the benefit of any third party, creditor, equity holder or
10 any direct, indirect, or incidental beneficiary.

11 (e) **No Marshaling.** The DIP Lender shall not be subject to the equitable
12 doctrine of “marshaling” or any other similar doctrine with respect to any of the DIP Collateral.

13 (f) **Amendment.** The Debtors, the DIP Agent and the DIP Lender may amend
14 or waive any provision of the DIP Financing Agreements, on notice to the Office of the U.S.
15 Trustee, the Committee, the Prepetition Secured Creditors and McKesson. The Debtors shall give
16 each Prepetition Secured Creditor and McKesson notice concurrent with giving such notice or
17 request to the DIP Agent for any amendment or waiver of the DIP Financing Agreements and,
18 without prejudice to the effectiveness of any such amendment or waiver, each Prepetition Secured
19 Creditor shall have the right to file a motion objecting to such amendment. Nothing in this Final
20 Order shall authorize the DIP Agent or DIP Lenders to increase the commitments in excess of the
21 commitments set forth in this Final Order, increase the contract interest rate, defined in the DIP
22 Credit Agreement as the Applicable LIBOR Margin, increase the Default Rate or extend the
23 maturity date, defined in the DIP Credit Agreement as the “Scheduled Termination Date”.
24 Except as otherwise provided herein, no waiver, modification, or amendment of any of the
25 provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed
26 on behalf of all the Debtors, the DIP Agent and the DIP Lender, and, if material, approved by the
27 Court. Nothing herein shall preclude the Debtors, the DIP Agent and the DIP Lender from
28 implementing any amendment or waiver of any provision of the DIP Financing Agreements.

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1 (g) **Estate Subrogation.** Debtor Verity Holdings shall have an allowed
2 unsecured superpriority administrative expense claim granted to it pursuant to section 364(c)(1),
3 against each of the other Debtors that is a “Net Borrower” (as defined below) based on the
4 consolidated cash management process and DIP Loan, which claim shall be subordinate to the
5 DIP Obligations, including the DIP Superpriority Claim, and to the Adequate Protection Claims
6 of the Prepetition Secured Creditors and McKesson, but shall have priority over all other
7 administrative claims, in an amount equal to the sum of (a) the amount, if any, by which Debtor
8 Verity Holdings’ assets that are used to satisfy the DIP Loan, the Prepetition Replacement Liens
9 or VMF Liens, exceeds the amount, if any, of any draws on the DIP Loan used by Verity
10 Holdings plus interest, and (b) any postpetition net intercompany advances by Verity Holdings to
11 any other Debtor. “Net Borrower” shall mean any Debtor for which the sum of all cash received
12 from the concentration account or draws on the DIP Loan and its allocation of interest paid or
13 payable under the DIP Loan based on amounts received by it and amounts received by other
14 Debtors, exceeds any cash it has transferred to the concentration account during the Chapter 11
15 Cases.

16 29. **Survival of Final Order and Other Matters.** The provisions of this Final Order
17 and any actions taken pursuant hereto shall survive entry of any order which may be entered in
18 these Bankruptcy Cases, including without limitation, an order (i) confirming any Plan in the
19 Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the
20 Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law,
21 dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter
22 11 Cases from this Court, or (v) providing for abstention from handling or retaining of
23 jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Final
24 Order including the DIP Protections granted pursuant to this Final Order and the DIP Financing
25 Agreements, shall continue in full force and effect notwithstanding the entry of such order, and
26 such DIP Protections shall maintain their priority as provided by this Final Order until all the
27 Obligations of the Debtors to the DIP Agent and the DIP Lender pursuant to the DIP Financing
28 Agreements have been indefeasibly paid in full and in cash and discharged (such payment being

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1 without prejudice to any terms or provisions contained in the DIP Financing Agreements which
2 survive such discharge by their terms). The terms and provisions of this Final Order including
3 any protections granted to the Prepetition Secured Creditors and McKesson, shall continue in full
4 force and effect notwithstanding the entry of such order, and such protections for the Prepetition
5 Secured Creditors and McKesson shall maintain their priority as provided by this Final Order
6 until all the obligations of the Debtors to the Prepetition Secured Creditors and McKesson
7 pursuant to applicable documentation have been discharged. The DIP Obligations shall not be
8 discharged by the entry of an order confirming a plan of reorganization, the Debtors having
9 waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

10 (a) **Inconsistency.** In the event of any inconsistency between the terms and
11 conditions of the DIP Financing Agreements and of this Final Order, the provisions of this Final
12 Order shall govern and control.

13 (b) **Enforceability.** This Final Order shall constitute findings of fact and
14 conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully
15 enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Final Order.
16 Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other
17 Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be
18 immediately effective and enforceable upon its entry and there shall be no stay of execution or
19 effectiveness of this Final Order.

20 (c) **Objections Overruled.** All objections to the DIP Motion to the extent not
21 withdrawn or resolved, are hereby overruled.

22 (d) **No Waivers or Modification of Interim Order.** The Debtors irrevocably
23 waive any right to seek any modification or extension of this Final Order without the prior written
24 consent of the DIP Agent and the DIP Lender and no such consent shall be implied by any other
25 action, inaction or acquiescence of the DIP Agent or the DIP Lender.

26 (e) **No Effect on Non-Debtor Collateral.** Notwithstanding anything set forth
27 herein, neither the liens nor claims granted in respect of the Carve Out shall be senior to any liens
28

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1 or claims of the DIP Agent or the DIP Lender with respect to any other non-Debtor or any of their
2 assets.

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EXHIBIT C

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6

7 Proposed Attorneys for the Chapter 11 Debtors and
Debtors In Possession

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

10 In re
11 VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,
12 Debtors and Debtors In Possession.

Lead Case No. 18-20151
Jointly Administered With:
CASE NO.: 2:18-bk-20162-ER
CASE NO.: 2:18-bk-20163-ER
CASE NO.: 2:18-bk-20164-ER
CASE NO.: 2:18-bk-20165-ER
CASE NO.: 2:18-bk-20167-ER
CASE NO.: 2:18-bk-20168-ER
CASE NO.: 2:18-bk-20169-ER
CASE NO.: 2:18-bk-20171-ER
CASE NO.: 2:18-bk-20172-ER
CASE NO.: 2:18-bk-20173-ER
CASE NO.: 2:18-bk-20175-ER
CASE NO.: 2:18-bk-20176-ER
CASE NO.: 2:18-bk-20178-ER
CASE NO.: 2:18-bk-20179-ER
CASE NO.: 2:18-bk-20180-ER
CASE NO.: 2:18-bk-20171-ER

- 13 Affects All Debtors
14 Affects O'Connor Hospital
15 Affects Saint Louise Regional Hospital
 Affects St. Francis Medical Center
16 Affects St. Vincent Medical Center
 Affects Seton Medical Center
17 Affects O'Connor Hospital Foundation
 Affects Saint Louise Regional Hospital
18 Foundation
 Affects St. Francis Medical Center of
19 Lynwood Foundation
 Affects St. Vincent Foundation
20 Affects St. Vincent Dialysis Center, Inc.
 Affects Seton Medical Center Foundation
21 Affects Verity Business Services
 Affects Verity Medical Foundation
22 Affects Verity Holdings, LLC
 Affects De Paul Ventures, LLC
23 Affects De Paul Ventures - San Jose
Dialysis, LLC

Chapter 11 Cases
Hon. Ernest M. Robles

**[PROPOSED ALTERNATIVE] FINAL ORDER
(I) AUTHORIZING POSTPETITION
FINANCING, (II) AUTHORIZING USE OF
CASH COLLATERAL, (III) GRANTING LIENS
AND PROVIDING SUPERPRIORITY
ADMINISTRATIVE EXPENSE STATUS,
(IV) GRANTING ADEQUATE PROTECTION,
(V) MODIFYING AUTOMATIC STAY, AND
(VI) GRANTING RELATED RELIEF**

24 Debtors and Debtors In Possession.
25

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1 Upon the emergency motion (the “**DIP Motion**”)¹, dated August 31, 2018, filed by Verity
2 Health System of California, Inc., O’Connor Hospital, Saint Louise Regional Hospital, St. Francis
3 Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity
4 Medical Foundation, O’Connor Hospital Foundation, Saint Louise Regional Hospital Foundation,
5 St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent
6 Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul
7 Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the “**Debtors**”), as
8 debtors and debtors in possession in the above captioned chapter 11 cases (collectively,
9 the “**Chapter 11 Cases**”), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3),
10 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the “**Bankruptcy Code**”), Rules
11 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy**
12 **Rules**”) and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court
13 for the Central District of California (the “**Local Rules**” or “**LBR**”), for entry of an emergency
14 order (the “**Interim Order**”) following conclusion of the interim hearing (the “Interim Hearing”)
15 authorizing the Debtors, on an interim basis, and following the conclusion of a final hearing (the
16 “**Final Hearing**”) on the DIP Motion, for entry of a final order (the “**Final Order**”) authorizing
17 the Debtors, on a final basis to, among other things: *inter alia*:

18 (i) Obtain senior secured post-petition financing (the “**DIP Financing**” or “**DIP**
19 **Facility**”) pursuant to the terms and conditions of the DIP Financing Agreements (as defined
20 below), the Interim Order, and this Final Order, pursuant to sections 364(c)(1), 364(d), and 364(e)
21 of the Bankruptcy Code and Rule 4001(c) of the Bankruptcy Rules;

22 (ii) Enter into a Debtor-in-Possession Credit Agreement (the “**DIP Credit**
23 **Agreement**”), substantially in the form attached as Exhibit 2 to the Supplemental Chou
24 Declaration (“**Supp. Chou Decl.**”) [Docket 309-2], and other related financing documents
25 (together with the DIP Credit Agreement and DIP Security Agreement, the “**DIP Financing**”
26
27

28 ¹ Capitalized terms used herein and not otherwise defined shall have the meaning ascribed in the
DIP Motion.

1 **Agreements**”), by and among each of the Debtors and Ally Bank (“**Ally**”), in its capacity as agent
2 (“**DIP Agent**”) and in its capacity as lender (“**DIP Lender**,”) under the DIP Credit Agreement;

3 (iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements,
4 postpetition financing of up to \$30,000,000 on a revolving basis (the “**Interim DIP Loan**”) and
5 seek other financial accommodations from the DIP Agent and DIP Lender pursuant to the DIP
6 Credit Agreement, the other DIP Financing Agreements and the Interim Order;

7 (iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition
8 financing of up to an additional \$155,000,000, for a total of up to \$185,000,000, on a revolving
9 basis, which includes the Interim DIP Loan (the “**Final DIP Loan**,” and together with the Interim
10 DIP Loan, the “**DIP Loan**”) and seek other financial accommodations from the DIP Agent and
11 DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this
12 Final Order;

13 (v) Execute and deliver the DIP Credit Agreement and the other DIP Financing
14 Agreements;

15 (vi) Grant the DIP Agent and DIP Lender allowed super-priority administrative
16 expense claims, pursuant to section 364(c)(1) of the Bankruptcy Code, in each of the Chapter 11
17 Cases and any Successor Cases (as defined below) for the DIP Financing and all obligations of
18 the Debtors owing under the DIP Financing Agreements (collectively, and including all
19 “**Obligations**” of the Debtors as defined and described in the DIP Credit Agreement, the “**DIP**
20 **Obligations**”) subject only to the Carve Out (defined below) as set forth below;

21 (vii) Grant the DIP Agent and DIP Lender automatically perfected first priority senior
22 security interests in and liens on all of the DIP Collateral (as defined below) pursuant to section
23 364(d)(1) of the Bankruptcy Code, which liens shall not be subordinate to any other liens, charges,
24 security interests or surcharges under section 506(c) or any other section of the Bankruptcy Code,
25 with the exception of the Carve Out (defined below) as set forth below;

26 (viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in
27 accordance with the 13 week budget , as updated from time to time attached as Exhibit 1, Supp.
28

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1 Chou Decl. (the “*DIP Budget*”) and as otherwise provided in the DIP Financing Agreements, the
2 Interim Order and this Final Order;

3 (ix) Provide adequate protection to certain of the Prepetition Secured Creditors
4 (defined herein) and McKesson (defined herein) pursuant to the terms of this Final Order for any
5 diminution in value of their respective interests in the Prepetition Collateral or VMF Collateral
6 (each as defined herein) resulting from the DIP Liens (as defined herein) on the Prepetition
7 Collateral or VMF Collateral, subordination to the Carve Out (as defined herein), or Debtors’ use,
8 sale, or lease of Prepetition Collateral or VMF Collateral, including cash collateral within the
9 meaning of 11 U.S.C. §363(a) (such cash collateral that is Prepetition Collateral or VMF
10 Collateral hereafter defined as “*Cash Collateral*”);

11 (x) Grant authorization based upon the consent of the Prepetition Secured Creditors
12 and McKesson to use of Cash Collateral in accordance with the DIP Budget upon the terms and
13 conditions set forth herein;

14 (xi) Vacate and modify the automatic stay imposed by section 362 of the Bankruptcy
15 Code solely to the extent necessary to implement and effectuate the terms of the DIP Financing
16 Agreements, the Interim Order, and this Final Order;

17 (xii) Following the conclusion of a final hearing (the “*Final Hearing*”) to consider
18 entry of an order (the “*Final Order*”) granting all other relief requested in the DIP Motion on an
19 interim and final basis; and

20 (xiii) Waive any applicable stay as provided in the Bankruptcy Rules (expressly
21 including Rule 6004) and provide for immediate effectiveness of this Final Order.

22 The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief
23 Financial Officer filed in support of the DIP Motion and Rich Adcock, Chief Executive Office
24 filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter
25 11 Petitions and First Day Pleadings, the DIP Motion, the DIP Financing Documents, and the
26 Supplemental Declaration of Anita Chou in Support of Debtors’ Reply in Support of the DIP
27 Motion, and the exhibits attached thereto, and the evidence submitted or adduced and the
28 arguments of counsel made at the Interim Hearing and the *Final Hearing*; and due and proper

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1 notice of the DIP Motion, the Interim Hearing, entry of the Interim Order, and Final Hearing
2 having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and
3 LBR 4001-2 and no other or further notice being required under the circumstances; and the
4 Interim Hearing and Final Hearing having been held and concluded; and it appearing that
5 approval of the final relief requested in the DIP Motion is necessary to avoid immediate and
6 irreparable harm to the Debtors and is otherwise fair and reasonable and in the best interests of
7 the Debtors, their estates and their creditors, and is essential for the preservation of the value of
8 the Debtors' assets; and all objections, if any, to the entry of this Final Order having been
9 withdrawn, resolved or overruled by the Court; and after due deliberation and consideration, and
10 for good and sufficient cause appearing therefor:

11 **BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL**
12 **HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND**
13 **CONCLUSIONS OF LAW:²**

14 A. **Petition Date.** On August 31, 2018 (the "*Petition Date*"), each of the Debtors
15 filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the United
16 States Bankruptcy Court for the Central District of California (the "*Court*"). The Debtors have
17 continued in the management and operation of their businesses and properties as debtors in
18 possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

19 B. **Jurisdiction and Venue.** This Court has jurisdiction over the Cases, the DIP
20 Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334(b),
21 and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a
22 core proceeding as defined in 28 U.S.C. § 157(b)(2). Venue for these Chapter 11 Cases and
23 proceedings on the DIP Motion is proper before this district pursuant to 28 U.S.C. §§ 1408 and
24 1409.

25 _____
26 ² The findings and conclusions set forth herein constitute the Court's findings of fact and
27 conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding
28 pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact
constitute conclusions of law, they are adopted as such. To the extent any of the following
conclusions of law constitute findings of fact, they are adopted as such.

1 C. **Committee Formation.** The Office of the United States Trustee (the “*U.S.*
2 *Trustee*”) provided notice of the appointment of an official committee of unsecured creditors in
3 these Cases pursuant to section 1102 of the Bankruptcy Code, the members of which are
4 identified by the Office of the United States Trustee in that Notice of Appointment and
5 Appointment of Committee of Creditors Holding Unsecured Claims dated September 17, 2018
6 [Docket No 197] (the “*Committee*”).

7 D. **Notice.** The Court entered the Interim Order on September 6, 2018 [Docket 86].
8 Notice of entry of the Interim Order and Notice of the Final Hearing on the DIP Motion [Docket
9 201] has been provided by the Debtors to: (i) the Office of the United States Trustee for the
10 Central District of California (the “*U.S. Trustee*”); (ii) the United States Securities and Exchange
11 Commission; (iii) the Office of the United States Attorney for the Central District of California;
12 (iv) the Internal Revenue Service; (v) the Debtors’ fifty (50) largest unsecured creditors on a
13 consolidated basis; (vi) counsel to each of the Prepetition Secured Creditors (as defined below);
14 (vii) counsel to the DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for
15 the State of California, Charities Division; (ix) proposed counsel to the Committee; and (x) all
16 other parties known to assert a lien on any of the Debtors’ assets. Under the circumstances, such
17 notice of the Final Hearing and the DIP Motion constitute due, sufficient and appropriate notice
18 and complies with sections 102(1) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and
19 4001(b), and the Local Rules, and no other or further notice is required under the circumstances.

20 E. **Findings Regarding Corporate Authority.** As set forth in the resolutions
21 accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate
22 power and authority to execute and deliver the DIP Financing Agreements to which it is a party,
23 to grant the DIP Liens (as defined herein) and to perform its obligations thereunder.

24 F. **Intercreditor Agreement.** Pursuant to section 510(a) of the Bankruptcy Code,
25 the Second Amended and Restated Intercreditor Agreement dated December 1, 2017 (the
26 “*Intercreditor Agreement*”) and any other applicable intercreditor or subordination provisions
27 contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect,
28 with respect to prepetition and post-petition assets of the Debtors as provided thereunder, (ii) shall

1 continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors
2 (including the relative priorities, rights and remedies of such parties with respect to the
3 Prepetition Replacement Liens and Adequate Protection Superpriority Claims granted, or
4 amounts payable, by the Debtors under the Interim Order, this Final Order or otherwise and the
5 modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or
6 modified by the terms of this Final Order or the DIP Financing Agreements, unless expressly set
7 forth herein.

8 G. **Prepetition Secured Credit Facilities.** As of the Petition Date, the Debtors were
9 indebted and liable to the Prepetition Secured Creditors as follows:

10 (i) UMB Bank, N.A., ("**UMB Bank**") as successor Master Trustee (in such
11 capacity, the "**Master Trustee**") under the Master Trust of Trust dated as of December 1, 2001, as
12 amended and supplemented (the "**Master Indenture**") with respect to the MTI Obligations
13 (defined below) securing the repayment by the Obligated Group (defined below) of its loan
14 obligations with respect to (1) the California Statewide Communities Development Authority
15 Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "**2005**
16 **Bonds**"), (2) the California Public Finance Authority Revenue Notes (Verity Health System)
17 Series 2015 A, B, C and D (the "**2015 Working Capital Notes**"), and (3) the California Public
18 Finance Authority Revenue Notes (Verity Health System) Series 2017 A and B (the "**2017**
19 **Working Capital Notes**" and, collectively with the 2015 Working Capital Notes, the "**Working**
20 **Capital Notes**"). The joint and several obligations issued under the Master Indenture by Verity
21 Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis
22 Medical Center, St. Vincent Medical Center and Seton Medical Center (collectively, the
23 "**Obligated Group**") in respect of the 2005 Bonds and the Working Capital Notes are collectively
24 referred to as the "**MTI Obligations**". Wells Fargo Bank National Association ("**Wells Fargo**")
25 serves as bond indenture trustee under the bond indentures relating to the 2005 Bonds. U.S. Bank
26 National Association ("**U.S. Bank**") serves as the note indenture trustee and as the collateral agent
27 under each of the note indentures relating to the 2015 Working Capital Notes and the 2017
28 Working Capital Notes, respectively. The MTI Obligations are secured by, inter alia, security

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1 interests granted to the Master Trustee in the prepetition accounts of, and mortgages on the
2 principal real estate assets of, the members of the Obligated Group.

3 In addition to the security provided to the Master Trustee to secure the MTI
4 Obligations, U.S. Bank, as Note Trustee for the 2015 Working Capital Notes and the 2017
5 Working Capital Notes is secured by prepetition first priority liens upon and security interests in
6 the Obligated Group's accounts and deeds of trust on the principal real estate assets of Saint
7 Louise Regional Hospital and St. Francis Medical Center (collectively, the "**Priority Collateral**").
8 U.S. Bank as Notes Trustee for the 2017 Working Capital Notes has also been granted a deed of
9 trust, dated as of December 1, 2017, by Verity Holdings in certain real property located in San
10 Mateo California (the "**Moss Deed of Trust**") to further secure the 2017 Working Capital Notes.

11 (ii) Verity MOB Financing, LLC and Verity MOB Financing II, LLC (together,
12 the "**MOB Lenders**") hold security interests in Verity Holdings' accounts, including rents arising
13 from the prepetition MOB Financing, and mortgages on medical office buildings owned by
14 Verity Holdings (the "**MOB Financing**").

15 The Master Trustee, Wells Fargo as bond indenture trustee for the 2005 Notes, U.S. Bank
16 as Note Trustee for the Working Capital Notes, and the MOB Lenders are collectively hereafter
17 referred to as the "**Prepetition Secured Creditors**;" the MTI Obligations, the Obligated Group's
18 loan obligations with respect to the Working Capital Notes and the MOB Financing are
19 hereinafter referred to as the "**Prepetition Secured Obligations**;" the prepetition interests
20 (including the liens and security interests) of each Prepetition Secured Creditor in the property
21 and assets of the Debtors are hereinafter referred to as the "**Prepetition Liens**;" and the documents,
22 writings and agreements evidencing the Prepetition Secured Obligations are hereinafter referred
23 to as the "**Prepetition Secured Documents**".

24 H. **Prepetition Secured Trade Vendor Arrangement**. Prior to the Petition Date,
25 Debtor Verity Medical Foundation ("**VMF**") entered into agreements for the sole source
26 purchasing of certain critical chemotherapy and other pharmaceutical products and medical-
27 surgical products with McKesson Corporation and certain affiliates ("**McKesson**"), and on or
28 about March 27, 2018 granted to McKesson a prepetition perfected security interest ("**VMF**

1 *Liens*”) in VMF tangible and intangible personal property, including accounts (the “*VMF*
2 *Collateral*”), but such perfected security interest excluded VMF cash (to the extent such cash
3 does not represent proceeds of the VMF Collateral), personal property requiring possession for
4 perfection and real property interests. As of the Petition Date, McKesson was owed
5 approximately \$3,055,000.00 (the “*McKesson Prepetition Debt*”). Postpetition, and subject to
6 McKesson’s internal credit review and approval process, McKesson has agreed to resume
7 providing certain secured trade credit to VMF and the physician practices ordering through VMF
8 for the purchase of pharmaceutical and medical-surgical products on 30 days from invoice
9 payment terms (the “*McKesson Post-Petition Trade Credit*”). The McKesson Post-Petition
10 Trade Credit will continue to be secured by the VMF Liens.

11 I. **Prepetition Collateral.** In order to secure the Prepetition Secured Obligations and
12 the Prepetition Secured Trade Vendor Arrangement (as described in paragraph H above), the
13 Debtors, excluding the Philanthropic Foundations, granted the Prepetition Liens and the VMF
14 Liens to the Prepetition Secured Creditors and McKesson, respectively as provided and described
15 in the Prepetition Secured Documents and the documents pertaining to the VMF Collateral. The
16 assets subject to the Prepetition Liens (the “*Prepetition Collateral*”) and the VMF Collateral
17 constitute substantially all of the assets of the Debtors, excluding cash and assets of the
18 Philanthropic Foundations.

19 J. **Prepetition Agreements to Pay Special Assessments.** Seton Medical Center, a
20 Debtor, (“*SMC*”) and California Statewide Communities Development Authority (“*CSCDA*”)
21 entered into an (i) Agreement to Pay Assessment and Finance Improvements dated May 11, 2017
22 under the CSCDA CaliforniaFirst Program (“*Clean Fund Agreement to Pay Assessment*”), and
23 (ii) Agreement to Pay Assessment and Finance Improvements dated May 18, 2017 under the
24 CSCDA CaliforniaFirst Program (“*Petros Agreement to Pay Assessment*”, collectively, with
25 Clean Fund Agreement to Pay Assessment, the “*Assessment Agreements* ”), each for the limited
26 purpose of providing financing for certain renewable energy, energy efficiency, water efficiency
27 and seismic improvements permanently affixed to real property owned by SMC located in Daly
28 City, California under the CSCDA CaliforniaFirst Program in the aggregate amount of

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1 \$40,000,000. As of the Petition Date, after payment of tax exempt bond issuance fees for the
2 Clean Fund Bonds and the NR2 Petros Bonds (each as defined in the DIP Motion) and retention
3 of capitalized interest reserves approximately \$34,379,450 is being held for authorized
4 improvements (the “*Program Funds*”) by Wilmington Trust N.A. (“*WTNA*”) as indenture trustee,
5 pursuant to, *inter alia*, the terms of two Indentures between CSCDA and WTNA dated as of May
6 11, 2017 and May 18, 2017 and the Assessment Agreements. Notwithstanding SMC’s status as a
7 tax exempt California not for profit corporation, SMC agreed and consented to the CSCDA
8 special tax assessments imposed pursuant to and under the Assessment Agreements (the “*CSCDA*
9 *Special Assessments*”). The Debtors acknowledge that the CSCDA Special Assessments have
10 the same lien priority and methods of collection as general municipal taxes on real property.
11 Notices of Assessment and Payment of the Special Assessments were recorded in the official
12 records of the County of San Mateo against the real property owned by SMC and consented to by
13 the Prepetition Secured Creditors. The Debtors acknowledge that the Program Funds and other
14 proceeds of the issuance of the Clean Fund Bonds or NR2 Petros Bond which are being held by
15 WTNA are not property of the Debtors’ estates, and are not subject to the Prepetition Liens, the
16 DIP Liens, or the Prepetition Replacement Liens.

17 K. **Findings Regarding the Postpetition Financing.**

18 (i) **Consensual Priming of the Prepetition Liens.** The priming of the
19 Prepetition Liens of the Prepetition Secured Creditors on the Prepetition Collateral, and the VMF
20 Liens on the VMF Collateral under section 364(d) of the Bankruptcy Code, as contemplated by
21 the DIP Financing Agreements, as authorized by the Interim Order and this Final Order, and as
22 further described below, is consented to by the Prepetition Secured Creditors and McKesson, and
23 will enable the Debtors to continue borrowing under the DIP Facility and to continue operating
24 their businesses for the benefit of their estates and creditors. The Prepetition Secured Creditors
25 and McKesson are each entitled to receive adequate protection as set forth in this Final Order
26 pursuant to sections 361, 363, and 364 of the Bankruptcy Code, for any Diminution in Value (as
27 defined herein) of each of their respective interests in the Prepetition Collateral (including Cash
28 Collateral) or VMF Collateral.

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1 (ii) **Good Cause; Need for Postpetition Financing.** Good cause has been
2 shown for the entry of this Final Order. An immediate and continuing need exists for the Debtors
3 to obtain funds from the DIP Loan in order to continue operations, continue to serve the Debtors
4 mission to provide vital, lifesaving patient care for vulnerable populations and to administer and
5 preserve the value of their estates. The ability of the Debtors to finance their operations, to
6 preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors
7 requires the availability of working capital from the DIP Loan, the absence of which would
8 immediately and irreparably harm the Debtors, their estates and their creditors and the possibility
9 for a successful reorganization or sale of the Debtors' assets as a going concern or otherwise. The
10 proposed DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

11 (iii) **No Credit Available on More Favorable Terms.** The Debtors have been
12 unable to obtain (a) unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code
13 as an administrative expense, (b) credit for money borrowed secured solely by a lien on property
14 of the estate that it not otherwise subject to a lien, (c) credit for money borrowed secured by a
15 junior lien on property of the estate which is subject to a lien, (d) or credit otherwise on more
16 favorable terms and conditions than those provided in the DIP Credit Agreement and this Final
17 Order. The Debtors are unable to obtain credit for borrowed money without granting to the DIP
18 Agent and DIP Lender the DIP Protections (as defined below).

19 L. **Use of Proceeds of the DIP Facility.** Proceeds of the DIP Facility (net of any
20 amounts used to pay fees, costs and expenses under the DIP Financing Agreements) are to be
21 utilized by the Debtors until the DIP Facility Termination Date in accordance with the DIP
22 Budget and in a manner consistent with the terms and conditions of the DIP Credit Agreement,
23 and this Final Order.

24 M. **Application of Sale Proceeds of DIP Collateral.** As provided by the Interim
25 Order, this Final Order and the DIP Credit Agreement, the DIP Liens shall attach as first priority
26 liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP
27 Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property,
28 including, without limitation, the Healthcare Facilities (as defined in the DIP Credit Agreement)

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1 and any other DIP Collateral (as defined below) (the “*Sale Proceeds*”). The Sale Proceeds shall
2 be held in escrow in one or more deposit accounts subject to a deposit account control agreement
3 in favor of the DIP Agent (the “*Escrow Deposit Account*”). Any funds held in the Escrow
4 Deposit Account shall not be commingled with any other funds of the selling Debtor, the Sale
5 Proceeds of any other Debtor or otherwise. The DIP Agent is granted a first priority lien on the
6 Escrow Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in
7 connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account
8 shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final
9 Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the
10 DIP Agent and the DIP Lender shall apply any and all amounts remaining on deposit in the
11 Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with
12 accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors
13 subject to any Prepetition Liens, VMF Liens, Prepetition Replacement Liens and VMF
14 Replacement Liens; provided, however, that upon any Debtor’s request and with the consent of
15 the DIP Agent and DIP Lender (which consent may, for the avoidance of doubt, be withheld in its
16 sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may
17 be disbursed to the Prepetition Secured Creditors or McKesson on terms and conditions that are
18 acceptable to the DIP Agent and DIP Lender in its sole discretion and upon further order of this
19 Court.

20 N. **Adequate Protection for Prepetition Secured Creditors and McKesson.** The
21 priming of the Prepetition Secured Creditors’ Prepetition Liens and the VMF Liens to the extent
22 set forth in the Interim Order and this Final Order, pursuant to section 364(d) of the Bankruptcy
23 Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition
24 Liens and the VMF Liens set forth below, the Prepetition Secured Creditors and McKesson shall
25 be entitled to receive adequate protection, as set forth in this Final Order, pursuant to sections 361,
26 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective interests
27 in the Prepetition Collateral or VMF Collateral resulting from, among other things, the
28 subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the

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1 Debtors' use, sale or lease of such Prepetition Collateral or VMF Collateral, including Cash
2 Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively,
3 and solely to the extent of such diminution in value, the "*Diminution in Value*"). As to the VMF
4 Collateral, any adequate protection, as set forth in this Final Order, pursuant to sections 361, 363
5 and 364 of the Bankruptcy Code, for any Diminution in Value of Prepetition Secured Creditors'
6 interests in the Prepetition Collateral are subordinated to any similar adequate protection provided
7 to McKesson. VMF shall also pay McKesson (A) \$3,055,000.00 in satisfaction of the balance of
8 McKesson's Prepetition Secured Debt on the following schedule: (1) October 5, 2018 -
9 \$1,700,000.00; (2) October 26, 2018 - \$700,000.00; and (3) November 2, 2018 - \$655,000.00
10 (plus McKesson's attorneys' fees and costs incurred through October 31, 2018) (the "*McKesson*
11 *Secured Payments*"). The McKesson Secured Payments will be included within the DIP Budget
12 line item for Debtors' critical vendor program. Payment of McKesson's attorneys' fees will be
13 included in the DIP Budget line item for Prepetition Secured Creditor Adequate Protection
14 Payments. The Prepetition Secured Creditors have negotiated in good faith regarding the Debtors'
15 use of the Prepetition Collateral to help fund the administration of the Debtors' estates along with
16 the proceeds of the DIP Financing. Based on the DIP Motion and the record presented to the
17 Court at the Interim Hearing and the Final Hearing, the terms of the proposed adequate protection
18 arrangements are fair and reasonable, reflect the Debtors' prudent exercise of business judgment
19 and constitute reasonably equivalent value and fair consideration for the consent of the
20 Prepetition Secured Creditors and McKesson; provided, however, that nothing herein shall limit
21 the rights of any of the Prepetition Secured Creditors or McKesson to hereafter seek new,
22 additional, or different adequate protection; provided further, that nothing herein shall limit the
23 rights of all parties in interest to assert or challenge any determination or assertion with respect to
24 the existence or quantification of any Diminution of Value.

25 O. **Extension of Financing.** The DIP Agent and DIP Lender have indicated a
26 willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement.

27 P. **Business Judgment and Good Faith Pursuant to Section 364(e).**
28

1 (i) . The terms and conditions of the DIP Facility and the DIP Financing
2 Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best
3 available under the circumstances, reflect the Debtors' exercise of prudent business judgment
4 consistent with their fiduciary duties, and are supported by reasonably equivalent value and
5 consideration;

6 (ii) The DIP Financing Agreements were negotiated in good faith and at arms'
7 length between the Debtors, the DIP Agent and the DIP Lender;

8 (iii) The proceeds to be extended under the DIP Facility will be so extended in
9 good faith, and for valid business purposes and uses; and

10 (iv) Each of the DIP Agent and DIP Lender has acted to date and is acting in
11 good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit
12 Agreement and the other DIP Financing Agreements. The DIP Agent's and DIP Lender's claims,
13 superpriority claims, security interests and liens and other protections granted pursuant to the
14 Interim Order, this Final Order and the DIP Financing Agreements will not be affected or avoided
15 by any subsequent reversal or modification of this Final Order, as provided in section 364(e) of
16 the Bankruptcy Code.

17 Q. **Relief Essential; Best Interest; Good Cause.** The relief requested in the DIP
18 Motion (and as provided in this Final Order) is necessary, essential, and appropriate for the
19 preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors'
20 estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement.
21 Good cause has been shown for the relief requested in the DIP Motion (and as provided in this
22 Final Order).

23 R. **Consent to Use of Cash Collateral.** Each of the Prepetition Secured Creditors
24 and McKesson have consented to the use of their respective interests in Cash Collateral, subject
25 to the terms and conditions set forth in this Order.

26 **NOW, THEREFORE,** on the DIP Motion and the record before this Court with
27 respect to the DIP Motion, including the record created during the Interim Hearing and the Final
28 Hearing, and with the consent of the Debtors, the Prepetition Secured Creditors and the DIP

1 Agent and DIP Lender to the form and entry of this Final Order, and good and sufficient cause
2 appearing therefor,

3 **IT IS HEREBY ORDERED, ADJUDGED AND DECREED:**

4 1. **Motion Granted.** The DIP Motion is granted on a final basis in accordance with
5 the terms and conditions set forth in this Final Order and the DIP Credit Agreement. Any
6 objections to the DIP Motion with respect to entry of this Final Order to the extent not withdrawn,
7 waived or otherwise resolved, and all reservations of rights included therein, are hereby denied
8 and overruled.

9 2. **DIP Financing Agreements.**

10 (a) **Approval of Entry into DIP Financing Agreements.** The Debtors are
11 authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to
12 incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this
13 Final Order and the DIP Financing Agreements, and to execute and deliver all instruments and
14 documents which may be required or necessary for the performance by the Debtors under the DIP
15 Financing Agreements and the creation and perfection of the DIP Liens described in and provided
16 for by this Final Order and the DIP Financing Agreements. The Debtors are hereby authorized
17 and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and
18 other amounts described in the DIP Financing Agreements as such amounts become due and
19 payable without need to obtain further Court approval, including closing fees, unused line fees,
20 administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of
21 the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other
22 consultants, whether or not such fees arose before or after the Petition Date, and whether or not
23 the transactions contemplated hereby are consummated, to implement all applicable reserves and
24 to take any other actions that may be necessary or appropriate, all to the extent provided in this
25 Final Order or the DIP Financing Agreements. All collections and proceeds, whether from
26 ordinary course collections, asset sales, debt or equity issuances, insurance recoveries,
27 condemnations or otherwise, will be deposited and applied as required by this Final Order and the
28 DIP Financing Agreements. The DIP Financing Agreements represent valid and binding

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1 obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance
2 with their terms, including, without limitation, commitment fees and reasonable attorneys' fees
3 and disbursements as provided for in the DIP Credit Agreement, which amounts shall not
4 otherwise be subject to approval of this Court,. The Debtors shall pay the deferred balance of the
5 commitment fee required by section 2.9(a) of the DIP Credit Agreement upon entry of this Final
6 Order.

7 (b) **Authorization to Borrow and/or Guarantee.** To enable them to continue
8 to preserve the value of their estates and dispose of their assets in an orderly fashion, during the
9 period prior to termination of the DIP Credit Agreement and subject to the terms and conditions
10 of this Final Order, upon the execution of the DIP Credit Agreement and the other DIP Financing
11 Agreements the Debtors are hereby authorized to borrow the DIP Loan up to a total committed
12 amount of \$185,000,000 under the DIP Financing Agreements.

13 (c) **Conditions Precedent.** Neither the DIP Agent nor the DIP Lender have
14 any obligation to make the DIP Loan or any loan or advance under the DIP Credit Agreement
15 unless the conditions precedent to making such loan under the DIP Credit Agreement have been
16 satisfied in full or waived by the DIP Agent and DIP Lender in their sole discretion.

17 (d) **DIP Collateral; DIP Liens.** Effective immediately upon the entry of this Final
18 Order, on account of the DIP Loan, the DIP Agent shall be and is hereby granted first-priority
19 security interests and liens (which shall immediately be valid, binding, permanent, continuing,
20 enforceable, perfected and non-avoidable) on all of the Debtors' property, including, without
21 limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or after the
22 Petition Date (collectively, the "**DIP Collateral**," and all such liens and security interests granted
23 on or in the DIP Collateral pursuant to this Final Order and the DIP Financing Agreements, the
24 "**DIP Liens**"), but shall exclude the Program Funds, and proceeds of the Clean Fund Bonds and
25 NR2 Petros Bonds held by WTNA, donor restricted funds held at Philanthropic Foundations,
26 Avoidance Actions (defined below) and any proceeds thereof and any funds held by the
27 Prepetition Secured Creditors (set forth on **Exhibit 1** to the Chou Decl.), provided, however, for
28 the avoidance of doubt, any amounts held in accounts owned by the Debtors, whether or not such

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1 accounts are subject to control agreements in favor of the Prepetition Secured Creditors, shall
2 constitute DIP Collateral. The DIP Collateral shall not be subject to any surcharge under section
3 506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this
4 Court.

5 (e) **DIP Lien Priority.** Subject only to the Carve Out (as defined below) and
6 the prepetition tax lien arising in connection with the CSCDA Special Assessments, the DIP
7 Liens shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing,
8 enforceable, non-avoidable first priority senior priming liens and security interests on the DIP
9 Collateral, and shall prime all other liens and security interests on the DIP Collateral, including
10 any liens and security interests in existence on the Petition Date against the Prepetition Collateral
11 and VMF Collateral, and any other current or future liens granted on the DIP Collateral, including
12 any adequate protection or replacement liens granted on the DIP Collateral (collectively, the
13 “*Primed Liens*”) (other than the Debtors’ claims and causes of action under sections 502(d), 544,
14 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar
15 actions under the Bankruptcy Code or similar state law (the “*Avoidance Actions*”), whether
16 received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens
17 shall not be made subject to, subordinate to, or *pari passu* with any lien or security interest by any
18 court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid
19 and enforceable against any trustee appointed in the Chapter 11 Cases, upon the conversion of
20 any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other
21 proceedings related to any of the foregoing (any “*Successor Cases*”), and/or upon the dismissal of
22 any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses,
23 claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case,
24 or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

25 (f) **Enforceable Obligations.** The DIP Financing Agreements shall constitute
26 and evidence the valid and binding obligations of the Debtors, which obligations shall be
27 enforceable against the Debtors, their estates and any successors thereto and their creditors or
28 representatives thereof, in accordance with their terms.

1 (g) **Protection of DIP Agent, DIP Lender and Other Rights.** From and after
2 the Petition Date, the Debtors shall use the proceeds of the extensions of credit under the DIP
3 Facility only for the purposes specifically set forth in the DIP Credit Agreement and this Final
4 Order and in strict compliance with the DIP Budget (subject to any variances thereto permitted by
5 the DIP Credit Agreement).

6 (h) **Additional Protections of DIP Agent and DIP Lender: Superpriority**
7 **Administrative Claim Status.** Subject to the Carve Out (as defined below), all DIP Obligations
8 shall constitute an allowed superpriority administrative expense claim (the “*DIP Superpriority*
9 *Claim*” and, together with the DIP Liens, the “*DIP Protections*”) with priority in all of the
10 Chapter 11 Cases and Successor Cases over all other administrative expense claims under
11 sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all
12 administrative expense claims and unsecured claims against the Debtors or their estates, now
13 existing or hereafter arising, of any kind or nature whatsoever, including, without limitation,
14 administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328,
15 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any
16 other provision of the Bankruptcy Code except as otherwise set forth herein, whether or not such
17 expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or
18 attachment. The DIP Superpriority Claim shall be payable from and have recourse to all
19 prepetition and post-petition property of the Debtors and all proceeds thereof. Without limiting
20 the foregoing, the DIP Superpriority Claim shall not be made subject to, subordinate to, or *pari*
21 *passu* with any other administrative claim in the Chapter 11 Cases or Successor Cases, except for
22 the Carve Out (as defined below). Other than the Carve Out, no costs, expenses, claims, or
23 liabilities that have been or may be incurred by Debtors during these Chapter 11 Cases, or in any
24 Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

25 3. **Authorization to Use Proceeds of DIP Facility.** Pursuant to the terms and
26 conditions of this Final Order, the DIP Credit Agreement and the other DIP Financing
27 Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP
28 Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit

1 Agreement during the period commencing immediately after the entry of this Final Order and
2 terminating upon the termination of the DIP Credit Agreement in accordance with its terms and
3 subject to the provisions hereof.

4 **4. Application of Sale Proceeds of DIP and Prepetition Secured Creditor**
5 **Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to
6 section 364(d) of the Bankruptcy Code, the Interim Order, this Final Order and the DIP Financing
7 Agreements, to the Sale Proceeds. The Sale Proceeds shall be allocated by Debtors and held in
8 escrow in the Escrow Deposit Accounts. Funds held in any Escrow Deposit Account shall not be
9 commingled with any other funds of the applicable Debtor or any of the other Debtors and,
10 without limitation of the rights of the DIP Agent and DIP Lender under the DIP Financing
11 Agreements and this Final Order with respect to the Sale Proceeds and Escrow Deposit Account,
12 including, without limitation, following the occurrence of an Event of Default or the Revolving
13 Loan Termination Date (as defined in the DIP Credit Agreement), the Debtors shall not be
14 permitted to use Cash Collateral of any of the Prepetition Secured Creditors held in any Escrow
15 Deposit Account for any purpose without first obtaining the consent of the applicable Prepetition
16 Secured Creditor or obtaining an order of the Court pursuant to Section 363 of the Bankruptcy
17 Code after notice and a hearing. The DIP Agent is granted a first priority lien on the Escrow
18 Deposit Accounts and all Sale Proceeds, including any deposit provided by any buyer in
19 connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account
20 shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final
21 Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the
22 DIP Agent may apply amounts held in Escrow Deposit Accounts to the outstanding DIP
23 Obligations due under the DIP Credit Agreement. Without limiting the foregoing, and subject
24 and subordinate in all respects to the first priority priming DIP Lien and Prepetition Replacement
25 Liens to the extent set forth in this Final Order, the Prepetition Secured Creditors' Prepetition
26 Liens shall be deemed to attach to the Escrow Deposit Accounts and the Sale Proceeds with the
27 same relative priority, validity, force, extent and effect as the Prepetition Liens attached to the
28 Prepetition Collateral giving rise to such Sale Proceeds. Each of the Prepetition Secured Creditors

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1 shall have the right to seek a declaration of their respective rights in and to any of the Sale
2 Proceeds and funds held in a Deposit Escrow Account, consistent with and subject to the terms
3 and conditions of this Final Order and the DIP Financing Agreements, and the Court shall
4 determine all such disputes in accordance with this Final Order, the DIP Financing Agreements,
5 the Prepetition Secured Documents, and applicable law.

6 **5. Adequate Protection for Prepetition Secured Creditors.** As adequate protection
7 for the interests of the Prepetition Secured Creditors in the Prepetition Collateral and McKesson
8 in the VMF Collateral, on account of the granting of the DIP Liens, subordination to the Carve
9 Out (as defined below), any Diminution in Value arising out of the Debtors' use, sale, or
10 disposition or other depreciation of the Prepetition Collateral, including Cash Collateral or the
11 VMF Collateral, resulting from the automatic stay, the Prepetition Secured Creditors and
12 McKesson shall receive adequate protection as follows:

13 **(a) Adequate Protection Replacement Liens.** To the extent of the
14 Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition
15 Collateral that secures their respective claims, each of the affected Prepetition Secured Creditors
16 shall be granted, subject to the terms and conditions set forth below, pursuant to sections 361,
17 363(e), and 364(d) of the Bankruptcy Code additional valid, perfected and enforceable
18 replacement security interests and Liens in the DIP Collateral, (the "***Prepetition Replacement***
19 ***Liens***"), which Prepetition Replacement Liens shall be junior only to (1) the Carve Out, (2) to the
20 DIP Liens, (3) the VMF Liens in VMF Collateral and (4) any perfected, unavoidable, prepetition
21 liens granted by Holdings pursuant to those certain deeds of trust issued in connection with the
22 MOB Financing and that certain Deed of Trust with Fixture Filing and Security Agreement and
23 Assignment of Leases and Rents by Holdings in favor of U.S. Bank as 2017 Note Trustee and
24 Deed of Trust Beneficiary, dated as of September 15, 2017, as further amended or modified (the
25 "***Moss Deed of Trust***") to secure the Series 2017 Working Capital Notes; *provided, however*, that
26 any Prepetition Replacement Liens granted to the 2015 Note Trustee and/or 2017 Note Trustee on
27 account of the Diminution in Value of the Priority Assets as defined in the Intercreditor
28 Agreement shall be senior to the Prepetition Replacement Liens granted to any other Prepetition

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1 Secured Creditors, *further provided that* notwithstanding the foregoing, the Intercreditor
2 Agreement shall continue to govern the relative priorities, rights and remedies of the Prepetition
3 Secured Creditors unless otherwise ordered by the Court, and junior to (i) the Carve Out, (ii) the
4 DIP Liens securing the DIP Obligations, and (iii) perfected, unavoidable, prepetition liens granted
5 by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing
6 and the Moss Deed of Trust, and *further provided* that any Prepetition Replacement Liens granted
7 to the holders of deeds of trust issued in connection with the MOB Financing and the Moss Deed
8 of Trust, on account of the Diminution in Value of such Prepetition Collateral shall be senior to
9 the Prepetition Replacement Liens granted to any other Prepetition Secured Creditors and junior
10 to (x) the Carve Out, (y) the DIP Liens securing the DIP Obligations, and (z) perfected,
11 unavoidable, prepetition liens of the Master Trustee, the 2015 Note Trustee and/or the 2017 Note
12 Trustee on property other than the property subject to the Moss Deed of Trust *further provided*
13 *that* notwithstanding the foregoing, the Intercreditor Agreement shall continue to govern the
14 relative priorities, rights and remedies of the Prepetition Secured Creditors unless otherwise
15 ordered by the Court. With respect to the Prepetition Collateral that is subject to the Intercreditor
16 Agreement, any proceeds of such Prepetition Collateral or Prepetition Replacement Liens related
17 thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms
18 of the Second Amended and Restated Intercreditor Agreement. Unless otherwise ordered by the
19 Court, the Intercreditor Agreement shall not be deemed to be amended, altered or modified by the
20 terms of this Final Order or the DIP Financing Agreements. With respect to the VMF Collateral,
21 McKesson shall be entitled to a replacement lien on the postpetition assets of VMF, excluding
22 Avoidance Actions (“**VMF Replacement Lien**”), to the extent of (1) any Diminution in Value in
23 such VMF Collateral, and (2) any McKesson Post-Petition Trade Credit, which amounts shall be
24 senior to the Prepetition Replacement Liens, but junior to the (m) Carve Out, and (n) the DIP
25 Liens.

26 (b) **Adequate Protection Payments and Protections.** So long as there is no
27 Default or Event of Default under the Interim Order, this Final Order, or the DIP Financing
28 Agreements, the Debtors are also authorized and directed to provide (I) to the Prepetition Secured

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1 Creditors monthly adequate protection payments equal to (A) the amount of postpetition, non-
2 default contractual interest on the outstanding balances of the Prepetition Secured Obligations,
3 provided that reference to the non-default contractual rate of interest shall not include any Penalty
4 Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents, plus (B)
5 monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank as Master
6 Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee,
7 respectively, and (C) reimbursement of reasonable attorney’s fees for one set of attorneys for (1)
8 Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master
9 Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB
10 Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors
11 for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as
12 Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB
13 Financing; and (II) payments by the Debtors to McKesson consistent with certain terms of the
14 interim and final orders authorizing the Critical Vendor Program (as defined in the Debtors First
15 Day Motions) in an amount of \$3,055,000.00 (collectively I and II are the “*Prepetition Adequate*
16 *Protection Payments*”). Notwithstanding the foregoing, to the extent the Court enters a final and
17 non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code,
18 that the Prepetition Adequate Protection Payments under (I) and (II) above are not properly
19 entitled to payment of interest and fees on one or more of the respective Prepetition Secured
20 Obligations to which they were made, the Prepetition Adequate Protection Payments may be re-
21 characterized as payment(s) applied to the principal amount of the respective Prepetition Secured
22 Obligations.

23 (c) **McKesson Secured Payments.** As set forth herein, so long as no
24 Revolving Loan Termination Event has occurred under the DIP Credit Agreement, the Debtors
25 are hereby authorized and directed to make all McKesson Secured Payments on or before their
26 respective due dates and are authorized to make payments on McKesson’s Post-Petition Trade
27 Credit, on the terms agreed to between McKesson and the Debtors provided herein.
28

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1 (d) **Prepetition Superpriority Claim.** To the extent of the Diminution in
2 Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each
3 of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions
4 set forth below, an allowed superpriority administrative expense claim (the “*Prepetition*
5 *Superpriority Claims*”), which shall have priority (except with respect to (i) the DIP Liens, (ii)
6 the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings
7 pursuant to those certain deeds of trust issued in connection with the MOB Financing and the
8 Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the
9 Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims
10 against the Debtors and their estates, now existing or hereafter arising of any kind or nature
11 whatsoever including, without limitation, administrative expenses of the kind specified or ordered
12 pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552,
13 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of this Final Order, section 506(c) of
14 the Bankruptcy Code, whether or not such expenses or claims may become secured by a
15 judgment Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any
16 Prepetition Superpriority Claim granted to the 2015 Note Trustee and/or 2017 Note Trustee on
17 account of the Diminution in Value of the Priority Assets as defined in the Intercreditor
18 Agreement shall have priority over the Prepetition Superpriority Claims granted to any other
19 Prepetition Secured Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority
20 Claim, (iii) the Carve Out, and (iv) claims associated with the MOB Financing and the Moss
21 Deed of Trust) and *further provided* that any Prepetition Superpriority Claim granted to the
22 holders of those certain deeds of trust issued in connection with the MOB Financing and the Moss
23 Deed of Trust, on account of the Diminution in Value of such Prepetition Collateral shall be
24 senior to the Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors
25 (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and
26 (iv) the claims of the Master Trustee, the 2015 Note Trustee and/or the 2017 Note Trustee on
27 property other than the property subject to the Moss Deed of Trust). With respect to the
28 Prepetition Collateral that is subject to the Second Amended and Restated Intercreditor

1 Agreement, any proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related
2 thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms
3 of the Second Amended and Restated Intercreditor Agreement.

4 (e) **Validity, Perfection and Amount of Prepetition Liens.** The Debtors
5 further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the
6 Prepetition Secured Obligations on the Prepetition Collateral and the VMF Liens on the VMF
7 Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were
8 granted to, or for the benefit of, the Prepetition Secured Creditors and McKesson, (b) the
9 Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral
10 except the prepetition tax lien arising in connection with the CSCDA Special Assessments, and (c)
11 the VMF Liens were senior in priority over any and all other Liens on VMF Collateral. The
12 findings and stipulations set forth in this Final Order with respect to the validity, enforceability
13 and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on
14 any subsequent trustee, responsible person, examiner with expanded powers, any other estate
15 representative, and all creditors and parties in interest and all of their successors in interest and
16 assigns, including the Committee, unless, and solely to the extent that, a party in interest with
17 requisite standing and authority (other than the Debtors, as to which any Challenge (as defined
18 below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and
19 timely commenced the appropriate proceeding required under the Bankruptcy Code and
20 Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each
21 case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens
22 (each such proceeding or appropriate pleading commencing a proceeding or other contested
23 matter, a “**Challenge**”) within ninety (90) days from the formation of the Committee (the
24 “**Challenge Deadline**”); *provided* that for purposes of filing a Challenge, the Committee shall be
25 deemed to have standing to file the requisite pleading without further a order of the Court; and
26 *provided further*, that the “Challenge Deadline” for matters solely relating to the value of the
27 Prepetition Collateral may be further extended to such time as may be agreed by stipulation
28 among the Debtors, the Committee and the Prepetition Secured Creditors or as further ordered by

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1 the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be
2 amended upon further order of this Court and the consent of both the Prepetition Secured
3 Creditors, the DIP Agent and the DIP Lender. The Debtors shall not use the Prepetition
4 Collateral, VMF Collateral or their proceeds to investigate or prosecute claims against the
5 Prepetition Secured Creditors or McKesson, including Avoidance Actions, *provided however* that
6 the Committee may investigate the existence of such claims and have allowed fees paid from the
7 Prepetition Collateral or VMF Collateral and the proceeds of the DIP Facility up to the amount of
8 \$250,000, *provided further however* that no Prepetition Collateral or VMF Collateral, the
9 proceeds thereof or the proceeds of the DIP Facility may be used to prosecute claims against
10 Prepetition Secured Creditors or McKesson. For the avoidance of doubt, the Debtors, on behalf
11 of their estates, do not release or indemnify the Prepetition Secured Creditors or McKesson from
12 any Challenge raised by third parties, including the Committee, to the validity, amount or
13 enforceability of the Prepetition Secured Obligations and the Prepetition Liens or the VMF Liens.

14 (f) **Sections 506(c) and 552(b).** In light of the Prepetition Secured Creditors'
15 and McKesson's' agreements that their Prepetition Liens and VMF Liens, respectively, shall be
16 subject to the Carve Out and subordinate to the DIP Liens, the Prepetition Secured Creditors and
17 McKesson are each entitled to a waiver of any "equities of the case" exception under section
18 552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the
19 Bankruptcy Code.

20 (g) Nothing contained in this Final Order shall prevent the Prepetition Secured
21 Creditors from application or use of the funds held thereby that are not DIP Collateral in
22 accordance with the Prepetition Secured Documents. Each of the Prepetition Secured Creditors
23 reserves the right to seek additional or further adequate protection from the Court. The Debtors
24 and the Committee each reserves the right to object to any such request for additional or further
25 adequate protection.

26 6. **Budget Maintenance.** The proceeds of the DIP Loan under the DIP Facility and the
27 use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the
28 DIP Financing Agreements and the DIP Budget. The DIP Budget shall be delivered to the DIP

1 Agent with such supporting documentation as reasonably requested by the DIP Agent. The DIP
2 Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be
3 reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the
4 U.S. Trustee and counsel for the Prepetition Secured Creditors after it has been approved in
5 accordance with the DIP Financing Agreements. The Debtors shall provide at least two (2)
6 business days' notice to counsel for the Committee and the Prepetition Secured Creditors prior to
7 the effective date of any change in the DIP Budget.

8 **7. Budget Compliance and Reporting.** The proceeds of the DIP Facility and the use
9 of Cash Collateral shall be subject to, and used in accordance with, the terms and conditions of
10 the DIP Financing Agreement and the DIP Budget (subject to the variances set forth therein).
11 Debtors acknowledge and confirm that the DIP Budget includes the payment of CSCDA Special
12 Assessments. The Debtors shall provide all reports and other information as required in the DIP
13 Credit Agreement (subject to the grace periods provided therein), with copies delivered
14 substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to
15 the Committee, such information to include reasonably complete details on the payments
16 contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock
17 Declaration, and such information to be timely provided, sufficient for the Prepetition Secured
18 Creditors to file an objection with this Court on two business days' notice. The Debtors' failure
19 to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or
20 to provide the reports and other information required in the DIP Credit Agreement shall constitute
21 an Event of Default (as defined herein), following the expiration of any applicable grace period
22 set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and
23 binding confidentiality agreements, the Debtors shall provide to the DIP Agent, the DIP Lender,
24 the Prepetition Secured Creditors and the Committee information concerning (i) the Debtors'
25 efforts to obtain debtor in possession financing proposals, including any proposals the Debtors
26 received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing
27 materials used by the Debtors in this process, information identifying the parties the Debtors have
28

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1 contacted, copies of any proposals or expressions of interest, and other information concerning
2 these matters as the DIP Agent or the Prepetition Secured Creditors may reasonably request.

3 **8. Postpetition Lien Perfection.** This Final Order shall be sufficient and conclusive
4 evidence of the validity, perfection, and priority of the DIP Liens, the Prepetition Replacement
5 Liens and the VMF Replacement Lien, and all rights granted in and to the Escrow Deposit
6 Accounts and the Sale Proceeds, without the necessity of filing or recording any financing
7 statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be
8 required under the law of any jurisdiction or the taking of any other action (including, for the
9 avoidance of doubt, entering into any deposit account control agreement or obtaining possession
10 of any possessory collateral) to validate or perfect the DIP Liens, Prepetition Replacement Liens
11 or VMF Replacement Lien, or to entitle the DIP Liens, Prepetition Replacement Liens and VMF
12 Replacement Lien the respective priorities granted herein. Notwithstanding and without limiting
13 the foregoing, the DIP Agent may file such financing statements, mortgages, deeds of trust,
14 notices of liens and other similar documents as it deems appropriate, and it is hereby granted
15 relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all
16 such financing statements, mortgages, deeds of trust, notices and other documents shall be
17 deemed to have been filed or recorded at the time and on the date of the commencement of the
18 Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the
19 validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the
20 DIP Agent and DIP Lender all such financing statements, mortgages, deeds of trust, deposit
21 account control agreements, notices and other documents as the DIP Agent and DIP Lender may
22 reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority
23 of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such
24 financing statements, mortgages, deeds of trust, deposit account control agreements, notices and
25 other documents shall be considered DIP Financing Agreements for all intents and purposes. The
26 DIP Agent, in its discretion, may file a certified copy of this Final Order as a financing statement
27 with any recording officer designated to file financing statements or with any registry of deeds or
28 similar office in any jurisdiction in which any Debtor has real or personal property, and in such

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1 event, the recording officer shall be authorized to file or record such copy of this Final Order. To
2 the extent that any Prepetition Secured Creditor is the secured party under any security agreement,
3 mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements,
4 bailee letters, custom broker agreements, financing statement, account control agreements, or any
5 other Prepetition Secured Documents or is listed as loss payee or additional insured under any of
6 the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under
7 such documents or to be the loss payee or additional insured, as applicable.

8 9. **Application of Proceeds of Collateral.** As a condition to the continued extension
9 of credit under the DIP Facility and the continued authorization to use Cash Collateral, the
10 Debtors have agreed that as of and commencing on the Closing Date the Debtors shall apply all
11 advances under the DIP Facility, as follows: (i) *first*, to fund the day to day operations and
12 general corporate purposes of the Debtors' estates; (ii) *second*, to pay the administrative expenses
13 of the Chapter 11 Cases; and (iii) *third*, to make the Prepetition Adequate Protection Payments all
14 in accordance with the DIP Budget.

15 10. **Proceeds of Subsequent Financing.** If the Debtors, any trustee, any examiner with
16 expanded powers, or any responsible officer subsequently appointed in these Chapter 11 Cases or
17 any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections
18 364(b), 364(c), or 364(d) or in violation of the DIP Financing Agreements at any time prior to the
19 infeasible repayment in full of all DIP Obligations and Prepetition Secured Obligations (to the
20 extent such remain outstanding), and the termination of the DIP Agent's and the DIP Lenders'
21 obligation to extend credit under the DIP Facility, including subsequent to the confirmation of
22 any chapter 11 plan of reorganization with respect to any or all of the Debtors and the Debtors'
23 estates, and such facility is secured by any DIP Collateral, then all the cash proceeds derived from
24 such credit or debit shall immediately be turned over to the DIP Agent to be applied in
25 accordance with this Final Order and the DIP Financing Agreements.

26 11. **Cash Collection.**

27 (a) From and after the date of the entry of this Final Order, all collections and proceeds
28 of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come

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1 into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall
2 become entitled at any time, shall be promptly deposited in accounts as specified in the DIP
3 Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to
4 time) (collectively, the “*Cash Collection Accounts*”), which accounts shall be subject to the sole
5 dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP
6 Agent that, unless a “Default” or an “Event of Default” under the DIP Credit Agreement has
7 occurred and is continuing, for so long as there are no amounts outstanding under the DIP Facility,
8 proceeds in the Cash Collection Accounts shall be returned to the Debtors and the Debtors shall
9 be authorized to use such Cash Collateral in accordance with this Final Order. All proceeds and
10 other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent for application
11 in accordance with the DIP Financing Agreements. Unless otherwise agreed to in writing by the
12 DIP Agent and the Prepetition Secured Creditors or as set forth in this Final Order, the Debtors
13 shall maintain no accounts except those identified in the interim cash management order entered
14 by the Court with respect thereto (the “*Cash Management Order*”), whether now existing or
15 hereafter established. The Debtors and the financial institutions where the Debtors’ Cash
16 Collection Accounts are maintained (including those accounts identified in the Cash Management
17 Order), are authorized and directed to remit, without offset or deduction, funds in such Cash
18 Collection Accounts upon receipt of any direction to that effect from the DIP Agent. To the
19 extent that a Prepetition Secured Creditor’s perfection in or control over bank accounts or
20 investment accounts, including any funds or investments therein, may be affected by reason of the
21 transfer of control to the DIP Agent or any agent of the DIP Lenders in accordance with this Final
22 Order, the perfection and control rights of such Prepetition Secured Creditor therein shall be
23 deemed to continue, subject to the senior, priming rights of the DIP Lender and the DIP Lien in
24 such bank accounts or investment accounts, for so long as the DIP Obligations remain
25 outstanding, and thereafter shall revert back to such Prepetition Secured Creditor.

26 (b) Notwithstanding anything in this Final Order or any of the DIP Financing
27 Agreements, from and after the date of the entry of this Final Order, all collections and proceeds
28 of any DIP Collateral or Prepetition Collateral that shall at any time come into the possession,

1 custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any
2 time, shall promptly be deposited into a depository account furnished by a depository bank
3 acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject
4 to the sole dominion and control of the DIP Agent (such account, the “*DIP Collateral Account*”).
5 The Debtors’ use of the proceeds in the DIP Collateral Account shall be subject to this Final
6 Order and the DIP Financing Agreements.

7 12. **Maintenance of DIP Collateral.** Until the indefeasible payment in full of all DIP
8 Obligations, all Prepetition Secured Obligations, and the termination of the DIP Agent’s and the
9 DIP Lenders’ obligation to extend credit under the DIP Facility, the Debtors shall: (a) insure the
10 DIP Collateral as required under the DIP Facility or the Prepetition Secured Documents, as
11 applicable; and (b) maintain the cash management system in effect as of the Petition Date, as
12 modified by the Cash Management Order and this Final Order, and maintain books and records
13 sufficient to account for postpetition intercompany transfers in a manner required by the Cash
14 Management Order and the DIP Credit Agreement at section 5.6 or as otherwise agreed to by the
15 DIP Agent or otherwise required or permitted by the DIP Financing Agreements or this Final
16 Order.

17 13. **DIP and Other Expenses.** The Debtors are authorized and directed to pay all
18 reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent,
19 (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as
20 counsel to the DIP Agent), (2) the DIP Lenders in connection with the DIP Facility, as provided
21 herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a
22 proposed conversion of the DIP Facility into exit financing (including the preparation and
23 negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured
24 Creditors and McKesson, whether or not the transactions contemplated hereby are consummated,
25 including attorneys’ fees, monitoring and appraisal fees, financial advisory fees, fees and
26 expenses of other consultants, and indemnification and reimbursement of fees and expenses.
27 Payment of all such fees and expenses shall not be subject to allowance by the Court.
28 Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors and

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1 McKesson shall not be required to comply with the U.S. Trustee fee guidelines; however, any
2 time that such professionals seek payment of fees and expenses from the Debtors, each
3 professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously
4 with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S.
5 Trustee or the Committee, with respect to such invoices must be in writing and state with
6 particularity the grounds therefor and must be submitted to the applicable professional within ten
7 (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved,
8 it will be subject to resolution by the Court. Pending such resolution, the undisputed portion of
9 any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the
10 Debtors are authorized and directed to pay on the Closing Date all reasonable and documented
11 fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition
12 Secured Creditors incurred on or prior to such date without the need for any professional engaged
13 by such parties to first deliver a copy of its invoice or other supporting documentation. No
14 attorney or advisor to the DIP Agent, the DIP Lenders any Prepetition Secured Creditor or
15 McKesson shall be required to file an application seeking compensation for services or
16 reimbursement of expenses with the Court. Upon entry of this Final Order, any and all fees, costs,
17 and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP
18 Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured
19 Creditors and McKesson in connection with or with respect to these matters, were approved in
20 full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the
21 Debtors or any other person.

22 14. **Indemnification.** The Debtors shall indemnify and hold harmless the DIP Agent
23 and the DIP Lenders in accordance with the terms and conditions of the DIP Credit Agreement.

24 15. **Right to Credit Bid.** The DIP Lender shall have the right, but not the obligation, to
25 “credit bid” the DIP Obligations during any sale of the DIP Collateral, including without
26 limitation, sales occurring pursuant to section 363 of the Bankruptcy Code or included as part of
27 any reorganization plan subject to confirmation under section 1129(b)(2)(A)(iii) of the
28 Bankruptcy Code. Subject to the indefeasible payment in full of the DIP Obligations, the

1 Prepetition Secured Creditors shall have the right but not the obligation to credit bid the
2 Prepetition Secured Obligations during any sale of the Prepetition Collateral, including without
3 limitation, sales occurring pursuant to section 363 of the Bankruptcy Code.

4 16. **Carve Out.** The DIP Liens, DIP Superpriority Claim, and Prepetition Replacement
5 Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the
6 Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the “*U.S.*
7 *Trustee Fees*”), together with interest, if any, at the statutory rate; and (ii) all allowed claims for
8 unpaid fees, costs and expenses incurred by persons or firms retained by the Debtors or the
9 Committee, if any, whose retention is approved by the Court pursuant to any one or more of
10 sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs
11 and expenses are both (a) allowed by the Court pursuant to a final order, and (b) in accordance
12 with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable
13 time frame (the “*Carve Out Expenses*”); provided that the aggregate amount of such Carve Out
14 Expenses shall not exceed (a) \$2,000,000 with respect to persons or firms retained by the Debtors,
15 and (b) \$150,000 with respect to persons or firms retained by the Committee (collectively, the
16 “*Carve Out Amount*”). Any payment or reimbursement made after the Carve Out Trigger Date in
17 respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a dollar-
18 for-dollar basis.

19 17. **Limitation of Use of Proceeds.** Notwithstanding anything set forth herein and
20 except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses
21 incurred in connection with initiating or prosecuting any claims, causes of action, adversary
22 proceedings, or other litigation against the DIP Agent, the DIP Lender or any of the Prepetition
23 Secured Creditors, including, without limitation, the assertion or joinder in any claim,
24 counterclaim, action, proceeding, application, motion, objection, defenses or other contested
25 matter, the purpose of which is to seek any order, judgment, determination or similar relief (i)
26 invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in part,
27 (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens, (d) the
28 VMF Liens or (e) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly or

1 indirectly, the DIP Agent's, the DIP Lender's, the Prepetition Secured Creditors' or McKesson's
2 assertion or enforcement of their liens or security interests or realization upon any DIP Collateral,
3 Prepetition Collateral, or VMF Collateral, or (iii) prosecuting any Avoidance Actions against the
4 DIP Agent, the DIP Lender, any Prepetition Secured Creditor or McKesson, or (iv) challenging
5 the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense,
6 counterclaim, or offset to, the Prepetition Secured Obligations, or the McKesson Prepetition Debt,
7 or the adequate protection granted herein, *provided however*, that nothing in this Final Order shall
8 limit the right of the Debtors to challenge the reasonableness of attorney and financial advisory
9 fees paid or proposed to be paid to Prepetition Secured Creditors or McKesson as adequate
10 protection payments.

11 **18. Payment of Compensation.** Nothing herein shall be construed as consent to the
12 allowance of any professional fees or expenses of any of the Debtors or the Committee or shall
13 affect the right of the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson
14 to object to the allowance and payment of such fees and expenses or to permit the Debtors to pay
15 any such amounts not set forth in the DIP Budget.

16 **19. Section 506(c) Claims; Equities of the Case.** Nothing contained in this Final
17 Order shall be deemed a consent by the DIP Agent, the DIP Lender or any Prepetition Secured
18 Creditor to any charge, lien, assessment or claim against the DIP Collateral under Section 506(c)
19 of the Bankruptcy Code or otherwise. The "equities of the case" exception under Section 552(b)
20 of the Bankruptcy Code and surcharge powers under section 506(c) of the Bankruptcy Code are
21 waived as to the Prepetition Creditors and all pre and postpetition collateral securing their claims.

22 **20. Collateral Rights.** Unless the DIP Agent and DIP Lender have provided their prior
23 written consent or all DIP Obligations have been paid in full in cash (or will be paid in full in
24 cash upon entry of an order approving indebtedness described in subparagraph (a) below), and all
25 commitments by the DIP Agent and the DIP Lender to lend have terminated:

26 (a) The Debtors shall not seek entry, in these proceedings, or in any Successor
27 Case, of any order which authorizes the obtaining of credit or the incurring of indebtedness that is
28 secured by a security, mortgage, or collateral interest or other lien on all or any portion of the DIP

1 Collateral and/or entitled to priority administrative status which is senior or *pari passu* to the DIP
2 Liens granted to the DIP Lender pursuant to this Final Order, the DIP Financing Agreements or
3 otherwise;

4 (b) The Debtors shall not consent to relief from the automatic stay by any
5 person other than the DIP Agent with respect to all or any portion of the DIP Collateral without
6 the express written consent of the DIP Agent and the DIP Lender;

7 (c) In the event that the Debtors seek entry of an order in violation of
8 subsection (a) hereof, the DIP Agent and DIP Lender shall be granted relief from the automatic
9 stay with respect to the DIP Collateral pursuant to the notice procedures set forth in this Order;
10 and

11 (d) The Parties to the DIP Credit Agreement agree that the Final Order does not impair
12 the claims, rights, or ability, if any, to recoup, setoff or otherwise recover Medicare overpayments
13 related to prepetition services by a Debtor ("***Prepetition Medicare Overpayments***") of the United
14 States, its agencies, departments, agents or entities (collectively, "***United States***") from the
15 payments made to such Debtor for services rendered after the Petition Date ("***Postpetition***
16 ***Medicare Payments***"), in accordance with the Medicare statutes, regulations, policies and
17 procedures. The Parties to the DIP Credit Agreement further agree that the Final Order does not
18 impair the United States' claims, rights or ability, if any, to recoup, setoff or otherwise recover
19 any other prepetition debt a Debtor may owe to the United States from the Postpetition Medicare
20 Payments due such Debtor in accordance with applicable law.

21 21. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP
22 Agent and the DIP Lender shall be immediately due and payable, and the Debtors' authority to
23 use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i)
24 September 7, 2019 (the "***Scheduled Termination Date***"); (ii) the date of revocation of this Final
25 Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the
26 Bankruptcy Code and which for purposes hereof shall be no later than the "***effective date***") of a
27 plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered
28 by the Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v)

1 the date the Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the
2 dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded
3 power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of
4 the commitments with respect to the DIP Facility in accordance with the DIP Financing
5 Agreements (the earliest of such dates, the “*Commitment Termination Date*”). The occurrence
6 of the Commitment Termination Date, shall also constitute, subject to further Court order,
7 termination of the Prepetition Secured Creditors’ and McKesson consent to the Debtors’ use of
8 their prepetition Cash Collateral (the “**Carve Out Trigger Date**”).

9 22. **Disposition of Collateral.** The Debtors shall not sell, transfer, lease, encumber or
10 otherwise dispose of any portion of the DIP Collateral, without the prior written consent of the
11 DIP Agent and the DIP Lender (and no such consent shall be implied, from any other action,
12 inaction or acquiescence by the DIP Agent or the DIP Lender or an order of this Court), except as
13 provided in the DIP Financing Agreements and this Final Order and approved by the Court to the
14 extent required under applicable bankruptcy law. Nothing herein shall prevent the Debtors from
15 making sales in the ordinary course of business to the extent consistent with the DIP Budget and
16 as permitted in the DIP Financing Agreements.

17 23. **Events of Default.** The occurrence of a “Default” or an “Event of Default”
18 pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the “Bankruptcy
19 Defaults” enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of
20 default under this Final Order, unless expressly waived in writing in accordance with the consents
21 required in the DIP Financing Agreements.

22 24. **Rights and Remedies Upon Event of Default.**

23 (a) Any otherwise applicable automatic stay is hereby modified so that after
24 the occurrence of any Event of Default and at any time thereafter during the continuance of such
25 Event of Default, the DIP Agent and the DIP Lender shall be entitled to exercise its rights and
26 remedies with respect to the Debtors and the DIP Collateral provided in the DIP Financing
27 Agreements and by applicable law, including, without limitation, foreclosing on and selling the
28 DIP Collateral, without the need for further court approval or the consent of any other party.

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1 (b) Notwithstanding the preceding paragraph, immediately following the
2 giving of notice by the DIP Agent of the occurrence and continuance of an Event of Default, the
3 DIP Agent shall have the right in its sole discretion to take any or all of the following actions: (i)
4 declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare
5 the unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon,
6 and all other amounts owing or payable hereunder or under any other DIP Financing Agreements
7 to be immediately due and payable, without presentment, demand, protest or other notice of any
8 kind, all of which are hereby expressly waived by any Debtor; (iii) reduce the advance rates in
9 respect of Eligible Accounts (as defined in the DIP Credit Agreement) or take additional reserves
10 against or otherwise modify the Borrowing Base; and (iv) exercise all rights and remedies
11 available to the DIP Agent and the DIP Lenders under the DIP Financing Agreements, including
12 any right of set-off under Section 11.21 of the DIP Credit Agreement, or under the UCC or any
13 other applicable law; *provided, however*, that upon the occurrence of an Event of Default under
14 the DIP Credit Agreement, the obligation of the DIP Lenders to make the DIP Loan shall
15 automatically terminate, the unpaid principal amount of all outstanding DIP Loans and other DIP
16 Obligations and all interest and other amounts as aforesaid shall automatically become due and
17 payable without further act of the DIP Agent or any DIP Lender.

18 (c) Nothing included herein shall prejudice, impair, or otherwise affect the DIP
19 Agent's or the DIP Lender's rights to seek any other or supplemental relief in respect of the DIP
20 Agent's and the DIP Lender's rights, as provided in the DIP Credit Agreement.

21 25. **Limitation on Lender Liability.** Nothing in this Final Order, any of the DIP
22 Financing Agreements, or any other documents related thereto shall in any way be construed or
23 interpreted to impose or allow the imposition upon the DIP Agent, the DIP Lenders or the
24 Prepetition Secured Parties Creditors of any liability for any claims arising from any activities by
25 the Debtors in the operation of their businesses or in connection with the administration of these
26 Cases. The DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall not, solely by
27 reason of having made loans under the DIP Facility, be deemed in control of the operations of the
28 Debtors or to be acting as a "responsible person" or "owner or operator" with respect to the

1 operation or management of the Debtors (as such terms, or any similar terms, are used in the
2 United States Comprehensive Environmental Response, Compensation and Liability Act, 42
3 U.S.C. §§ 9601 et seq., as amended, or any similar federal or state statute). Nothing in this Final
4 Order or the DIP Financing Agreements shall in any way be construed or interpreted to impose or
5 allow the imposition upon the DIP Agent, the DIP Lenders, or any of the Prepetition Secured
6 Creditors of any liability for any claims arising from the prepetition or postpetition activities of
7 any of the Debtors.

8 **26. Insurance Proceeds and Policies.** As of the entry of this Final Order and to the
9 fullest extent provided by applicable law, the DIP Agent (on behalf of the DIP Lenders) and the
10 Prepetition Secured Creditors, shall be, and shall be deemed to be, without any further action or
11 notice, named as additional insured and as lender's loss payee with the priority as to all rights
12 and remedies as set forth herein and in the DIP Credit Agreement.

13 **27. Proofs of Claim.** Neither the DIP Agent nor the DIP Lender will be required to
14 file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in
15 addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition
16 Secured Creditors.

17 **28. Other Rights and Obligations.**

18 **(a) Good Faith Under Section 364(e) of the Bankruptcy Code. No**
19 **Modification or Stay of this Final Order.** The Debtors, the DIP Agent, the DIP Lender, the
20 Prepetition Secured Creditors and McKesson have acted in good faith in connection with
21 negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and
22 authorizing use of Cash Collateral and rely on this Final Order in good faith. Based on the
23 findings set forth in this Final Order and the record made during the Interim Hearing and the Final
24 Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of
25 the provisions of this Final Order are hereafter reversed, modified amended or vacated by a
26 subsequent order of this or any other Court, the DIP Agent, DIP Lender, Prepetition Secured
27 Creditors and McKesson are entitled to the protections provided in section 364(e) of the
28 Bankruptcy Code. Any such reversal, modification, amendment or *vacatur* shall not affect the

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1 validity and enforceability of any advances made pursuant to this Final Order or the DIP
2 Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the
3 DIP Liens, the Prepetition Replacement Liens or the VMF Replacement Lien. Any claims or DIP
4 Protections granted to the DIP Agent and the DIP Lender hereunder, or adequate protection
5 granted to the Prepetition Secured Creditors and McKesson hereunder, arising prior to the
6 effective date of such reversal, modification, amendment or *vacatur*, shall be governed in all
7 respects by the original provisions of this Final Order, and the DIP Agent, the DIP Lender,
8 Prepetition Secured Creditors and McKesson shall be entitled to all of the rights, remedies,
9 privileges and benefits, including the DIP Protections and adequate protection granted herein,
10 with respect to any such claims. Since the loans made pursuant to the DIP Credit Agreement are
11 made in reliance on this Final Order, the obligations owed to the DIP Agent, the DIP Lender, the
12 Prepetition Secured Creditors or McKesson prior to the effective date of any reversal or
13 modification of this Final Order cannot, as a result of any subsequent order in the Chapter 11
14 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority
15 administrative expense claim status, or be deprived of the benefit of the status of the liens and
16 claims granted to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson
17 under this Final Order and/or the DIP Financing Agreements.

18 (b) **Binding Effect.** The provisions of this Final Order shall be binding upon
19 and inure to the benefit of the DIP Agent, DIP Lender, the Debtors, the Prepetition Secured
20 Creditors, McKesson, the Committee, all other Parties in Interest, and all creditors, and each of
21 their respective successors and assigns (including any trustee or other fiduciary hereinafter
22 appointed as a legal representative of the Debtors or with respect to the property of the estates of
23 the Debtors) whether in the Chapter 11 Cases, in any Successor Cases, or upon dismissal of any
24 such chapter 11 or chapter 7 case.

25 (c) **No Waiver.** The failure of the DIP Agent or the DIP Lender to seek relief
26 or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP
27 Facility, this Final Order or otherwise, as applicable, shall not constitute a waiver of the DIP
28 Agent's or the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding

1 anything herein, the entry of this Final Order is without prejudice to, and does not constitute a
2 waiver of, expressly or implicitly, or otherwise impair the DIP Agent or the DIP Lender under the
3 Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP
4 Agent and DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7,
5 dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii)
6 propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of
7 reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or
8 otherwise) the DIP Agent or DIP Lender may have pursuant to this Final Order, the DIP
9 Financing Agreements, or applicable law. Nothing in this Final Order shall interfere with the
10 rights of any party with respect to any non-Debtors.

11 (d) **No Third Party Rights.** Except as explicitly provided for herein, this
12 Final Order does not create any rights for the benefit of any third party, creditor, equity holder or
13 any direct, indirect, or incidental beneficiary.

14 (e) **No Marshaling.** The DIP Lender shall not be subject to the equitable
15 doctrine of “marshaling” or any other similar doctrine with respect to any of the DIP Collateral.

16 (f) **Amendment.** The Debtors, the DIP Agent and the DIP Lender may amend
17 or waive any provision of the DIP Financing Agreements, on notice to the Office of the U.S.
18 Trustee, the Committee, the Prepetition Secured Creditors and McKesson. The Debtors shall give
19 each Prepetition Secured Creditor and McKesson notice concurrent with giving such notice or
20 request to the DIP Agent for any amendment or waiver of the DIP Financing Agreements and,
21 without prejudice to the effectiveness of any such amendment or waiver, each Prepetition Secured
22 Creditor shall have the right to file a motion objecting to such amendment. Nothing in this Final
23 Order shall authorize the DIP Agent or DIP Lenders to increase the commitments in excess of the
24 commitments set forth in this Final Order, increase the contract interest rate, defined in the DIP
25 Credit Agreement as the Applicable LIBOR Margin, increase the Default Rate or extend the
26 maturity date, defined in the DIP Credit Agreement as the “Scheduled Termination Date”.
27 Except as otherwise provided herein, no waiver, modification, or amendment of any of the
28 provisions of the DIP Financing Agreements shall be effective unless set forth in writing, signed

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1 on behalf of all the Debtors, the DIP Agent and the DIP Lender, and, if material, approved by the
2 Court. Nothing herein shall preclude the Debtors, the DIP Agent and the DIP Lender from
3 implementing any amendment or waiver of any provision of the DIP Financing Agreements.

4 (g) **Estate Subrogation.** Debtor Verity Holdings shall have an allowed
5 unsecured superpriority administrative expense claim granted to it pursuant to section 364(c)(1),
6 against each of the other Debtors that is a “Net Borrower” (as defined below) based on the
7 consolidated cash management process and DIP Loan, which claim shall be subordinate to the
8 DIP Obligations, including the DIP Superpriority Claim, and to the Adequate Protection Claims
9 of the Prepetition Secured Creditors and McKesson, but shall have priority over all other
10 administrative claims, in an amount equal to the sum of (a) the amount, if any, by which Debtor
11 Verity Holdings’ assets that are used to satisfy the DIP Loan, the Prepetition Replacement Liens
12 or VMF Liens, exceeds the amount, if any, of any draws on the DIP Loan used by Verity
13 Holdings plus interest, and (b) any postpetition net intercompany advances by Verity Holdings to
14 any other Debtor. “Net Borrower” shall mean any Debtor for which the sum of all cash received
15 from the concentration account or draws on the DIP Loan and its allocation of interest paid or
16 payable under the DIP Loan based on amounts received by it and amounts received by other
17 Debtors, exceeds any cash it has transferred to the concentration account during the Chapter 11
18 Cases.

19 29. **Survival of Final Order and Other Matters.** The provisions of this Final Order
20 and any actions taken pursuant hereto shall survive entry of any order which may be entered in
21 these Bankruptcy Cases, including without limitation, an order (i) confirming any Plan in the
22 Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the
23 Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law,
24 dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter
25 11 Cases from this Court, or (v) providing for abstention from handling or retaining of
26 jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Final
27 Order including the DIP Protections granted pursuant to this Final Order and the DIP Financing
28 Agreements, shall continue in full force and effect notwithstanding the entry of such order, and

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1 such DIP Protections shall maintain their priority as provided by this Final Order until all the
2 Obligations of the Debtors to the DIP Agent and the DIP Lender pursuant to the DIP Financing
3 Agreements have been indefeasibly paid in full and in cash and discharged (such payment being
4 without prejudice to any terms or provisions contained in the DIP Financing Agreements which
5 survive such discharge by their terms). The terms and provisions of this Final Order including
6 any protections granted to the Prepetition Secured Creditors and McKesson, shall continue in full
7 force and effect notwithstanding the entry of such order, and such protections for the Prepetition
8 Secured Creditors and McKesson shall maintain their priority as provided by this Final Order
9 until all the obligations of the Debtors to the Prepetition Secured Creditors and McKesson
10 pursuant to applicable documentation have been discharged. The DIP Obligations shall not be
11 discharged by the entry of an order confirming a plan of reorganization, the Debtors having
12 waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

13 (a) **Inconsistency.** In the event of any inconsistency between the terms and
14 conditions of the DIP Financing Agreements and of this Final Order, the provisions of this Final
15 Order shall govern and control.

16 (b) **Enforceability.** This Final Order shall constitute findings of fact and
17 conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully
18 enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Final Order.
19 Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other
20 Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be
21 immediately effective and enforceable upon its entry and there shall be no stay of execution or
22 effectiveness of this Final Order.

23 (c) **Objections Overruled.** All objections to the DIP Motion to the extent not
24 withdrawn or resolved, are hereby overruled.

25 (d) **No Waivers or Modification of Interim Order.** The Debtors irrevocably
26 waive any right to seek any modification or extension of this Final Order without the prior written
27 consent of the DIP Agent and the DIP Lender and no such consent shall be implied by any other
28 action, inaction or acquiescence of the DIP Agent or the DIP Lender.

1 (e) **No Effect on Non-Debtor Collateral.** Notwithstanding anything set forth
2 herein, neither the liens nor claims granted in respect of the Carve Out shall be senior to any liens
3 or claims of the DIP Agent or the DIP Lender with respect to any other non-Debtor or any of their
4 assets.

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EXHIBIT D

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7 Proposed Attorneys for the Chapter 11 Debtors and
 8 Debtors In Possession

9 **UNITED STATES BANKRUPTCY COURT**
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

10 In re
 11 VERITY HEALTH SYSTEM OF
 12 CALIFORNIA, INC., *et al.*,
 13 Debtors and Debtors In Possession.

Lead Case No. 18-20151
 Jointly Administered With:
 CASE NO.: 2:18-bk-20162-ER
 CASE NO.: 2:18-bk-20163-ER
 CASE NO.: 2:18-bk-20164-ER
 CASE NO.: 2:18-bk-20165-ER
 CASE NO.: 2:18-bk-20167-ER
 CASE NO.: 2:18-bk-20168-ER
 CASE NO.: 2:18-bk-20169-ER
 CASE NO.: 2:18-bk-20171-ER
 CASE NO.: 2:18-bk-20172-ER
 CASE NO.: 2:18-bk-20173-ER
 CASE NO.: 2:18-bk-20175-ER
 CASE NO.: 2:18-bk-20176-ER
 CASE NO.: 2:18-bk-20178-ER
 CASE NO.: 2:18-bk-20179-ER
 CASE NO.: 2:18-bk-20180-ER
 CASE NO.: 2:18-bk-20171-ER

- 14 Affects All Debtors
- 15 Affects O'Connor Hospital
- 16 Affects Saint Louise Regional Hospital
- 17 Affects St. Francis Medical Center
- 18 Affects St. Vincent Medical Center
- 19 Affects Seton Medical Center
- 20 Affects O'Connor Hospital Foundation
- 21 Affects Saint Louise Regional Hospital Foundation
- 22 Affects St. Francis Medical Center of Lynwood Foundation
- 23 Affects St. Vincent Foundation
- 24 Affects St. Vincent Dialysis Center, Inc.
- 25 Affects Seton Medical Center Foundation
- 26 Affects Verity Business Services
- 27 Affects Verity Medical Foundation
- 28 Affects Verity Holdings, LLC
- Affects De Paul Ventures, LLC
- Affects De Paul Ventures - San Jose Dialysis, LLC

Chapter 11 Cases
 Hon. Ernest M. Robles

[PROPOSED ALTERNATIVE] FINAL ORDER (I) AUTHORIZING POSTPETITION FINANCING, (II) AUTHORIZING USE OF CASH COLLATERAL, (III) GRANTING LIENS AND PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS, (IV) GRANTING ADEQUATE PROTECTION, (V) MODIFYING AUTOMATIC STAY, AND (VI) GRANTING RELATED RELIEF

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Debtors and Debtors In Possession.

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1 Upon the emergency motion (the “**DIP Motion**”)¹, dated August 31, 2018, filed by Verity
2 Health System of California, Inc., O’Connor Hospital, Saint Louise Regional Hospital, St. Francis
3 Medical Center, St. Vincent Medical Center, Seton Medical Center, Verity Holdings, LLC, Verity
4 Medical Foundation, O’Connor Hospital Foundation, Saint Louise Regional Hospital Foundation,
5 St. Francis Medical Center of Lynwood Medical Foundation, St. Vincent Foundation, St. Vincent
6 Dialysis Center, Inc., Seton Medical Center Foundation, Verity Business Services, DePaul
7 Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC (collectively, the “**Debtors**”), as
8 debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the
9 “**Chapter 11 Cases**”), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3),
10 364(d)(1), 364(e) and 507 of title 11 of the United States Code (the “**Bankruptcy Code**”), Rules
11 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy**
12 **Rules**”) and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court
13 for the Central District of California (the “**Local Rules**” or “**LBR**”), for entry of an emergency
14 order (the “**Interim Order**”) following conclusion of the interim hearing (the “Interim Hearing”)
15 authorizing the Debtors, on an interim basis, and following the conclusion of a final hearing (the
16 “**Final Hearing**”) on the DIP Motion, for entry of a final order (the “**Final Order**”) authorizing
17 the Debtors, on a final basis to, among other things: *inter alia*:

18 (i) Obtain senior secured post-petition financing (the “**DIP Financing**” or “**DIP**
19 **Facility**”) pursuant to the terms and conditions of the DIP Financing Agreements (as defined
20 below), the Interim Order, and this Final Order, pursuant to sections 364(c)(1), 364(d), and 364(e)
21 of the Bankruptcy Code and Rule 4001(c) of the Bankruptcy Rules;

22 (ii) Enter into a Debtor-in-Possession Credit Agreement (the “**DIP Credit**
23 **Agreement**”), substantially in the form attached as Exhibit 2 to the Supplemental Chou
24 Declaration (“**Supp. Chou Decl.**”) [Docket 309-2], and other related financing documents
25 (together with the DIP Credit Agreement and DIP Security Agreement, the “**DIP Financing**
26 **Agreements**”), by and among each of the Debtors and Ally Bank (“**Ally**”), in its capacity as agent
27 (“**DIP Agent**”) and in its capacity as lender (“**DIP Lender**,”) under the DIP Credit Agreement;

28 ¹ Capitalized terms used herein and not otherwise defined shall have the meaning ascribed in the
DIP Motion.

1 (iii) Borrow, on an interim basis, pursuant to the DIP Financing Agreements,
2 postpetition financing of up to \$30,000,000 on a revolving basis (the “*Interim DIP Loan*”) and
3 seek other financial accommodations from the DIP Agent and DIP Lender pursuant to the DIP
4 Credit Agreement, the other DIP Financing Agreements and the Interim Order;

5 (iv) Borrow, on a final basis, pursuant to the DIP Financing Agreements, post-petition
6 financing of up to an additional \$155,000,000, for a total of up to \$185,000,000, on a revolving
7 basis, which includes the Interim DIP Loan (the “*Final DIP Loan*,” and together with the Interim
8 DIP Loan, the “*DIP Loan*”) and seek other financial accommodations from the DIP Agent and
9 DIP Lender pursuant to the DIP Credit Agreement, the other DIP Financing Agreements, and this
10 Final Order;

11 (v) Execute and deliver the DIP Credit Agreement and the other DIP Financing
12 Agreements;

13 (vi) Grant the DIP Agent and DIP Lender allowed super-priority administrative
14 expense claims, pursuant to section 364(c)(1) of the Bankruptcy Code, in each of the Chapter 11
15 Cases and any Successor Cases (as defined below) for the DIP Financing and all obligations of the
16 Debtors owing under the DIP Financing Agreements (collectively, and including all
17 “*Obligations*” of the Debtors as defined and described in the DIP Credit Agreement, the “*DIP*
18 *Obligations*”) subject only to the Carve Out (defined below) as set forth below;

19 (vii) Grant the DIP Agent and DIP Lender automatically perfected first priority senior
20 security interests in and liens on all of the DIP Collateral (as defined below) pursuant to section
21 364(d)(1) of the Bankruptcy Code, which liens shall not be subordinate to any other liens,
22 charges, security interests or surcharges under section 506(c) or any other section of the
23 Bankruptcy Code, with the exception of the Carve Out (defined below) as set forth below;

24 (viii) Obtain authorization to use the proceeds of the DIP Financing in all cases in
25 accordance with the 13 week budget , as updated from time to time attached as Exhibit 1, Supp.
26 Chou Decl. (the “*DIP Budget*”) and as otherwise provided in the DIP Financing Agreements, the
27 Interim Order and this Final Order;

28

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1 (ix) Provide adequate protection to certain of the Prepetition Secured Creditors
2 (defined herein) and McKesson (defined herein) pursuant to the terms of this Final Order for any
3 diminution in value of their respective interests in the Prepetition Collateral or VMF Collateral
4 (each as defined herein) resulting from the DIP Liens (as defined herein) on the Prepetition
5 Collateral or VMF Collateral, subordination to the Carve Out (as defined herein), or Debtors' use,
6 sale, or lease of Prepetition Collateral or VMF Collateral, including cash collateral within the
7 meaning of 11 U.S.C. §363(a) (such cash collateral that is Prepetition Collateral or VMF
8 Collateral hereafter defined as "**Cash Collateral**");

9 (x) Grant authorization based upon the consent of the Prepetition Secured Creditors
10 and McKesson to use of Cash Collateral in accordance with the DIP Budget upon the terms and
11 conditions set forth herein;

12 (xi) Vacate and modify the automatic stay imposed by section 362 of the Bankruptcy
13 Code solely to the extent necessary to implement and effectuate the terms of the DIP Financing
14 Agreements, the Interim Order, and this Final Order;

15 (xii) Following the conclusion of a final hearing (the "**Final Hearing**") to consider
16 entry of an order (the "**Final Order**") granting all other relief requested in the DIP Motion on an
17 interim and final basis; and

18 (xiii) Waive any applicable stay as provided in the Bankruptcy Rules (expressly
19 including Rule 6004) and provide for immediate effectiveness of this Final Order.

20 The Court, having considered the DIP Motion, the Declarations of Anita M. Chou, Chief
21 Financial Officer filed in support of the DIP Motion and Rich Adcock, Chief Executive Officer
22 filed in support of the First Day Motions each as Officers of the Debtors, in Support of Chapter 11
23 Petitions and First Day Pleadings, the DIP Motion, the DIP Financing Documents, and the
24 Supplemental Declaration of Anita Chou in Support of Debtors' Reply in Support of the DIP
25 Motion, and the exhibits attached thereto, and the evidence submitted or adduced and the
26 arguments of counsel made at the Interim Hearing and the *Final Hearing*; and due and proper
27 notice of the DIP Motion, the Interim Hearing, entry of the Interim Order, and Final Hearing
28 having been provided in accordance with Bankruptcy Rules 2002, 4001(b) and (d), and 9014 and

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1 LBR 4001-2 and no other or further notice being required under the circumstances; and the
2 Interim Hearing and Final Hearing having been held and concluded; and it appearing that
3 approval of the final relief requested in the DIP Motion is necessary to avoid immediate and
4 irreparable harm to the Debtors and is otherwise fair and reasonable and in the best interests of the
5 Debtors, their estates and their creditors, and is essential for the preservation of the value of the
6 Debtors' assets; and all objections, if any, to the entry of this Final Order having been withdrawn,
7 resolved or overruled by the Court; and after due deliberation and consideration, and for good and
8 sufficient cause appearing therefor:

9 **BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL**
10 **HEARINGS, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND**
11 **CONCLUSIONS OF LAW:²**

12 A. **Petition Date.** On August 31, 2018 (the "***Petition Date***"), each of the Debtors
13 filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the United
14 States Bankruptcy Court for the Central District of California (the "***Court***"). The Debtors have
15 continued in the management and operation of their businesses and properties as debtors in
16 possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

17 B. **Jurisdiction and Venue.** This Court has jurisdiction over the Cases, the DIP
18 Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334(b),
19 and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a
20 core proceeding as defined in 28 U.S.C. § 157(b)(2). Venue for these Chapter 11 Cases and
21 proceedings on the DIP Motion is proper before this district pursuant to 28 U.S.C. §§ 1408 and
22 1409.

23 C. **Committee Formation.** The Office of the United States Trustee (the "***U.S.***
24 ***Trustee***") provided notice of the appointment of an official committee of unsecured creditors in
25

26 ² The findings and conclusions set forth herein constitute the Court's findings of fact and
27 conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding
28 pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact
constitute conclusions of law, they are adopted as such. To the extent any of the following
conclusions of law constitute findings of fact, they are adopted as such.

1 these Cases pursuant to section 1102 of the Bankruptcy Code, the members of which are
2 identified by the Office of the United States Trustee in that Notice of Appointment and
3 Appointment of Committee of Creditors Holding Unsecured Claims dated September 17, 2018
4 [Docket No 197] (the “*Committee*”).

5 D. **Notice.** The Court entered the Interim Order on September 6, 2018 [Docket 86].
6 Notice of entry of the Interim Order and Notice of the Final Hearing on the DIP Motion [Docket
7 201] has been provided by the Debtors to: (i) the Office of the United States Trustee for the
8 Central District of California (the “*U.S. Trustee*”); (ii) the United States Securities and Exchange
9 Commission; (iii) the Office of the United States Attorney for the Central District of California;
10 (iv) the Internal Revenue Service; (v) the Debtors’ fifty (50) largest unsecured creditors on a
11 consolidated basis; (vi) counsel to each of the Prepetition Secured Creditors (as defined below);
12 (vii) counsel to the DIP Agent and the DIP Lender; (viii) the Office of the Attorney General for
13 the State of California, Charities Division; (ix) proposed counsel to the Committee; and (x) all
14 other parties known to assert a lien on any of the Debtors’ assets. Under the circumstances, such
15 notice of the Final Hearing and the DIP Motion constitute due, sufficient and appropriate notice
16 and complies with sections 102(1) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002 and
17 4001(b), and the Local Rules, and no other or further notice is required under the circumstances.

18 E. **Findings Regarding Corporate Authority.** As set forth in the resolutions
19 accompanying the Petitions and the Adcock Declaration, each Debtor has all requisite corporate
20 power and authority to execute and deliver the DIP Financing Agreements to which it is a party,
21 to grant the DIP Liens (as defined herein) and to perform its obligations thereunder.

22 F. **Intercreditor Agreement.** Pursuant to section 510(a) of the Bankruptcy Code, the
23 Second Amended and Restated Intercreditor Agreement dated December 1, 2017 (the
24 “*Intercreditor Agreement*”) and any other applicable intercreditor or subordination provisions
25 contained in any of the Prepetition Secured Documents (i) shall remain in full force and effect,
26 with respect to prepetition and post-petition assets of the Debtors as provided thereunder, (ii) shall
27 continue to govern the relative priorities, rights and remedies of the Prepetition Secured Creditors
28 (including the relative priorities, rights and remedies of such parties with respect to the Prepetition

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1 Replacement Liens and Adequate Protection Superpriority Claims granted, or amounts payable,
2 by the Debtors under the Interim Order, this Final Order or otherwise and the modification of the
3 automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of
4 this Final Order or the DIP Financing Agreements, unless expressly set forth herein.

5 G. **Prepetition Secured Credit Facilities.** As of the Petition Date, the Debtors were
6 indebted and liable to the Prepetition Secured Creditors as follows:

7 (i) UMB Bank, N.A., ("**UMB Bank**") as successor Master Trustee (in such
8 capacity, the "**Master Trustee**") under the Master Trust of Trust dated as of December 1, 2001, as
9 amended and supplemented (the "**Master Indenture**") with respect to the MTI Obligations
10 (defined below) securing the repayment by the Obligated Group (defined below) of its loan
11 obligations with respect to (1) the California Statewide Communities Development Authority
12 Revenue Bonds (Daughters of Charity Health System) Series 2005 A, G and H (the "**2005**
13 **Bonds**"), (2) the California Public Finance Authority Revenue Notes (Verity Health System)
14 Series 2015 A, B, C and D (the "**2015 Working Capital Notes**"), and (3) the California Public
15 Finance Authority Revenue Notes (Verity Health System) Series 2017 A and B (the "**2017**
16 **Working Capital Notes**" and, collectively with the 2015 Working Capital Notes, the "**Working**
17 **Capital Notes**"). The joint and several obligations issued under the Master Indenture by Verity
18 Health System of California, Inc., O'Connor Hospital, Saint Louise Regional Hospital, St. Francis
19 Medical Center, St. Vincent Medical Center and Seton Medical Center (collectively, the
20 "**Obligated Group**") in respect of the 2005 Bonds and the Working Capital Notes are collectively
21 referred to as the "**MTI Obligations**". Wells Fargo Bank National Association ("**Wells Fargo**")
22 serves as bond indenture trustee under the bond indentures relating to the 2005 Bonds. U.S. Bank
23 National Association ("**U.S. Bank**") serves as the note indenture trustee and as the collateral agent
24 under each of the note indentures relating to the 2015 Working Capital Notes and the 2017
25 Working Capital Notes, respectively. The MTI Obligations are secured by, inter alia, security
26 interests granted to the Master Trustee in the prepetition accounts of, and mortgages on the
27 principal real estate assets of, the members of the Obligated Group.
28

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1 In addition to the security provided to the Master Trustee to secure the MTI
2 Obligations, U.S. Bank, as Note Trustee for the 2015 Working Capital Notes and the 2017
3 Working Capital Notes is secured by prepetition first priority liens upon and security interests in
4 the Obligated Group’s accounts and deeds of trust on the principal real estate assets of Saint
5 Louise Regional Hospital and St. Francis Medical Center (collectively, the “*Priority Collateral*”).
6 U.S. Bank as Notes Trustee for the 2017 Working Capital Notes has also been granted a deed of
7 trust, dated as of December 1, 2017, by Verity Holdings in certain real property located in San
8 Mateo California (the “*Moss Deed of Trust*”) to further secure the 2017 Working Capital Notes.

9 (ii) Verity MOB Financing, LLC and Verity MOB Financing II, LLC (together,
10 the “*MOB Lenders*”) hold security interests in Verity Holdings’ accounts, including rents arising
11 from the prepetition MOB Financing, and mortgages on medical office buildings owned by Verity
12 Holdings (the “*MOB Financing*”).

13 The Master Trustee, Wells Fargo as bond indenture trustee for the 2005 Notes, U.S. Bank
14 as Note Trustee for the Working Capital Notes, and the MOB Lenders are collectively hereafter
15 referred to as the “*Prepetition Secured Creditors*,” the MTI Obligations, the Obligated Group’s
16 loan obligations with respect to the Working Capital Notes and the MOB Financing are
17 hereinafter referred to as the “*Prepetition Secured Obligations*,” the prepetition interests
18 (including the liens and security interests) of each Prepetition Secured Creditor in the property
19 and assets of the Debtors are hereinafter referred to as the “*Prepetition Liens*,” and the
20 documents, writings and agreements evidencing the Prepetition Secured Obligations are
21 hereinafter referred to as the “*Prepetition Secured Documents*”.

22 H. **Prepetition Secured Trade Vendor Arrangement.** Prior to the Petition Date,
23 Debtor Verity Medical Foundation (“*VMF*”) entered into agreements for the sole source
24 purchasing of certain critical chemotherapy and other pharmaceutical products and
25 medical-surgical products with McKesson Corporation and certain affiliates (“*McKesson*”), and
26 on or about March 27, 2018 granted to McKesson a prepetition perfected security interest (“*VMF*
27 *Liens*”) in VMF tangible and intangible personal property, including accounts (the “*VMF*
28 *Collateral*”), but such perfected security interest excluded VMF cash (to the extent such cash does

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1 not represent proceeds of the VMF Collateral), personal property requiring possession for
2 perfection and real property interests. As of the Petition Date, McKesson was owed
3 approximately \$3,055,000.00 (the “*McKesson Prepetition Debt*”). Postpetition, and subject to
4 McKesson’s internal credit review and approval process, McKesson has agreed to resume
5 providing certain secured trade credit to VMF and the physician practices ordering through VMF
6 for the purchase of pharmaceutical and medical-surgical products on 30 days from invoice
7 payment terms (the “*McKesson Post-Petition Trade Credit*”). The McKesson Post-Petition
8 Trade Credit will continue to be secured by the VMF Liens.

9 I. **Prepetition Collateral.** In order to secure the Prepetition Secured Obligations and
10 the Prepetition Secured Trade Vendor Arrangement (as described in paragraph H above), the
11 Debtors, excluding the Philanthropic Foundations, granted the Prepetition Liens and the VMF
12 Liens to the Prepetition Secured Creditors and McKesson, respectively as provided and described
13 in the Prepetition Secured Documents and the documents pertaining to the VMF Collateral. The
14 assets subject to the Prepetition Liens (the “*Prepetition Collateral*”) and the VMF Collateral
15 constitute substantially all of the assets of the Debtors, excluding cash and assets of the
16 Philanthropic Foundations.

17 J. **Prepetition Agreements to Pay Special Assessments.** Seton Medical Center, a
18 Debtor, (“*SMC*”) and California Statewide Communities Development Authority (“*CSCDA*”)
19 entered into an (i) Agreement to Pay Assessment and Finance Improvements dated May 11, 2017
20 under the CSCDA CaliforniaFirst Program (“*Clean Fund Agreement to Pay Assessment*”), and
21 (ii) Agreement to Pay Assessment and Finance Improvements dated May 18, 2017 under the
22 CSCDA CaliforniaFirst Program (“*Petros Agreement to Pay Assessment*”), collectively, with
23 Clean Fund Agreement to Pay Assessment, the “*Assessment Agreements* ”), each for the limited
24 purpose of providing financing for certain renewable energy, energy efficiency, water efficiency
25 and seismic improvements permanently affixed to real property owned by SMC located in Daly
26 City, California under the CSCDA CaliforniaFirst Program in the aggregate amount of
27 \$40,000,000. As of the Petition Date, after payment of tax exempt bond issuance fees for the
28 Clean Fund Bonds and the NR2 Petros Bonds (each as defined in the DIP Motion) and retention

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1 of capitalized interest reserves approximately \$34,379,450 is being held for authorized
2 improvements (the “*Program Funds*”) by Wilmington Trust N.A. (“*WTNA*”) as indenture
3 trustee, pursuant to, *inter alia*, the terms of two Indentures between CSCDA and WTNA dated as
4 of May 11, 2017 and May 18, 2017 and the Assessment Agreements. Notwithstanding SMC’s
5 status as a tax exempt California not for profit corporation, SMC agreed and consented to the
6 CSCDA special tax assessments imposed pursuant to and under the Assessment Agreements (the
7 “*CSCDA Special Assessments*”). The Debtors acknowledge that the CSCDA Special
8 Assessments have the same lien priority and methods of collection as general municipal taxes on
9 real property. Notices of Assessment and Payment of the Special Assessments were recorded in
10 the official records of the County of San Mateo against the real property owned by SMC and
11 consented to by the Prepetition Secured Creditors. The Debtors acknowledge that the Program
12 Funds and other proceeds of the issuance of the Clean Fund Bonds or NR2 Petros Bond which are
13 being held by WTNA are not property of the Debtors’ estates, and are not subject to the
14 Prepetition Liens, the DIP Liens, or the Prepetition Replacement Liens.

15 **K. Findings Regarding the Postpetition Financing.**

16 (i) **Consensual Priming of the Prepetition Liens.** The priming of the
17 Prepetition Liens of the Prepetition Secured Creditors on the Prepetition Collateral, and the VMF
18 Liens on the VMF Collateral under section 364(d) of the Bankruptcy Code, as contemplated by
19 the DIP Financing Agreements, as authorized by the Interim Order and this Final Order, and as
20 further described below, is consented to by the Prepetition Secured Creditors and McKesson, and
21 will enable the Debtors to continue borrowing under the DIP Facility and to continue operating
22 their businesses for the benefit of their estates and creditors. The Prepetition Secured Creditors
23 and McKesson are each entitled to receive adequate protection as set forth in this Final Order
24 pursuant to sections 361, 363, and 364 of the Bankruptcy Code, for any Diminution in Value (as
25 defined herein) of each of their respective interests in the Prepetition Collateral (including Cash
26 Collateral) or VMF Collateral.

27 (ii) **Good Cause; Need for Postpetition Financing.** Good cause has been
28 shown for the entry of this Final Order. An immediate and continuing need exists for the Debtors

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1 to obtain funds from the DIP Loan in order to continue operations, continue to serve the Debtors
2 mission to provide vital, lifesaving patient care for vulnerable populations and to administer and
3 preserve the value of their estates. The ability of the Debtors to finance their operations, to
4 preserve and maintain the value of the Debtors' assets and to maximize a return for all creditors
5 requires the availability of working capital from the DIP Loan, the absence of which would
6 immediately and irreparably harm the Debtors, their estates and their creditors and the possibility
7 for a successful reorganization or sale of the Debtors' assets as a going concern or otherwise. The
8 proposed DIP Loan is in the best interests of the Debtors, their estates, and their creditors.

9 (iii) **No Credit Available on More Favorable Terms.** The Debtors have been
10 unable to obtain (a) unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as
11 an administrative expense, (b) credit for money borrowed secured solely by a lien on property of
12 the estate that it not otherwise subject to a lien, (c) credit for money borrowed secured by a junior
13 lien on property of the estate which is subject to a lien, (d) or credit otherwise on more favorable
14 terms and conditions than those provided in the DIP Credit Agreement and this Final Order. The
15 Debtors are unable to obtain credit for borrowed money without granting to the DIP Agent and
16 DIP Lender the DIP Protections (as defined below).

17 L. **Use of Proceeds of the DIP Facility.** Proceeds of the DIP Facility (net of any
18 amounts used to pay fees, costs and expenses under the DIP Financing Agreements) are to be
19 utilized by the Debtors until the DIP Facility Termination Date in accordance with the DIP
20 Budget and in a manner consistent with the terms and conditions of the DIP Credit Agreement,
21 and this Final Order.

22 M. **Application of Sale Proceeds of DIP Collateral.** As provided by the Interim
23 Order, this Final Order and the DIP Credit Agreement, the DIP Liens shall attach as first priority
24 liens and security interests, pursuant to section 364(d) of the Bankruptcy Code and the DIP
25 Financing Agreements, to all proceeds of any sale or other disposition of the Debtors' property,
26 including, without limitation, the Healthcare Facilities (as defined in the DIP Credit Agreement)
27 and any other DIP Collateral (as defined below) (the "***Sale Proceeds***"). The Sale Proceeds shall be
28 held in escrow in one or more deposit accounts subject to a deposit account control agreement in

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1 favor of the DIP Agent (the “*Escrow Deposit Account*”). Any funds held in the Escrow Deposit
2 Account shall not be commingled with any other funds of the selling Debtor, the Sale Proceeds of
3 any other Debtor or otherwise. The DIP Agent is granted a first priority lien on the Escrow
4 Deposit Account and all Sale Proceeds, including any deposit provided by any buyer in
5 connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account
6 shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final
7 Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the
8 DIP Agent and the DIP Lender shall apply any and all amounts remaining on deposit in the
9 Escrow Deposit Account to the outstanding principal amount of the DIP Loan, together with
10 accrued and unpaid DIP Obligations, with any remaining balance to be delivered to the Debtors
11 subject to any Prepetition Liens, VMF Liens, Prepetition Replacement Liens and VMF
12 Replacement Liens; provided, however, that upon any Debtor’s request and with the consent of
13 the DIP Agent and DIP Lender (which consent may, for the avoidance of doubt, be withheld in its
14 sole discretion), any Sale Proceeds and deposits provided in connection with any asset sale may
15 be disbursed to the Prepetition Secured Creditors or McKesson on terms and conditions that are
16 acceptable to the DIP Agent and DIP Lender in its sole discretion and upon further order of this
17 Court.

18 N. **Adequate Protection for Prepetition Secured Creditors and McKesson.** The
19 priming of the Prepetition Secured Creditors’ Prepetition Liens and the VMF Liens to the extent
20 set forth in the Interim Order and this Final Order, pursuant to section 364(d) of the Bankruptcy
21 Code is necessary to obtain the DIP Financing. In exchange for the priming of the Prepetition
22 Liens and the VMF Liens set forth below, the Prepetition Secured Creditors and McKesson shall
23 be entitled to receive adequate protection, as set forth in this Final Order, pursuant to sections
24 361, 363 and 364 of the Bankruptcy Code, for any diminution in the value of their respective
25 interests in the Prepetition Collateral or VMF Collateral resulting from, among other things, the
26 subordination to the Carve Out (as defined herein) and to the DIP Liens (as defined herein), the
27 Debtors’ use, sale or lease of such Prepetition Collateral or VMF Collateral, including Cash
28 Collateral, and the imposition of the automatic stay from and after the Petition Date (collectively,

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1 and solely to the extent of such diminution in value, the “*Diminution in Value*”). As to the VMF
2 Collateral, any adequate protection, as set forth in this Final Order, pursuant to sections 361, 363
3 and 364 of the Bankruptcy Code, for any Diminution in Value of Prepetition Secured Creditors’
4 interests in the Prepetition Collateral are subordinated to any similar adequate protection provided
5 to McKesson. VMF shall also pay McKesson (A) \$3,055,000.00 in satisfaction of the balance of
6 McKesson’s Prepetition Secured Debt on the following schedule: (1) October 5, 2018 -
7 \$1,700,000.00; (2) October 26, 2018 - \$700,000.00; and (3) November 2, 2018 - \$655,000.00
8 (plus McKesson’s attorneys’ fees and costs incurred through October 31, 2018) (the “*McKesson*
9 *Secured Payments*”). The McKesson Secured Payments will be included within the DIP Budget
10 line item for Debtors’ critical vendor program. Payment of McKesson’s attorneys’ fees will be
11 included in the DIP Budget line item for Prepetition Secured Creditor Adequate Protection
12 Payments. The Prepetition Secured Creditors have negotiated in good faith regarding the
13 Debtors’ use of the Prepetition Collateral to help fund the administration of the Debtors’ estates
14 along with the proceeds of the DIP Financing. Based on the DIP Motion and the record presented
15 to the Court at the Interim Hearing and the Final Hearing, the terms of the proposed adequate
16 protection arrangements are fair and reasonable, reflect the Debtors’ prudent exercise of business
17 judgment and constitute reasonably equivalent value and fair consideration for the consent of the
18 Prepetition Secured Creditors and McKesson; provided, however, that nothing herein shall limit
19 the rights of any of the Prepetition Secured Creditors or McKesson to hereafter seek new,
20 additional, or different adequate protection; provided further, that nothing herein shall limit the
21 rights of all parties in interest to assert or challenge any determination or assertion with respect to
22 the existence or quantification of any Diminution of Value.

23 O. **Extension of Financing.** The DIP Agent and DIP Lender have indicated a
24 willingness to provide financing to the Debtors in accordance with the DIP Credit Agreement.

25 P. **Business Judgment and Good Faith Pursuant to Section 364(e).**

26 (i) . The terms and conditions of the DIP Facility and the DIP Financing
27 Agreements, and the fees paid and to be paid thereunder are fair, reasonable, and the best
28 available under the circumstances, reflect the Debtors' exercise of prudent business judgment

1 consistent with their fiduciary duties, and are supported by reasonably equivalent value and
2 consideration;

3 (ii) The DIP Financing Agreements were negotiated in good faith and at arms'
4 length between the Debtors, the DIP Agent and the DIP Lender;

5 (iii) The proceeds to be extended under the DIP Facility will be so extended in
6 good faith, and for valid business purposes and uses; and

7 (iv) Each of the DIP Agent and DIP Lender has acted to date and is acting in
8 good faith with respect to the DIP Facility and the terms and conditions of the DIP Credit
9 Agreement and the other DIP Financing Agreements. The DIP Agent's and DIP Lender's claims,
10 superpriority claims, security interests and liens and other protections granted pursuant to the
11 Interim Order, this Final Order and the DIP Financing Agreements will not be affected or avoided
12 by any subsequent reversal or modification of this Final Order, as provided in section 364(e) of
13 the Bankruptcy Code.

14 Q. **Relief Essential; Best Interest; Good Cause.** The relief requested in the DIP
15 Motion (and as provided in this Final Order) is necessary, essential, and appropriate for the
16 preservation of the Debtors' assets, business and property. It is in the best interest of the Debtors'
17 estates to be allowed to establish the DIP Facility contemplated by the DIP Credit Agreement.
18 Good cause has been shown for the relief requested in the DIP Motion (and as provided in this
19 Final Order).

20 R. **Consent to Use of Cash Collateral.** Each of the Prepetition Secured Creditors
21 and McKesson have consented to the use of their respective interests in Cash Collateral, subject to
22 the terms and conditions set forth in this Order.

23 **NOW, THEREFORE,** on the DIP Motion and the record before this Court with
24 respect to the DIP Motion, including the record created during the Interim Hearing and the Final
25 Hearing, and with the consent of the Debtors, the Prepetition Secured Creditors and the DIP
26 Agent and DIP Lender to the form and entry of this Final Order, and good and sufficient cause
27 appearing therefor,

28 **IT IS HEREBY ORDERED, ADJUDGED AND DECREED:**

1 1. **Motion Granted.** The DIP Motion is granted on a final basis in accordance with
2 the terms and conditions set forth in this Final Order and the DIP Credit Agreement. Any
3 objections to the DIP Motion with respect to entry of this Final Order to the extent not withdrawn,
4 waived or otherwise resolved, and all reservations of rights included therein, are hereby denied
5 and overruled.

6 2. **DIP Financing Agreements.**

7 (a) **Approval of Entry into DIP Financing Agreements.** The Debtors are
8 authorized, empowered and directed to execute and deliver the DIP Financing Agreements and to
9 incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this
10 Final Order and the DIP Financing Agreements, and to execute and deliver all instruments and
11 documents which may be required or necessary for the performance by the Debtors under the DIP
12 Financing Agreements and the creation and perfection of the DIP Liens described in and provided
13 for by this Final Order and the DIP Financing Agreements. The Debtors are hereby authorized
14 and directed to do and perform all acts, pay the principal, interest, fees, expenses, indemnities and
15 other amounts described in the DIP Financing Agreements as such amounts become due and
16 payable without need to obtain further Court approval, including closing fees, unused line fees,
17 administrative agent's fees, collateral agent's fees, and the reasonable fees and disbursements of
18 the DIP Agent's and the DIP Lenders' respective attorneys, advisors, accountants, and other
19 consultants, whether or not such fees arose before or after the Petition Date, and whether or not
20 the transactions contemplated hereby are consummated, to implement all applicable reserves and
21 to take any other actions that may be necessary or appropriate, all to the extent provided in this
22 Final Order or the DIP Financing Agreements. All collections and proceeds, whether from
23 ordinary course collections, asset sales, debt or equity issuances, insurance recoveries,
24 condemnations or otherwise, will be deposited and applied as required by this Final Order and the
25 DIP Financing Agreements. The DIP Financing Agreements represent valid and binding
26 obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance
27 with their terms, including, without limitation, commitment fees and reasonable attorneys' fees
28 and disbursements as provided for in the DIP Credit Agreement, which amounts shall not

1 otherwise be subject to approval of this Court,. The Debtors shall pay the deferred balance of the
2 commitment fee required by section 2.9(a) of the DIP Credit Agreement upon entry of this Final
3 Order.

4 (b) **Authorization to Borrow and/or Guarantee.** To enable them to continue
5 to preserve the value of their estates and dispose of their assets in an orderly fashion, during the
6 period prior to termination of the DIP Credit Agreement and subject to the terms and conditions
7 of this Final Order, upon the execution of the DIP Credit Agreement and the other DIP Financing
8 Agreements the Debtors are hereby authorized to borrow the DIP Loan up to a total committed
9 amount of \$185,000,000 under the DIP Financing Agreements.

10 (c) **Conditions Precedent.** Neither the DIP Agent nor the DIP Lender have
11 any obligation to make the DIP Loan or any loan or advance under the DIP Credit Agreement
12 unless the conditions precedent to making such loan under the DIP Credit Agreement have been
13 satisfied in full or waived by the DIP Agent and DIP Lender in their sole discretion.

14 (d) **DIP Collateral; DIP Liens.** Effective immediately upon the entry of this Final
15 Order, on account of the DIP Loan, the DIP Agent shall be and is hereby granted first-priority
16 security interests and liens (which shall immediately be valid, binding, permanent, continuing,
17 enforceable, perfected and non-avoidable) on all of the Debtors' property, including, without
18 limitation, the Sale Proceeds and the Escrow Deposit Account, whether arising before or after the
19 Petition Date (collectively, the "**DIP Collateral**," and all such liens and security interests granted
20 on or in the DIP Collateral pursuant to this Final Order and the DIP Financing Agreements, the
21 "**DIP Liens**"), but shall exclude the Program Funds, and proceeds of the Clean Fund Bonds and
22 NR2 Petros Bonds held by WTNA, donor restricted funds held at Philanthropic Foundations,
23 Avoidance Actions (defined below) and any proceeds thereof and any funds held by the
24 Prepetition Secured Creditors (set forth on **Exhibit 1** to the Chou Decl.), provided, however, for
25 the avoidance of doubt, any amounts held in accounts owned by the Debtors, whether or not such
26 accounts are subject to control agreements in favor of the Prepetition Secured Creditors, shall
27 constitute DIP Collateral. The DIP Collateral shall not be subject to any surcharge under section
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1 506(c) or any other provision of the Bankruptcy Code or other applicable law, nor by order of this
2 Court.

3 (e) **DIP Lien Priority.** Subject only to the Carve Out (as defined below) and
4 the prepetition tax lien arising in connection with the CSCDA Special Assessments, the DIP Liens
5 shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be perfected, continuing,
6 enforceable, non-avoidable first priority senior priming liens and security interests on the DIP
7 Collateral, and shall prime all other liens and security interests on the DIP Collateral, including
8 any liens and security interests in existence on the Petition Date against the Prepetition Collateral
9 and VMF Collateral, and any other current or future liens granted on the DIP Collateral, including
10 any adequate protection or replacement liens granted on the DIP Collateral (collectively, the
11 “**Primed Liens**”) (other than the Debtors’ claims and causes of action under sections 502(d), 544,
12 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and any other avoidance or similar
13 actions under the Bankruptcy Code or similar state law (the “**Avoidance Actions**”), whether
14 received by judgment, settlement or otherwise. Without limiting the foregoing, the DIP Liens
15 shall not be made subject to, subordinate to, or *pari passu* with any lien or security interest by any
16 court order heretofore or hereafter granted in the Chapter 11 Cases. The DIP Liens shall be valid
17 and enforceable against any trustee appointed in the Chapter 11 Cases, upon the conversion of any
18 of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code or in any other
19 proceedings related to any of the foregoing (any “**Successor Cases**”), and/or upon the dismissal of
20 any of the Chapter 11 Cases or Successor Cases. Other than the Carve Out, no costs, expenses,
21 claims, or liabilities that have been or may be incurred by Debtors during these Chapter 11 Case,
22 or in any Successor Cases, will be senior to, prior to, or on parity with the DIP Liens.

23 (f) **Enforceable Obligations.** The DIP Financing Agreements shall constitute
24 and evidence the valid and binding obligations of the Debtors, which obligations shall be
25 enforceable against the Debtors, their estates and any successors thereto and their creditors or
26 representatives thereof, in accordance with their terms.

27 (g) **Protection of DIP Agent, DIP Lender and Other Rights.** From and after
28 the Petition Date, the Debtors shall use the proceeds of the extensions of credit under the DIP

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1 Facility only for the purposes specifically set forth in the DIP Credit Agreement and this Final
2 Order and in strict compliance with the DIP Budget (subject to any variances thereto permitted by
3 the DIP Credit Agreement).

4 (h) **Additional Protections of DIP Agent and DIP Lender: Superpriority**
5 **Administrative Claim Status.** Subject to the Carve Out (as defined below), all DIP Obligations
6 shall constitute an allowed superpriority administrative expense claim (the “*DIP Superpriority*
7 *Claim*” and, together with the DIP Liens, the “*DIP Protections*”) with priority in all of the
8 Chapter 11 Cases and Successor Cases over all other administrative expense claims under
9 sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all
10 administrative expense claims and unsecured claims against the Debtors or their estates, now
11 existing or hereafter arising, of any kind or nature whatsoever, including, without limitation,
12 administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328,
13 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 and any
14 other provision of the Bankruptcy Code except as otherwise set forth herein, whether or not such
15 expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or
16 attachment. The DIP Superpriority Claim shall be payable from and have recourse to all
17 prepetition and post-petition property of the Debtors and all proceeds thereof. Without limiting
18 the foregoing, the DIP Superpriority Claim shall not be made subject to, subordinate to, or *pari*
19 *passu* with any other administrative claim in the Chapter 11 Cases or Successor Cases, except for
20 the Carve Out (as defined below). Other than the Carve Out, no costs, expenses, claims, or
21 liabilities that have been or may be incurred by Debtors during these Chapter 11 Cases, or in any
22 Successor Cases, will be senior to, prior to, or on parity with the DIP Superpriority Claim.

23 3. **Authorization to Use Proceeds of DIP Facility.** Pursuant to the terms and
24 conditions of this Final Order, the DIP Credit Agreement and the other DIP Financing
25 Agreements, and in accordance with the DIP Budget and the variances thereto set forth in the DIP
26 Credit Agreement, the Debtors are authorized to use the advances under the DIP Credit
27 Agreement during the period commencing immediately after the entry of this Final Order and
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1 terminating upon the termination of the DIP Credit Agreement in accordance with its terms and
2 subject to the provisions hereof.

3 4. **Application of Sale Proceeds of DIP and Prepetition Secured Creditor**
4 **Collateral.** The DIP Liens shall attach as first priority liens and security interests, pursuant to
5 section 364(d) of the Bankruptcy Code, the Interim Order, this Final Order and the DIP Financing
6 Agreements, to the Sale Proceeds. The Sale Proceeds shall be allocated by Debtors and held in
7 escrow in the Escrow Deposit Accounts. Funds held in any Escrow Deposit Account shall not be
8 commingled with any other funds of the applicable Debtor or any of the other Debtors and,
9 without limitation of the rights of the DIP Agent and DIP Lender under the DIP Financing
10 Agreements and this Final Order with respect to the Sale Proceeds and Escrow Deposit Account,
11 including, without limitation, following the occurrence of an Event of Default or the Revolving
12 Loan Termination Date (as defined in the DIP Credit Agreement), the Debtors shall not be
13 permitted to use Cash Collateral of any of the Prepetition Secured Creditors held in any Escrow
14 Deposit Account for any purpose without first obtaining the consent of the applicable Prepetition
15 Secured Creditor or obtaining an order of the Court pursuant to Section 363 of the Bankruptcy
16 Code after notice and a hearing. The DIP Agent is granted a first priority lien on the Escrow
17 Deposit Accounts and all Sale Proceeds, including any deposit provided by any buyer in
18 connection with any asset sale, and such proceeds, deposits, and the Escrow Deposit Account
19 shall constitute Collateral under the DIP Credit Agreement and DIP Collateral under this Final
20 Order. On the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the
21 DIP Agent may apply amounts held in Escrow Deposit Accounts to the outstanding DIP
22 Obligations due under the DIP Credit Agreement. Without limiting the foregoing, and subject
23 and subordinate in all respects to the first priority priming DIP Lien and Prepetition Replacement
24 Liens to the extent set forth in this Final Order, the Prepetition Secured Creditors' Prepetition
25 Liens shall be deemed to attach to the Escrow Deposit Accounts and the Sale Proceeds with the
26 same relative priority, validity, force, extent and effect as the Prepetition Liens attached to the
27 Prepetition Collateral giving rise to such Sale Proceeds. Each of the Prepetition Secured Creditors
28 shall have the right to seek a declaration of their respective rights in and to any of the Sale

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1 Proceeds and funds held in a Deposit Escrow Account, consistent with and subject to the terms
2 and conditions of this Final Order and the DIP Financing Agreements, and the Court shall
3 determine all such disputes in accordance with this Final Order, the DIP Financing Agreements,
4 the Prepetition Secured Documents, and applicable law.

5 **5. Adequate Protection for Prepetition Secured Creditors.** As adequate protection
6 for the interests of the Prepetition Secured Creditors in the Prepetition Collateral and McKesson
7 in the VMF Collateral, on account of the granting of the DIP Liens, subordination to the Carve
8 Out (as defined below), any Diminution in Value arising out of the Debtors' use, sale, or
9 disposition or other depreciation of the Prepetition Collateral, including Cash Collateral or the
10 VMF Collateral, resulting from the automatic stay, the Prepetition Secured Creditors and
11 McKesson shall receive adequate protection as follows:

12 **(a) Adequate Protection Replacement Liens.** To the extent of the
13 Diminution in Value of the interest of the respective Prepetition Secured Creditors in Prepetition
14 Collateral that secures their respective claims, each of the affected Prepetition Secured Creditors
15 shall be granted, subject to the terms and conditions set forth below, pursuant to sections 361,
16 363(e), and 364(d) of the Bankruptcy Code additional valid, perfected and enforceable
17 replacement security interests and Liens in the DIP Collateral, (the "***Prepetition Replacement***
18 ***Liens***"), which Prepetition Replacement Liens shall be junior only to (1) the Carve Out, (2) to the
19 DIP Liens, (3) the VMF Liens in VMF Collateral and (4) any perfected, unavoidable, prepetition
20 liens granted by Holdings pursuant to those certain deeds of trust issued in connection with the
21 MOB Financing and that certain Deed of Trust with Fixture Filing and Security Agreement and
22 Assignment of Leases and Rents by Holdings in favor of U.S. Bank as 2017 Note Trustee and
23 Deed of Trust Beneficiary, dated as of September 15, 2017, as further amended or modified (the
24 "***Moss Deed of Trust***") to secure the Series 2017 Working Capital Notes; *provided, however*, that
25 any Prepetition Replacement Liens granted to the 2015 Note Trustee and/or 2017 Note Trustee on
26 account of the Diminution in Value of the Priority Assets as defined in the Intercreditor
27 Agreement shall be senior to the Prepetition Replacement Liens granted to any other Prepetition
28 Secured Creditors. *further provided that notwithstanding the foregoing, the Intercreditor*

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1 Agreement shall continue to govern the relative priorities, rights and remedies of the Prepetition
2 Secured Creditors unless otherwise ordered by the Court, and junior to (i) the Carve Out, (ii) the
3 DIP Liens securing the DIP Obligations, and (iii) perfected, unavoidable, prepetition liens granted
4 by Holdings pursuant to those certain deeds of trust issued in connection with the MOB Financing
5 and the Moss Deed of Trust, and *further provided* that any Prepetition Replacement Liens granted
6 to the holders of deeds of trust issued in connection with the MOB Financing and the Moss Deed
7 of Trust, on account of the Diminution in Value of such Prepetition Collateral shall be senior to
8 the Prepetition Replacement Liens granted to any other Prepetition Secured Creditors and junior
9 to (x) the Carve Out, (y) the DIP Liens securing the DIP Obligations, and (z) perfected,
10 unavoidable, prepetition liens of the Master Trustee, the 2015 Note Trustee and/or the 2017 Note
11 Trustee on property other than the property subject to the Moss Deed of Trust further provided
12 that notwithstanding the foregoing, the Intercreditor Agreement shall continue to govern the
13 relative priorities, rights and remedies of the Prepetition Secured Creditors unless otherwise
14 ordered by the Court. With respect to the Prepetition Collateral that is subject to the Intercreditor
15 Agreement, any proceeds of such Prepetition Collateral or Prepetition Replacement Liens related
16 thereto shall be allocated among the Prepetition Secured Creditors in accordance with the terms of
17 the Second Amended and Restated Intercreditor Agreement. Unless otherwise ordered by the
18 Court, the Intercreditor Agreement shall not be deemed to be amended, altered or modified by the
19 terms of this Final Order or the DIP Financing Agreements. With respect to the VMF Collateral,
20 McKesson shall be entitled to a replacement lien on the postpetition assets of VMF, excluding
21 Avoidance Actions (“*VMF Replacement Lien*”), to the extent of (1) any Diminution in Value in
22 such VMF Collateral, and (2) any McKesson Post-Petition Trade Credit, which amounts shall be
23 senior to the Prepetition Replacement Liens, but junior to the (m) Carve Out, and (n) the DIP
24 Liens.

25 (b) **Adequate Protection Payments and Protections.** So long as there is no
26 Default or Event of Default under the Interim Order, this Final Order, or the DIP Financing
27 Agreements, the Debtors are also authorized and directed to provide (I) to the Prepetition Secured
28 Creditors monthly adequate protection payments equal to (A) the amount of postpetition,

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1 non-default contractual interest on the outstanding balances of the Prepetition Secured
2 Obligations, provided that reference to the non-default contractual rate of interest shall not include
3 any Penalty Rate, Default Rate or the Tax Rate as defined in the Prepetition Secured Documents,
4 plus (B) monthly payment of reasonable trustee fees for each of (1) Wells Fargo, (2) UMB Bank
5 as Master Trustee, (3) U.S. Bank as 2015 Note Trustee, and (4) U.S. Bank as 2017 Note Trustee,
6 respectively, and (C) reimbursement of reasonable attorney’s fees for one set of attorneys for (1)
7 Wells Fargo as the successor indenture trustee for the 2005 Bonds, (2) UMB Bank as Master
8 Trustee, (3) U.S. Bank as 2015 Note Trustee, (4) U.S. Bank as 2017 Note Trustee, and (5) MOB
9 Financing and reimbursement of reasonable financial advisor fees for one set of financial advisors
10 for (1) Wells Fargo as the successor indenture trustee for the 2005 Bonds and UMB Bank as
11 Master Trustee, (2) U.S. Bank as 2015 Note Trustee and 2017 Note Trustee and (3) MOB
12 Financing; and (II) payments by the Debtors to McKesson consistent with certain terms of the
13 interim and final orders authorizing the Critical Vendor Program (as defined in the Debtors First
14 Day Motions) in an amount of \$3,055,000.00 (collectively I and II are the “*Prepetition Adequate*
15 *Protection Payments*”). Notwithstanding the foregoing, to the extent the Court enters a final and
16 non-appealable order that determines, pursuant to sections 506(a) or (b) of the Bankruptcy Code,
17 that the Prepetition Adequate Protection Payments under (I) and (II) above are not properly
18 entitled to payment of interest and fees on one or more of the respective Prepetition Secured
19 Obligations to which they were made, the Prepetition Adequate Protection Payments may be
20 re-characterized as payment(s) applied to the principal amount of the respective Prepetition
21 Secured Obligations.

22 (c) **McKesson Secured Payments.** As set forth herein, so long as no
23 Revolving Loan Termination Event has occurred under the DIP Credit Agreement, the Debtors
24 are hereby authorized and directed to make all McKesson Secured Payments on or before their
25 respective due dates and are authorized to make payments on McKesson’s Post-Petition Trade
26 Credit, on the terms agreed to between McKesson and the Debtors provided herein.

27 (d) **Prepetition Superpriority Claim.** To the extent of the Diminution in
28 Value of the interest of the respective Prepetition Secured Creditors in Prepetition Collateral, each

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1 of the affected Prepetition Secured Creditors shall be granted, subject to the terms and conditions
2 set forth below, an allowed superpriority administrative expense claim (the “*Prepetition*
3 *Superpriority Claims*”), which shall have priority (except with respect to (i) the DIP Liens, (ii)
4 the DIP Superpriority Claim, (iii) the Carve Out, and (iv) any claims granted by Holdings
5 pursuant to those certain deeds of trust issued in connection with the MOB Financing and the
6 Moss Deed of Trust) in the Chapter 11 Cases under sections 363(c)(1), 503(b) and 507(b) of the
7 Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims
8 against the Debtors and their estates, now existing or hereafter arising of any kind or nature
9 whatsoever including, without limitation, administrative expenses of the kind specified or ordered
10 pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d) 552,
11 726, 1113 and 1114 of the Bankruptcy Code, and upon entry of this Final Order, section 506(c) of
12 the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment
13 Lien or other non-consensual Lien, levy or attachment; *provided, however*, that any Prepetition
14 Superpriority Claim granted to the 2015 Note Trustee and/or 2017 Note Trustee on account of the
15 Diminution in Value of the Priority Assets as defined in the Intercreditor Agreement shall have
16 priority over the Prepetition Superpriority Claims granted to any other Prepetition Secured
17 Creditors (except with respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the
18 Carve Out, and (iv) claims associated with the MOB Financing and the Moss Deed of Trust) and
19 *further provided* that any Prepetition Superpriority Claim granted to the holders of those certain
20 deeds of trust issued in connection with the MOB Financing and the Moss Deed of Trust, on
21 account of the Diminution in Value of such Prepetition Collateral shall be senior to the
22 Prepetition Superpriority Claims granted to any other Prepetition Secured Creditors (except with
23 respect to (i) the DIP Liens, (ii) the DIP Superpriority Claim, (iii) the Carve Out, and (iv) the
24 claims of the Master Trustee, the 2015 Note Trustee and/or the 2017 Note Trustee on property
25 other than the property subject to the Moss Deed of Trust). With respect to the Prepetition
26 Collateral that is subject to the Second Amended and Restated Intercreditor Agreement, any
27 proceeds of such Prepetition Collateral or Prepetition Superpriority Claim related thereto shall be
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1 allocated among the Prepetition Secured Creditors in accordance with the terms of the Second
2 Amended and Restated Intercreditor Agreement.

3 (e) **Validity, Perfection and Amount of Prepetition Liens.** The Debtors
4 further acknowledge and agree that, as of the Petition Date, (a) the Prepetition Liens securing the
5 Prepetition Secured Obligations on the Prepetition Collateral and the VMF Liens on the VMF
6 Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were
7 granted to, or for the benefit of, the Prepetition Secured Creditors and McKesson, (b) the
8 Prepetition Liens were senior in priority over any and all other Liens on the Prepetition Collateral
9 except the prepetition tax lien arising in connection with the CSCDA Special Assessments, and
10 (c) the VMF Liens were senior in priority over any and all other Liens on VMF Collateral. The
11 findings and stipulations set forth in this Final Order with respect to the validity, enforceability
12 and amount of the Prepetition Secured Obligation and the Prepetition Liens shall be binding on
13 any subsequent trustee, responsible person, examiner with expanded powers, any other estate
14 representative, and all creditors and parties in interest and all of their successors in interest and
15 assigns, including the Committee, unless, and solely to the extent that, a party in interest with
16 requisite standing and authority (other than the Debtors, as to which any Challenge (as defined
17 below) is irrevocably waived and relinquished) has timely filed the appropriate pleadings, and
18 timely commenced the appropriate proceeding required under the Bankruptcy Code and
19 Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each
20 case subject to the limitations set forth in this paragraph 4(d)) challenging the Prepetition Liens
21 (each such proceeding or appropriate pleading commencing a proceeding or other contested
22 matter, a “**Challenge**”) within ninety (90) days from the formation of the Committee (the
23 “**Challenge Deadline**”); *provided* that for purposes of filing a Challenge, the Committee shall be
24 deemed to have standing to file the requisite pleading without further a order of the Court; and
25 *provided further*, that the “Challenge Deadline” for matters solely relating to the value of the
26 Prepetition Collateral may be further extended to such time as may be agreed by stipulation
27 among the Debtors, the Committee and the Prepetition Secured Creditors or as further ordered by
28 the Court. The foregoing limitation on use of Prepetition Collateral or its proceeds shall only be

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1 amended upon further order of this Court and the consent of both the Prepetition Secured
2 Creditors, the DIP Agent and the DIP Lender. The Debtors shall not use the Prepetition
3 Collateral, VMF Collateral or their proceeds to investigate or prosecute claims against the
4 Prepetition Secured Creditors or McKesson, including Avoidance Actions, *provided however* that
5 the Committee may investigate the existence of such claims and have allowed fees paid from the
6 Prepetition Collateral or VMF Collateral and the proceeds of the DIP Facility up to the amount of
7 \$250,000, *provided further however* that no Prepetition Collateral or VMF Collateral, the
8 proceeds thereof or the proceeds of the DIP Facility may be used to prosecute claims against
9 Prepetition Secured Creditors or McKesson. For the avoidance of doubt, the Debtors, on behalf
10 of their estates, do not release or indemnify the Prepetition Secured Creditors or McKesson from
11 any Challenge raised by third parties, including the Committee, to the validity, amount or
12 enforceability of the Prepetition Secured Obligations and the Prepetition Liens or the VMF Liens.

13 (f) **Sections 506(c) and 552(b).** In light of the Prepetition Secured Creditors'
14 and McKesson's' agreements that their Prepetition Liens and VMF Liens, respectively, shall be
15 subject to the Carve Out and subordinate to the DIP Liens, the Prepetition Secured Creditors and
16 McKesson are each entitled to a waiver of any "equities of the case" exception under section
17 552(b) of the Bankruptcy Code, and a waiver of the provisions of section 506(c) of the
18 Bankruptcy Code.

19 (g) Nothing contained in this Final Order shall prevent the Prepetition Secured
20 Creditors from application or use of the funds held thereby that are not DIP Collateral in
21 accordance with the Prepetition Secured Documents. Each of the Prepetition Secured Creditors
22 reserves the right to seek additional or further adequate protection from the Court. The Debtors
23 and the Committee each reserves the right to object to any such request for additional or further
24 adequate protection.

25 6. **Budget Maintenance.** The proceeds of the DIP Loan under the DIP Facility and the
26 use of Cash Collateral shall be subject to, and in accordance with, the terms and conditions of the
27 DIP Financing Agreements and the DIP Budget. The DIP Budget shall be delivered to the DIP
28 Agent with such supporting documentation as reasonably requested by the DIP Agent. The DIP

1 Budget shall be prepared in good faith based upon assumptions that the Debtors believe to be
2 reasonable. A copy of any DIP Budget shall be delivered to counsel for the Committee and the
3 U.S. Trustee and counsel for the Prepetition Secured Creditors after it has been approved in
4 accordance with the DIP Financing Agreements. The Debtors shall provide at least two (2)
5 business days' notice to counsel for the Committee and the Prepetition Secured Creditors prior to
6 the effective date of any change in the DIP Budget.

7 **7. Budget Compliance and Reporting.** The proceeds of the DIP Facility and the use
8 of Cash Collateral shall be subject to, and used in accordance with, the terms and conditions of
9 the DIP Financing Agreement and the DIP Budget (subject to the variances set forth therein).
10 Debtors acknowledge and confirm that the DIP Budget includes the payment of CSCDA Special
11 Assessments. The Debtors shall provide all reports and other information as required in the DIP
12 Credit Agreement (subject to the grace periods provided therein), with copies delivered
13 substantially contemporaneously to counsel for the Prepetition Secured Creditors and counsel to
14 the Committee, such information to include reasonably complete details on the payments
15 contemplated by the Critical Vendors Motion and the Utilities Motion, as defined in the Adcock
16 Declaration, and such information to be timely provided, sufficient for the Prepetition Secured
17 Creditors to file an objection with this Court on two business days' notice. The Debtors' failure
18 to comply with the DIP Budget (including the variances set forth in the DIP Credit Agreement) or
19 to provide the reports and other information required in the DIP Credit Agreement shall constitute
20 an Event of Default (as defined herein), following the expiration of any applicable grace period
21 set forth in the DIP Credit Agreement. Subject to the execution and continuation of valid and
22 binding confidentiality agreements, the Debtors shall provide to the DIP Agent, the DIP Lender,
23 the Prepetition Secured Creditors and the Committee information concerning (i) the Debtors'
24 efforts to obtain debtor in possession financing proposals, including any proposals the Debtors
25 received, and (ii) the Debtors' ongoing efforts to market their assets, including all marketing
26 materials used by the Debtors in this process, information identifying the parties the Debtors have
27 contacted, copies of any proposals or expressions of interest, and other information concerning
28 these matters as the DIP Agent or the Prepetition Secured Creditors may reasonably request.

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1 8. **Postpetition Lien Perfection.** This Final Order shall be sufficient and conclusive
2 evidence of the validity, perfection, and priority of the DIP Liens, the Prepetition Replacement
3 Liens and the VMF Replacement Lien, and all rights granted in and to the Escrow Deposit
4 Accounts and the Sale Proceeds, without the necessity of filing or recording any financing
5 statement, deeds of trust, mortgages, or other instruments or documents which may otherwise be
6 required under the law of any jurisdiction or the taking of any other action (including, for the
7 avoidance of doubt, entering into any deposit account control agreement or obtaining possession
8 of any possessory collateral) to validate or perfect the DIP Liens, Prepetition Replacement Liens
9 or VMF Replacement Lien, or to entitle the DIP Liens, Prepetition Replacement Liens and VMF
10 Replacement Lien the respective priorities granted herein. Notwithstanding and without limiting
11 the foregoing, the DIP Agent may file such financing statements, mortgages, deeds of trust,
12 notices of liens and other similar documents as it deems appropriate, and it is hereby granted
13 relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all
14 such financing statements, mortgages, deeds of trust, notices and other documents shall be
15 deemed to have been filed or recorded at the time and on the date of the commencement of the
16 Chapter 11 Cases. Notwithstanding and without limiting the foregoing provisions regarding the
17 validity, perfection, and priority of the DIP Liens, the Debtors shall execute and deliver to the DIP
18 Agent and DIP Lender all such financing statements, mortgages, deeds of trust, deposit account
19 control agreements, notices and other documents as the DIP Agent and DIP Lender may
20 reasonably request to evidence, confirm, validate or perfect, or to insure the contemplated priority
21 of, the DIP Liens granted pursuant hereto and the DIP Financing Agreements. Any such
22 financing statements, mortgages, deeds of trust, deposit account control agreements, notices and
23 other documents shall be considered DIP Financing Agreements for all intents and purposes. The
24 DIP Agent, in its discretion, may file a certified copy of this Final Order as a financing statement
25 with any recording officer designated to file financing statements or with any registry of deeds or
26 similar office in any jurisdiction in which any Debtor has real or personal property, and in such
27 event, the recording officer shall be authorized to file or record such copy of this Final Order. To
28 the extent that any Prepetition Secured Creditor is the secured party under any security agreement,

1 mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements,
2 bailee letters, custom broker agreements, financing statement, account control agreements, or any
3 other Prepetition Secured Documents or is listed as loss payee or additional insured under any of
4 the Debtors' insurance policies, the DIP Agent shall also be deemed to be the secured party under
5 such documents or to be the loss payee or additional insured, as applicable.

6 **9. Application of Proceeds of Collateral.** As a condition to the continued extension
7 of credit under the DIP Facility and the continued authorization to use Cash Collateral, the
8 Debtors have agreed that as of and commencing on the Closing Date the Debtors shall apply all
9 advances under the DIP Facility, as follows: (i) *first*, to fund the day to day operations and
10 general corporate purposes of the Debtors' estates; (ii) *second*, to pay the administrative expenses
11 of the Chapter 11 Cases; and (iii) *third*, to make the Prepetition Adequate Protection Payments all
12 in accordance with the DIP Budget.

13 **10. Proceeds of Subsequent Financing.** If the Debtors, any trustee, any examiner with
14 expanded powers, or any responsible officer subsequently appointed in these Chapter 11 Cases or
15 any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections
16 364(b), 364(c), or 364(d) or in violation of the DIP Financing Agreements at any time prior to the
17 infeasible repayment in full of all DIP Obligations and Prepetition Secured Obligations (to the
18 extent such remain outstanding), and the termination of the DIP Agent's and the DIP Lenders'
19 obligation to extend credit under the DIP Facility, including subsequent to the confirmation of any
20 chapter 11 plan of reorganization with respect to any or all of the Debtors and the Debtors'
21 estates, and such facility is secured by any DIP Collateral, then all the cash proceeds derived from
22 such credit or debit shall immediately be turned over to the DIP Agent to be applied in accordance
23 with this Final Order and the DIP Financing Agreements.

24 **11. Cash Collection.**

25 (a) From and after the date of the entry of this Final Order, all collections and proceeds
26 of any DIP Collateral or Prepetition Collateral and all Cash Collateral that shall at any time come
27 into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall
28 become entitled at any time, shall be promptly deposited in accounts as specified in the DIP

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1 Credit Agreement (or in such other accounts as are designated by the DIP Agent from time to
2 time) (collectively, the “*Cash Collection Accounts*”), which accounts shall be subject to the sole
3 dominion and control of the DIP Agent. It is understood and agreed by the Debtors and the DIP
4 Agent that, unless a “Default” or an “Event of Default” under the DIP Credit Agreement has
5 occurred and is continuing, for so long as there are no amounts outstanding under the DIP
6 Facility, proceeds in the Cash Collection Accounts shall be returned to the Debtors and the
7 Debtors shall be authorized to use such Cash Collateral in accordance with this Final Order. All
8 proceeds and other amounts in the Cash Collection Accounts shall be remitted to the DIP Agent
9 for application in accordance with the DIP Financing Agreements. Unless otherwise agreed to in
10 writing by the DIP Agent and the Prepetition Secured Creditors or as set forth in this Final Order,
11 the Debtors shall maintain no accounts except those identified in the interim cash management
12 order entered by the Court with respect thereto (the “*Cash Management Order*”), whether now
13 existing or hereafter established. The Debtors and the financial institutions where the Debtors’
14 Cash Collection Accounts are maintained (including those accounts identified in the Cash
15 Management Order), are authorized and directed to remit, without offset or deduction, funds in
16 such Cash Collection Accounts upon receipt of any direction to that effect from the DIP Agent.
17 To the extent that a Prepetition Secured Creditor’s perfection in or control over bank accounts or
18 investment accounts, including any funds or investments therein, may be affected by reason of the
19 transfer of control to the DIP Agent or any agent of the DIP Lenders in accordance with this Final
20 Order, the perfection and control rights of such Prepetition Secured Creditor therein shall be
21 deemed to continue, subject to the senior, priming rights of the DIP Lender and the DIP Lien in
22 such bank accounts or investment accounts, for so long as the DIP Obligations remain
23 outstanding, and thereafter shall revert back to such Prepetition Secured Creditor.

24 (b) Notwithstanding anything in this Final Order or any of the DIP Financing
25 Agreements, from and after the date of the entry of this Final Order, all collections and proceeds
26 of any DIP Collateral or Prepetition Collateral that shall at any time come into the possession,
27 custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any
28 time, shall promptly be deposited into a depository account furnished by a depository bank

1 acceptable to the DIP Agent and such account shall be in the name of the DIP Agent and subject
2 to the sole dominion and control of the DIP Agent (such account, the “*DIP Collateral Account*”).
3 The Debtors’ use of the proceeds in the DIP Collateral Account shall be subject to this Final
4 Order and the DIP Financing Agreements.

5 12. **Maintenance of DIP Collateral.** Until the indefeasible payment in full of all DIP
6 Obligations, all Prepetition Secured Obligations, and the termination of the DIP Agent’s and the
7 DIP Lenders’ obligation to extend credit under the DIP Facility, the Debtors shall: (a) insure the
8 DIP Collateral as required under the DIP Facility or the Prepetition Secured Documents, as
9 applicable; and (b) maintain the cash management system in effect as of the Petition Date, as
10 modified by the Cash Management Order and this Final Order, and maintain books and records
11 sufficient to account for postpetition intercompany transfers in a manner required by the Cash
12 Management Order and the DIP Credit Agreement at section 5.6 or as otherwise agreed to by the
13 DIP Agent or otherwise required or permitted by the DIP Financing Agreements or this Final
14 Order.

15 13. **DIP and Other Expenses.** The Debtors are authorized and directed to pay all
16 reasonable and documented prepetition and postpetition fees and expenses of the (1) DIP Agent,
17 (including the fees, expenses, and disbursements of Waller, Lansden, Dortch & Davis, LLP, as
18 counsel to the DIP Agent), (2) the DIP Lenders in connection with the DIP Facility, as provided
19 herein and in the DIP Financing Agreements, or, if requested by the Debtors, incurred with a
20 proposed conversion of the DIP Facility into exit financing (including the preparation and
21 negotiation of the documentation relating to the exit facility), and (3) the Prepetition Secured
22 Creditors and McKesson, whether or not the transactions contemplated hereby are consummated,
23 including attorneys’ fees, monitoring and appraisal fees, financial advisory fees, fees and
24 expenses of other consultants, and indemnification and reimbursement of fees and expenses.
25 Payment of all such fees and expenses shall not be subject to allowance by the Court.
26 Professionals for the DIP Agent, the DIP Lenders and the Prepetition Secured Creditors and
27 McKesson shall not be required to comply with the U.S. Trustee fee guidelines; however, any
28 time that such professionals seek payment of fees and expenses from the Debtors, each

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1 professional shall provide summary copies of its invoices to the U.S. Trustee contemporaneously
2 with the delivery of such invoices to the Debtors. Any objections raised by the Debtors, the U.S.
3 Trustee or the Committee, with respect to such invoices must be in writing and state with
4 particularity the grounds therefor and must be submitted to the applicable professional within ten
5 (10) days of the receipt of such invoice; if after ten (10) days such objection remains unresolved,
6 it will be subject to resolution by the Court. Pending such resolution, the undisputed portion of
7 any such invoice will be paid promptly by the Debtors. Notwithstanding the foregoing, the
8 Debtors are authorized and directed to pay on the Closing Date all reasonable and documented
9 fees, costs, and out-of-pocket expenses of the DIP Agent, the DIP Lenders and the Prepetition
10 Secured Creditors incurred on or prior to such date without the need for any professional engaged
11 by such parties to first deliver a copy of its invoice or other supporting documentation. No
12 attorney or advisor to the DIP Agent, the DIP Lenders any Prepetition Secured Creditor or
13 McKesson shall be required to file an application seeking compensation for services or
14 reimbursement of expenses with the Court. Upon entry of this Final Order, any and all fees, costs,
15 and expenses paid prior to the Petition Date by any of the Debtors to the (i) DIP Agent or the DIP
16 Lenders in connection with or with respect to the DIP Facility, and (ii) Prepetition Secured
17 Creditors and McKesson in connection with or with respect to these matters, were approved in
18 full and shall not be subject to avoidance, disgorgement or any similar form of recovery by the
19 Debtors or any other person.

20 14. **Indemnification.** The Debtors shall indemnify and hold harmless the DIP Agent and
21 the DIP Lenders in accordance with the terms and conditions of the DIP Credit Agreement.

22 15. **Right to Credit Bid.** The DIP Lender shall have the right, but not the obligation, to
23 “credit bid” the DIP Obligations during any sale of the DIP Collateral, including without
24 limitation, sales occurring pursuant to section 363 of the Bankruptcy Code or included as part of
25 any reorganization plan subject to confirmation under section 1129(b)(2)(A)(iii) of the
26 Bankruptcy Code. Subject to the indefeasible payment in full of the DIP Obligations, the
27 Prepetition Secured Creditors shall have the right but not the obligation to credit bid the
28

1 Prepetition Secured Obligations during any sale of the Prepetition Collateral, including without
2 limitation, sales occurring pursuant to section 363 of the Bankruptcy Code.

3 16. **Carve Out.** The DIP Liens, DIP Superpriority Claim, and Prepetition Replacement
4 Liens are subordinate only to the following: (i) all fees required to be paid to the clerk of the
5 Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the “*U.S.*
6 *Trustee Fees*”), together with interest, if any, at the statutory rate; and (ii) all allowed claims for
7 unpaid fees, costs and expenses incurred by persons or firms retained by the Debtors or the
8 Committee, if any, whose retention is approved by the Court pursuant to any one or more of
9 sections 327, 328, 363, and 1103 of the Bankruptcy Code, to the extent such claims for fees, costs
10 and expenses are both (a) allowed by the Court pursuant to a final order, and (b) in accordance
11 with, and solely up to the total respective amounts set forth in the DIP Budget for the applicable
12 time frame (the “*Carve Out Expenses*”); provided that the aggregate amount of such Carve Out
13 Expenses shall not exceed (a) \$2,000,000 with respect to persons or firms retained by the Debtors,
14 and (b) \$150,000 with respect to persons or firms retained by the Committee (collectively, the
15 “*Carve Out Amount*”). Any payment or reimbursement made after the Carve Out Trigger Date in
16 respect of any Carve Out expenses shall permanently reduce the Carve Out Amount on a
17 dollar-for-dollar basis.

18 17. **Limitation of Use of Proceeds.** Notwithstanding anything set forth herein and
19 except as provided in the following paragraph, the Carve Out shall exclude any fees and expenses
20 incurred in connection with initiating or prosecuting any claims, causes of action, adversary
21 proceedings, or other litigation against the DIP Agent, the DIP Lender or any of the Prepetition
22 Secured Creditors, including, without limitation, the assertion or joinder in any claim,
23 counterclaim, action, proceeding, application, motion, objection, defenses or other contested
24 matter, the purpose of which is to seek any order, judgment, determination or similar relief (i)
25 invalidating, setting aside, disallowing, avoiding, challenging or subordinating, in whole or in
26 part, (a) the DIP Obligations, (b) the Prepetition Secured Obligations, (c) the Prepetition Liens,
27 (d) the VMF Liens or (e) the DIP Liens, or (ii) preventing, hindering or delaying, whether directly
28 or indirectly, the DIP Agent’s, the DIP Lender’s, the Prepetition Secured Creditors’ or

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1 McKesson’s assertion or enforcement of their liens or security interests or realization upon any
2 DIP Collateral, Prepetition Collateral, or VMF Collateral, or (iii) prosecuting any Avoidance
3 Actions against the DIP Agent, the DIP Lender, any Prepetition Secured Creditor or McKesson, or
4 (iv) challenging the amount, validity, extent, perfection, priority, or enforceability of, or asserting
5 any defense, counterclaim, or offset to, the Prepetition Secured Obligations, or the McKesson
6 Prepetition Debt, or the adequate protection granted herein, *provided however*, that nothing in this
7 Final Order shall limit the right of the Debtors to challenge the reasonableness of attorney and
8 financial advisory fees paid or proposed to be paid to Prepetition Secured Creditors or McKesson
9 as adequate protection payments.

10 18. **Payment of Compensation.** Nothing herein shall be construed as consent to the
11 allowance of any professional fees or expenses of any of the Debtors or the Committee or shall
12 affect the right of the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson
13 to object to the allowance and payment of such fees and expenses or to permit the Debtors to pay
14 any such amounts not set forth in the DIP Budget.

15 19. **Section 506(c) Claims; Equities of the Case.** Nothing contained in this Final Order
16 shall be deemed a consent by the DIP Agent, the DIP Lender or any Prepetition Secured Creditor
17 to any charge, lien, assessment or claim against the DIP Collateral under Section 506(c) of the
18 Bankruptcy Code or otherwise. The “equities of the case” exception under Section 552(b) of the
19 Bankruptcy Code and surcharge powers under section 506(c) of the Bankruptcy Code are waived
20 as to the Prepetition Creditors and all pre and postpetition collateral securing their claims.

21 20. **Collateral Rights.** Unless the DIP Agent and DIP Lender have provided their prior
22 written consent or all DIP Obligations have been paid in full in cash (or will be paid in full in cash
23 upon entry of an order approving indebtedness described in subparagraph (a) below), and all
24 commitments by the DIP Agent and the DIP Lender to lend have terminated:

25 (a) The Debtors shall not seek entry, in these proceedings, or in any Successor
26 Case, of any order which authorizes the obtaining of credit or the incurring of indebtedness that is
27 secured by a security, mortgage, or collateral interest or other lien on all or any portion of the DIP
28 Collateral and/or entitled to priority administrative status which is senior or *pari passu* to the DIP

1 Liens granted to the DIP Lender pursuant to this Final Order, the DIP Financing Agreements or
2 otherwise;

3 (b) The Debtors shall not consent to relief from the automatic stay by any
4 person other than the DIP Agent with respect to all or any portion of the DIP Collateral without
5 the express written consent of the DIP Agent and the DIP Lender;

6 (c) In the event that the Debtors seek entry of an order in violation of
7 subsection (a) hereof, the DIP Agent and DIP Lender shall be granted relief from the automatic
8 stay with respect to the DIP Collateral pursuant to the notice procedures set forth in this Order;
9 and

10 (d) The Parties to the DIP Credit Agreement agree that the Final Order does not impair
11 the claims, rights, or ability, if any, to recoup, setoff or otherwise recover Medicare overpayments
12 related to prepetition services by a Debtor ("**Prepetition Medicare Overpayments**") of the United
13 States, its agencies, departments, agents or entities (collectively, "**United States**") from the
14 payments made to such Debtor for services rendered after the Petition Date ("**Postpetition**
15 **Medicare Payments**"), in accordance with the Medicare statutes, regulations, policies and
16 procedures. The Parties to the DIP Credit Agreement further agree that the Final Order does not
17 impair the United States' claims, rights or ability, if any, to recoup, setoff or otherwise recover any
18 other prepetition debt a Debtor may owe to the United States from the Postpetition Medicare
19 Payments due such Debtor in accordance with applicable law.

20 21. **Commitment Termination Date.** All DIP Obligations of the Debtors to the DIP
21 Agent and the DIP Lender shall be immediately due and payable, and the Debtors' authority to
22 use the proceeds of the DIP Facility shall cease, on the date that is the earliest to occur of: (i)
23 September 7, 2019 (the "**Scheduled Termination Date**"); (ii) the date of revocation of this Final
24 Order, as applicable; (iii) the substantial consummation (as defined in Section 1101 of the
25 Bankruptcy Code and which for purposes hereof shall be no later than the "**effective date**") of a
26 plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered
27 by the Court; (iv) the consummation of a sale of all or substantially all of the DIP Collateral; (v)
28 the date the Court orders the conversion of the Chapter 11 Cases to a Chapter 7 liquidation or the

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1 dismissal of the Chapter 11 Cases or the appointment of a trustee or examiner with expanded
2 power in the Chapter 11 Cases; and (vi) the acceleration of the DIP Loan and the termination of
3 the commitments with respect to the DIP Facility in accordance with the DIP Financing
4 Agreements (the earliest of such dates, the “*Commitment Termination Date*”). The occurrence
5 of the Commitment Termination Date, shall also constitute, subject to further Court order,
6 termination of the Prepetition Secured Creditors’ and McKesson consent to the Debtors’ use of
7 their prepetition Cash Collateral (the “*Carve Out Trigger Date*”).

8 22. **Disposition of Collateral.** The Debtors shall not sell, transfer, lease, encumber or
9 otherwise dispose of any portion of the DIP Collateral, without the prior written consent of the
10 DIP Agent and the DIP Lender (and no such consent shall be implied, from any other action,
11 inaction or acquiescence by the DIP Agent or the DIP Lender or an order of this Court), except as
12 provided in the DIP Financing Agreements and this Final Order and approved by the Court to the
13 extent required under applicable bankruptcy law. Nothing herein shall prevent the Debtors from
14 making sales in the ordinary course of business to the extent consistent with the DIP Budget and
15 as permitted in the DIP Financing Agreements.

16 23. **Events of Default.** The occurrence of a “Default” or an “Event of Default”
17 pursuant to Section 9.1 the DIP Credit Agreement, including, without limitation, the “Bankruptcy
18 Defaults” enumerated in Section 9.1(q) of the DIP Credit Agreement, shall constitute an event of
19 default under this Final Order, unless expressly waived in writing in accordance with the consents
20 required in the DIP Financing Agreements.

21 24. **Rights and Remedies Upon Event of Default.**

22 (a) Any otherwise applicable automatic stay is hereby modified so that after
23 the occurrence of any Event of Default and at any time thereafter during the continuance of such
24 Event of Default, the DIP Agent and the DIP Lender shall be entitled to exercise its rights and
25 remedies with respect to the Debtors and the DIP Collateral provided in the DIP Financing
26 Agreements and by applicable law, including, without limitation, foreclosing on and selling the
27 DIP Collateral, without the need for further court approval or the consent of any other party.
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1 (b) Notwithstanding the preceding paragraph, immediately following the
2 giving of notice by the DIP Agent of the occurrence and continuance of an Event of Default, the
3 DIP Agent shall have the right in its sole discretion to take any or all of the following actions: (i)
4 declare the commitment of the DIP Lender to make the DIP Loan to be terminated; (ii) declare the
5 unpaid principal amount of all outstanding DIP Loans, all interest accrued and unpaid thereon,
6 and all other amounts owing or payable hereunder or under any other DIP Financing Agreements
7 to be immediately due and payable, without presentment, demand, protest or other notice of any
8 kind, all of which are hereby expressly waived by any Debtor; (iii) reduce the advance rates in
9 respect of Eligible Accounts (as defined in the DIP Credit Agreement) or take additional reserves
10 against or otherwise modify the Borrowing Base; and (iv) exercise all rights and remedies
11 available to the DIP Agent and the DIP Lenders under the DIP Financing Agreements, including
12 any right of set-off under Section 11.21 of the DIP Credit Agreement, or under the UCC or any
13 other applicable law; *provided, however*, that upon the occurrence of an Event of Default under
14 the DIP Credit Agreement, the obligation of the DIP Lenders to make the DIP Loan shall
15 automatically terminate, the unpaid principal amount of all outstanding DIP Loans and other DIP
16 Obligations and all interest and other amounts as aforesaid shall automatically become due and
17 payable without further act of the DIP Agent or any DIP Lender.

18 (c) Nothing included herein shall prejudice, impair, or otherwise affect the DIP
19 Agent's or the DIP Lender's rights to seek any other or supplemental relief in respect of the DIP
20 Agent's and the DIP Lender's rights, as provided in the DIP Credit Agreement.

21 25. **Limitation on Lender Liability.** Nothing in this Final Order, any of the DIP
22 Financing Agreements, or any other documents related thereto shall in any way be construed or
23 interpreted to impose or allow the imposition upon the DIP Agent, the DIP Lenders or the
24 Prepetition Secured Parties Creditors of any liability for any claims arising from any activities by
25 the Debtors in the operation of their businesses or in connection with the administration of these
26 Cases. The DIP Agent, the DIP Lenders and the Prepetition Secured Creditors shall not, solely by
27 reason of having made loans under the DIP Facility, be deemed in control of the operations of the
28 Debtors or to be acting as a "responsible person" or "owner or operator" with respect to the

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1 operation or management of the Debtors (as such terms, or any similar terms, are used in the
2 United States Comprehensive Environmental Response, Compensation and Liability Act, 42
3 U.S.C. §§ 9601 et seq., as amended, or any similar federal or state statute). Nothing in this Final
4 Order or the DIP Financing Agreements shall in any way be construed or interpreted to impose or
5 allow the imposition upon the DIP Agent, the DIP Lenders, or any of the Prepetition Secured
6 Creditors of any liability for any claims arising from the prepetition or postpetition activities of
7 any of the Debtors.

8 26. **Insurance Proceeds and Policies.** As of the entry of this Final Order and to the
9 fullest extent provided by applicable law, the DIP Agent (on behalf of the DIP Lenders) and the
10 Prepetition Secured Creditors, shall be, and shall be deemed to be, without any further action or
11 notice, named as additional insured and as lender's loss payee with the priority as to all rights and
12 remedies as set forth herein and in the DIP Credit Agreement.

13 27. **Proofs of Claim.** Neither the DIP Agent nor the DIP Lender will be required to
14 file proofs of claim in the Chapter 11 Cases. Any proof of claim so filed shall be deemed to be in
15 addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition
16 Secured Creditors.

17 28. **Other Rights and Obligations.**

18 (a) **Good Faith Under Section 364(e) of the Bankruptcy Code. No**
19 **Modification or Stay of this Final Order.** The Debtors, the DIP Agent, the DIP Lender, the
20 Prepetition Secured Creditors and McKesson have acted in good faith in connection with
21 negotiating the DIP Financing Agreements, extending credit under the DIP Facility, and
22 authorizing use of Cash Collateral and rely on this Final Order in good faith. Based on the
23 findings set forth in this Final Order and the record made during the Interim Hearing and the Final
24 Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of
25 the provisions of this Final Order are hereafter reversed, modified amended or vacated by a
26 subsequent order of this or any other Court, the DIP Agent, DIP Lender, Prepetition Secured
27 Creditors and McKesson are entitled to the protections provided in section 364(e) of the
28 Bankruptcy Code. Any such reversal, modification, amendment or *vacatur* shall not affect the

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1 validity and enforceability of any advances made pursuant to this Final Order or the DIP
2 Financing Agreements, nor shall it affect the validity, priority, enforceability, or perfection of the
3 DIP Liens, the Prepetition Replacement Liens or the VMF Replacement Lien. Any claims or DIP
4 Protections granted to the DIP Agent and the DIP Lender hereunder, or adequate protection
5 granted to the Prepetition Secured Creditors and McKesson hereunder, arising prior to the
6 effective date of such reversal, modification, amendment or *vacatur*, shall be governed in all
7 respects by the original provisions of this Final Order, and the DIP Agent, the DIP Lender,
8 Prepetition Secured Creditors and McKesson shall be entitled to all of the rights, remedies,
9 privileges and benefits, including the DIP Protections and adequate protection granted herein,
10 with respect to any such claims. Since the loans made pursuant to the DIP Credit Agreement are
11 made in reliance on this Final Order, the obligations owed to the DIP Agent, the DIP Lender, the
12 Prepetition Secured Creditors or McKesson prior to the effective date of any reversal or
13 modification of this Final Order cannot, as a result of any subsequent order in the Chapter 11
14 Cases or in any Successor Cases, be subordinated, lose their lien priority or superpriority
15 administrative expense claim status, or be deprived of the benefit of the status of the liens and
16 claims granted to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors or McKesson
17 under this Final Order and/or the DIP Financing Agreements.

18 (b) **Binding Effect.** The provisions of this Final Order shall be binding upon
19 and inure to the benefit of the DIP Agent, DIP Lender, the Debtors, the Prepetition Secured
20 Creditors, McKesson, the Committee, all other Parties in Interest, and all creditors, and each of
21 their respective successors and assigns (including any trustee or other fiduciary hereinafter
22 appointed as a legal representative of the Debtors or with respect to the property of the estates of
23 the Debtors) whether in the Chapter 11 Cases, in any Successor Cases, or upon dismissal of any
24 such chapter 11 or chapter 7 case.

25 (c) **No Waiver.** The failure of the DIP Agent or the DIP Lender to seek relief
26 or otherwise exercise its rights and remedies under the DIP Financing Agreements, the DIP
27 Facility, this Final Order or otherwise, as applicable, shall not constitute a waiver of the DIP
28 Agent's or the DIP Lender's rights hereunder, thereunder, or otherwise. Notwithstanding

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1 anything herein, the entry of this Final Order is without prejudice to, and does not constitute a
2 waiver of, expressly or implicitly, or otherwise impair the DIP Agent or the DIP Lender under the
3 Bankruptcy Code or under non-bankruptcy law, including without limitation, the rights of the DIP
4 Agent and DIP Lender to (i) request conversion of the Chapter 11 Cases to cases under Chapter 7,
5 dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases, (ii)
6 propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of
7 reorganization, or (iii) exercise any of the rights, claims or privileges (whether legal, equitable or
8 otherwise) the DIP Agent or DIP Lender may have pursuant to this Final Order, the DIP
9 Financing Agreements, or applicable law. Nothing in this Final Order shall interfere with the
10 rights of any party with respect to any non-Debtors.

11 (d) **No Third Party Rights.** Except as explicitly provided for herein, this
12 Final Order does not create any rights for the benefit of any third party, creditor, equity holder or
13 any direct, indirect, or incidental beneficiary.

14 (e) **No Marshaling.** The DIP Lender shall not be subject to the equitable
15 doctrine of “marshaling” or any other similar doctrine with respect to any of the DIP Collateral.

16 (f) **Amendment.** The Debtors, the DIP Agent and the DIP Lender may amend
17 or waive any provision of the DIP Financing Agreements, on notice to the Office of the U.S.
18 Trustee, the Committee, the Prepetition Secured Creditors and McKesson. The Debtors shall give
19 each Prepetition Secured Creditor and McKesson notice concurrent with giving such notice or
20 request to the DIP Agent for any amendment or waiver of the DIP Financing Agreements and,
21 without prejudice to the effectiveness of any such amendment or waiver, each Prepetition Secured
22 Creditor shall have the right to file a motion objecting to such amendment. Nothing in this Final
23 Order shall authorize the DIP Agent or DIP Lenders to increase the commitments in excess of the
24 commitments set forth in this Final Order, increase the contract interest rate, defined in the DIP
25 Credit Agreement as the Applicable LIBOR Margin, increase the Default Rate or extend the
26 maturity date, defined in the DIP Credit Agreement as the “Scheduled Termination Date”. Except
27 as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of
28 the DIP Financing Agreements shall be effective unless set forth in writing, signed on behalf of all

1 the Debtors, the DIP Agent and the DIP Lender, and, if material, approved by the Court. Nothing
2 herein shall preclude the Debtors, the DIP Agent and the DIP Lender from implementing any
3 amendment or waiver of any provision of the DIP Financing Agreements.

4 (g) **Estate Subrogation.** Debtor Verity Holdings shall have an allowed
5 unsecured superpriority administrative expense claim granted to it pursuant to section 364(c)(1),
6 against each of the other Debtors that is a “Net Borrower” (as defined below) based on the
7 consolidated cash management process and DIP Loan, which claim shall be subordinate to the
8 DIP Obligations, including the DIP Superpriority Claim, and to the Adequate Protection Claims
9 of the Prepetition Secured Creditors and McKesson, but shall have priority over all other
10 administrative claims, in an amount equal to the sum of (a) the amount, if any, by which Debtor
11 Verity Holdings’ assets that are used to satisfy the DIP Loan, the Prepetition Replacement Liens
12 or VMF Liens, exceeds the amount, if any, of any draws on the DIP Loan used by Verity Holdings
13 plus interest, and (b) any postpetition net intercompany advances by Verity Holdings to any other
14 Debtor. “Net Borrower” shall mean any Debtor for which the sum of all cash received from the
15 concentration account or draws on the DIP Loan and its allocation of interest paid or payable
16 under the DIP Loan based on amounts received by it and amounts received by other Debtors,
17 exceeds any cash it has transferred to the concentration account during the Chapter 11 Cases.

18 29. **Survival of Final Order and Other Matters.** The provisions of this Final Order
19 and any actions taken pursuant hereto shall survive entry of any order which may be entered in
20 these Bankruptcy Cases, including without limitation, an order (i) confirming any Plan in the
21 Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the
22 Bankruptcy Code or any Successor Cases, (iii) to the extent authorized by applicable law,
23 dismissing any of the Chapter 11 Cases, (iv) withdrawing of the reference of any of the Chapter
24 11 Cases from this Court, or (v) providing for abstention from handling or retaining of
25 jurisdiction of any of the Chapter 11 Cases in this Court. The terms and provisions of this Final
26 Order including the DIP Protections granted pursuant to this Final Order and the DIP Financing
27 Agreements, shall continue in full force and effect notwithstanding the entry of such order, and
28 such DIP Protections shall maintain their priority as provided by this Final Order until all the

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1 Obligations of the Debtors to the DIP Agent and the DIP Lender pursuant to the DIP Financing
2 Agreements have been indefeasibly paid in full and in cash and discharged (such payment being
3 without prejudice to any terms or provisions contained in the DIP Financing Agreements which
4 survive such discharge by their terms). The terms and provisions of this Final Order including
5 any protections granted to the Prepetition Secured Creditors and McKesson, shall continue in full
6 force and effect notwithstanding the entry of such order, and such protections for the Prepetition
7 Secured Creditors and McKesson shall maintain their priority as provided by this Final Order
8 until all the obligations of the Debtors to the Prepetition Secured Creditors and McKesson
9 pursuant to applicable documentation have been discharged. The DIP Obligations shall not be
10 discharged by the entry of an order confirming a plan of reorganization, the Debtors having
11 waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

12 (a) **Inconsistency.** In the event of any inconsistency between the terms and
13 conditions of the DIP Financing Agreements and of this Final Order, the provisions of this Final
14 Order shall govern and control.

15 (b) **Enforceability.** This Final Order shall constitute findings of fact and
16 conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully
17 enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Final Order.
18 Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other
19 Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be
20 immediately effective and enforceable upon its entry and there shall be no stay of execution or
21 effectiveness of this Final Order.

22 (c) **Objections Overruled.** All objections to the DIP Motion to the extent not
23 withdrawn or resolved, are hereby overruled.

24 (d) **No Waivers or Modification of Interim Order.** The Debtors irrevocably
25 waive any right to seek any modification or extension of this Final Order without the prior written
26 consent of the DIP Agent and the DIP Lender and no such consent shall be implied by any other
27 action, inaction or acquiescence of the DIP Agent or the DIP Lender.
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(e) **No Effect on Non-Debtor Collateral.** Notwithstanding anything set forth herein, neither the liens nor claims granted in respect of the Carve Out shall be senior to any liens or claims of the DIP Agent or the DIP Lender with respect to any other non-Debtor or any of their assets.

* * * *

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